

2014

# National Reform Programme of the Czech Republic



Office of the Government of the Czech  
Republic

## Contents

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# 1. Introduction

## 1.1. Introduction

The Czech Republic's 2014 National Reform Programme (NRP) is a conceptual national policy document, which in accordance with the economic priorities of the European Union (EU) sets a plan of key measures to support the economic growth in the Czech Republic while upholding the responsible fiscal policy. The measures included in this document react to the current economic situation and are based on the priorities defined by the government of the Czech Republic (government).

After the slowing down of the economic development in recent years the Czech Republic is gradually returning to economic growth. The revival of the economy is still fragile and gradual however. The growth rate as well as its sustainability remains uncertain. In this context the government's main goal is to support the economy's revival as well as increase the potential for further growth. The government also strives to achieve sustainable growth and to create ties between the economic, social and environmental policies.

The reform measures included in the NRP aim to fulfil the national goals set within the Europe 2020 Strategy and also reflect the recommendations within the Integrated Guidelines and in individual EU flagship initiatives. The also react to the current economic and social situation in the Czech Republic. The government focuses mainly on the implementation of the Commission's recommendations, which the Czech Republic received in 2013.

As the NRP is a conceptual and not a legislative document, it is necessary to view the measures included within as the government's political goals. Interwoven within the document are the reform efforts of individual state policy sectors supporting the increase in competitiveness and prosperity of the Czech Republic. The Programme's framework is set to match the implementation period of the Europe 2020 Strategy, emphasizing that significant changes should take place as soon as possible. With regard to the fact that the NRP is being updated on a yearly basis, the main focus is on measures, which may be implemented or at least started in 2014.

The NRP is also interconnected with other strategic documents in the field of economy and sustainable growth. The aim of this Programme is not to supplant these documents, but to be a complementary document that summarizes priorities across the Czech Republic's economic policy.

The government's aim is also the efficient use of European funds, whereas emphasis is on the cohesion policy's benefits to the competitiveness and sustainable growth. In this regard there is a synergy between the NRP and the Partnership Agreement for the 2014 – 2020 programme period, which sets the goals and priorities for efficient use of European Structural and Investment Funds. The Agreement is a strategic document, based on thorough analysis of the Czech Republic's current social and economic situation, economic trends and needs, based on which the priorities are set for funding in the years 2014 – 2020 while the fulfilment of the common goals of the EU is being monitored as well.

In the field of macroeconomic and fiscal policy the NRP is supplemented by the Convergence Programme 2014, which specifies in more detail the basic summary fiscal data and provides a more detailed list of the most important planned measures that have an impact on the budget in the form of the government's medium-term fiscal strategy.

## 1.2. The preparation process

The government considers the active dialogue with parliamentary representatives and social and economic partners as one of the key elements of an efficient cooperation and social consensus on the

economic direction of the country. In this regard the government strives for the maximum possible involvement of a wide spectrum of interested parties in the preparation of all important strategic documents. Since the very early phases the NRP has been prepared in close cooperation of all interested parties in order to create sufficient space for the interested public to influence its contents.

A number of intensive formal and informal discussions took place from February until April 2014 with the participation of affected departments, representatives of the Czech Parliament, economic and social partners (particularly the with Czech-Moravian Confederation of Trade Unions, Association of Independent Unions, Confederation of Industry of the Czech Republic, Czech Chamber of Commerce, Confederation of Employers and Entrepreneurs' Associations of the CZECH REPUBLIC), Association of Regions of the Czech Republic, Union of Towns and Municipalities of the Czech Republic universities, academic sphere, members of the National Economic Council, NGOs, European Commission Prague representation, experts and professional public.

At the start of the preparation process the individual ministries prepared topical drafts, which where the basis for the following expert discussions. Based on the results of this dialogue the government, in accordance with its Programme Declaration, prepared a draft document, which was again discussed with all interested parties. Prior to its approval by the government the NRP was discussed by relevant committees of the Chamber of Deputies and the Senate of the Czech Parliament, as well as the Working Team of the Council of Economic and Social Agreement. The representatives of social and economic partners expressed its appraisal for the inclusive process of its preparation and pointed out the need for strict supervision of its implementation.

The Government's main effort was to ensure that the whole preparation process is as transparent, open and inclusive as possible and that the resulting document would be as consensual as possible. The government used a number of suggestions for partial adjustments and additions to the document. Some of the substantial suggestions, which could not be reflected in the document, were used as stimuli to elaborate on other more detailed measures within the government's economic programme. As a result, the National Reform Programme reflects a number of comments and suggestion put forward by the public and contains a consensual set of priorities corresponding with the government competencies, as they arise from the constitutional order of the Czech Republic. The NRP is a document that is approved at government level, and therefore it cannot contain priorities and measures, whose implementation falls within the competences of other bodies.

### 1.3. Document structure

The NRP structure and content correspond with the European Council's guidelines, which the Czech Republic received in October 2013. The main focus is on the implementation of the Council's recommendations, which the government considers important for the fulfilment of the Europe 2020 Strategy goals at the national level. The key lines of the government's reform efforts are further outlined in four chapters:

- Transparent public finances and efficient investments
- Attractive business environment and development of infrastructure for Czech industry
- Functional labour market, system of education and social inclusion
- Growth base on research and innovation

The overarching axis of the reform effort is the consolidation of the state's functioning as the fundamental condition for further economic, social and environmental development of the Czech Republic. As the NRP is one of the bases for defining the national priorities of the EU Cohesion Policy, it contains a separate chapter, which deals with the implementation of the Cohesion Policy and the use of EU Structural and Investment Funds Programmes as tools for implementing the Europe 2020 Strategy priorities.

The implementation of the NRP and the fulfilment of the Europe 2020 Strategy priorities is regularly monitored in cooperation with the European Commission according to the mutually agreed methodology. NRP will continue to be updated annually and submitted to the European Commission each year by the end of April in order to evaluate the macroeconomic and structural measures and further specify the process of fulfilment of long-term goals.

## **1.4. Impact and implementation of the reform measures**

The final document also contains the Appendices focusing on the impacts of individual reforms and the time schedule of their fulfilment. The list of qualitative and quantitative impacts, including the impacts on public budgets, represents the indicative political goals of the government. The precise impacts and expected costs of the planned structural measures often cannot be determined or quantified in advance due to the given preparation phase. The accurate public budget costs for the coming years may be subject to change depending on the preparation of the state budget for the year 2015 and the outlook for 2013 and 2017.

However, the government views the list of qualitative and quantitative impacts as a possibility to determine the benefits of individual reform measures for the national economy. Based on these data and in reaction to the current economic outlook such pro-growth measures were selected for the NRP, in which the government identified the potential of positive effects on employment, labour market efficiency, standard of living, efficiency of the use of public funds, environment, competitiveness of businesses and the development of the Czech citizens' education. The impacts on vulnerable groups of citizens and the equal development of regions and municipalities were also thoroughly considered. The aim of the document in this regard is to reflect as much as possible the current challenges of the national economy as well as take into account the needs of employers, employees as well as socially endangered persons.

The document also includes an indicative time schedule of implementation of individual measures, the fulfilment of which will be regularly monitored and evaluated by the Office of the Government with full cooperation of all responsible departments. The fulfilment of the time schedule will also be regularly evaluated by the government in the form of evaluation reports on the status of implementation of reform measures on regular dates that will be specified in advance.

## 2. Current macroeconomic prediction of the Czech Republic

According to the data provided by the Czech Statistical Office (CZSO) the real GDP decreased by 0.9% in 2013. The surprisingly strong quarterly growth by 1.8% in the 4<sup>th</sup> quarter was caused largely by one-time factors (pre-stocking with cigarette stamps regarding the increased cigarette consumer tax effective from 1<sup>st</sup> January 2014), which will have a negative effect on growth, particularly in the 1<sup>st</sup> quarter of this year; however the gradual rejuvenation of the economic activity should continue. This year's GDP could grow by 1.7% and in the following year the growth could accelerate up to 2.5% in 2017. In the prediction and outlook horizon all expenditures should contribute positively to the GDP growth.

Despite the depreciation of the Czech Crown due to the interventions by the Czech National Bank (CNB) only very low inflation should occur in 2014. Unlike in the previous years in 2014 all administrative influences (particularly the decrease in electricity costs) should act to counter the inflation. The inflation rate could reach 1.0% this year. In 2015 the growth of consumer prices could accelerate up to 2.3% due to the rejuvenated economy and delayed effects of the depreciated Crown. The expected implementation of the third VAT rate of 10% for selected goods and services in 2015 together with the abolishment of the regulatory fees for medical treatment should also have a mild counter-inflationary effect. The changes in indirect taxes should also affect the development of consumer prices in 2016, when the current VAT rates should be lowered by 1 percentage point (i.e. to 14% and 20%). In 2017 the inflation rate should be very close to the CNB inflation target.

The employer's effort to increase the labour productivity should lead to only a minimal increase in employment in this or the following year. We also expect an impact on the unemployment rate (LFS), which should decrease only slightly in both years despite the gradual economic growth. The slight increase in employment and gradual decrease of the unemployment rate should characterize the development in the labour market in the outlook years as well.

The volume of wages and salaries could increase by 1.8% this year, in 2015 we expect the growth to accelerate to 3.5%. Similar growth rates could be expected in 2016 and in 2017 the growth could accelerate up to 4.1%. The compensation of employees to nominal GDP ratio should significantly decrease this year, in the following years it should increase slightly.

We expect that due to the positive development of the foreign trade balance the deficit of the current account of the balance of payments should be negligible. We perceive the prediction risks as balanced.

Table 1: Main macroeconomic indicators

|                                         |                              | 2009  | 2010  | 2011  | 2012  | 2013  | 2014<br>Fore-<br>cast | 2015<br>Fore-<br>cast | 2016<br>Out-<br>look | 2017<br>Out-<br>look |
|-----------------------------------------|------------------------------|-------|-------|-------|-------|-------|-----------------------|-----------------------|----------------------|----------------------|
| GDP                                     | <i>Bn. CZK curr. p..</i>     | 3 759 | 3 791 | 3 823 | 3 846 | 3 884 | 4 023                 | 4 173                 | 4 303                | 4 471                |
| GDP                                     | <i>Growth in %, const.p.</i> | -4,5  | 2,5   | 1,8   | -1,0  | -0,9  | 1,7                   | 2,0                   | 2,2                  | 2,5                  |
| Household consumption                   | <i>Growth in %, const.p</i>  | 0,2   | 0,9   | 0,5   | -2,1  | 0,1   | 0,6                   | 1,5                   | 1,9                  | 1,9                  |
| Government consumption                  | <i>Growth in %, const.p</i>  | 4,0   | 0,2   | -2,7  | -1,9  | 1,6   | 0,8                   | 0,7                   | 1,2                  | 1,2                  |
| Gross fixed capital formation           | <i>Growth in %, const.p</i>  | -11,0 | 1,0   | 0,4   | -4,5  | -3,5  | 2,7                   | 2,0                   | 2,1                  | 3,1                  |
| Cont. of foreign trade to GDP growth    | <i>p.p. const.p.</i>         | 0,5   | 0,6   | 1,9   | 1,7   | -0,3  | 0,5                   | 0,6                   | 0,6                  | 0,6                  |
| Cont. of change in stocks to GDP growth | <i>p.p. const.p</i>          | -2,9  | 1,0   | 0,1   | -0,1  | -0,2  | 0,2                   | 0,1                   | 0,0                  | 0,0                  |
| GDP deflator                            | <i>Growth in %,</i>          | 2,3   | -1,6  | -0,9  | 1,6   | 1,9   | 1,8                   | 1,7                   | 0,9                  | 1,3                  |
| Average inflation rate                  | <i>%</i>                     | 1,0   | 1,5   | 1,9   | 3,3   | 1,4   | 1,0                   | 2,3                   | 1,4                  | 2,1                  |
| Employment (LFS)                        | <i>Growth in %,</i>          | -1,4  | -1,0  | 0,4   | 0,4   | 1,0   | 0,2                   | 0,2                   | 0,2                  | 0,2                  |
| Unemployment rate (LFS)                 | <i>Average in %</i>          | 6,7   | 7,3   | 6,7   | 7,0   | 7,0   | 6,8                   | 6,6                   | 6,4                  | 6,0                  |
| Wage bill (domestic concept)            | <i>Growth in %,</i>          | -2,1  | 0,8   | 2,2   | 1,8   | -0,9  | 1,8                   | 3,5                   | 3,6                  | 4,1                  |

|                                   | <i>curr.p.</i>              |      |      |      |      |      |      |      |      |      |
|-----------------------------------|-----------------------------|------|------|------|------|------|------|------|------|------|
| Current account/GDP               | %                           | -2,4 | -3,9 | -2,7 | -1,3 | -1,4 | -0,4 | -0,3 | -0,5 | -0,6 |
| <i>Prerequisites:</i>             |                             |      |      |      |      |      |      |      |      |      |
| Exchange rate CZK/EUR             |                             | 26,4 | 25,3 | 24,6 | 25,1 | 26,0 | 27,3 | 27,2 | 26,8 | 26,4 |
| Long-term interest rates (10 let) | % p.a.                      | 4,7  | 3,7  | 3,7  | 2,8  | 2,1  | 2,4  | 2,6  | 2,8  | 3,0  |
| Crude oil Brent                   | USD/barrel                  | 62   | 80   | 111  | 112  | 109  | 105  | 101  | 97   | 95   |
| Eurozone GDP (EA12)               | Growth in %, <i>const.p</i> | -4,4 | 1,9  | 1,6  | -0,6 | -0,4 | 1,1  | 1,5  | 1,8  | 2,1  |

Source: Macroeconomic forecast of the Czech Republic, 11<sup>th</sup> April 2014

## 3. Implementation of Council recommendations

The 2014 update of the NRP takes into account measures implemented based on the Council's recommendations for the Czech Republic of 9<sup>th</sup> July 2013. These recommendations and key measures for their fulfilment are summarized in the following part of this chapter.

### 3.1. Fiscal policy and budget strategy

**Recommendation No. 1:** Implement as envisaged the budget for the year 2013 so as to correct the excessive deficit in 2013 in a sustainable manner and achieve the structural adjustment effort specified in the Council recommendations under the EDP. For the year 2014 and beyond, reinforce and rigorously implement the budgetary strategy, supported by sufficiently specified measures, in order to ensure an adequate fiscal effort to make sufficient progress towards the MTO. Prioritise growth-enhancing expenditure including committing on time remaining projects co-financed by EU funds under the current financial framework.

#### 3.1.1. Fiscal pact

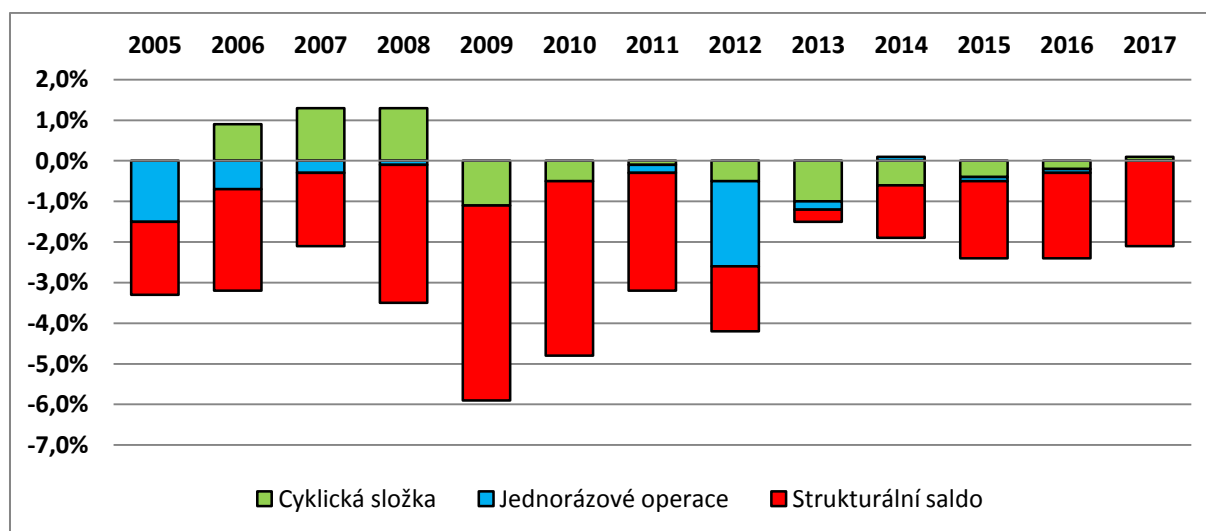
The government will use the opportunity for a late accession to the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, which has been signed by 25 EU member states on 2nd March 2012. The government gave its approval to the Czech Republic's accession to the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union at its meeting on 24th March 2014 with the condition that the Treaty's provisions will apply to the Czech Republic only after it adopts the Euro currency. The internal ratification process demands the approval of the constitutional majority of both Chambers of the Czech Parliament and then the President will sign the accession document.

#### 3.1.2. Termination of the excessive deficit procedure

The termination of the excessive deficit procedure is the primary short-term goal of the Czech Republic within the fiscal policy, the fulfilment of which the government approaches with maximum responsibility. The reality of the fulfilment of this goal is backed by the results of the Notifications of the Government Deficit and Debt from April 2014 that estimate the government sector's deficit in relation to the GDP at 1.5%. Due to the fiscal effort, which achieved the value of 1.3 percentage points (similarly to the previous year), the structural deficit decreased to 0.3% GDP. Therefore the middle-term budgetary objective for 2013, which is defined for the Czech Republic as a structural deficit of a maximum of 1% GDP, has been achieved even with a reserve. The fiscal policy strategy for the period 2014-2007, which is described

below, confirms the government's resolve to continue in practicing a responsible fiscal policy with deficits below 3% of the reference limit.

Chart 1: Balance of the government sector (% GDP) according to ESA 95



Source: Convergence programme of the Czech Republic 2014 - 2017

### 3.1.3. Budget strategy 2014-2017

Based on the April Notifications we expect a 1.8% GDP government sector deficit in 2014. The middle-term fiscal strategy envisages 2.3% GDP deficits for 2015 and 2016, at the prediction's horizon the deficit should decrease to 2.0% GDP due to the estimated higher dynamics of the economy.

The fiscal effort, a year-on-year change of the structural balance, is set to be slightly stimulating, in part due to the economy's expected negative position in the cycle during outlook period. The rate of domestic economy growth support should gradually decrease during the middle-term budget outlook towards the neutral fiscal policy setting in 2017, which de facto corresponds with the expected closing of the production gap this year.

The fiscally most important changes planned by the current government are related to the setting of VAT rates. Firstly the second reduced rate will be implemented in 2015 and subsequently the basic and reduced VAT rates will be reduced by 1 percentage point in 2016. Partial changes will be made to the settings of several parameters of the personal income tax (e.g. the restoration of the basic reduction for working pensioners from 2015, increase of the tax deduction for the 2nd and subsequent children or the restriction of the self-employed persons' possibility to use flat rate expenses). The loss of income that will result from these measures will be largely compensated by the abolishment of the reform of direct taxes and levies in relation to the implementation of the Single Collection Place.

The level of government sector's expenditure will be also affected by the removal of the restrictions of the indexation formula for pensions starting in 2015, the restricted growth of several welfare benefits or a mild growth of employee compensation in state administration. A larger amount of funding will be directed to the healthcare sector. The fiscal strategy of the new government is provided in more detail in the updated Convergence Programme of the Czech Republic.

### 3.1.4. Drawing European funds within the 2007 - 2013 programming period

The 2007 - 2013 programming period is approaching the final phase of its closure. Funding in the amount of ca. 12 bn. EUR – or 46.1% of the allocation (data as of 1<sup>st</sup> April 2014) - remains to be sent to the European Commission. As of the same date 91% of the 2007 -2013 programme period allocation is

covered by Decisions/Agreements to Award a Grant. The state budget allows for sufficient funds for financing projects that are co-financed from the European funds.

The Czech Republic did not manage to completely fulfil the n+2 and n+ 3 rules, when it had to draw funds allocated for the year 2010 (when the n+3 rule applied for the Czech Republic) as well as for 2011 (when the n+2 rule started to apply). Therefore the Czech Republic had to draw ca. 65% of all funds allocated for this period, whereas it failed to draw almost 3% of this amount (ca. 12 bn. CZK calculated with the January exchange rate), which will be irreversibly forfeited, unless the Czech Republic succeeds in negotiating an exception with the European Commission. A possible exception is the application of Article 95 of the General Regulation, according to which The amount potentially concerned by automatic decommitment shall be reduced by the amounts that the certifying authority has not been able to declare to the Commission because of operations suspended by a legal proceeding or an administrative appeal having suspensory effect (e.g. proceedings within the Office for the Protection of Competition or criminal proceedings). Another exception is the application of Article 96 of the General Regulation, which enables taking into account the so-called “force majeure” – in case of the Czech Republic reasons related to force majeure could be the 2013 floods and the economic crisis. The Czech Republic is currently in intensive negotiations with the European Commission regarding the possibilities of application of these rules with the aim to reduce the automatic decommitment for 2013.

The governing bodies of operational programmes must by the end of 2014 fulfil the n+2 rule for allocation of the year 2012 and draw the remaining allocation by the end of the 2007-2013 programme period, i.e. by 31<sup>st</sup> March 2017. Therefore one of the government’s main priorities will be to ensure that the Czech Republic fulfils its obligation to the European Commission at the end of 2014 and minimizes the loss of funding from the Structural Funds and the Cohesion Fund and that the operational programmes make maximum effort to draw the total allocation of the 2007-2013 programme period. This effort will be supported both by system measures implemented at the National Strategic Referential Framework level, which will be applied if needed for high-risk operational programmes, and ad hoc interventions in individual high-risk cases. The Czech Republic also identified several weak areas of the implementation structure and is currently preparing legislative as well as non-legislative measures leading to the streamlining and unification of processes while respecting the rules of efficient and transparent drawing. The Czech Republic will also focus on the coordination of the closure of the 2007-2013 programme period as well as ensuring sufficient administrative capacities.

## 3.2. Tax policy

**Council recommendation No.2:** Reduce the high level of taxation on labour by shifting taxation to areas less detrimental to growth, such as recurrent taxes on housing and vehicle circulation taxes. Further reduce discrepancies in the tax treatment of employees and the self-employed. Improve tax compliance and reduce compliance costs by establishing a Single Collection Point and harmonising the tax bases for personal income tax and health and social contributions.

