

2015

National Reform Programme  
of the Czech Republic



The Office of the Government  
of the Czech Republic

# Contents

<b>Summary .....</b>	<b>1</b>
<b>1. Introduction .....</b>	<b>2</b>
<b>2. The current macroeconomic forecast of the Czech Republic .....</b>	<b>3</b>
<b>3. Progress in the implementation of the Council recommendations of 2014.....</b>	<b>5</b>
3.1 Budget strategy .....	5
3.1.1 The fiscal situation in 2014 .....	5
3.1.2 The budgetary strategy in 2015 and the outlook for the period 2016-2018.....	5
3.1.3 Prioritising growth-supporting expenditures.....	6
3.1.4 Strengthening the fiscal framework.....	6
3.2 Tax Policy.....	7
3.2.1 Improving the collection of taxes and simplify the tax system .....	7
3.2.2 Reducing the tax burden on labour.....	8
3.2.3 Shifting the tax burden .....	8
3.2.4 Limitations of differences in the tax treatment of employees and self-employed .....	9
3.3 Long-term sustainability of public finances .....	9
3.3.1 Securing long term sustainability of the pension system .....	9
3.3.2 Employability of older workers and review of the indexation of pensions.....	9
3.3.3 Improving cost efficiency and governance of the healthcare sector .....	10
3.4 Employment services and childcare.....	11
3.4.1 Improving public employment services .....	11
3.4.2 Youth unemployment .....	12
3.4.3 Availability of facilities and childcare services .....	13
3.5 Quality and inclusive education, evaluation and funding of research institutions .....	14
3.5.1 Higher education and its relevance for the labour market .....	14
3.5.2 Evaluation and funding of research institutions .....	15
3.5.3 Comprehensive system of evaluation and support for basic education .....	16
3.5.4 Increasing the inclusiveness of education .....	16
3.6 Reform of regulated professions and reduction of energy intensity.....	17
3.6.1 Reform of regulated professions.....	18
3.6.2 Increasing energy efficiency .....	19
3.7 Quality public administration, fight against corruption, administration of EU funds, public procurement .....	20
3.7.1 Implementation of the Act on Civil Service .....	20
3.7.2 Strengthening the fight against corruption .....	20
3.7.3 Improving the management of EU funds .....	21
3.7.4 Public procurement .....	21
<b>4. Progress in meeting national targets under the Europe 2020 strategy.....</b>	<b>23</b>
4.1 Employment .....	24
4.2 Poverty and social exclusion.....	26
4.3 Education .....	27
4.4 Research, Development and Innovation .....	28

4.5 Climate and Energy Policy .....	30
<b>5. Government Reform measures beyond the Council recommendations .....</b>	<b>32</b>
5.1 Effective public administration and quality legislative environment .....	32
5.2 The attractive business environment and infrastructure development for the Czech industry	33
5.2.1 Improving the business environment and developing services for business .....	33
5.2.2 Industrial policy .....	35
5.2.3 Transport Infrastructure .....	37
5.2.4 Digital Agenda .....	38
5.2.5 Energy and climate protection .....	39
5.2.6 Environmental Policy .....	41
5.2.7 Agricultural policy .....	42
5.3 Functioning labour market, education system and social inclusion .....	43
5.3.1 Development of the labour market and active employment policy, increasing labour productivity .....	43
5.3.2 Quality and affordable health care .....	44
5.3.3 Social inclusion and combating poverty .....	44
5.3.4 Reconciling work and family life .....	46
5.3.5 Gender equality .....	47
5.3.6 Quality education .....	47
5.3.7 Support for the arrival of skilled workers from abroad .....	48
5.3.8 Strategy on Migration Policy of the Czech Republic .....	49
5.4 Growth based on research and innovation .....	49
5.4.1 Development of conditions for excellent research .....	49
5.4.2 Development of cooperation between business sector and research organizations ...	51
5.4.3 Innovative entrepreneurship and start-ups development .....	52
5.4.4 Space activities .....	53
<b>6. Implementation of the cohesion policy and the use of ESIF as a tool for the implementation of the Europe 2020 priorities .....</b>	<b>54</b>
6.1 Programming period 2007-2013 .....	54
6.2 Programming period 2014-2020 .....	55
<b>List of Annexes .....</b>	<b>56</b>
Annex 1: Overview of the government's strategic documents .....	56
Annex 2: Detailed overview of measures in reaction to Council recommendations of 2014 .....	60
Annex 3: Detailed overview of the government's reform measures beyond the Council recommendations of 2014 .....	60

## List of tables

Table 1: Main macroeconomic indicators .....	3
Table 2: Overview of the fulfilment of national targets .....	23