### 3.2.1. Tax system changes

The government will make changes to the tax system so that taxes will not hinder growth and at the same time strengthen solidarity and contribute to better tax collection.

The **property transfer tax** was increased by 1 percentage point in 2013. Such adjustment aims to increase the tax income of the state budget by increasing taxes in the area of housing in such manner that will have the least negative effect on growth. In 2014 there will be a gradual increase in consumer taxes on

tobacco products and the reintroduction of the tax returns for mineral oils for persons who use these oils for agricultural primary production.

The government currently analyses possible proposals and impacts of tax adjustments from 2016 onwards, which are related to the increased **levies from gambling and taxation of internet lotteries** or the introduction of **sector taxes** for several regulated industries such as telecommunication, energetics or finance. A decision will be made based on the results of these analyses regarding the further process of implementation of these tax measures.

The government will also increase the **tax benefits for the second and subsequent child** with the aim to support families. Drafts of specific parameters of this tax benefit are being prepared at this time.

The government will decrease the **VAT for medicaments and books** in 2015. The government will also decrease the **VAT for irreplaceable child nutrition**.

The government plans to keep the mild tax progression at the current level of the so-called solidary surcharge, which should be a part of the new concept of gross wages starting from 2016, instead of the current super-gross wages. The change of the concept from the super-gross wage to gross wage will be implemented so that the current tax rate will be kept. Also within solidarity **the ceilings for health insurance levies** will be permanently removed starting in 2016.

### 3.2.2. Restriction of the self-employed persons' possibility to use flat rate expenses

In 2013 the absolute ceilings for entrepreneurs' flat rate expenses were set. At the same time restrictions were introduced for the tax deductions for dependent children and spouses without their own income for persons, who use flat rate expenses.

The government will further reduce the flat rate expenses for self-employed persons (SEP) with an absolute amount of 1.2 mil. CZK for activities with 60% flat rate expenses. The application of the basic tax allowance for a taxpayer should also be restricted. Upon analysing the levies for employees and SEP to the public budgets the government will propose measures, which will contribute to a **more just spread of costs of financing public services**. SEP who record no profit in the long term, with the exception of their starting year + 3 years, shall not have the possibility to apply some of the tax allowances.

By implementing the above mentioned measures the tax burden of employees and SEP will be brought slightly more even. The work on the **harmonized taxes and insurance bases** are also on-going. The parametrical changes of harmonized base rates, which are expected to come into force in 2016, should bring the current valid tax rates of SEP and employees closer together.

### 3.2.3. Improvement of tax collection and combatting tax evasion

The government shall abolish the Act No. 458/2011 Coll. related to the establishment of the Single Collection Place (SCP). The current valid version of the law, which was approved in 2012, does not correspond with the current legislative state of other related legal provisions or the legislative intent of the government. The key ideas of the SCP, which are the streamlining of the collection and administration of taxes and insurance fees and the reduction of the risk of tax collection shortage, are nevertheless supported by the government. The proposed changes will be devised so that there would be no shortage in tax collection, i.e. they will be budget neutral. The currently valid changes, which further reduced the tax burden of SEP in comparison to employees, were removed from the SCP concept. As for the unification of tax and insurance bases the original purpose of the SCP will remain unchanged. The aim of the government is the complete unification of the bases for the calculation of social and health insurance as a budget neutral change, which will also reduce the taxpayers' costs.

The government is preparing several other measures to improve tax collection. Among these are the **digitization of the tax administration, performing efficient checks of profits** from retail and services, the **lowering of the limit for cash payments** (from 15 000 to 10 000 EUR), implementation of **special**

**information duties** regarding payments from natural and legal entities to subjects in tax paradises, the introduction of the **obligation to prove the origin of assets** and the **strengthening of the tax administration** both in terms of technology and personnel. The basic possible measure, which could improve the digitization of the tax administration, which would result among others in higher efficiency of the tax administrators, is the general implementation of electronic submission of tax returns in 2015.

The government currently discusses possible advantages for taxpayers who would submit tax returns in an electronic form. The government's goal is also to transfer the tax liability for specific taxable supplies within the VAT. In this regard an amendment to the VAT law is currently being prepared, which shall introduce a new exhaustive list of activities, for which the transferred tax liability could be applied. Part of the draft law is the introduction of a range of activities, for which it would be enabled for member states to apply the transferred tax liability for a limited time period. The aim of these measures is to be able to flexibly react to an increased occurrence of tax evasions connected to VAT. They are expected to come into force in 2015.

### 3.3. Long-term sustainability of public finances

**Council recommendation No. 3:** Increase the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy, and review the indexation mechanism. Accompany the increase in retirement age with measures promoting employability of older workers and reduce early exit pathways. In particular, remove the public subsidy for the pre-retirement scheme. Take measures to significantly improve cost-effectiveness of healthcare expenditure, in particular for hospital care.

#### 3.3.1. Sustainable system of pension insurance

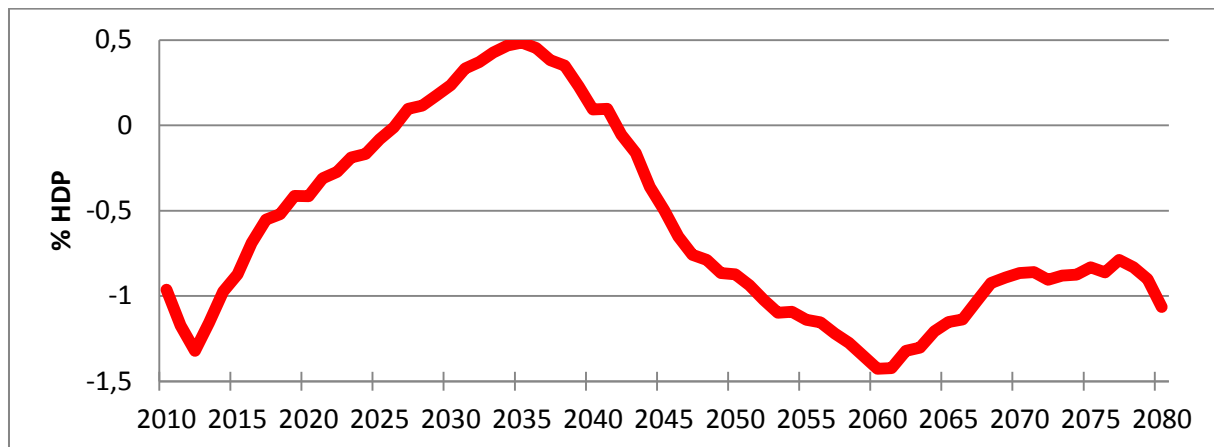
The amended Act No. 155/1995 Coll., on Pension Insurance, from 2011 implemented the increase of the pension age by two months per year without setting a final target age. For women this means a temporary increase from four to six months per year until the unification of the pension age in 2041. With this change the government succeeded, in accordance with the expected future demographic development and changes in the life expectancy<sup>1</sup>, in stabilising for the long term the average period of welfare payments for individual generations at ca. 20 years.

However, the government is aware of the uncertainty based on, particularly in the longer time period, the possible deviation of the actual development from the current demographic prognoses. With regard to this a discussion material has been prepared on the possibility to implement standardized **procedures of regular revisions of the pension age increase rate**. The revision mechanism will enable to monitor and evaluate in regular intervals the development of demographic indicators. If the expected development of the main indicator (i.e. the time a person spends in retirement) should deviate from the desired values, a process would be started, which would bind the government to prepare a proposal of an adequate reaction.

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<sup>1</sup> Predicted by Eurostat as well as by national demographic institutions.

Chart 2: Expected balance of the pension account according to MLSA projections (in % GDP)



Source: MLSA, 2014

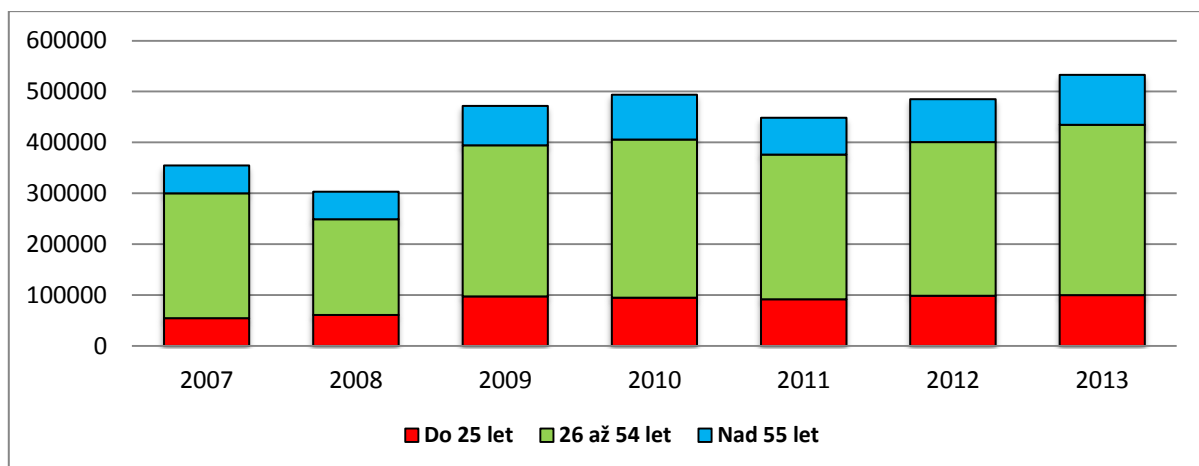
The government approved the amended Act on Pension Insurance, according to which starting in 2015 pensions will be adjusted by 100% of the growth of consumer prices and 1/3 of the growth of real wages. At the same time a special provision of the amendment shall guarantee that the pensions in 2015 will be increased at least by 1.8%. The main goal is to stop the decrease of the real value of pensions and to prevent the decrease of the standard of living of pensioners.

An expert commission has been established, comprising of representatives of the expert public, social partners and political representatives, which shall propose acceptable changes to the pension system. These changes shall lie in the interconnected sum of specific proposals, which will bring a long-term stable setup of the pension system, sustainability of its funding and the adequacy of the provided benefits.

### 3.3.2. Employability of older persons

. In the context of demographic trends it is clear that the participation of older worker in the labour market is a fundamental prerequisite for a long-term sustainability of the pension system. Therefore the government places increased focus on the employability and employment rate of older persons. The priority is the maximum utilization of the labour potential of older persons and preventing early departure from the labour market

Chart 3: Structure of job seekers



Source: MLSA, 2014

The government considers it very important to keep pre-retirement age employees in employment as well as to generally improve their security in the labour market.

Persons above 55 years of age are one of the primary groups **within the tools of the active employment policy**. Employment of older persons (55+) in social purpose jobs is also rewarded with the possibility to provide a higher monthly contribution (up to 24 000 CZK). Persons over 50 or 55 years are also placed in community services and re-qualification courses, primarily courses aimed at general education (e.g. computer literacy). This age group may also benefit from the support for creating part-time jobs. Employers, who employ two part-time workers in one social purpose job or within community services receive a sum of benefits that is larger than if they would employ one person full-time.

Apart from the above mentioned active employment policy tools, which create the basic framework there are also regional individual projects (RIP) within the authority of regional branches of the Labour Authority, which focus on combining several tools, particularly consultations combined with re-qualifications and the support of creating a subsidised job (social purpose job), which take into account regional specifics. There are currently 9 RIP focusing on the 50+ target group, while for another 26 RIP this group is among the supported groups.

Currently there are also new projects **Generational Tandem – Support of Generational Change** that are just starting their existence and which focus on ensuring the generational change and support intergenerational solidarity in the labour market by keeping pre-pension age employees in employment and improving the harmony between the qualification supply and demand in the labour market for persons who are newly entering the labour market. The projects support the transfer of work experience to persons entering the labour market without previous work experience. At the same time the projects also expect to support longer employability of older persons in the pre-pension age, when the productivity or activity within work activities starts to diminish. The Generational Tandem project pilots will be implemented in the Karlovy Vary, Central Bohemia and Olomouc Regions from 1<sup>st</sup> January 2014 until 31<sup>st</sup> October 2015.

Apart from the above mentioned programmes for the support of pre-pension employment the government also plans to introduce **social security allowances** for selected categories, including persons over 50 years of age, long-term unemployed graduates and mothers after maternal leave.

The re-introduction of the possibility to apply the basic tax allowance for taxpayers even for working pensioners is planned for 2015, which will lower the tax burden of this group of taxpayers and support the employment of workers in pension age.

In accordance with the fulfilment of measures listed in the National Action Plan Supporting Positive Aging 2013-2017 a working group has been established with the Government Council for Senior Citizens and Population Aging in April 2013. Its main goals are to promote system of management, which takes into account the age and abilities of employees (i.e. Age Management). The goal is to spread the Age Management concept to the Czech Republic and with its help change the approach of the public and employers to projecting working trajectories and employment of older persons.

### 3.3.3. Pre-pensions

The government has reservations about the recommendations in the section concerning the abolition of public subsidies for pre-pensions as a way to receive benefits from the supplementary pension savings system, which is supported by the state as a whole. It is only the possibility of using their own funds saved in a period close to retirement age. The measure does not create incentives for early exit from the labour market, but helps to overcome the difficult situation in life in the period in which it can be difficult for these people to find employment.

With the use of pre-pensions the participants of the supplementary pension savings system can avoid permanent reduction of the retirement pension which would have happened if they used early retirement. It cannot be viewed as public subsidies for pre-pensions, because the state contribution is

provided to all participants of the supplementary retirement savings, no matter what kind of benefit, including pre-pensions (which is just a specific benefit of supplementary pension saving, which meets the specified characteristics), they choose.

Due to the very small number of participants who are involved in the system pre-pensions<sup>2</sup>, their effect on the long term sustainability of public finances is considered negligible. In the context of scant impact of pre-pensions on public finances and employment and with regard to the consensus of the social partners on the measure no change is expected to this system.

### 3.3.4. High quality and efficient health care

The main objective of the government is to ensure economic stability, efficiency and transparency of the public health system, health insurance companies and healthcare providers. In 2014, the government shall make further steps to ensure the long-term financial sustainability of the public health system and further improve the quality, efficiency and effectiveness of care provided to patients. The government shall apply specific measures so that more resources are directed to the health system and thereby improved quality and availability of health services is achieved.

In order to increase the availability of health care to citizens their monetary participation in health care will be reduced by a significant **reduction of regulatory fees**. Since January 1, 2014 regulatory fees for hospitalization in hospitals have been cancelled and an amendment to Act No. 48/1997 Sb., on Public Health Insurance, will be proposed during 2014 so that, with effect from 1<sup>st</sup> January 2015, fees for outpatient services and prescriptions could be abolished. The government has been presented a proposal that payments for state social insurance should also be **regularly indexed with respect to average wage growth**, at the latest from 2016.

Short-term measures include the reduction of the **health insurance companies' reserve fund** by a half, i.e. from the current 1.5% to 0.75%. Through this measure, health care has additionally allocated about 600 million CZK<sup>3</sup> in 2014. In 2014, the government also submitted a proposal to **reduce the overhead costs of health insurance companies**.

The Government intends to strengthen the activities leading to **a more equitable distribution of funds among health insurance companies**. Redistribution of health insurance funds should be influenced by other parameters (e.g. PCG, Pharmacy Cost-Based Groups) to enable more equitable distribution of funds among health insurance companies and thus improve the quality of care for chronically ill patients. In this context dealings with health insurance companies will take place in 2014. The government shall also prepare an analysis of the impact of the implementation of this measure to the entire health insurance system.

In order to improve **transparency between health insurance companies and providers** of care the government shall during 2014 suggest enforcing a transparent and auditable system of public funds administration via the mandatory publication of contracts, including reimbursement amendments and "production" data, between health insurance companies with care providers.

The government will also strengthen, through legal measures, the state **supervision of health insurance flows and over the functioning of the health insurance companies**. The government will introduce a transparent system of quality indicators for comparing and publishing of quality of healthcare in individual healthcare facilities, so that these are accessible to both patients and specialists.<sup>4</sup> Competencies between the Ministry of Health and the National Reference Centre will also be specified. In April 2014, the so-called Instrument Commission was established (or the "Commission for the assessment of allocation of medical instruments"), which will comprise of representatives of ministries as well as health insurance companies,

<sup>2</sup> As of 31.12.2013 the pre-pensions were paid to 274 persons, i.e. an annual expenditure of ca. 1 bn. CZK.

<sup>3</sup> It will be necessary to amend the Act No. 280/1992 Coll. on Departmental, Sectoral, Company and Other Health Insurance and Act No. 551/1991 Coll. on the General Health Insurance Company of the Czech Republic

<sup>4</sup> The authorization will have to be embedded in the amendment to the Act No. 372/2011 Coll. on Health Services

Czech Medical Chamber, specialist companies, regions, in which the healthcare provider requesting the purchase of expensive equipment resides and finally the addressed trade unions. The task of this committee will be to assess and recommend the entry of expensive medical technology in the public insurance system so that it will be effectively utilized and appropriately allocated geographically.

### 3.4. Public employment services and the improvement of child care services

**Council Recommendation No. 4:** Make additional efforts to strengthen the efficiency and effectiveness of the public employment service. Increase significantly the availability of inclusive childcare facilities with a focus on children up to three years old, and the participation of Roma children, in particular by adopting and implementing the law on provision of childcare services and strengthening the capacities of both public and private childcare services.

#### 3.4.1. Strengthening of public employment services

In accordance with the recommendation the intention of the government is **to modernize the system of public employment services** and strengthening the capacity and efficiency of employment services in various areas and that, among others, with the use of European funds. Attention will be paid to the most vulnerable groups, such as mothers returning from maternity leave, youth under 30 years, people of pre-retirement age, low-skilled workers, people at risk of social exclusion and people with disabilities.

In the second half of 2013 a process of gradual **reorganization and stabilization of the Labour Authority of the Czech Republic** has been started, the goal of which is to eliminate shortcomings in its setup and operation. The ability of the Authority to secure the employment agenda is being improved gradually. Since 1<sup>st</sup> September 2013 700 systemized posts were added intended for the implementation of the active employment policy, especially in cooperation with employers and self-governing bodies. Increase in personnel was accompanied by an increase in funding for salaries and related operating expenses. Further strengthening staff capacity is addressed through projects implemented under the OP Human Resources and Employment.

The Government will prepare **an amendment to Act No. 73/2001 Coll., on the Labour Authority of the Czech Republic**, adjusting the system to better meet the needs and requirements of the Czech labour market. The amendment modifies the organizational structure of the Authority on the basis of a consistent application of the principle of subsidiarity. Its aim is to increase accountability for performance and implementation of the active employment policy for centres at lower regional levels, improve cooperation with parties in the labour market and streamline management from the General Directorate level towards regional branches in terms of higher quality support for regions. In order to better match supply and demand in the labour market and the effective integration of jobseekers into the work process the cooperation of branch offices with local businesses is being strengthened so that there is a two-way flow of information on employment opportunities and potential employees demanded. In order to improve the quality of the provided employment services the government will support a creation of appropriate material and technical conditions.

In the coming period, the Government intends **to expand and individualize counselling services** as a basic means of preventing and combating unemployment and an effective tool to support the development of employment. There will be a more focused implementation of the active employment policy (AEP) reflecting the degree of handicap of the supported persons in the labour market, new ways of working with job seekers will be tested, such as coaching and mentoring, flexible forms of employment and remuneration will be piloted, measures (tools) will be implemented aimed at long-term integration of

disadvantaged people in the labour market (e.g. through the support of integration jobs). Standards for counselling services will be created in which the quality of services provided will be monitored and evaluated. In this context the increasing of the knowledge and skills of the Labour Authority of the Czech Republic will be ensured, which will enhance the quality of services provided.

The basic condition for the performance and functioning of the Labour Office of the Czech Republic is to ensure the functioning of an information system linking data related to employment services throughout the country. It is also necessary to ensure **the development of self-service electronic systems**, guidance and information tools, in order to match supply and demand in the labour market. From 1<sup>st</sup> January 2014 the original information system has been used again, which ensured a stable environment for employees and clients of the Labour Authority of the Czech Republic. Currently, preparations are underway for the opening of a new procurement procedure, which will provide modern and efficient information system that meets all functional and legal requirements.

In 2013, the number of participants in active employment policy measures has increased. 41,438 applicants were placed in re-qualification programs<sup>5</sup>, 21,716 candidates were supported within social purpose jobs<sup>6</sup> and 21,839 candidates within community service<sup>7</sup>. Overall, the budget for active employment policy increased from 2,595,621 CZK in 2012 to 4,285,714 CZK in 2013, i.e. by 65%.

### 3.4.2. The development of childcare services

In the field of pre-school care the government implemented a series of measures to develop alternative childcare facilities and services that are targeted at a quicker return of parents caring for a child into gainful employment. One important measure is **the bill on Children's Group**, which was approved by the Government in January 2014. It regulates a new type of child care services on a non-profit basis, to extend the range of child care services and increase the capacity of child care services, to enable parents to harmonize their professional and family life and to return to the labour market. The bill also contains related tax measures to encourage the development of childcare services, i.e. the tax deductibility of the costs of providing these services by employers and income tax allowances for employed parents for providing care services for their children. The bill was presented to the Chamber of Deputies of the Czech Parliament for discussion on 10<sup>th</sup> January 2014.

Following the approval of professional qualifications **Nanny for children under the compulsory school age** and **Nanny for kid's corners** in 2012 the examinations to obtain a certificate of eligibility took place in 2013 as well as the granting of authorization for these qualifications. A total of 23 authorizations were granted to 15 authorized persons. 32 examinations to obtain a certificate of eligibility for these professional qualifications took place in 2013, which were successfully completed by a total of 137 candidates.

The implementation of system projects to promote a balance between work and personal life is still ongoing. The aim of the project **Audit Family and Work** is to achieve optimal pro-family oriented strategies in companies, enabling parents with dependent children or dependent family members to optimally balance work and family life and thus improve their employability. The project was successfully completed in February 2014, and its outputs will be used further. Through the cooperation with foreign partners within the project **Harmonizing Work and Family Inspired by the Examples of Good Practice in Europe** experience is being acquired regarding the possibilities to adjust working conditions and the development of child care services with the aim of obtaining good practice examples to support the development of the Czech labour market.

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<sup>5</sup> 26 016 in 2012

<sup>6</sup> 11 380 in 2012

<sup>7</sup> 12 833 in 2012

Development of geographically and financially affordable child care services is also supported by grant projects of the OP HRE. From the 366 projects supported so far within area 3.4<sup>8</sup> the Czech Republic registers 124 projects focused on child care services, i.e. 34% of the projects.

With the use of European funds and the newly formed National Fund the government will in the coming period provide communities with the resources to create additional capacity in kindergartens. Conditions for the inclusion of two-year olds in kindergartens included in the school register will be verified and based on the results of the government will amend the legislation for pre-school education. The government plans to introduction of the compulsory final year of pre-school education within the following three to four years.

### 3.5. The quality of public administration, the fight against corruption, the administration of EU funds and implementation of public procurement

**Council Recommendation No. 5:** Ensure implementation of the anti-corruption strategy for 2013-2014. Adopt the Public Servants Act that should ensure a stable, efficient and professional state administration service. Improve the management of EU funds in view of the 2014-2020 programming period. Strengthen the capacity for implementation of public tenders at local and regional level.

#### 3.5.1. Quality and transparent government

Quality of the government's functioning and the related adoption of the **Act on State Service** is one of the main priorities for the government. The main aim is to adopt a functional and quality law, which will provide independent, professional, transparent and corruption-proof government. The law that will regulate the legal relationships of employees in administrative offices should ensure the stability and de-politicization of decision-making, management and HR processes. It will also define the criteria for the remuneration of officials and determine the educational system and general staffing policy of the state service.

Upon the Chamber of Deputies' initiative the Act No. 218/2002 Coll., The Public Service Employees in Administrative Authorities and Remuneration of Such Employees and Other Employees in Administrative Authorities (Service Act), which passed its first reading on 21<sup>st</sup> January 2014. Submission of the articulated version of the comprehensive amendment proposal to the committees of the Chamber of Deputies is scheduled for April 2014. The coming into force of the Service Act will be multi-phase.

The establishment of the General Directorate of Civil Service is expected by 1<sup>st</sup> July 2014 (this part of the Service Act is already in force). This will prepare all relevant implementing service regulations and supervise the implementation of the Service Act in administrative authorities. An important step towards the implementation will be the establishment of the post of state secretaries at the ministries and the change of senior officials to chiefs (all within transparently set and mandatory selection procedures). Steps leading to a change of management system of concerned bodies will be made during 2015. At the same time the rules and principles of entry of current employees into service will be stipulated. The majority efficacy of the Service Act should be prepared by 1<sup>st</sup> January 2016.

During the transitional period analyses shall be created of the current state of HR work, systemization, training and remuneration, methodologies shall be prepared according to the principles established by the Service Act and the creation of service implementing regulations. At the same time round tables, seminars and conferences will be organized for both the representatives of the organizations and the

<sup>8</sup> Equal opportunities of women and men in the labour market and the harmonizing of work and family life

broad professional and lay public, which will lead to greater visibility and promotion of the Service Act, the inclusion of stakeholders in the implementation process and thus to facilitate these complex paradigmatic changes.

The legal status of local government officials will continue to be regulated by Act No. 312/2002 Coll., on the Local Government Officials, which is effective from 1<sup>st</sup> January 2003 and that, regarding the category of officials subject to its regime, fully complies with the requirements of understanding public administration as a public service.

### **3.5.2. Fight against corruption**

The fight against corruption is one of the main priorities of the government. In January 2013 the **Government strategy of combatting corruption in the years 2013 and 2014** was approved, containing tasks, for the performance of which individual guarantors are responsible. Due to political changes in 2013 not many of the tasks of the government's anti-corruption strategy were met and their execution was postponed. Of the 73 tasks (14 legislative and 59 non-legislative) only 39 non-legislative tasks have been met so far. Among the most significant is the adoption of the Framework Departmental Internal Anti-corruption Programme, preparation of small scale public contracts methodology, publication of the state budget and final account clearly in individual chapters and items, publishing consultants and advisory bodies, strengthening if the computerization of procurement procedures or preparation of guidance documents for the drawing from EU funds in the programme period 2014 +.

Several of the legislative tasks were completed by individual ministries, but their legislative development was terminated by dissolving the Chamber of Deputies. The government is still working on subtasks of the Strategy (e.g. preparation of the new Act on Public Prosecution, the Act on Electronic Collection of Laws and International Treaties or modifying criminal laws on the management of seized property or seizure of proceeds of crime).

In the coming period, the government will prepare an amendment to the law on conflict of interests, which introduces electronic completion and publication of asset declarations of politicians. In addition, a bill that apart from bearer shares will ensure transparency of ownership also for companies with registered shares and allows authorized government bodies to identify the owners of the shares of the company throughout its existence. The government will also prepare a law on the central register of all contracts concluded by public authorities that exceed the specified minimum financial limit and tighten the system of funding of political parties by introducing expenditure limit for election campaigns and enacting limits on gifts from natural and legal entities. Finally, the government will also focus on the protection of whistle-blowers and, after the release of the appropriate document in the EU, prepare a legislative solution to this issue, at the earliest in 2015, however.

### **3.5.3. Administration of finances from EU funds with regard to the programming period 2014-2020**

When preparing the programming period for 2014-2020 the key aspect was the experience from the periods 2004-2006 and 2007-2013, and therefore development was based, among others, on the analysis of the implementation environment of the programming period 2007-2013. This pointed in particular to the need for uniform rules for all entities involved in the implementation of cohesion policy in the country. Therefore in February 2013 the government adopted the Uniform Methodological Environment Concept, which forms the basic framework for creating and setting the rules for the programming period 2014-2020. In connection with this document guidance documents for each area of implementation are being prepared at the national level. During 2013, the government approved a total of six methodological documents, approval of five additional documents followed in January 2014. The remaining ones are to be finalized and approved by mid-2014. Methodological documents are processed in accordance with the

relevant regulations and other EU documents, laws of the Czech Republic, in cooperation with representatives of the governing bodies and other partners and potential applicants and beneficiaries with regard to the views of a wide range of participants and reflection on the experience from previous programming periods. Considerable emphasis is placed on the strengthening of strategic planning, improvement of the efficiency of the management system, simplification, reduction of administrative burdens and on the reinforcement of the importance of achieving the objectives and planned results.

### 3.5.4. Procurement

In order to provide methodological support to contracting authorities an educational program will be prepared in which the stakeholders will be provided with information about the Czech legal regulation of public procurement, within which not only theoretical but also practical and empirical interpretations will be provided and the decision-making practice of supervisory bodies will be reflected. This program will be freely available to all contracting entities and will take place across the board so that representatives of regional and local authorities could participate.

Further support for authorities, including regional and local authorities should consist of increased emphasis on methodological activities. In connection with this methodological procedures should be published regarding the awarding of public contracts and specific problems, which the contracting authorities may face and which they regularly face should be analysed and solutions should be provided. Training workshops and e-learning courses will also be provided for both contacting authorities and suppliers. In addition, publications will be prepared with practical procurement procedures.

The analysis of the existing legislation shows a few problem areas related particularly to difficult administration of public contracts and excessive burden for the contracting authorities at the regional and municipal levels. In relation to this in September 2013 the government presented as the so-called legal measure of the Senate an amendment to Act No. 137/2006 Coll., On Public Procurement, as amended, which was approved by the Senate on 10<sup>th</sup> October 2013 and came into force on 1<sup>st</sup> January 2014. This should help to ensure adequate procurement capacity at local and regional level.

The Czech Republic is also actively involved in the legislative process in connection with the so-called procurement directives package<sup>9</sup>, which it is ready to transpose into its national legislation. Following the European legislation the government is preparing a new law on public procurement. The emphasis is that the set procedures are the as little administrative and application-consuming as possible, but also in harmony with the fundamental principles of public procurement, i.e. the principle of equal treatment, non-discrimination, transparency and newly also of proportionality.

## 3.6. The quality of education and the funding of research institutions

**Council Recommendation No. 6:** Establish a comprehensive evaluation framework in compulsory education and take targeted measures to support schools that rank low in educational outcomes. Adopt measures to enhance accreditation and funding of higher education. Increase the share of performance-based funding of research institutions.

<sup>9</sup> The directive of the European Parliament and of the Council on procurement (so-called classical directive) directive of the European Parliament and of the Council on procurement by entities operating in the water, energy, transport and postal services sectors (sector directive), directive of the European Parliament and of the Council on the award of concession contracts (concession directive)

### 3.6.1. Evaluation of education in primary schools

In accordance with the recommendation the possibility of introducing computer-based testing is being tested in the context of **survey of study results of students in 5th and 9th grades**. The measure would provide faster and more reliable electronic testing and processing of data, allowing for fast targeted support to help schools in which pupils are below the required minimum, at the national, founder and individual school level.

Both nationwide general tests of electronic verification of the results of students in the initial education phase clearly show that this approach to external evaluation is a very comfortable and modern method with essential benefits for all parties in the educational process, and in accordance with the recommended principles has significant potential to contribute to the improvement of education in the Czech Republic.

Testing of the results of the 5th and 9th grades will take the form of surveys of the Czech School Inspectorate. This tool is already available to schools and students and also for the needs of home testing. The Czech School Inspectorate will be using this tool to its fullest for assessing the quality of education across schools.

### 3.6.2. Accreditation and university funding

A major step in the field of higher education is **the amendment to Act No. 111/1998 Coll., on Universities and amending other Acts (Higher Education Act)**. The main areas which will be impacted are mainly accreditation and quality assurance. The expected date of submission to the Government is September 2014.

The accreditation process regulated by the amendment should be based on evaluation of activities in accordance with established standards taking into account the different profiles of study programmes. The aim is to increase the transparency of the system, professionalization of evaluation and the reduction of the administrative burden of the accreditation process. Introduced should be the so-called institutional accreditation of universities, the award of which will be subject to verification of the quality assurance system. A university could obtain accreditation for education only if it receives institutional accreditation. If the university receives accreditation for education, it could autonomously within its internal accreditation decide on programmes and implement them within the education accreditation, which it is a holder of. Accreditation for the habilitation procedure and procedure for professor appointment should be conditional on institutional accreditation. Study program accreditation will be used if requested by the school itself, if the university does not hold an institutional accreditation, or if it has a restricted accreditation for education.

### 3.6.3. Funding of research organizations

The government is preparing a **new system of evaluation of the results of research organizations and their institutional public funding**. The new methodology takes into account the status and role of different types of research organizations in the national research and innovation system of the Czech Republic, implements evaluation on the basis of informed international peer-review and during evaluation the emphasis will be placed on the ability of research organizations to achieve internationally competitive results and transfer knowledge into practice. Pilot testing of **the new methodology** is expected in 2015 and its full implementation within the evaluation of research organizations and their institutional funding is expected from 2016. For the transition period 2013-2015 the government on 19<sup>th</sup> June 2013 approved the methodological guideline based on a combination of "peer review" and machine evaluation, field dependences of the evaluations, taking into account the quality of the achieved results, evaluation at the level of research organizations and independent assessment of the real benefits of applied research and innovation.

In addition to preparing a new methodology for evaluating the results of research, development and innovation and institutional funding of research organizations, the government shall start preparing a **new**

**methodology of evaluation of programmes of targeted support of research, development and innovation.** The aim is to create a new system of evaluation of targeted funding of research, development and innovation, including ex-ante, interim and ex-post stages, within which a consistent (ex-ante) assessment of needs will be performed as well as an analysis of the intervention logic of the programmes of targeted support for research, development and innovation (interim), evaluation of their effectiveness during implementation and (ex-post) evaluation of the results of research, development and innovation and the programmes' impact on the development of the national innovation system. Creation of the methodology will fall within the responsibility of a working group, which shall be set up for this purpose. The government envisages the approval of the material by the end of 2014.

At the same time the government shall prepare a **new methodology for evaluating projects of large infrastructures for research, experimental development and innovation** that are closely related to the planned update of the Czech Republic Roadmap of large infrastructures for research, experimental development and innovation.

### 3.7. Regulated professions and energy intensity

**Council Recommendation No. 7:** Drawing on the on-going review, proceed with a reform of regulated professions, by reducing or eliminating entry barriers and reserves of activities where they are unjustified. Take further measures to improve energy efficiency in the buildings and industry sectors.

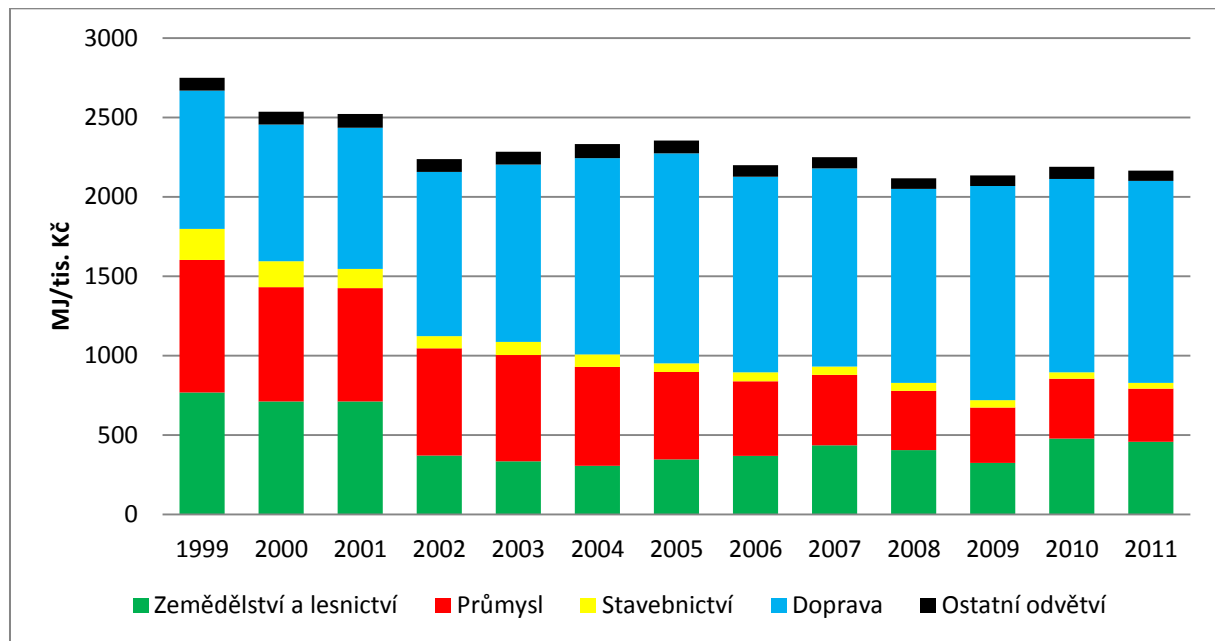
#### 3.7.1. Reducing the number of regulated professions

The government actively participates in the pilot project of ex ante coordination of economic reforms and continues the reform of regulated professions by reducing or removing entry barriers and restricted activities if they are deemed to be unfounded. At the same time it participates in the peer review of national legislation on access to the professions, presented by the Commission in its Communication of 2<sup>nd</sup> October 2013. The process of deregulation and increased transparency in the area of regulated professions has been going on since 2012, when it was possible to reduce the number of regulated professions by a total of 15 professions. In 2013 the number of regulated professions was reduced by 38 and as of 1<sup>st</sup> April 2014 the current status of regulated professions was 337. Most of the changes involved the elimination of duplication in legislation. The government remains committed to continue with the project in order to achieve optimal regulation across all occupations and work activities and thus effectively support labour mobility and simplify the administrative process within the internal market. The aim is to reduce or even eliminate unreasonable requirements for access and performance in 25% of the jobs compared to 29<sup>th</sup> October 2013, when the number of regulated professions reached 345. Deregulation will take place across the board; the professions will be assessed individually to maintain measures to protect the safety and health of services' users.

#### 3.7.2. Increasing energy efficiency

The government is aware of the high energy intensity of the economy of the Czech Republic, which results from the high share of industry in gross domestic product. The government perceives the implementation of measures in the field of energy efficiency as one of the most effective means of reducing import dependency on fuels and increasing the competitiveness of enterprises in the Czech Republic.

Chart 4: Energy demand by sector breakdown (sector FEC / sector GDP)



Source: Czech Statistical Office, 2014

For this purpose an amendment to the Energy Act, the Energy Management Act and the Act on Supported Energy Sources is being prepared, which implement the Energy Efficiency Directive 2012/27/EU.

The Czech Republic has determined that, from 2014 to 2020 it will save 47.84 PJ (13.29 TWh) in final energy consumption while ensuring financing to achieve this goal involves the use of both European funds (Operational Programme Enterprise and Innovation for Competitiveness, Operational Programme Environment and the Integrated Regional Operational Programme) and national programmes (New Green Light for Savings, Panel 2013 +). Investment subsidies from the three above mentioned programmes of the European funds will be channelled into energy savings. In addition to investment subsidies financial engineering instruments will be available for their mutual combination and complementation, such as providing preferential loans for energy-saving measures (e.g. JESSICA programme<sup>10</sup> or financial engineering instruments in the new programming period<sup>11</sup>).

The Czech Republic in the past year used a variety of tools, which are mainly related to energy efficiency in buildings, increasing of efficiency in the production, transfer and consumption of energy, implementation of energy labelling, energy audits and assessments as well as the inspection of boilers and air-conditioning equipment.

The main measure in the last year was a subsidy programme **New Green Light for Savings 2013**, which aims to improve air quality, reduce greenhouse gas emissions and save energy in houses. The programme includes grants for insulation of existing houses, construction of new houses with low energy consumption and efficient use of energy resources (particularly by exchanging heat sources). On-going in 2014 and 2015 will be the administration of 13,000 applications registered within the 1<sup>st</sup> call for applications for support of the implementation of energy saving measures in the family home segment, which was announced on June 13, 2013<sup>12</sup>. Since 2014, this programme is followed up by a programme same goals New Green Light for Savings, whose documentation was approved by the government on 6<sup>th</sup>

<sup>10</sup> Preferential loans for house owners are provided within the programme until the end of 2015 for the purpose of reconstruction and modernization of houses and to provide modern social housing by revitalizing current buildings in the so-called deprived zones in 41 towns across the Czech Republic, which have prepared their IPRM for the 2007-2014 period.

<sup>11</sup> A thorough analysis will be concluded to determine the setting of the financial engineering tools, based on which it shall be apparent into which specific measures, be it general or specific measures for energetic efficiency, these tools should be channelled.

<sup>12</sup> Allocation of 1 bn. CZK from the State Environmental Fund

November 2013 and on 6<sup>th</sup> January 2014, the programme has been declared along with the first call for applications for support to the implementation of energy saving measures in houses<sup>13</sup>.

The **New Green Light for Savings programme** is an important pro-growth measure with positive impacts on the Czech economy, both directly to the state budget and the development of business in the affected areas of construction, engineering and other related sectors. Another important pro-growth effect will be the creation or preservation of tens of thousands of jobs. The programme is set to achieve high financial leverage and a high level of mobilization of the private sector's own resources. Expected funding for the programme is 27 billion CZK (according to Act. No. 383/2012 Coll. this is a share of the proceeds of auctions of EUA emission allowances within the 2013-2020 trading period). Administration of applications will take place between 2014 and 2023. The New Green Light for Savings programme is aimed at supporting the implementation of energy saving measures in family homes, apartment buildings and public sector buildings.

Reducing energy consumption is also part of the comprehensive renovation of residential buildings under the **PANEL 2013 +** programme, which was notified in 2013 and implemented between 2013 and 2020. This is a long-term programme, which in the form of low-interest loans from the State Housing Development Fund<sup>14</sup> for repairs and modernization of residential buildings contributes to the reduction of the energy intensity of residential buildings including the reduction of household energy costs. The measure has a significant multiplier effects for the construction sector with a positive impact on the state budget. In 2013, the project supported the reconstruction of 3011 flats for which the State Housing Development Fund provided loans in the amount of 346.29 million CZK. For the year 2014 it is expected that the financial resources for low-interest loans will amount to 1,320 million CZK<sup>15</sup>. The State Housing Development Fund expects that it will provide loans amounting to CZK 600 million within the PANEL 2013 + programme.

Two topical operational programmes were used in the programming period 2007 - 2013 for the purpose of reducing the energy consumption, the objectives of which include promoting energy efficiency measures of the Operational Programme Environment (OPE) and the Operational Programme Enterprise and Innovations (OPEI). For the purpose of reducing the energy consumption of deprived areas in cities of over 20,000 inhabitants the IOP financial resources are also being used, not only in the form of grants, but also through the use of preferential loans via the JESSICA financial instrument.

OPE contains a separate priority **Sustainable Use of Energy Sources**, which aims to increase production capacity from renewable energy sources, more efficient use of waste heat, reduction of energy consumption for heating or replacement fossil fuels.

Program **Eco-Energy**, which is one of the priorities of the OPEI is aimed to contribute to reducing the energy intensity of industry. It focuses on the modernization of existing facilities generating power for their own use, the reconstruction of the electricity and heat distribution network, improvement of thermal properties of buildings and energy savings in industrial processes for the company's own consumption.

One of the other instruments to achieve the objective set by the European Directive on energy efficiency is the state program **EFEKT**, which aims to increase energy conservation by raising the awareness of small customers, improving the quality of energy services and public sector support for the economic management of energy. It focuses on educational and informational activities and on investment in energy saving projects of a smaller scale (especially in villages).

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<sup>13</sup> Allocation of 1 900 mil. CZK (this amount is already included in the budget expenditures and the source is the share in the income from the sale of EUA emission allowances in 2013)

<sup>14</sup> Government Regulation No. 468/2012 Coll., on the Use of the State Housing Development Fund

<sup>15</sup> Government Regulation No. 284/2011 Coll., Government Regulation No. 468/2012 Coll., Government Regulation No. 369/2001 Coll., Government Regulation No. 28/2006 Coll.,



## 4. Fulfilling the national targets of Europe 2020

Following the main objectives of Europe 2020 Strategy, its Integrated Guidelines and the individual identified barriers to the fulfilment of jointly defined objectives the government in 2010 set specific, quantified national targets<sup>16</sup>. Quantitative indicators provide only limited information in terms of the assessment of individual strategies and by their nature cannot cover qualitative aspects of the impact of reform measures. Long-term strategic objectives represent voluntary political commitments that reflect the common interest of the Member States to restore sustainable and inclusive growth in the EU. In this context they determine the basic directions of economic policy coordination at the EU level.

**Table 2: Summary of the fulfilment of quantitative objectives of the Europe 2020 Strategy**

| Oblast                                             | Czech Republic's national goals                                                                                                                                                 | Reference value | Current status <sup>17</sup> |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------------------|
| <b>Employment:</b>                                 | Increasing employment to 75% for age group between 20 and 64 years of age;                                                                                                      | 70.4 %          | 72.7 %                       |
|                                                    | Increasing employment of women (age 20 - 64) to 65%;                                                                                                                            | 61 %            | 63.9 %                       |
|                                                    | Increasing employment of senior citizens (age 55 - 64) to 55%;                                                                                                                  | 46.5 %          | 51.4 %                       |
|                                                    | Reducing youth unemployment (ages 15 - 24) by a third in comparison with 2010 levels;                                                                                           | 18.4 %          | 17.4 %                       |
|                                                    | Reducing unemployment of low skilled workers (ISCED 0 – 2 level) by a quarter in comparison with 2010.                                                                          | 25 %            | 26.1 %                       |
| <b>Fight against poverty and social exclusion:</b> | Maintaining the boundary for a number of people experiencing poverty, material deprivation or life in households with low employment intensity to 2020 in comparison with 2008; |                 |                              |
|                                                    | Reducing the number of people experiencing poverty, material deprivation or life in households with low employment intensity by 30 000 persons.                                 | 1566 k          | 1 580 k                      |
| <b>Education:</b>                                  | Reducing early school leaving dropout rate to maximum of 5.5%;                                                                                                                  | 4.9 %           | 5.5 %                        |
|                                                    | Increasing the share of the population aged 30-34 having completed tertiary education to 32%.                                                                                   | 20.4 %          | 26.5 %                       |
| <b>Business environment:</b>                       | Reducing administrative burden faced by businesses by 30% in comparison with 2005.                                                                                              |                 | 23.36 %                      |
| <b>R&amp;D:</b>                                    | Public expenditure allocated to research, development and innovation to reach 1% of the Czech GDP.                                                                              | 0.62 %          | 1.03 %                       |

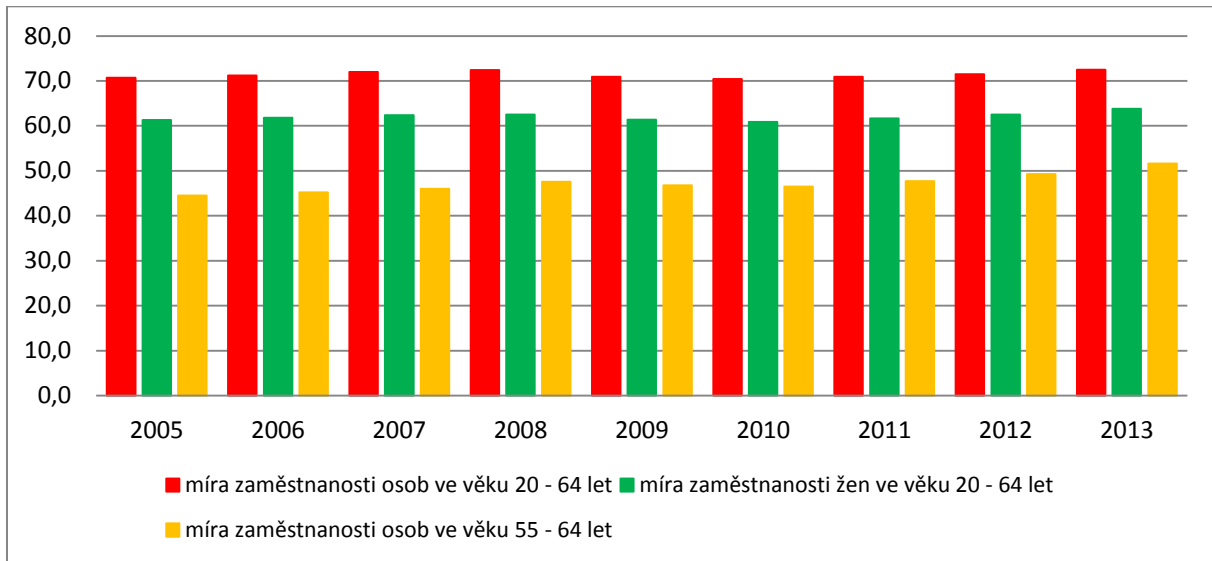
Source: Eurostat, MPSV, MF, CSO, MIT, Ministry of Education

### Employment

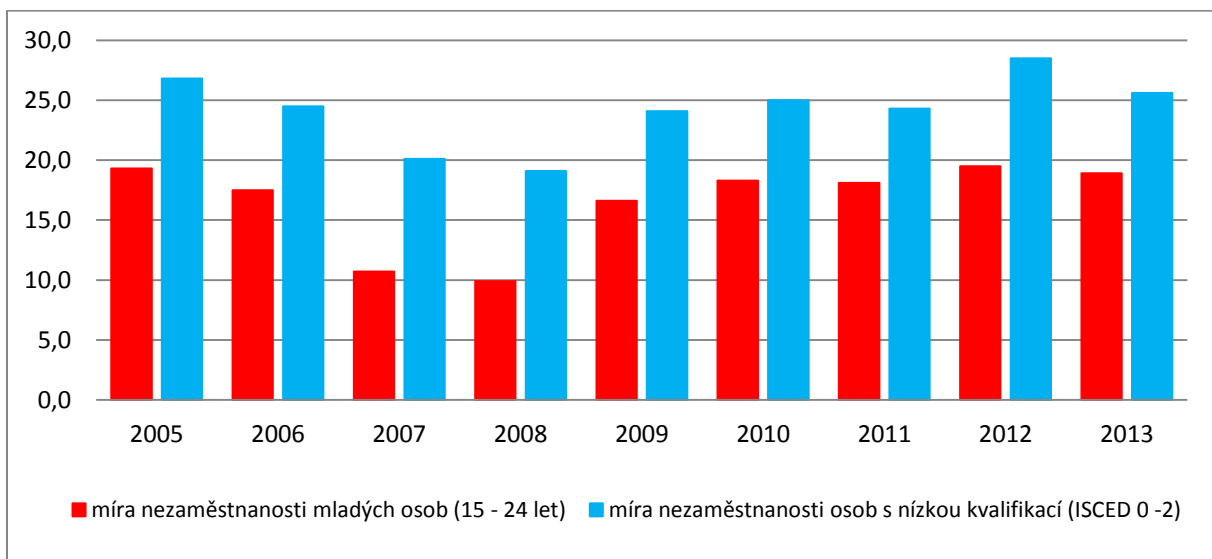
In the Czech Republic there was a decline in the employment rate due to the economic crisis in 2009-2010, since 2011 the employment rate is rising again and already nearing pre-crisis levels, despite the relatively weak economic recovery. Significant progress has been made in particular in the employment of older persons and partially of women. Despite some improvements in the past year the development of national goals for youth and the low-skilled persons' unemployment is complicated by the continuing lack of new jobs.

<sup>16</sup> The current state of the national goals is the result of the Government Resolution No. 271 of 11<sup>th</sup> April.

<sup>17</sup> The data in the table show status: employment as of 1.10.2013, fight against poverty and social exclusion as of 31.12.2012, education as of 31.12.2013, business environment as of 31.12.2013, R&D as of 2013. R&D expenditures are listed including those covered by income from the EU and Norway/EEA Financial Mechanism.

**Chart 4: Implementation of national employment targets<sup>18</sup>**

Source: MLSA, 2014

**Chart 5: Implementation of national objectives in the area of unemployment<sup>19</sup>**

Source: MLSA, 2014

## Combating Poverty and Social Exclusion

With regard to the degree of risk of poverty and social exclusion, according to the latest comparable Eurostat data, it increased by 0.1 percentage point in 2012 in comparison to 2008 to a total of to 15.4%, which was about 1 580 000 people. Regarding this comprehensive indicator the Czech Republic is doing very well (the share of vulnerable people in the Czech Republic is the second lowest of all EU countries - according to Eurostat data, the EU-28 average was 24.8%).

The level of risk of income poverty fell from 9.6% to 8.5% between 2012 and 2013. In 2013 income poverty in the Czech Republic threatened 872,000 people (according to preliminary data 118,000 people

<sup>18</sup> For 2013 these are educated guesses of predicted values, CSO and Eurostat have not yet published the data.

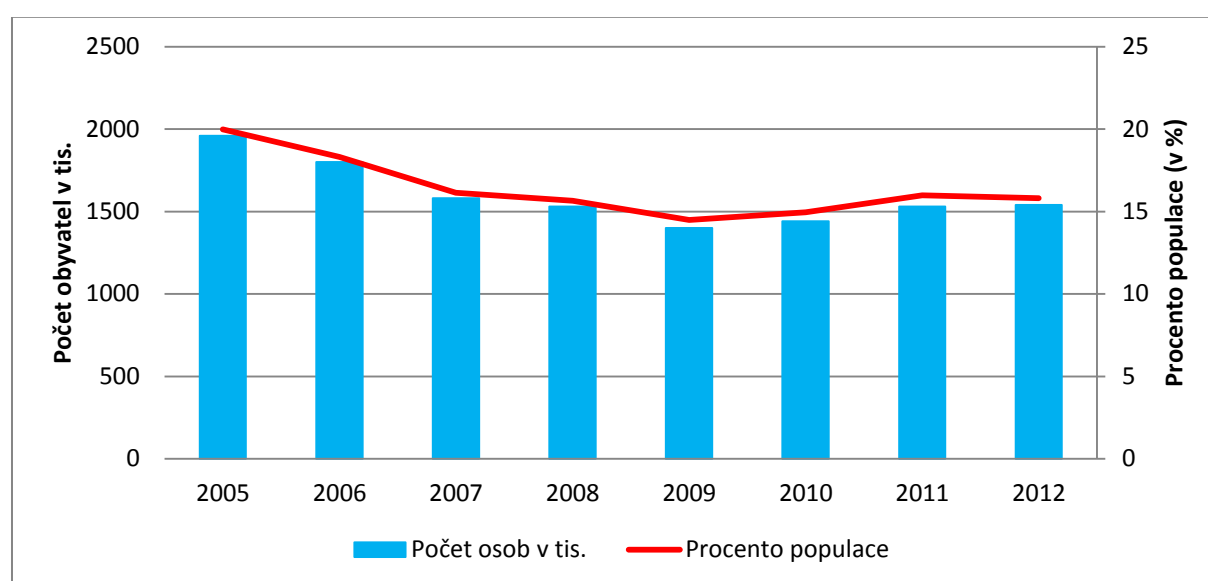
<sup>19</sup> For 2013 these are educated guesses of predicted values, CSO and Eurostat have not yet published the data (with the exception of youth unemployment rate)

less than in 2012). In this indicator, the Czech Republic is achieving the best results across the EU (EU 28 average in 2012 was 17.0%).

Based on preliminary data more women (9.3% of all women) were endangered by poverty than men (7.6% of all men) in 2013. Most at risk of poverty were people in incomplete families (27.7% of individuals in these families) and especially in jobless households (43.4% of individuals in these families), where their number relatively sharply increased by more than 3 percentage points as a consequence of the increase of long-term unemployment. The turning point in the previous trend of decreasing risk of income poverty among unemployed persons occurred in 2010 due to the slowdown in the growth of household income starting in 2009 in the context of the global financial crisis.

In contrast, the rate of material deprivation in the whole population in 2013 remained, according to preliminary results, at about the same level as in 2012, which was 6.6%, while there are still larger differences in its concentration in the overall population, especially broken down by type of household.

**Chart 6: Population of the Czech Republic at risk of poverty or social exclusion**

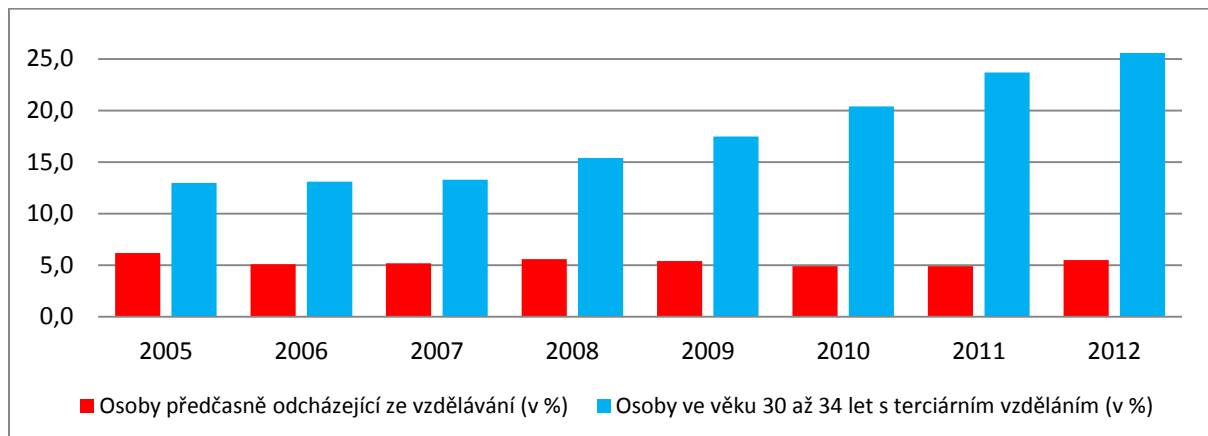


Source: MLSA, 2014

## Education

In 2012 the value of the national target CR was achieved, i.e. 5.5% of drop-outs. In comparison with the EU the Czech Republic is successful in fulfilling the objective (the EU average in 2012 was 12.7%), however there was a slight increase compared to the previous period (2010 and 2011 4.9%). The most frequently among persons prematurely departing from education are the socially disadvantaged, migrants and unsuccessful graduates, whose numbers increased after the introduction of a national school-leaving examination. In 2012 25.6% of persons aged 30-34 years had completed tertiary education. The upward trend corresponds with the gradual fulfilment of the target, while the quality of higher education will be carefully monitored in the following period.

Chart 7: Number of early leaving from education and the number of people with tertiary education (in%)

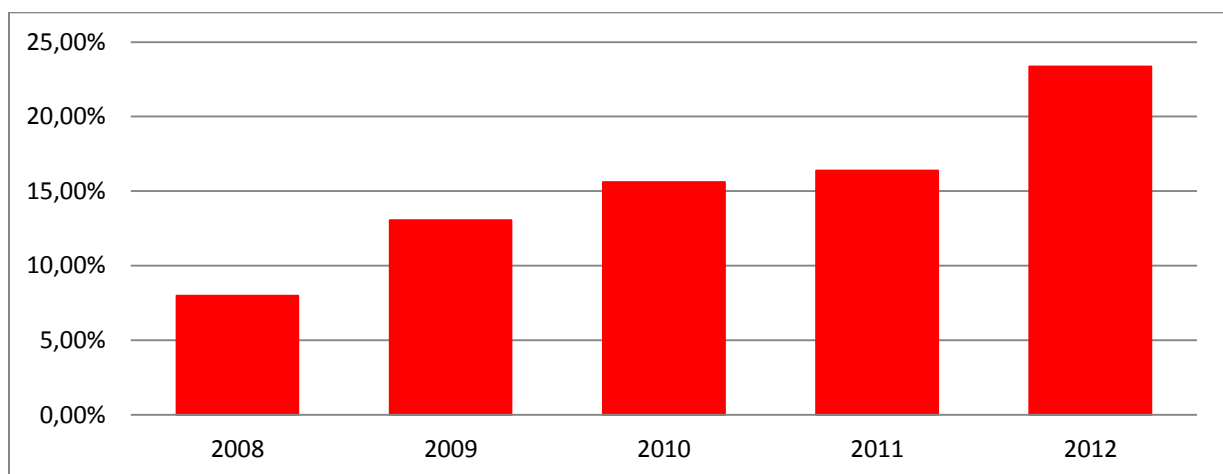


Source: Eurostat, 2014

### Improving the business environment

At the end of 2012 a reduction in administrative burdens by CZK 17.2 billion was achieved, i.e. a decrease by 23.36% compared to the burden quantified in 2005 at six different departments (i.e. CZK 73.7 billion). Adopted measures for which it was not possible to perform calculations due to the lack of data represent less than 2%. It can be said that the planned reduction of 25% was fulfilled. The total burden in 2005 for all state authorities was CZK 86.4 billion.

Chart 8: Reducing the administrative burden compared to the load quantified in 2005



Source: MIT, 2014

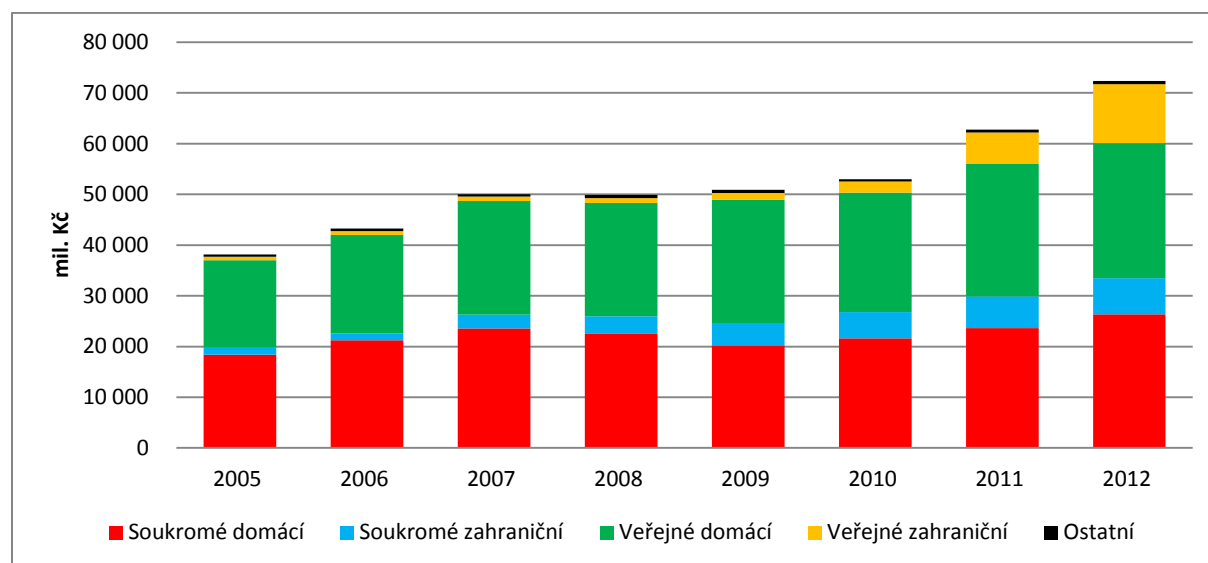
### Research, development and innovation

Total investments in R & D increase continuously since 1993 and in 2012 amounted to 72.36 billion CZK and the share in actual total expenditure amounted to 1.88% GDP. Total public expenditure on R&D support reached 39.1 billion CZK in 2012<sup>20</sup>. This led to an increase in public spending in this area to 1.02% of GDP, and the formal achievement of the national targets under the Europe 2020 Strategy. In 2013 a total of CZK 39.8 billion of public expenditure was drawn which represents an increase of 0.7 billion CZK compared to the previous year. The overall trend of increasing expenditures from 2010 is positive and it

<sup>20</sup> Including expenditures covered by income from EU and the EEA/Norway Financial Mechanism.

can be expected that in the coming years it will be gradually approaching the general objectives of the EU, i.e. public and private investment in R&D at 3% of GDP.

**Chart 9: Total expenditure on R&D by source of funds (GERD)**



Source: Czech Statistical Office 2013 Annual Statistical Survey on Research and development VTR 5-01

## The government's reform measures

Beyond the response to the Council Recommendations for the Czech Republic for 2013, the government intends to implement other key measures that will contribute to the Europe 2020 Strategy at the national level, while promoting competitiveness and economic growth in the country. These are especially the reform measures that promote macroeconomic stability and long-term sustainability of public finances, efficient government, attractive business environment and an efficient labour market, social inclusion, development of education and a favourable environment for research and innovation. Following its policy statement the government deems necessary to formulate economic policy in a way that will lead to the stabilization of public finances and at the same time strengthen the sources of sustainable growth of the country's competitiveness.

### 4.1. Transparent and efficient public finance institutions

The key conditions to support the recovery of economic growth and employment is a stable macroeconomic environment and quality, efficient and corruption-resistant public administration. Government measures are aimed at improving the state economy and efficient and transparent public administration, especially in the handling of public funds.

#### 4.1.1. Transparent public finance

The Government aims to ensure such changes in the tax system, which will not hinder economic growth and contribute to a more balanced tax burden and adequate public budgets revenue and at the same time to an efficient and transparent management of state expenditures, which includes, inter alia, providing full information to the public

##### *Disclosure of financial information*

In 2013, the project of a specialized information portal (called MONITOR) was completed, which allows free public access to budget and accounting information from all levels of state and local governments. During the years 2014 and 2015 expansion of the information portal will continue according to the development plan, with the aim to provide clear and transparent publication of data from **the Treasury system to the public.**

#### 4.1.2. Effective governance and quality legislative environment

Effective public governance and good legislation are among the cornerstones for creating an attractive and predictable environment for entrepreneurs. In this regard the government aims to improve governance and the quality of its services and to improve the quality of legislation and law enforcement.

##### *Development of Public Administration*

In 2014, the government will receive the **Strategic Framework for the Development of Public Administration 2014+**, which aims to increase the efficiency of public administration and transparency of the public administration funding. The document defines the strategic objectives in four areas: modernization of public administration including the measurement of its performance, the performance of public administration in a territory, funding of public administration in a territory, education and human resource management in public administration. It focuses on selected measures that may systematically affect public governance, in particular by increasing transparency, the creation of mechanisms for better evaluation of efficiency, addressing the issues of territorial administrative structures that make it difficult to coordinate the activities of the public administration and greater transparency in the funding of public administration.

### *Computerization of the public administration*

**Smart Administration Strategy for the period 2007 - 2015** provides a framework for the coordination of all processes leading to efficient public administration and friendly public services. Important components of the Strategy are projects **e-Collection** and **e-Legislation** that will bring technical and legislative measures to increase accessibility and clarity of the law and its better and more efficient creation. Their implementation will be completed in 2015.

This strategy will be followed by a **Strategic Framework for the Development of eGovernment 2014+**, which will set out the next stage of the modernization of public administration, in particular towards streamlining and improving the quality of public institutions and which also defines the range of issues for further development of eGovernment in the Czech Republic. A document that the government shall discuss in 2014, builds on previous key projects. The main goal is to achieve that 85% of all submissions to public administration would be in electronic form by 2020; for this purpose the four-layered architecture of e-Government will be used, which has already been largely completed.

As part of creating an **Offence Register** the government will be presented with a draft of the new legislation in 2014, including measures affecting repeated offenses, and draft of the new legislation on evidence of offenses.<sup>21</sup>

### *Regulatory Impact Assessment (RIA)*

Institutional arrangements of supervision over the quality and constitutionality of processed draft legislation is provided by the Government Legislative Council, its opinions of which are based on the opinions of the expert working committees. One of these committees is the RIA Commission established in November 2011 in order to review the quality of submitted RIA of draft legislation at the government level, i.e. draft laws and Government Regulations<sup>22</sup>.

Increased pressure on the quality of the reasoning of the RIA Commission on proposals submitted at the government level was reflected, inter alia, in the submission of legislative proposals through Deputy initiatives in the Parliament, to which the duty to prepare RIA does not apply. This fact should be resolved by adjusting the rules of proceedings of both chambers of the Czech Parliament with **the introduction of the obligation to the same level of requirements for thorough justification and evaluation of the impact of Deputy and Senate initiatives** such as is applied to the government's proposals.

### *Recodification of civil procedural law*

The Government shall prepare the recodification of civil procedural law that aims to significantly speed up court proceedings while guaranteeing the right to a fair trial. Acceleration should occur due to the convergence of the regulations of litigations and executory proceedings, as well as due to an overall streamlining of the procedural regulation. The main goals of the recodification should be to replace the existing Act No. 99/1963 Coll., The Civil Code, as amended. To this end, legislative intent of the recodification of civil procedural law shall be processed first.

## **4.2. The attractive business environment and infrastructure development for the Czech industry**

The attractive business environment and quality infrastructure are fundamental requirements of competitiveness. The government's aim is to create and improve conditions for business development in the country. The key elements are ensuring the quality of transport and digital infrastructure, attractive investment incentives system, balanced climate and energy policy and agricultural development taking into account the needs of the environment. Given the growing importance of SMEs in the national and

<sup>21</sup> The measure is also a part of the Strategy of Combatting Corruption for 2013 and 2014.

<sup>22</sup> In the last two years the Commission's contribution has been reflected among others in the similar percentage of returned RIA of draft laws for additional work, where e.g. in 2013 this share was 74% of discussed final RIA reports (69) with a varying degree of severity of the comments.

global economy, special attention is paid to the development of small and medium enterprises and enhancement of their ability to contribute to economic growth.

#### **4.2.1. Improving the business environment, the development of services for business**

The government sees the need to create an environment that does not unnecessarily restrict the business activities with administrative barriers and inefficient regulatory barriers.

##### ***Reducing the administrative and regulatory burden on businesses***

The government approved 53 new measures to reduce the administrative burden within the project **The Measurement of Administrative Burdens** and in combination with the outputs from the implementation of the Plan of Reducing the Administrative Burden on Businesses, which will start to be implemented in 2014. Also set were the long-term goals, which include the removal of a total of 60 measures by 2015, and the implementation of further measurement of the administrative burden on businesses in 2016, which will assess progress in comparison to 2012. The government also prepared **an amendment to the Trades Licensing Act**, which proposes to abolish the obligation for entrepreneurs to repeatedly demonstrate documents to the municipal trade licensing office, which have been already submitted to any Licensing Office and remained unchanged. The amendment is now pending before the Chamber of Deputies.

##### ***Eco-audit***

Still continuing as a part of measures to remove regulatory burden on businesses is the project of the so-called eco-audit, which aims to reduce unnecessary administrative and financial burden of enterprises within environmental legislation. The government approved the measures proposed under the previous stage of eco-audit and imposed their fulfilment in the period ending on 31<sup>st</sup> December 2014 by an amendment to the relevant legislation in the field of the environment, while the solving of some tasks is still on-going. During the second half of 2013 additional screening of Czech laws regarding Environment was conducted in collaboration with the business community. The specific proposals to amend the legislation were collectively developed and negotiations are now underway at the ministerial level on the relevance and ways of dealing with such motions. The resulting material will be submitted to the Government by the end of 2014.

##### ***Uniform efficiency data***

Application of uniform efficacy data will mean a reduction of the entrepreneurs' burden by means of concentrating legislation that has an impact on the business sector into two terms – 1<sup>st</sup> January and 1<sup>st</sup> July. The introduction of uniform efficiency data will be included in the form of recommendations in the Legislative Rules of the Government in the next amendment.

##### ***Awareness of the business community***

The government will continue its activities that increase awareness of the instruments of integrated services for entrepreneurs, i.e. Points of Single Contact (PSC), ProCoP and SOLVIT, among Czech businessmen and citizens. In addition to the information activities aimed at stakeholders and the wider public the government will focus on the development and improvement of these services (2<sup>nd</sup> generation PSC) and enhancing their user-friendliness. The government will also continue in the information activities on the business server Businessinfo.cz, within which it will develop further services such as virtual PSC, inform entrepreneurs and citizens on current public consultations of the European Commission and inform about current events within the internal market.

### 4.2.2. Industrial policy

Industry accounts for a significant part of the Czech economy and the government's goal is to create attractive conditions for Czech and foreign investors and encourage them to maintain long-term business activities and to reinvest in the Czech economy. At the same time the government will stimulate the introduction of products with high added value and advanced technologies contributing to the modernization and sustainability of industrial production. An important part of economic policy is to maximize economic diplomacy that will create favourable conditions for the growth of trade in foreign markets.

The Government views positively the main message contained in the Communication from the European Commission of 22<sup>nd</sup> January 2014 **For a European Industrial Renaissance**, which is the recognition of the fundamental importance of the industry to create jobs and promote growth. EU continues to support efforts to increase the share of industry in European GDP up to 20% in 2020. From the perspective of government it is crucial that the discussions on topics of the competitiveness of industry and new climate and energy policy that are fundamental for the EU is interconnected.

The priorities that both the EU and the government consider key to the improvement of the industrial competitiveness of the Czech Republic are the realistically set climate and energy framework 2030, competitive energy prices, strengthening and stability of the internal market, development of human capital, support of research, development and innovation and modernized state support rules.

#### *Support of SME*

In December 2012, the a **Concept of Support for Small And Medium-Sized Enterprises for the Period 2014-2020** (MSP Concept 2014+) was adopted, which represents a major strategic document in support of small and medium-sized enterprises in the country. The concept brings 50 specific measures grouped into four strategic priorities<sup>23</sup> aimed at the effective functioning and overall development of small and medium enterprises, which form a significant part of the national economy.

Emphasized within the support of entrepreneurs is primarily the support of the development and operational financing, export, energetics, development of key skills and financial literacy of entrepreneurs, technical education and research, development and innovation. The concept also highlights the importance of promoting social entrepreneurship and education of social entrepreneurs. It will be implemented through the national programs to promote entrepreneurship (e.g. warranty, REVIT), among others, and will be implemented under the Operational Programme Enterprise and Innovation for Competitiveness.

#### *Support of export*

In 2014, the government will continue to create conditions for global diversification of Czech exports and in cooperation with the business sector continue the process of identification of promising fields. In order to support export the government plans also for this year to ensure business missions and participation in fairs and exhibitions, meetings of joint bodies for economic cooperation and professional seminars and business forums. To improve services for exporters, particularly with regard to the provision of comprehensive and complete information from the territories or fields in one place, the internet portal will be improved. In order to improve and standardize the delivery of state services abroad, the government will in the near term prepare **the Concept of Economic Diplomacy**.

#### *Support of investments*

By 2015 the government shall prepare **the Concept of Investment Support**, which should significantly contribute to the improvement of the investment environment in the country. A very important part will be the effective financial support for investments within the investment incentives and the improvement of attractiveness of strategic industrial zones for investors. Incentives will be formulated to meet the

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<sup>23</sup> 1. Improving business environment, development of advisory services and education for entrepreneurship; 2. Development of businesses based on the support of research, development and innovation, including innovation and business infrastructure; 3. Support of the internationalization of SME; 4. Sustainable energy development and energy innovation.

added value of the various economic activities and to encourage foreign investors to reinvest back into the Czech economy. By the end of 2015 the legislation will be prepared for discussion with the aim to simplify the permit awarding process for the location and construction of investments, including the process of assessing the impact of buildings on the environment (even following the revision of the EIA Directive).

### *Increase in Corporate Social Responsibility*

In order to contribute to the development of the concept of social responsibility of organizations in the Czech Republic and its positive impact on society, economic development and competitiveness of the Czech Republic the government approved on 2<sup>nd</sup> April 2014 a strategic document **National Action Plan for Corporate Social Responsibility in the Czech Republic**. The aim of the measure is the strengthening of regulatory functions. The aim of each activity is primarily to motivate commercial companies, non-profit organizations and government authorities to implement social responsibility, which is defined as "the responsibility of organizations for the impact of their activities on society."

### **4.2.3. Transport infrastructure**

The current state of the Czech transport network in terms of quality and functionality is far below the level of the 15 original member states. This condition is regarded as one of the main obstacles to achieve higher rates of economic growth in the country. The government considers effective completion of the backbone transport infrastructure and connection of remaining regions and major industrial centres to the major Czech and European routes as a necessary condition for the renewal of sustainable economic growth based on the improvement of the competitiveness of the Czech economy, including the removal of barriers of entrepreneurship in regions with poor transport infrastructure.

#### *Effective strategic planning and its implementation*

In 2013, the Government approved two key strategic documents of the sector - Transport Policy for the period 2014-2020 with an outlook to 2050 and the Transport Sector Strategies. The Document **Transport Sector Strategies** is the key strategic document to ensure operation and development of the Czech transport infrastructure, and in particular it is the starting point for determining the objectives of the Operational Programme Transport. Implemented on the basis of these documents will be the annual planning process of building preparation, initiation of the process of restructuring investor organizations and the connection of the most important investment projects of transport infrastructure to the state budget. In the document **Transport Policy of the Czech Republic** the government identifies the main problems of the sector and proposes measures to address them. This is followed by individual sub-strategies that further elaborate on solutions and funding within the different areas. The key priorities include, among others, the development of transport infrastructure (Transport Sector Strategy), harmonization of conditions in the transport market, the development of rail and water transport, improving the quality of road transport, the promotion of multimodal transport systems and the restriction of the effects of transport on the environment and public health by using alternative types of fuel (natural gas, electricity, LPG) and supporting the infrastructure for alternative fuels. By the end of 2014, the government shall submit a draft **National Action Plan for Clean Mobility in the Czech Republic**, which will set targets for the Czech Republic regarding the support of alternative fuel vehicles.

#### *Priority projects in infrastructure*

Among the priority projects in the field of railway infrastructure are primarily the completion of the railway transit corridors including rail hubs (2018) and the modernization of lines on the main TEN-T network. Among the priority projects in the field of road infrastructure is primarily the construction of new highways and road sections on the main global network and the TEN-T (2050). In the area of inland waterway transport the government will continue to deal with the problems of navigability (including international relations) and the reliability of the Labe-Vltava waterway; a vital priority in the multimodal transport will be to ensure the availability of resources from European funds for the development of freight transport logistics, especially regarding the use of rail transport. Great attention will be paid to the

improvement of the legislation in the transport sector and the development of intelligent transport systems (ITS), which increase traffic safety, improve traffic management, raise awareness about the situation in the traffic and improve accessibility to public transport. ITS are also a tool for optimization of the utilization of infrastructure capacity.

#### 4.2.4. Digital infrastructure

The development of digital infrastructure is a key area of development of the Czech economy with positive effects on the technical readiness of enterprises, the influx of foreign investment, labour productivity, and also the overall education of the population.

On 20<sup>th</sup> March 2013 the Government approved the National Policy on Electronic Communications **Digital Czech Republic v. 2.0-The Path to the Digital Economy**. Within the implementation of the state policy, the government will, inter alia, seek to strengthen the digital economy with emphasis on self-regulatory mechanisms to support the development of high-speed access to the Internet enabling the transmission rate in accordance with the objectives of the Digital Agenda<sup>24</sup>, the effective use of the radio spectrum<sup>25</sup>, increasing the availability of ICT, support digital literacy and promote legal offers of audio-visual services.

In response to international developments the government supports the openness of the Internet and freedom of access to it without central regulation interventions and its development with the participation of all stakeholders.

#### *Reducing the cost of construction of high-speed electronic communications networks and simplifying the construction process*

Support for the construction of broadband electronic communications in the form of reducing the cost of construction is one of the priority tasks of the government. Obstacles to the development of networks can be seen not only in need of financial investments, but especially in the administrative complexity associated with construction, diverse practice of building authorities, length of construction proceedings and inconsistent amount of fees associated with easements. The government is aware of its role in this area and intends to help resolve these problems, not only by publishing a methodology for the building authorities, but possibly with modifications to the legislation. In order to reduce the cost of construction, the government will also transpose the Directive on measures to reduce the cost of deploying high-speed networks of electronic communications, which was approved at the European level.

#### 4.2.5. Energetics and climate protection

The aim of the government regarding energetics and climate protection is to ensure the transition to a competitive low carbon economy and reducing the dependence on fossil fuels. Climate and energy policy must especially emphasize the balance between the three main pillars of sustainability, competitiveness and security.

#### *The climate and energy package for the period 2020 - 2030*

In the negotiations on the final form of the climate-energy package the Czech Republic prefers one binding target to reduce greenhouse gas emissions at the EU level, complemented with guarantees for fair distribution of costs among the Member States, with respect to the relatively higher costs for low-income Member States (by GDP per capita). The priority of the Czech Republic is also a continuation of the measures to protect energy-intensive industries. In case of an agreement between the world's major producers of greenhouse gases at the COP 21 meeting in Paris in 2015, the Czech Republic may also accept one binding target of reducing emissions by 40%.

Regarding further development of renewable energy sources, the Czech Republic promotes an indicative (non-binding) EU-wide target for renewable energy in the amount of 24%, which must be accompanied by

<sup>24</sup> The aim is to ensure the speed 30Mbit/s by 2020 for all inhabitants and 100 Mbit/s for at least half of the households.

<sup>25</sup> The measures will be included in the Strategy of Radio Spectrum Administration

a guarantee of the sovereignty of the Member States regarding the energy mix. In case of the enforcement of higher conditional targets for emissions the Czech Republic may accept an EU-wide indicative target for renewable energy in the amount of 27% together with the guarantee of the sovereignty of the Member States regarding the energy mix and the preparation of National Plans at the national level without an iterative process with the Commission, the mere notification to the Commission and submission of regular evaluations.

Improvements in energy efficiency will be analysed in the summer of 2014 on the basis of the review of the implementation of the Directive on energy efficiency. The Czech Republic does not support the adoption of new targets for energy efficiency.

The Czech Republic is strongly committed to the elimination of market distortions and integration of the energy market by 2020 so that the objectives of European climate and energy policy would provoke necessary action by the Member States, be in line with European targets for the renaissance of the industrial base to support the growth of new industries, ensure market integration, cost efficiency and would not distort competition.

### *Updating the State Energy Concept*

Government policy in the field of energetics is formulated by the State Energy Concept (SEC). In the first half of 2014, an international discussion took place regarding the update of SEC and after the publication of the opinion of the competent authority (Ministry of Environment), in accordance with Act No. 100/2001 Coll. on Assessment of Environmental Impacts, the SEC update will be submitted to the government for approval along with this opinion and a socio-economic analysis of impacts.

### *The development of energy infrastructure*

Support of the development of the capacity of renewable energy sources (RES) must be accompanied by appropriate development of electricity infrastructure in order to avoid overloading the transmission system and thus potential threats to energy security. With regard to the repeated straining of the Czech transmission system with unscheduled flows of electricity from Germany the transmission system operator CEPS, a.s. is planning to install new lines and transformers with controlled phase shift (PST) on the Czech-German profile, the launch of which is expected in 2016.

Additional impulses for the development of the Czech power system are mainly the development of the resource base and the consequent need to ensure new sources of power, possible consumption growth in light of the expected economic recovery in the Czech Republic and links to other transmission systems within the EU.

### *Renewable energy sources*

Long-term stable and sustainable conditions to support the production of energy from RES are set by the **National Action Plan of the Czech Republic (NAP) for Energy from Renewable Sources**, which also serves as a regulatory tool to limit the operational support of RES. Other regulatory tools are introduced in the **Act on Supported Energy Sources**, which was approved in 2012 (with effect from 1<sup>st</sup> January 2013) and amended in 2013 (with effect from 1<sup>st</sup> January 2014) in connection to the cessation of operational support for new power plants put into service after 1<sup>st</sup> January 2014 and the introduction of a maximum fee to support renewable energy paid by customers within the electricity price. In 2014, the government will prepare another proposal for legislative changes that will primarily address the expected completion of the Commission notification procedure regarding the support system stipulated in the Act on Supported Energy Sources. In 2014 there will also be another update of NAP for RES, which is carried out every two years.

### *Measures in the field of raw materials*

Government measures in the field of mineral concentrates on finalizing the implementation of the principles of the European strategy on raw materials **Raw Materials Initiative** into the Czech national resource policy in order to increase the competitiveness of the utilization of mineral resources. The legal

framework for the exploration and extraction of minerals will ensure a balanced status of citizens, self-governments and businesses with respect to mining interests of the state to ensure a reasonable level of resource and energy security of the country and the interests of environmental protection.

In order to increase the use of material and energy resources the government on 16<sup>th</sup> October 2013 discussed the document the **Czech Republic's Policy of Secondary Resources - Turning Waste into Resources** and approved strategic goals and measures in the field of secondary raw materials. These focus primarily on supporting technologies for the efficient use of secondary raw materials, re-conversion of waste to resources and promotion of recycling. They will also contribute to a more effective life cycle of natural resources and to reduce the material and energy intensity of the Czech economy.

### ***The use of biomass***

The government sees the growing energy use of biomass as an important element not only for farming in the country in ensuring soil and flood protection with proper technology selection and land choice, but its production may also contribute to the promotion of biodiversity of the Czech countryside. Its contribution in the field of energetics can be seen in the diversification of the energy mix and security of the distribution system. In addition, the benefits of using can be seen mainly in the development of the local economy and the contribution to the local energy self-sufficiency, in the positive impact on employment in the country as well as from an environmental point of view. Government measures in this area are based mainly on the **Czech Republic's Biomass Action Plan in for the period 2012 - 2020** (the BAP), which was approved by the Government on 12<sup>th</sup> September 2012. The BAP's main objectives include determination of the quantified energy potential of agricultural and forest biomass and the quantification of the amount of energy that can realistically be produced from biomass in the Czech Republic in the outlook to 2020 and also defines the principles and appropriate measures to ensure the effective and efficient use of the energy potential of biomass.

### ***Reducing greenhouse gas emissions***

For greenhouse gas emissions, which are outside the EU trading system of emission allowances ETS (Emissions Trading System), the maximum allowable increase for the Czech Republic by the end of 2020 is set at 9% compared to 2005. The Czech Republic contributes to the fulfilment of the agreed EU reduction target particularly through the EU ETS emission allowances market, where there is a target to reduce emissions by 21% compared to the reference year 2005.

Regarding the protection of climate the Czech Republic fulfils the objectives of the Europe 2020 Strategy (i.e. 20-20-20). Based on projections it is assumed that the Czech Republic will fulfil its obligations by 2020 based on the effective implementation of existing measures without the need for new measures. In contrast, the expected surplus of emission rights within the fulfilment of objectives for the area outside the EU ETS could be a source of extra income, as it will be possible to trade them. From the perspective of reducing greenhouse gas emissions by 2040 it is crucial to update the SEC.

## **4.2.6. Environmental policy**

Healthy and quality environment is an integral part of a good standard of living of the Czech Republic's inhabitants. The priority of the government is to minimize the negative impact of human and industrial activities on the environment, not only at the national but also at the international level. The government also considers as important the area of environmental innovations as potential sources of support for economic growth and employment and environmental education and counselling.

### ***Air Protection***

By the end of July 2014 the Medium Term Strategy (2020) of Improving Air Quality in the Czech Republic will be completed, which also contains the National Programme to Reduce Emissions and programmes to improve air quality for individual zones and agglomerations. The aim of the Strategy is to improve air quality in the Czech Republic, at least to the extent that comply with applicable emission limits to protect human health, ecosystems and vegetation and to propose measures to meet the national emission

ceilings that will come into force in 2020, according to the revised Göteborg Protocol (CLRTAP) with an outlook to 2030. Given that on 18<sup>th</sup> December 2013 the European Commission published a package of measures to protect the environment, which includes proposals for new legislation, these measures will be also taken into account in the Strategy (especially in the National Program to Reduce Emissions).

### ***Waste Management***

The government's primary aim is waste prevention and reduction of specific waste production, minimization of the adverse effects of the generation and handling of waste on human health and the environment, sustainable development of society and convergence towards a European "recycling society" and finally the maximum use of waste as a substitute to primary resources. Quantified targets of the Czech Republic are mainly based on the obligations specified in the relevant EU directives on waste management<sup>26</sup>. In order to fulfil the above mentioned objectives, the government shall ensure by the end of 2014 the preparation of a legislative intent of the new law on waste and legislative intent of the law on products with finished life cycle. The government will also promote the Waste Prevention Programme, whose objectives and measures will be also reflected in the newly prepared **Waste Management Plan for the years 2015-2024**. The government will support waste management, which aims to increase material and energy utilization of waste and will also help to create a system of fees that will encourage citizens to sort waste.

### ***Reducing the risk of flooding and drought impacts***

Crucial for the Czech Republic will be to further reduce the risk of flooding especially in areas with significant flood risk. To this end, the Government will support the implementation of a technical and nature-sensitive flood control measures, further improvement of the level of flood forecasting and warning services and the general accessibility of information on flood hazard, risk and preparedness of flood authorities.

Mapping of flood hazard and flood risk for all areas with significant flood risk was completed at the end of 2013. Also completed was a large number of local warning systems and the flood watch system in the Odra River was modernized. In 2014 a draft of possible flood control measures for areas with significant flood risk shall be prepared, which should be implemented in the period 2016-2022. Proposals will be submitted to the government for approval by the end of 2015.

A key area for the Czech Republic is the issue of drought and its impacts. In 2014 a government regulations will be prepared and submitted for approval on minimum residual flow. Also prepared will be possible proposals to mitigate drought risks that will be part of the updated River Plans. These measures should be implemented in the period 2016 -2022. Drought issues in the context of observed and projected impacts of climate change will also be the subject of a **Strategy of Adaptation to Climate Change in the Conditions of the Czech Republic**, which is being prepared.

## **4.2.7. Agricultural policy**

The direction of the Czech Republic's agricultural policy is mainly influenced by the adopted form of the new **EU Common Agricultural Policy** (CAP) for 2014-2020 and the national strategy developed for the further development of Czech agriculture. The main strategic goal of the government of the Czech Republic is to contribute to ensuring food security, food self-sufficiency and increasing the competitiveness of Czech agriculture in line with the objectives of the planned concept of Climate Protection Policy in the Czech Republic and its links with the sustainable handling of natural resources, with particular emphasis on preventing degradation of land, reduction of water pollution from agricultural sources and

<sup>26</sup> Directive 2008/98/EC on waste, Directive 94/62/EC on packaging and waste packaging, Directive 2000/53/EC on vehicles with finished life cycle, Directive 2006/66/EC on batteries and accumulators and waste batteries and accumulators, Directive 2012/19/EU on waste electric and electronic devices.

the increase of water retention in the landscape with an emphasis on non-productive functions, including support of rural development and improving the overall quality of life in rural areas.

### ***Rural development and employment aid***

One of the priorities of the government of the Czech Republic in the framework of rural development is to support sectors with higher demands on the volume of human labour with high added value so that new jobs would be created in the country which would result in the improvement of the living standards. The priority sectors are therefore animal production, specialized crop production including cultivation of some energy crops taking into account the improvement of the functional properties of the landscape and increase biodiversity, the manufacturing sector and environment-friendly technologies in the forests. The government will improve the importance of small and medium-sized forestry and wood processing industry to increase employment in mountain and foothill areas. The government will restore the so-called green diesel fuel for active farmers and will preserve zero consumer tax on still wines.

The development and modernization of agricultural, food and forestry enterprises will be promoted as well as small and medium-sized enterprises, including social economy entities, especially in economically sensitive regions. The government supports the development of processing forms of short chains including further development of regional and local markets. Given the need to stabilize the economic sector, the government also supports diversification of farmers' income, for example by promoting biogas plants.

### ***Consumer protection and food safety***

In order to enhance consumer protection and food safety the government will support producers of quality local food and established systems of food quality evaluation and will adopt stricter rules not only for the production and distribution of food and beverages (alcoholic and non-alcoholic), but also for retail chains, including transparent labelling of food origin so as to minimize any risk of health hazards. The government will increase the penalties for misleading information on the composition of products, the awarded fine will be taking into account the turnover of companies. In order to achieve effective market surveillance the number of inspectors in the field will be increased. Supervisory bodies overseeing the quality of food will now come under the Ministry of Agriculture, which will ensure an integrated performance of supervision with the participation of other state administration bodies, including cooperation with the Customs Service and the Police. The government will also adopt measures to increase consumer awareness.

### ***Strengthening export***

In order to improve the performance and diversification of agri-food exports the government shall unify and streamline the implementation of pro-export measures in the field of exporting agricultural products and foodstuffs to countries outside the EU, with a particular focus on products with higher added value and the markets with identified export potential.

## **4.3. Functioning labour market, education system and social inclusion**

### **4.3.1. The development of the active employment policy; increasing labour productivity**

The aim of the Government is to actively develop the functioning of the labour market to allow efficient use of resources for economic and social development. In recent years, a number of structural problems remain in the labour market, among which is the low employment of certain groups of the population, especially young people, women with small children or people approaching retirement age. In the labour market it is also difficult to find employment for applicants with low qualification or specialization that does not match to the needs of the economy. The government intends to create conditions for

sustainable employment, which will be based on a coordinated approach by the state, territorial public administration, employers and the non-profit sector, targeted active employment policy and effective and meaningful development of citizens' skills. Beyond the response to Recommendation No. 4 the government expects to adopt a number of other measures in this area for meeting long-term goals, including restoration of the workload of the numerically strengthened labour authorities.

### ***Modification of the system of investment incentives***

By amending the Act No. 72/2000 Coll., The Investment Incentives and Act No. 435/2004 Coll., on Employment, the government will increase the incentive for employers to invest in regions with an unemployment rate above the national average and the preferential industrial zones. The amount of financial support for the creation of new jobs and training (retraining) will be graded according to the level of unemployment in supported regions. The improved support of the creation of new jobs and training will also apply to the state-supported regions<sup>27</sup>. In line with the government's Plan of Legislative Work the draft of a comprehensive amendment to the Act on Investment Incentives, including the amendment to the Employment Act, will be submitted to the government by the end of June 2014.

### ***Warranty Program for Youth***

The Czech Republic has adopted a programme Guarantees for Youth, which aims to offer employment, further education, training or internship to every young person under 25 within four months after becoming unemployed, completed formal education or dropped out of the formal education system. Currently the programme is being implemented through the existing 31 projects for youth within the OP Human Resources and Employment, the largest proportion and activation is represented by 14 regional projects Professional Experience for Young People up to 30 Years. These projects are designed for young people without work experience or minimal experience, who are registered at the Labour Authority of the Czech Republic. Measures and projects funded under the investment priorities of the new OP 1.1 Employment will be involved in the implementation of the programme from 2015. The intention of the government is to prevent youth unemployment by interconnecting better education offers with long-term needs of the labour market.

### ***Reducing unemployment among young people in the region NUTS II Northwest***

The EU initiative to promote youth employment is implemented in the region NUTS 2 Northwest, the only one to fulfil the initiative condition, i.e. that in 2012 the unemployment rate of youth up to 25 years is higher than 25% (namely 28.2%). The Czech Republic agrees to offer employment, further education, training or internship to every young person under 25 in Karlovy Vary and Ústí nad Labem, who is not employed and is not included in the system of further education or training (the so-called NEETs). In 2014, the Initiative's measures are implemented within the active employment policy projects financed from the state budget or project OP Human Resources and Employment. From 2015, funds will be available within the investment priorities of the new 1.5 Operational Programme Employment for the years 2014-2020.

### ***Promoting regional cooperation in the labour market***

Creating a functioning system of cooperation in the labour market is an essential prerequisite for the prevention of unemployment and improving the competitiveness of the Czech economy. A good starting point for cooperation of the Labour Activity and other partners in the labour market are the existing advisory councils, work monitoring teams etc.

### ***Providing more targeted active employment policy***

Active employment policy instruments, in particular the promotion of job creation, will take into account the length of the job seeker's registration at Labour Activity and the level of disadvantage of assisted persons in the labour market, in particular the accumulation of individual handicaps, so that the contributions would motivate employers to employ truly disadvantaged persons.

### ***National System and the National Qualifications Framework***

The Government will support the further development of the **National System of Professions and the National Qualifications Framework**, which, through the involvement of the relevant stakeholders in the labour market very significantly contribute to the reduction of the discord between supply and demand in

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<sup>27</sup> A task included in the Government Resolution No. 344 of 15<sup>th</sup> May 2013 regarding the Strategy of Regional Development of the Czech Republic 2014-2020.

the labour market. They contain information about occupations employable in the labour market and the required competencies that are subsequently reflected in all levels of education, human resources and professional education in all its stages.

### **4.3.2. Quality, affordable health care**

The government sees health care as a public service, which is based on the principle of solidarity, non-profit, equality and universal access. The priority is to ensure quality and efficient care to all citizens, including children and seniors. Government policy in the field of health care is based, inter alia, on the priorities defined by the National Strategy **Health 2020**, which represents a general package of measures to improve the health status of the Czech population and reduce the occurrence of illness and premature deaths, which can be prevented. Beyond the response to the Council Recommendation No.3, the government intends to implement further measures to improve the quality and availability of health care in the country.

#### ***Prevention as a prerequisite for a healthy population***

Prevention not only represents one of the foundations of improving the health status of the population, but also brings significant cost savings to the health service and other economic benefits. The government intends to support the implementation of health promotion projects aimed at promoting and optimization of physical activity among the general public and specific target groups. It will also support health promotion projects aimed at achieving changes in eating habits and increasing health literacy, especially among children and the youth. It will also focus on reducing the health risks of the living and working environment and reducing health risk behaviour, in particular regarding protection against addictive substances. The government will also promote the prevention of infectious diseases, particularly through measures aimed at antimicrobial resistance and vaccination programs.

#### ***Computerization of Health (eHealth)***

The government aims to ensure secure sharing of important health and economic information, thereby achieving improved quality, comfort, security and transparency of the health care system. Computerization allows professionals and patients to make the right decisions based on correct information. Full use of modern communication technologies will contribute to a better and more cost-effective care. In this context, the aim is to create a working government strategy to ensure standards necessary for the development and sustainability of e-health and to oversee their implementation.

#### ***Implementation of health technology assessment (HTA)***

The government's commitment to effectively define the process of entry of new technologies into the health system still continues. A methodology has been established within the project of implementation of health technology assessment (HTA), which should ensure that new technologies, which are to be covered by the public health insurance system, bring adequate and documented counter value. It is necessary to decide on the form of the institutional arrangements for HTA and the manner of its inclusion in the process of determining the extent of medical care covered by public health insurance. In 2014, the usability of the methodology will be tested further as well as its eventual deployment via a law.

### **4.3.3. Social inclusion and combating poverty**

The government, in accordance with the European concept of active inclusion, will support measures to contribute to the integration of people at risk of social exclusion or socially excluded into society, both through an inclusive labour market and by increasing the availability, quality and sustainability of basic resources and services, including decent income, housing and education. As a result it should bring the people who are socially excluded or at risk of social exclusion the opportunity to participate in the open market of goods and services, contribute to the reduction of social tensions and prevent its negative social and economic impacts and to reduce spending to address the adverse social consequences of exclusion.

The overarching document for the main areas of social inclusion of persons socially excluded or at risk of social exclusion is the **Social Inclusion Strategy 2014 - 2020**, which sets the priority topics of the Czech Republic in areas important for social inclusion for the period 2014-2020 and provides an overview of measures affecting social inclusion and combating poverty. It also shows the direction in which the solutions of social exclusion have to go, promotes socially responsible values related to social exclusion, highlights the shortcomings in the search for solutions to social exclusion and encourages the spread of the principle of social inclusion mainstreaming at all levels of government.

### ***Affordable and Professional Social Work***

The basic tool for social inclusion of those socially excluded or at risk of social exclusion is social work. In order to strengthen its role the number of social workers in municipalities with extended authorities will gradually increase so as to ensure their optimal state. The government shall also prepare a legislative intent of the Act on Social Workers, which will anchor social work, including the strengthening of the competencies of social workers. The Act on Social Services shall also be amended.

### ***Adjustments to the social services***

The Government intends to modify the system of social services in order to link funding to its network, so as to match the principle of subsidiarity. Further specified in 2014 will be the methods of preparation and the contents of the medium-term plans for the development of social services and the parameters under which the network of financially supported social services will be created.

### ***The social benefits***

The government will continue to stabilize and ensure the smooth administration of non-insurance social benefits which support families with children, individuals and households with low incomes and people with disabilities. The system of state social support benefits will newly contain benefits primarily focused on family behaviour (birth allowance), also possibilities of application of elements that stimulate higher employment of female parents will be explored. The conditions of eligibility for benefits in material need will be refined (for the housing supplement) and ways will be discussed to deepen the effect of activation elements and to contribute to the integration of people at risk of poverty and social exclusion in the labour market. As for benefits that take into account the health status the attention will be focused primarily on rules for awarding care allowance.

### ***Caring for vulnerable children***

The government will support further improvement of the quality of the activities of social and legal protection of children in relation to vulnerable children and families, as enshrined in the National Strategy for the Protection of Children's Rights. A legislative intent will be prepared on family support, foster care and protection of children's rights, which will unify the care for vulnerable children. Support shall continue to be given to the professionalization of foster care, children's participation in the processes that affect them and de-institutionalization of care. The activities of social-legal protection of children will be standardized in 2014.

### ***Socially excluded localities***

The government will continue to take measures aimed at engaging socially disadvantaged children into mainstream education, prevention of family breakdown and removal of children to institutional care, employment support and security in and around the socially excluded localities. Given the rise in unemployment and a growing number of people at risk of poverty, emphasis will be on promoting social inclusion and social cohesion in structurally underdeveloped regions with high unemployment and occurrence of socially excluded localities.

### ***Regulation of long-term care***

The goal of the regulation of long-term care is to address long-term social care for people who also need to be provided with long-term nursing care. An interdepartmental working group was created, which aims to find solutions to the problems of social and healthcare border. Following the results of the survey

an amendment will be made to existing legislation on the system of social services, health services and health insurance.

### *Regulation of the rehabilitation of persons with disabilities*

In 2014 will continue the preparation of proposals to address the coordination of the rehabilitation system, which define the rights of persons authorized to use all means of rehabilitation, the advisory in this area and the cooperation with institutions that provide support. Proposed solutions will be prepared within the framework of an inter-ministerial working group (see paragraph Regulation of long-term care).

### *Social housing*

The preparation of the draft of a conceptual solution of social housing will continue, which will be submitted to the government in September 2014. The government shall also begin the preparation of the legislative intent on social housing, which will contain the identification, definition and the embedment of the synergy effect of the various segments of public policies and the definition of the conditions of their functioning.

### *Availability of rental housing and increased mobility of the workforce*

In accordance with the objectives of the **Concept of Housing of the Czech Republic until 2020**, the government will continue to subsidize the creation of rental housing in order to provide social housing for people who have difficulty accessing housing due to special needs resulting from their unfavourable social situation. In 2014 will be implemented the Government Regulation No. 284/2011 Coll., on the Conditions of Granting and Use of Financial Resources from the State Housing Development Fund in the form of a loan to support the construction of rental housing in the Czech Republic.

### *Preventing and addressing homelessness*

In August 2013 the government approved the **Concept of Prevention and Addressing Homelessness in the Czech Republic until 2020**, which covers topics from supporting access to housing and health care to promote awareness and cooperation of all stakeholders. One of the measures in the concept is the organization of the national consensus conference on homelessness in order to find a consensus and popular support for the future direction of the policy on homelessness. Building on this concept, the government will discuss in May 2014 the proposal of concrete actions that meet the objectives of the Concept and the schedule of their implementation.

### *Fight against debt*

The Government will pay special attention to the rapidly expanding poverty industry<sup>28</sup>. The reason for concern is particularly the rapidly growing number of households that get into the poverty trap and varying degrees of social exclusion with significant regional differences. The government shall further evaluate the changes of the new legislation on consumer protection and debt relief created after 1<sup>st</sup> January 2014 and on debt enforcement created after 1<sup>st</sup> January 2014, will analyse their effectiveness and propose measures to eliminate the deficiencies or to improve the effectiveness of measures already in place.

### *Active aging*

In February 2013 the Government approved the document **National Action Plan to Support Positive Aging for the period 2013-2017 (NAP)**, which provides priorities and measures for the upcoming term in areas important to the quality of life of seniors and population aging. The main priorities are to ensure and protect the rights of older persons, lifelong learning, employment of older workers, volunteerism and intergenerational cooperation, quality living environment for seniors, healthy aging and care for the frailest elderly citizens. The NAP is an inter-departmental document and the responsibility for the implementation of measures in the field of aging population falls to all ministries and other bodies. The document is to be complemented in 2014 with an evaluation mechanism including measurable indicators

<sup>28</sup> Often related to semi-legal activities, such as e.g. unfavourable loan conditions and their extortion.

that will enable effective assessment of progress. In connection with the change of policies in the context of demographic aging its updates are also expected.

To address the challenge of an aging population, the government will support activities and projects that are aimed at improving the application of the elderly in society, the promotion of Age Management, improvement of the employment of older people, support intergenerational solidarity and participation of older people in voluntary activities. An important part should be the promotion of a healthy lifestyle and disease prevention as an essential prerequisite for improving the quality and extension of active life in old age.

In the area of professional care, the government will seek to interconnect the medical, social and other services provided in the home environment. Particular will be put on compatibility or comparability of systems of funding of social and health services as a major barrier of conceptualization of long-term care.

The government will seek to provide systemic support of field social and health services, including community inclusion. The government will promote the development and use of assistive technologies that can improve the quality of life and independence of older people.

#### ***The development of assisted living services***

One of the goals of the government is to implement the Concept of Development of Technologies and Services of Assisted Living for the Elderly, which will contribute significantly to the networking of social services, system streamlining, creation of new jobs and savings in the social services system. The concept includes, among others, the analysis of information and communication technologies and services of assisted living for seniors, based on which it will be possible to submit a proposal of solution of the services in this area, the establishment of standards and interfaces necessary for a more effective development and use of information technology and services for the elderly and the services of assisted life for seniors.

#### **4.3.4. The compatibility of work and family life and the issue of gender equality**

Affordable and quality child care services are an important tool in maintaining contact with employment during maternity and parental leave and parental participation into the labour market. Employment of women with children under the age of 12 is very low in the Czech Republic, which has an impact on the loss of professional qualifications, employment, and therefore the negative impact on gender equality in the labour market and the threat of poverty to families with children. In connection with the Council Recommendation No. 4 measures will be supported that are designed to promote the balancing of work, private and family life and keeping parents in touch with employment during child care and a gradual return or entry to the labour market. In view of the above, the Government has prepared a draft law on the provision of childcare services in the children's group, which is currently being discussed in the Parliament. It is assumed that it could help increase the availability of child care in particular for children up to 4 years of age. In order to increase employment and social inclusion of carers (mainly women), the government will encourage and support effective shared care for children and seniors.

#### ***Methodology to support the balancing of work and family life***

In order to enhance the ability of public authorities to provide its employees with measures to balance work and private life a methodological manual shall be prepared by the end of 2014 based on examples of good practice and experience sharing with the private sector.

#### ***The elimination of discrimination in access to employment***

In order to increase the effectiveness of employment services the training of employees of the Labour Authority and the State Labour Inspection Authority will continue in the area of equal opportunities for women and men. This will also support the capacity of these institutions to perform within their activities the perspective of gender equality and combat discrimination in access to employment.

#### ***Strategy for equality between women and men in the years 2014 - 2020***

In order to promote equal opportunities for women and men, the government shall adopt a Strategy of Gender Equality for the period 2014 - 2020, which will lead to a comprehensive support of gender equality, including support for a higher rate of female employment and support of measures to balance work and private life.

#### ***Gender aspects of poverty risk***

The government will also analyse the impact of divorce on the income of the persons in productive and post-productive age with the formulation of possible measures to reduce the risk of poverty, as women (especially the elderly) are at risk of poverty at a significantly higher rate than men.

#### **4.3.5. High quality and inclusive education**

The basic prerequisite for the success of the Czech economy is a skilled and flexible workforce able to withstand global competition. The government considers education to be a fundamental pillar of its policy. It will also seek to develop the skills and human potential through lifelong learning. The aim is to enhance access to quality education in key competencies, to support and encourage schools to improve the results of their students, improve career guidance and increase the relevance of secondary education to labour market requirements, reinforce the importance of education in relation to the overall development of the individual, his civic responsibility, ability to orient in a rapidly changing world and critical thinking skills. Higher education and accredited study programmes must be set to reflect the needs of the labour market and employers. It is essential that in the course of their studies students have the opportunity to gain practical experience and skills.

#### ***Strategy of Educational Policy of the Czech Republic until 2020***

In 2014 the government shall prepare the Strategy of Educational Policy of the Czech Republic until 2020, which defines the fundamental priorities of the system's development, the fulfilment of which the state and other makers of the educational policy will systematically seek. The strategy will be based on the concept of lifelong learning in order to contribute to the fulfilment of the main goals of education, which include personal development, contributing to the improvement of the quality of human life, maintenance and development of culture as a system of shared values, the development of active citizenship creating conditions for a socially cohesive society and democratic governance and preparation for employment. Interventions will focus primarily on the support of teachers and quality of teaching, improving the throughput of the education system, the completion of a comprehensive framework for the assessment and the modernization of evaluation procedures in education and the creation of conditions for responsible and effective management of a decentralized education system.

#### ***Equal access to education***

The government is implementing projects to promote equal access and quality in education that are supported by, among others, from cohesion resources. Projects are also implemented to develop and test the design of a system of support and compensatory measures, which will support a parallel amendment to Act No. 561/2004 Coll., on Preschool, Primary, Secondary, Vocational and Other Education, particularly with regard to special educational needs and education of gifted students. At the same time the possibilities are explored of the implementation of development strategies of local educational systems in municipalities with extended authorities in order to promote equal opportunities in education and ensure inclusive education in regional education.

#### ***The amendment to the Education Act***

In 2013 work began on the amendment of Act No. 561/2004 Coll., on Preschool, Primary, Secondary, Vocational and Other Education (Education Act), which will be completed in 2014. The amendment, which shall be submitted to the government no later than by June 2014, regulates the organization of the education of children, pupils and students with special educational needs and gifted children, pupils and students, by abolishing the division into categories of children with physical disabilities, physical handicap

and social disadvantage. They will be replaced by a principle of individual support for each pupil with the need of support measures by prioritizing individual integration within the mainstream education.

### ***Support for vocational education and cooperation between schools and employers***

Effective since 2014 is the increase of tax allowance to support the vocational education, which is based on the increase in limits of the tax deductibility of incentive allowance. The motivation of employers to educate pupils of secondary schools is increased by introducing new tax allowances and the possibility of additional deduction for assets acquired and used for the purposes of the education. The government will seek to strengthen the role of polytechnic education in primary schools and encourage cooperation between employers and secondary schools with the aim of introducing a dual system of vocational education in the Czech Republic.

In order to further promote technical and vocational programs, the government intends to change the system of financing of regional education so as to better reflect the long-term employability of graduates in the labour market. The government will support the amendment of the framework educational programmes in secondary education with an emphasis on practical training in a real work environment so that they are more efficiently targeted at improving the quality of vocational education and long-term employability of graduates from secondary vocational schools. For graduates of apprenticeships a new concept of a master examination shall be prepared as a new element of lifelong learning.

Also strengthened will be the role of employers in career counselling, which will aim to increase students' motivation to study and put into practice professional skills while increasing the awareness of pupils and teachers about the requirements for a profession, work environment and job opportunities.

### ***Creating a career ladder***

By the end of 2014 a career system for teachers will be prepared within the implementation of the national individual project, enabling professional growth of teachers and improving the quality of their work life, linked to attestations and to a motivating reward system. The career system is designed to help increase the prestige of the teaching profession in society, stimulate interest in the teaching profession among young people and to give new and experienced teachers perspective of a professional growth throughout their professional lives. The career system will be based on the principle of interdependence of the professional development, career system and remuneration, on rights and obligations of teachers to develop their professional skills and the right to choose the possible career paths (the path of development of professional competencies, the path of development of specialized positions, the path of development of management positions). In the case the path of development of professional competencies a gradation in 4 phases is proposed. The individual steps are linked to the teacher's standard, which describe the skills and their required level for each career stage. An obligation to complete an adaptation period is assumed completed by an evaluation before entering the second career stage, from the second career stage the participation in the career system is voluntary. From 2015 legislative work shall begin that will enable the launch of the career system into practice.

### ***Support for higher vocational education and tertiary education***

As in the field of secondary education and in higher vocational and tertiary education the government supports business investment in education via the amendment to the Income Tax Act. Guidelines for these deductions are being prepared for the area of higher vocational training and tertiary education. The measures include both increased incentives for companies to enable professional experience and practical training as much as possible as well as support for corporate scholarships. The government will promote cooperation between employers and higher vocational schools and universities.

### ***Further Education***

The Government considers it necessary to continue to develop the concept of lifelong learning, particularly in further education, which should be seen not only as personal development, but also as a means of supporting the employability of individuals and their success in the labour market. There is a need to promote and develop tools for verification and recognition of prior learning (Act 179/2006 Coll.

Recognition of Further Education), including the need to ensure coherence of the National Qualifications Framework and National System of Occupations.

#### 4.3.6. Support for the arrival of skilled workers from abroad

A skilled workforce is one of the fundamental requirements of competitiveness and commercial success of employers. It forms a necessary condition for investment by ensuring transfer of knowledge, innovation development, introduction of new technologies and leads to the creation of new jobs. Due to the openness and the nature of the Czech economy the government is taking measures that lead to an effective migration policy, which is able to reflect the country's economic needs.

##### *Accelerated procedure for internally transferred and localized staff and project Welcome Package*

The government will in 2014 continue with the project **Accelerated Procedure for Internally Transferred and Localized Staff and Statutory Bodies of Foreign Investors**, which sets the rules for accelerated transfer and localization of internal employees, or statutory bodies of foreign investors to work in the Czech Republic and helps ensure sufficient skilled labour. The project is to run until the entry into force of new legislation on entry and residence of foreigners in the Czech Republic. Another project is also ongoing since 1<sup>st</sup> July 2013, which is named **Welcome Package** for investors, which streamlines the procedures of entry and employment of key foreigners who need to quickly and smoothly obtain the necessary residence and work permits in order to be eligible for work within the investment location in the Czech Republic.

##### *New legislation on entry and residence of foreigners in the Czech Republic*

The government continues to prepare a new legislation on entry and residence of foreigners in the Czech Republic. Draft of the legislation was sent to the interdepartmental commenting procedure in 2013 and the comments will be gradually addressed during 2014. The new rules will include, among others, the introduction of new types of uniform residence permits for the purpose of employment (employee card), which will contribute significantly to reducing the bureaucratic burden associated with granting residence and work permits to third country nationals.

### 4.4. Growth based on research and innovation

Long-term sustainability of economic growth is largely dependent on the ability to innovate effectively, which requires the necessity of creating an favourable environment for research and innovation. The aim is to systematically reinforce the importance of research and innovation activities and products with higher added value as key prerequisites for enhancing the competitiveness of Czech companies. These activities must respond to changes in consumer needs and demand in the foreign markets. The key factor here is to strengthen mutually beneficial partnerships between the business sector and research and educational institutions.

The government will soon focus on improving the quality of management, R&D and increasing the motivation for the use of research, development and innovation by both the private and public sectors. Emphasis will be put on improving the quality of research and its applicability in practice, human resource development and strengthening international cooperation.

#### 4.4.1. Development of conditions for excellent research

A prerequisite for increasing the efficiency of the research and innovation system of the Czech Republic is the introduction of advanced methods for the assessment of institutional and targeted funding of R&D, human resource development reflecting the needs of the knowledge economy of the Czech Republic,

improvement of R&D management at all levels, the continued modernization of research infrastructure of the Czech Republic and deepening its integration into the European Research Area.

### ***National Sustainability Programmes I and II***

In order to ensure long-term sustainability of the R&D centres built in the Czech Republic with the use of EU Structural Funds, the government will continue to implement the National Sustainability Programs I and II. Emphasis within the implementation of programmes will be put on effective cooperation of centres with the business sector and their involvement in international cooperation. At the same time, the government will seek to reduce disproportionality in the possibilities of modernization of research infrastructure in Prague and other Czech regions.

### ***The internationalization of higher education, R&D and business***

The government will develop a Strategy of Internationalization of Higher Education, R&D and Business, which will include, among others, the concept of membership in international research organizations, the strategy of supporting and encouraging the participation of the Czech subjects in the EU Framework Programme for Research and Innovation Horizon 2020, the principles of involving the Czech Republic in international R&D initiatives and programmes implemented within the European Research Area and the objectives for the development of international cooperation in R&D with countries outside the EU. The main objective of the Strategy will be to create adequate framework conditions to support the integration of research infrastructure of the Czech Republic into the European Research Area and encouraging the increasing participation of Czech research organizations and enterprises in community R&D support programmes.

### ***Legislative framework to support the R&D***

The government is preparing an amendment to Act No. 130/2002 Coll., on the Support of Research, Experimental Development and Innovation from Public Funds and amending certain related Acts (Act on the Support of Research and Development), as amended. The amendment is related in particular to the new instruments of support of R&D funding, which should lead to a reduction administration and a more efficient support of applied research and innovation. In particular it is expected to expand the possibilities of targeted support for infrastructure and feasibility studies, as well as a significant expansion of forms of targeted support, including the implications of the so-called SBIR, removal of some bureaucratic obstacles to submission of project proposals and finally defining the government body responsible for innovation.

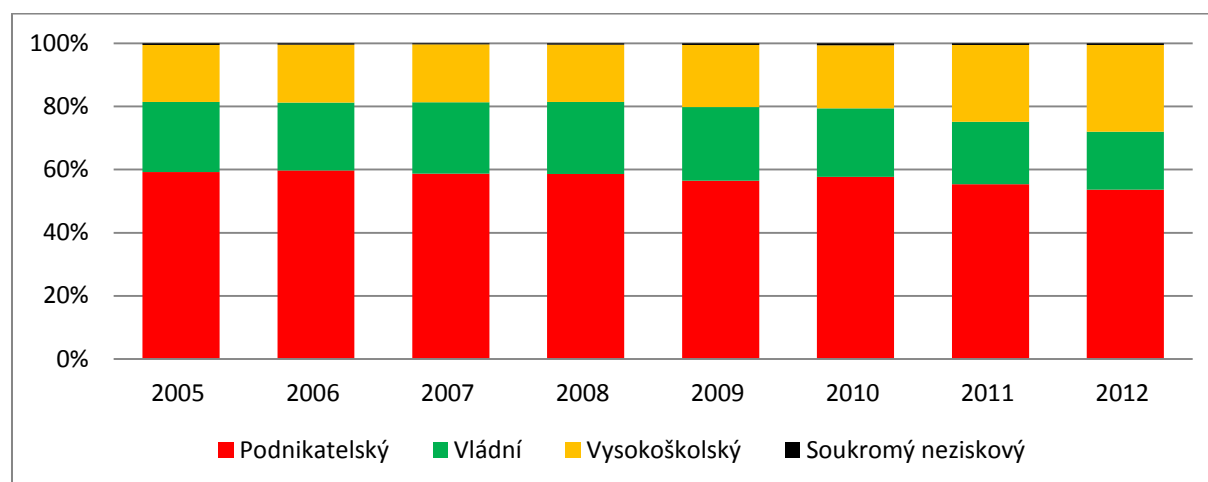
### ***Support strategic R&D fields***

Following the implementation of national priorities of oriented research, experimental development and innovation, which were approved by the government, the new R&D programs will be designed to comply with these priorities. The programmes of targeted support of R&D and the distribution of institutional support for R&D support strategic areas in which the Czech Republic has the potential to achieve high-quality research results and industrial applications. Priorities are also based on the current socio-economic needs of society and social studies also form an integral part of them.

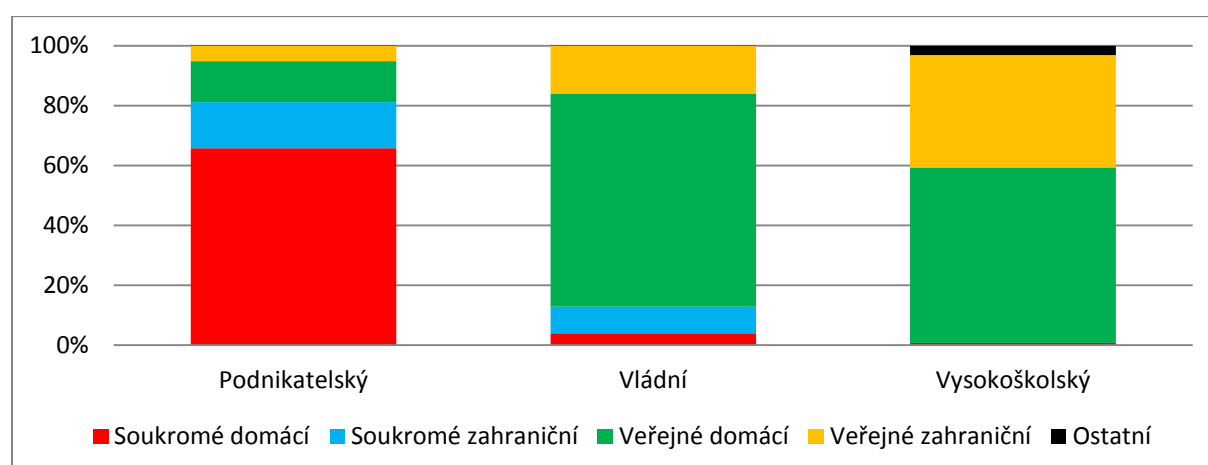
## **4.4.2. Development of cooperation between the business sector and research organizations**

The persistent weakness of the research and innovation system of the Czech Republic is the lack of cooperation between the public research sector and application sphere, particularly the corporate sector. The corporate sector carries out the largest part of R&D in the Czech Republic<sup>29</sup>, but the share of private expenditure in the total funding of R&D performed in the Czech Republic is relatively low, moreover only a part of this R&D is carried out in cooperation between the public and private sectors. This may indicate a persistent distrust of partnerships between businesses and universities and public research institutions.

<sup>29</sup> <sup>29</sup> Of the total R&D conducted in 2012 in the amount of 72.36 bn. CZK 53.6 % was conducted in the corporate sector, 18.4 % in the government sector and 27.4 % in the university sector. The Corporate sector contributes 36.4 % of total R&D expenditures, whereas this share is gradually increasing over the last decade.

**Chart 10: Expenditure on R&D in sectors of performance by type of workplace**

Source: Czech Statistical Office 2013 Annual Statistical Survey on Research and development VTR 5-01

**Chart 11: Expenditure on R&D by sector of performance and source of funds in 2012**

Source: Czech Statistical Office 2013 Annual Statistical Survey on Research and development VTR 5-01

The R&D support from the state budget should therefore stimulate synergy in R&D funding from public and private sources, promoting the formation of long-term strategic partnerships of research organizations and enterprises (technology platforms, clusters), commercialization of R&D results achieved in the public sector, transfer of knowledge into practice and removing barriers of performing contractual research.

In order to improve cooperation between the research sector and the application sphere the government in 2013 approved an amendment to Act No. 586/1992/Sb., on Income Tax for the purposes of technical education and contractual research, which enables tax allowances for obtaining R&D results from research organizations and corporate investment in education. Given that a significant proportion of large companies in the Czech Republic are a part of foreign multinational corporations, the government will try to motivate investors to conduct R&D in the Czech Republic.



### ***Strategy for Intelligent Specialization of the Czech Republic (RIS3)***

In order to coordinate the development and implementation of regional innovation policy the government has continued in the preparation of Research and Innovation Strategies for Intelligent Specialization of the Czech Republic (RIS3). The aim of RIS3 is to identify the competitive advantages of individual regions, to determine their strategic priorities in R&D and concentrate limited financial and human resources into them, i.e. set the direction for the long-term development of the region in accordance with their knowledge potential. The outcome will be a comprehensive national RIS3 complemented by 14 "regional" annexes and an action plan for their implementation.

### ***Competence Centres Program***

The government will continue its programme of targeted support of R&D Competence Centres. The programme is aimed at supporting the development of strategic partnerships between public research and the business sector and stimulates the creation and operation of interdisciplinary R&D in advanced fields with high application potential.

### ***EPSILON Programme***

The government shall begin to implement a programme of targeted R&D support named EPSILON, which will focus on supporting applied research and experimental development for industry in order to improve its competitiveness in the European and global context. The programme will support projects leading to results with a high potential for rapid application in new products, production processes and services, especially in areas related to the use of new technologies and new materials in energetics, environment and transport.

### ***GAMA Programme***

In order to support a more efficient transfer and commercial exploitation of R&D results achieved by research organizations or in collaboration between research organizations and companies the government will start implementing the GAMA programme. The aim of the programme is also to stimulate innovation in enterprises (especially SME) using the results of R&D achieved with the support from public funds.

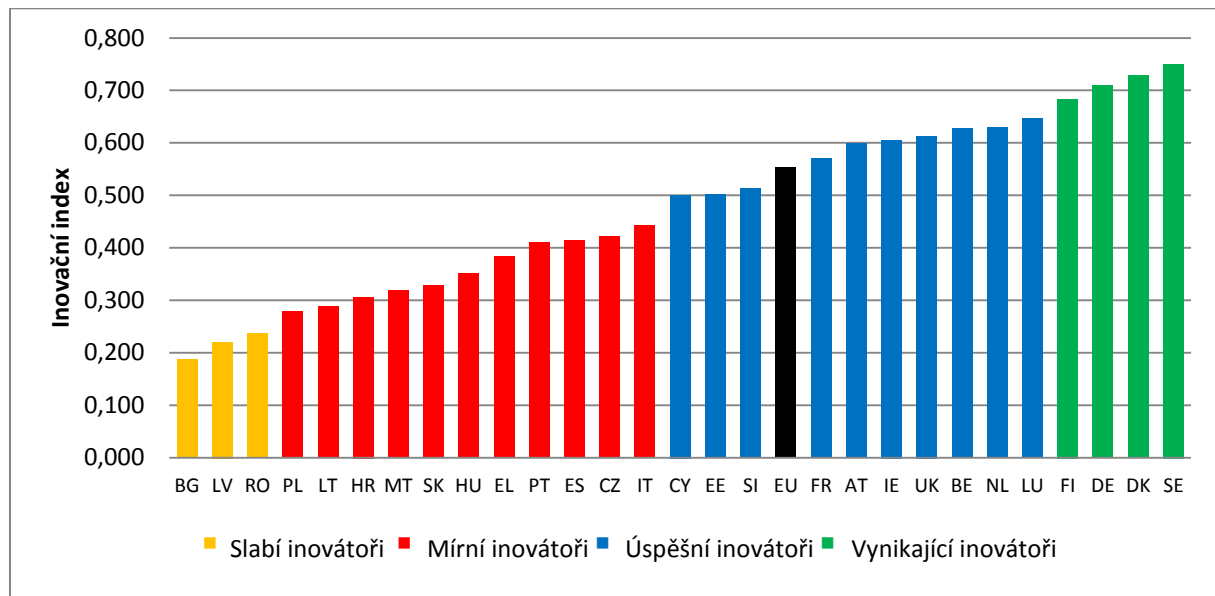
### ***Support of export of R&D results***

The next step for increasing cooperation between research organizations and private companies is to establish the cooperation of the Czech Republic's Technology Agency (TACR), the Ministry of Foreign Affairs (MFA), the Ministry of Industry and Trade (MIT) and the Export Guarantee and Insurance Corporation (EGAP). With credit insurance of commercial implementation of R&D results it will be possible to export Czech innovations via domestic enterprises to the global market. Mutual exchange of contacts between TAČR, MFA, MIT and EGAP will allow establishing cooperation between the private sector focused on innovation with research organizations and the results of their activities will see more frequent commercialization than as it is now.

## **4.4.3. Innovation enterprises and business development for start-ups**

The government is aware that innovation activities of enterprises are an important condition for the long-term competitiveness of the Czech economy. Therefore its objective is to create the necessary prerequisites for innovation processes of enterprises and the development of new technologies and modernization of production. The emphasis must be placed not only on the creation of innovative potential, but also on bringing innovations to the market, which is the resulting picture of innovation performance and success of Czech enterprises.

Chart 12: Innovation performance of EU Member States



Source: Innovation Union Scoreboard 2014

Most highly innovative "domestic" companies are small and medium-sized enterprises, for which investment in more ambitious innovative projects carry high risk. The aim of an effective state policy in this area must therefore be to support research disciplines oriented on immediate use in the application area, the creation and effective use of innovation infrastructure to stimulate the commercialization of research findings towards the development of innovation business activities, developing a system of supporting counselling and coaching services as well as enabling access to sufficient financial resources for the development and launch of new businesses and the expansion of existing ones.

### **Seed Fund**

In preparation of the project the 100% state-owned Czech Development Closed Investment Fund was established, and a scheme of support regarding compatibility with the internal market of the EU was approved. The public tender for the Fund's custodian was concluded, but the tender for the selection of the Fund's administrator has not finished yet because of the on-going administrative proceedings caused by the appeal of an unsuccessful candidate with the Office for the Protection of Competition.

Given the significant time lag, the government will in 2014 look for another way to use the financial resources of the European Regional Development Fund designated for the Seed Fund project, the implementation of which was suspended due to the above mentioned reasons. In this crisis plan for operational programs, which was annexed to Resolution No. 144 of 5<sup>th</sup> March 2014, the government assessed the project Seed Fund as risky, approved its cancellation and the transfer of the preparation of the programme of R&D support with venture capital to the OP EIC. OPEI funds designated for venture capital will be used on a different instrument of support for innovation-oriented businesses including start-ups. The results of already supported pre-seed activities that form an integral part of the activities to support new, especially technology, companies, will also be evaluated.

The OP EIC counts with greater use of financial instruments, including venture capital. The involvement of standardized financial (so-called off-the-shelf) tools developed at the European Commission level and specially designed financial instruments for addressing the specific needs of the Czech Republic is expected. Specific programmes using financial instruments will be submitted after the conducting of an ex-ante analysis of market failure with the use of the experience gained in their implementation.

### **Support programmes for the provision of financial instruments including venture capital**

For the 2014-2020 period the government will prepare in 2014 new support programmes using mainly financial instruments, such as loans, guarantees and venture capital. It will be based not only on

experience gained so far, but particularly on the ex-ante analysis of the market situation in the country. The new Act on Investment Companies and Investment Funds now offers a wider variety of options for creating fund structures (e.g. SICAV), which can better motivate the involvement of private investors in financing innovations in different phases of their life cycle. In this context the government considers amending the law on budgetary rules so that transfers of funds from the state budget would better reflect the nature of the financial instruments<sup>30</sup>, which would facilitate their implementation.

### ***Other programmes of support for the development of innovative business***

The government supported the proposal to extend the implementation of the INOSTART programme to support innovative business start-ups, which is funded from the Partnership Fund of Czech-Swiss Cooperation. The programme will be extended to all regions of the Czech Republic and the medium enterprise segment. The government will also support activities of government agencies CzechInvest, CzechTrade and the Czech Republic Technology Agency to stimulate projects with high added value and high share of research and development, which have prerequisites for commercial use, high growth potential and a promise of expansion into foreign markets.

### ***Exploiting the potential of industrial property***

The government will continue its efforts to improve the knowledge regarding the optimal way of using the system of industrial property protection to gain a competitive advantage. In addition to increasing the knowledge of entrepreneurs, R&D workers, teachers, and students regarding various industrial law instruments and their optimal use it will focus on explaining the importance and methods of obtaining technical information from patent sources. In 2014, the popularization campaign will continue, bringing arguments and instructions how and why to use the industrial property protection, what to do when applying abroad and taking advantage of the international system of the Patent Cooperation Treaty.

Special attention will be given to academic, research and development facilities to prevent unauthorized use of the results of their activities. The system of the Patent Cooperation Treaty will be made clear, where filing a single application can provide a longer time for the decision whether to continue the effort to procure a patent abroad and at the same time increase the possibility of obtaining funds from the sale of the results abroad.

The Government will continue to support the work towards the completion of a single EU patent and the creation of the Unified Patent Court, including the support of the creation of a common regional court chamber with the Slovak Republic. More attention will be paid to providing comprehensive, trustworthy and user-friendly and understandable information about cutting-edge technological solutions and subjects of industrial rights and ways of their best use. Users will be offered services providing information on the latest state of the art in their field taken from newly published patent applications, industrial law audit and technological foresight to track trends and predict the future direction of the given field will be promoted. It will improve the availability of information on the progress registry and other proceedings. In order to underline the importance of patent and trademark protection for the innovation- and creativity-based company an international conference will be organized in the second half of 2014, which will be attended by top representatives of specialized international institutions.

### ***Foresight and technological areas of strategic importance for the Czech Republic's economic growth***

As a part of the effective innovation policy the government supports the development of a system of monitoring of global markets and developments in the field of research and technology, which allows qualified identification of the social, economic and technological trends in foreign markets. Based on foresight activities analysing the developments in global demand, a qualified estimate of the possible scenarios of the future development of value added analyses of Czech trade in the global economy and the mapping of the innovation potential of organizations in the Czech Republic, the government may determine key technological areas to be supported in the Czech Republic. Focus will be put mainly on the areas in which we can also expect a high potential for contributing to the competitive advantage of the

<sup>30</sup> The only form currently available is subsidy, which causes problems when using revolving tools.

corporate sector in the Czech Republic and therefore the public support for business and research and development will be directed to them. At the same time the mapping of the Czech Republic's innovation capacity within the project INKA is being conducted as part of the streamlining of innovative activities and interventions in the field of R&D.

#### **4.4.4. Space activities**

Space activities are a dynamically developing field, the advances of which are 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 Agency (GSA), particularly for the improvement of the technological level of the Czech industry and its competitiveness.

The government sees space activities as a strategic and political discipline with a significant economic impact. Companies and institutions that are developing new technologies, software, hardware and services with high added value are getting increasingly involved in space activities. Applications in the field of space technology and satellite navigation stimulate further development in a broad spectrum of various industries.

In this context the government is preparing measures to help Czech companies to get more involved in the above activities and will allow further improvements in the coordination of space activities at the national and global level. This form of coordination will not only contribute to a more efficient use of funds, but ultimately, to the increased return of investments and competitiveness of the country.

##### ***Investing in space***

Investments in ESA optional programmes must be conducted in accordance with the increasing capacity of Czech industry in this area and achieved partial results in the transfer of know-how to the commercial industrial sector. Investment in space activities, particularly through the ESA in the form of participation in its optional programmes the government is able to effectively promote the competitiveness of the Czech industry, research excellence and contribute to the sustainable economic growth.

##### ***Creating a multi-annual National Space Programme***

In 2014 the government envisages the creation of the National Space Programme, which will be a set of material, time and financial conditions for activities necessary to meet the objectives and priorities of the National Space Plan of the Czech Republic.

##### ***Establishment of the Czech Space Agency***

The Government's aim is to establish a Czech Space Agency (CSA), which should be an inter-ministerial body in matters of space activities in the Czech Republic. This step will streamline the coordination of the government's space activities and facilitate international cooperation and transfer of technologies with high added value.

## 5. Implementation of the cohesion policy programmes and the use of European Structural and Investment Funds as tools for the implementation of the Europe 2020 priorities

### 5.1.1. Programming period 2007-2013

The Government considers the cohesion policy as a tool that can not only significantly enhance economic growth and competitiveness, but also the internal social and political stability. In the 2007-2013 period the Czech Republic could invest a total of 26.8 billion EUR from the funds of this policy. Therefore, the government adopted a decision to monitor the drawing of the remaining funds in an effort to minimize the possible gap. The experience from the 2007-2013 programming period then served in changing the approach to the preparation of the cohesion policy in the next programming period 2014-2020 within the preparation of programmes co-financed from the European Structural and Investment Funds ("ESI Funds").

The National Strategic Reference Framework ("NSRF") for cohesion policy in the 2007-2013 period primarily reflects the Lisbon Strategy, which the European Council adopted in spring 2000. NSRF has been formulated in line with this strategy, while also taking into account the Czech specifics and priorities. In addition to information about the programmes for the implementation of the Cohesion Policy the NSRF also includes the complementarity of support provided through the Rural Development Programme 2007-2013 and the Operational Programme Fishing 2007-2013.

In June 2010 the European Council endorsed the Europe 2020 Strategy, which defines the objectives the EU wants to achieve by the end of 2020 in the field of employment, research and development, innovation, climate change and energetics, education and social area. Each Member State specified its own national targets. For the purpose of linking the NSRF to the Europe 2020 Strategy such priority themes were selected that are fulfilled by the implementation of NSRF (or individual operational programmes and projects implemented within them) in the 2007-2013 programming period. The General Regulation defines a total of 86 priority topics; 70 of them are fulfilled by the implementation of NSRF. Potential links to the objectives of the Europe 2020 Strategy were identified in 19 of the topics fulfilled within the NSRF.

### 5.1.2. Programming period 2014-2020 and the status of its preparation

The joint package of European funds contained in accordance with the EU budgetary framework for the 2014 – 2020 programming period ***the European Regional Development Fund (ERDF), European Social Fund (ESF) and the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF)***. Together, these funds aimed at supporting the cohesion policy, rural development policy and the common fisheries policy constitute one of the most important chapters of the EU budget in the new EU budgetary period.

On 20<sup>th</sup> November 2013 the plenary of the European Parliament approved a package of measures regarding the EU cohesion policy. On 17<sup>th</sup> December 2013 it was formally approved by the General Affairs Council. The regulations define the rules for the next programming period 2014-2020 and govern the preparation of the programming period at the level of individual Member States. The indicative amount of co-financing from ESI funds for the Czech Republic for the next programming period has been set at 23.8 billion EUR (without EMFF). The final determination of the contribution of individual funds for the programmes will be determined following a discussion of the Czech Republic and the European Commission regarding the Partnership Agreement (see below).

Although one of the main principles for the new programming period is to continue in the current system of use of European funds, there are some new aspects. In addition to expanding the number of

participating funds it is particularly their alignment to the fulfilment of the Europe 2020 objectives and then the following:

- reduction of the number of targets to only two ( *the Investment for Growth and Employment , and European Territorial Cooperation* );
- exclusion of the three categories of regions according to the parameters of their economic performance;
- setting of preliminary conditions;
- setting and monitoring of synergies and complementarities between programmes and ESI funds
- higher measurability of the contribution of the supported operations (emphasis on the fulfilment of indicators);
- financial dependence on the speed and quality of the drawing (performance framework);
- reintroduction of the n +3 rule for the time eligibility of expenditures;
- higher degree of application of the territorial-specific approach and the use of integrated tools;
- higher rate of application of financial instruments at the expense of subsidies;
- extension and specification of methods of simplified reporting of costs;
- simplified rules that are approximated between funds on eligibility of expenditure;
- stricter rules for paying advances to the Member States.

The key overarching document for the programming period 2014-2020 at the national level, which will fulfil a similar role as the National Strategic Reference Framework in the 2007-2013 period, is the *Partnership Agreement (PA)*. Based on Government Resolution No 867 of 28<sup>th</sup> November 2012 and No. 650 of 31<sup>st</sup> August 2013 the responsibility for the preparation of PA falls to the Ministry for Regional Development. Preparation of the document itself, with its form and contents defined by an EU Regulation, began in the summer of 2012.

Preparatory works on the programming period 2014-2020, however, were commenced in the Czech Republic in a broad partnership much earlier - in the course of 2010. Discussions led to the identification of the need for updating or developing new strategic documents for 2014-2020 and established the main principles of the programming period 2014-2020 and subsequently the National Development Priorities, which are, inter alia, based on the key strategic documents. A total of five national development priorities were defined:

- Increasing the competitiveness of the economy,
- The development of backbone infrastructure,
- Improving the quality and efficiency of public administration,
- Support of social inclusion, the fight against poverty and the health care system
- The integrated territorial development.

In the Government Resolution No. 650/2011 these priorities were taken into account and a task was presented to develop them to the level of programme definition. Due to correct settings and real management of interventions it was decided to create a level of topic areas that will further elaborate on the social and economic situation in the country. Their purpose was to provide a basis for the definition of programmes aimed at the fulfilment of the objectives set out in priorities. In addition to the priorities the MLD based its preparations of topics on problem analyses. These were conducted at all the relevant ministries, regions and other parties (e.g. regions and non-profit organizations). These activities were followed by the preparation of the programmes themselves simultaneously with the preparation of the PA.

Preparation of PA was conducted at key platforms created by MLD as well as the programmes' governing bodies. Members of the platforms are representatives of ministries, regional partners (regions, cities, municipalities, local action groups, etc.), academic sector, the non-profit sector, social and economic

partners etc. Throughout the period of preparation MLD ensured the functionality of the partnership principle, which was ultimately reflected in the smooth AP approval at the Council for European Structural and Investment Funds on 3<sup>rd</sup> April and then on 9<sup>th</sup> April 2014 at the meeting of the Czech government.

The basis of the PA is the analytical and strategic part. It contains five problem areas in which significant improvement must be made in order to maintain cohesion and sustainability and achieve growth, if the Czech Republic is to realize its full potential. Division of the problem into these five areas is based on the combination of objectives of topical areas, the Europe 2020 Strategy and, therefore even this National Reform Programme, Specific Recommendations of the Council, the International Competitiveness Strategy of the Czech Republic for the period 2012-2020 and the so called Position Paper of the Commission<sup>31</sup>. Individual problem areas were developed into problems and development needs, based on which the following funding priorities were then determined:

- Efficient and effective employment services that will contribute to an increase in employment, particularly of vulnerable groups.
- Quality education system (lifelong learning) producing skilled and adaptable workforce.
- Research and innovation system based on high quality research linked with the application sphere and aiming to commercially usable results.
- Enterprises using the results of research and development, competitive in the global market and contributing to a low carbon economy.
- Sustainable infrastructure enabling the competitiveness of the economy and the corresponding territorial services.
- Transparent and effective public administration with low administrative and regulatory burdens and effectively responding to emergencies.
- The social system integrating socially excluded groups and acting preventively against poverty.
- Protection of the environment and landscape and climate change adaptation.

Funding priorities are further elaborated in the expected results of interventions that have been coordinated with the objectives of the programmes.

In accordance with the relevant guidelines of the European Commission the PA contains an extensive set of chapters, which deal with the important aspects of its implementation, specifically for example: coordination of funds and other financial resources at the national and the European Union level, the determination of positive synergy and its maximum utilization, fulfilment of preliminary conditions, measures aimed at reducing the administrative burden of beneficiaries of EU subsidies and more. The PA also includes an allocation for each of the topical objectives and programmes,, which are broken down by individual funds.

Another important principle which pervades the whole AP and the preparation of the programming period is the consideration of the territorial dimension within the funding priorities with the aim to reduce regional disparities and strengthen the growth potential of individual regions in the Czech Republic. The approach to the consideration of the priorities and needs of individual regions is reflected in both the analytical and strategic part of the PA as well as in a separate chapter, which describes the key mechanisms aimed at territorial coordination of planned interventions. A key method for the application of the territorial dimension is an integrated approach aimed at achieving greater efficiency in strategic planning, ensuring synergies of interventions in multiple areas and more efficient management and use of funds. The strategic framework document for the application of the territorial dimension is the Regional Development Strategy 2014-2020, which is set to significantly contribute to the fulfilment of national priorities and objectives of the Europe 2020 Strategy.

The government-approved structure of the programmes co-financed by ESI funds in the Czech Republic is in accordance with the PA and represents a detailed reflection of the priorities indicated in the earlier

<sup>31</sup> The opinion of the Commission's departments regarding the preparation of the Partnership Agreement and programmes in the Czech Republic for the 2014-2020 period, November 2012

stages of preparation and analyses and also reflects the positive and negative experiences with the drawing of EU funds from the moment of the Czech Republic's accession to the EU:

- The area of the economy and the support of competitiveness is concentrated into three operational programs ("OP") that integrate investments and educational needs for the economy and its competitiveness: OP Enterprise and Innovation for Competitiveness, OP Research, Development and Education and OP Employment.
- The need for the development of transport and environmental infrastructure is concentrated in the OP Transport and OP Environment.
- Concentrated support of growth and competitiveness at the regional level is provided by the territorial dimensions of topical OP and also by the central Integrated Regional OP.
- Due to different factual and formal conditions the programme for Prague OP Prague - Pole of the Czech Republic's Growth is a separate programme that supports the most important region for the economy of the entire country.
- Management and coordination of future interventions will be ensured through the OP Technical Assistance for the entire system of OP.
- The Rural Development Programme 2014-2020 was approved for the development of rural areas and the OP Fisheries 2014-2020 for the area of fishing.

The basic prerequisite of the successful implementation of the next programming period is to set the system administration and financial flows on uniform binding rules applicable for the entire implementation system. To ensure the implementation system itself in terms of processes a uniform methodological environment is being prepared. The uniform methodological environment will include both the administration level of the Partnership Agreement and the administration level of programmes. Its aims are:

- simplify administrative procedures and amend legislation with this goal in mind
- set uniform and clear rules not only for the entire system of support allocation, but also in general, among others in an effort to minimize the risk of inadvertent or deliberate misuse of EU funds
- enable easier orientation of the applicant/recipient within the support allocation,
- improve communication between the applicant/recipient and the provider of support
- optimize administrative deadlines.

To monitor the implementation of the programmes of ESI funds the Czech Republic is finishing a concept of a *Unified Monitoring System*. It is a methodologically, procedurally and technologically unified system covering the whole implementation structure. Key role in ensuring functional operation of such a monitoring system belongs to parameterisation of internal and external processes and procedures for the levels of management, supervision and audit, definition of the mandatory links and key processes and rules, including the definition of the scope of shared services with complete links to external systems at the level of e-Government services. The focus of preparation is placed on clarity and uniform formal layout and wording. Logical arrangement of individual areas will reflect on the programme and project cycle as well as the needs of central control and coordination of programmes of ESI funds in the conditions of the Czech Republic.

Reduction of the administrative burden for beneficiaries will be set in accordance with the Government Resolution on recommendations to simplify the administrative burden for applicants and beneficiaries when drawing financial resources from EU funds in the 2014-2020 programming period.

The PA was sent to the Commission in April 2014 in accordance with the Regulation. In 2014, the MLD will focus on intensive preparation of the implementing structures, completion of the PA and programs co-financed by ESIF, their submission to and approval by the Government, subsequent submission to the European Commission within a formal dialogue to ensure their approval by the European Commission.



## List of Annexes

Annex No. 1: Overview of the government strategic and conceptual documents

Annex No. 2: Overview of impacts and the time schedule of the implementation of Council Recommendations

Annex No. 3: Overview of impacts and a time schedule of the implementation of other measures

## Annex No.1: Overview of the government strategic and conceptual documents

This Annex provides a summary of the most important government strategic and conceptual documents related to the fulfilment of the goals of NPR 2014. The list of documents is not complete and exhaustive and many other individual contributions to the fulfilment of the objectives of the NPR 2014 and Europe 2020 Strategy can be found in a number of other documents. Neither does this summary contain the intersections with the International Competitiveness Strategy, which are listed in a separate annex.

Current information on documents that have been approved is available in the Database Strategy system. The Database Strategy (<http://databaze-strategie.cz/>), system is a national information system for strategic, conceptual and component programme documents. It allows a clear view of documents, the topical and functional linking of strategic objectives, measures, responsibilities for implementation, indicators, and other specified parameters from an international level, through documents from ministries and national institutions, to the regional and local level.

| NPR Chapter                                                                       | Document name                                                                                                           | Document status | Coordinator |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|
| <b>3. Implementation of Council Recommendations</b>                               | Convergence Programme of the Czech Republic 2014                                                                        | In preparation  | MF          |
|                                                                                   | Macroeconomic Forecast of the Czech Republic – April 2014                                                               | Published       | MF          |
|                                                                                   | Medium-term outlook for the state budget of the Czech Republic for the years 2015-2016                                  | Approved        | MF          |
|                                                                                   | Medium-term expenditure framework for the years 2015-2017                                                               | In preparation  | MF          |
|                                                                                   | Government strategy to combat corruption in the years 2013 and 2014                                                     | Approved        | OG          |
|                                                                                   | Strategy of computerization of public procurement 2011-2015                                                             | Approved        | MLD         |
|                                                                                   | State energy concept 2010-2030                                                                                          | In preparation  | MIT         |
|                                                                                   | Action plan of the Czech Republic's energy efficiency                                                                   | Approved        | MIT         |
| <b>4.1. Sustainable public finances and efficient institutions</b>                | The strategic framework for the development of eGovernment and Public Administration 2014+                              | In preparation  | MI          |
|                                                                                   | The strategic framework for the development of the public administration 2014+                                          | In preparation  | MI          |
|                                                                                   | Effective Public Administration and Friendly Public Services (Smart Administration Strategy for the period 2007 - 2015) | Approved        | MI          |
|                                                                                   | Government strategy to combat corruption in the years 2013 and 2014                                                     | Approved        | OG          |
|                                                                                   | Action Plan of the Czech Republic "Partnership for Open Governance" (2011)                                              | Approved        | OG          |
|                                                                                   | Updated Action Plan of the Czech Republic "Partnership for Open Governance" for years 2014-2015                         | In preparation  | OG          |
| <b>4.2. Attractive business environment and the development of infrastructure</b> | Export Strategy of the Czech Republic for the period 2012-2020                                                          | Approved        | MIT         |
|                                                                                   | The concept of support for small and medium-sized enterprises for the period 2014 – 2020                                | Approved        | MIT         |
|                                                                                   | National Action Plan of Corporate Social Responsibility                                                                 | Approved        | MIT         |
|                                                                                   | Concept of Foreign Policy of the Czech Republic                                                                         | Approved        | MFA         |

| NPR Chapter | Document name                                                                                                        | Document status | Coordinator |
|-------------|----------------------------------------------------------------------------------------------------------------------|-----------------|-------------|
|             | (2011)                                                                                                               |                 |             |
|             | Security Strategy of the Czech Republic 2011                                                                         | Approved        | MFA         |
|             | National Innovation Strategy 2012-2020                                                                               | Approved        | OG          |
|             | National Research, Development and Innovation Policy in 2009 - 2015 with outlook to 2020                             | Approved        | OG          |
|             | State Environmental Policy of the Czech Republic for the period 2012-2020                                            | Approved        | MOE         |
|             | Waste Management Plan of the Czech Republic 2014-2020                                                                | In preparation  | MOE         |
|             | The concept of addressing flood protection in the Czech Republic with technical and nature-friendly measures (2010)  | Approved        | MoA, MOE    |
|             | The concept for housing in the Czech Republic to 2020                                                                | Approved        | MLD         |
|             | National Emission Reduction Programme of the Czech Republic (2007)                                                   | Approved        | MOE         |
|             | Strategic Framework for Sustainable Development of the Czech Republic 2010-2030                                      | Approved        | MOE         |
|             | Government Energy Policy 2010-2030                                                                                   | In preparation  | MIT         |
|             | Regional Development Strategy of the Czech Republic 2007-2013                                                        | Approved        | MLD         |
|             | Potential to reduce emissions in the Czech Republic to 2020                                                          | Approved        | MOE         |
|             | Waste Prevention Programme for the Czech Republic                                                                    | In preparation  | MOE         |
|             | The Plan of Main Catchment Areas                                                                                     | Approved        | MOE         |
|             | Programme of Improving Air Quality                                                                                   | In preparation  | MOE         |
|             | Medium-term Strategy (until 2020) for Improving the Quality of Air in the Czech Republic                             | In preparation  | MOE         |
|             | Climate Change Strategy in the Czech Republic                                                                        | In preparation  | MOE         |
|             | Climate Protection Policy in the Czech Republic 2009-2020                                                            | Approved        | MOE         |
|             | Strategy of Protection of Biodiversity                                                                               | In preparation  | MOE         |
|             | National Action Plan of the Czech Republic for Renewable Energy (2012-2020)                                          | Approved        | MIT         |
|             | Czech Republic's Resource Policy (I. Policy for primary resources , II. Policy for secondary resources)              | In preparation  | MIT         |
|             | The updated programme of support for environmental technologies in the Czech Republic (2009)                         | Approved        | MOE         |
|             | Biomass Action Plan for the Czech Republic for the period 2012– 2020                                                 | Approved        | MoA         |
|             | Digitalisation of Cultural Content Strategy for the years 2013-2020                                                  | Approved        | MK          |
|             | State policy in electronic communications – Digital Czech Republic v. 2.0 (Journey to the digital economy) 2013-2020 | Approved        | MIT         |
|             | Updated State Cultural Policy for 2013 and 2014 with a view to 2015-2020                                             | Approved        | MK          |
|             | Transport Policy of the Czech Republic 2005 – 2013                                                                   | Approved        | MD          |
|             | Transport Policy of the Czech Republic for the period 2014-2020 with a view to 2050                                  | Approved        | MD          |
|             | Sector Transport Policy 2014-2020                                                                                    | Approved        | MD          |
|             | The concept of national tourism policy in the Czech Republic for the period 2014 – 2020                              | Approved        | MLD         |

| NPR Chapter                                                                                                                                                                      | Document name                                                                                                           | Document status  | Coordinator |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|------------------|-------------|
|                                                                                                                                                                                  | Strategy for the Safety of Food 2014 – 2020                                                                             | Approved         | MoA         |
|                                                                                                                                                                                  | Multi-year National Action Plan for Aquaculture                                                                         | Approved         | MoA         |
| <b>4.3. Functional labour market, education and social inclusion</b>                                                                                                             | Employment Policy Strategy until 2020                                                                                   | In preparation   | MPSV        |
|                                                                                                                                                                                  | National Action Plan to support positive aging for the period 2013-2017                                                 | Approved         | MPSV        |
|                                                                                                                                                                                  | Strategy to combat social exclusion for the period 2011-2015                                                            | Approved         | OG          |
|                                                                                                                                                                                  | National Financial Education Strategy (2010-2015)                                                                       | Approved         | MF          |
|                                                                                                                                                                                  | Social Inclusion Strategy 2014 – 2020                                                                                   | Approved         | MLSA        |
|                                                                                                                                                                                  | National Plan for Equal Opportunities for Persons with Disabilities 2010 – 2014                                         | Approved         | OG          |
|                                                                                                                                                                                  | Housing Concept until 2020                                                                                              | Approved         | MLD         |
|                                                                                                                                                                                  | Educational Policy Strategy of the Czech Republic to 2020                                                               | In preparation   | MŠMT        |
|                                                                                                                                                                                  | Long-term Plan for Education and Development of the Education System of the Czech Republic 2011-2015                    | Approved         | MŠMT        |
|                                                                                                                                                                                  | Action Plan to Support Vocational Education and Training (2008-2015)                                                    | Approved         | MŠMT        |
|                                                                                                                                                                                  | Lifelong Learning Strategy (2007-2015)                                                                                  | Approved         | MOEYS       |
|                                                                                                                                                                                  | Concept of integration of foreigners (2011)                                                                             | Approved         | MI          |
|                                                                                                                                                                                  | Strategic Framework for Sustainable Development in the Czech Republic 2010-2030                                         | Approved         | MOE         |
|                                                                                                                                                                                  | Strategy of the Reform of Psychiatric Care                                                                              | Approved         | MoH         |
|                                                                                                                                                                                  | Health 2020 – National Strategy of Protection and Support of Health and Disease Prevention                              | Approved         | MoH         |
| <b>4.4. Growth based on research and innovation</b>                                                                                                                              | Intelligent Specialization Strategy 2014-2020                                                                           | Pending approval | MOEYS       |
|                                                                                                                                                                                  | National priorities for oriented research, experimental development and innovation (2012-2030)                          | Approved         | OG          |
|                                                                                                                                                                                  | National Research, Development and Innovation Policy of the Czech Republic for the period 2009-2015 with a view to 2020 | Approved         | RVVI        |
|                                                                                                                                                                                  | The concept of support for small and medium-sized enterprises for the period 2014 - 2020                                | Approved         | MIT         |
|                                                                                                                                                                                  | National Innovation Strategy of the Czech Republic 2012-2020                                                            | Approved         | MIT, MOEYS  |
| <b>5. Implementation of the cohesion policy programmes and the use of European Structural and Investment Funds as tools for the implementation of the Europe 2020 priorities</b> | National Strategic Reference Framework of the Czech Republic 2007 – 2013                                                | Approved         | MLD         |
|                                                                                                                                                                                  | Partnership Agreement 2014-2020                                                                                         | Approved         | MLD         |
|                                                                                                                                                                                  | Regional Development Strategy of the Czech Republic for 2014-2020                                                       | Approved         | MLD         |
|                                                                                                                                                                                  | Spatial Territorial Development Policy of the Czech Republic 2008                                                       | Approved         | MLD         |
|                                                                                                                                                                                  | Strategies for growth – Czech Agriculture and Food under the Common Agricultural Policy after 2013                      | Approved         | MoA         |