## List of charts

Chart 1: General Government Balance .....	6
Chart 2: Distance to national targets and comparison with EU average.....	23
Chart 3: Fulfilment of national employment targets.....	25
Chart 4: Fulfilment of national targets in the area of unemployment .....	26
Chart 5: Population of the Czech Republic at risk of poverty or social exclusion .....	27
Chart 6: Share of persons leaving education early and those with tertiary education .....	28
Chart 7: State budget expenditures on R&D&I.....	29
Chart 8: The ratio of R&D resources by sector and total volume.....	29
Chart 9: Development of the share of RES in gross final consumption (GFC) .....	31

## List of abbreviations

AEP	Active Employment Policy	EU	European Union
AP	Action Plan	EU ETS	EU Emissions Trading System
ASZ	Agency for Social Inclusion	GDP	Gross Domestic Product
AWG	Ageing Working Group	GNSS	Global Navigation Satellite System
BAP	Biomass Action Plan	ICT	Information and Communication Technologies
CAP	Common Agricultural Policy	IPn	Individual national projects
CO <sub>2</sub>	Carbon dioxide	IROP	Integrated Regional Operational Programme
CoPr	Convergence programme	IT	Information Technology
CSI	Czech School Inspectorate	ITS	Intelligent Transport Systems
CZSO	Czech Statistical Office	LO CR	Labour Office of the Czech Republic
EC	European Commission	MEYS	Ministry of Education, Youth and Sports
EGAP	Export Guarantee and Insurance Corporation	MF	Ministry of Finance
EIA	Environmental Impact Assessment	MFA	Ministry of Foreign Affairs
EP	European Parliament	MIT	Ministry of Industry and Trade
ERDF	European Regional Development Fund	MLSA	Ministry of Labour and Social Affairs
ESA	European Space Agency	MoRD	Ministry of Regional Development
ESF	European Social Fund	MoE	Ministry of the Environment
ESIF	European Structural and Investment Funds	MoH	Ministry of Health

Mol	Ministry of Interior	TA CR	Technology Agency of the Czech Republic
MoT	Ministry of Transportation	VAT	Value Added Tax
MPR	Deputy Prime Minister for Science, Research and Innovation	WMP	Waste Management Plan
NAP	National Action Plan		
NIF	National Innovation Fund		
NRP	National Reform Programme		
OG	Office of the Government of the Czech Republic		
OPC	Office for the Protection of Competition		
OP E	Operational Programme Environment		
OP EI	Operational Programme Enterprise and Innovation		
OP EIC	Operational Programme Enterprise and Innovation for Competitiveness		
OP Emp	Operational Programme Employment		
OP HRE	Operational Programme Human Resources and Employment		
OP PGP	Operational Programme Prague – Growth pole of the Czech Republic		
OP RDE	Operational Programme Research, development and Education		
OP T	Operational Programme Transport		
PA	Partnership Agreement for the 2014-2020 Programming Period		
PPA	Public Procurement Act		
PW	Public works		
PWD	Persons with Disabilities		
RDP	Rural Development Programme		
RES	Renewable energy sources		
PSC	Point of Single Contact		
RIS 3	National Research and Innovation Strategy for Smart Specialization		
RRP	Department of Gender Equality		
R&D&I	Research, Development and Innovation		
R&D Council	Council for Research, Development and Innovation		
SE	Subsidised employment		
SEP	State Energy Policy		
SLP	Human Rights Section		
SME	Small and medium-sized enterprises		
SMP	State mineral policy		

## Summary

The Czech Republic's National Reform Programme is an annual forward look of the nation's economic policy. Based on the Government's Policy Statement, it details concrete steps needed to boost competitiveness of the Czech economy. These are designed to increase economic growth and create sustainable jobs. The National Reform Programme is designed to pursue a balanced fiscal policy and with regard to both the social and environmental impacts of individual measures. The Programme is laid before the Commission as part of the process of economic policy coordination across EU Member States. This not only explains the Czech Government's economic policies, but also responds to Council recommendations and demonstrates progress towards Europe 2020 – EU's core economic strategy.

Czech Civil Service reform, through the adoption of the Act on Civil Service, is totemic of the shift towards a modern and efficient public administration. The preparation and approval of individual implementing regulations required to fully implement the Act are underway. Significant progress has also been achieved in increasing affordable and quality childcare services, through the enactment of the Act on Children's Group, which sets the parameters of childcare services delivered on a not for profit basis. Another element of the Government's family friendly policies is the increase of the tax benefits for second and subsequent children – implemented at the beginning of 2015.

In February this year, the government approved a package of laws on fiscal responsibility to take effect from 2016. It includes the introduction of a so-called debt brake at the constitutional level and the establishment of a functionally independent institution with responsibility for assessing fiscal and budgetary performance. The Government has also approved an amendment to the Higher Education Act; the aim is to increase the quality of higher education through changes to its evaluation system. Both of these regulations are now awaiting debate in the Czech Parliament.

Reform measures are focussed on supporting economic growth and employment, as well as tax collection. The state budget for 2015 therefore assumes the growth of government investment, especially in the upgrade of public infrastructure, particularly road and rail. In order to increase the efficiency of tax collection a set of measures is being prepared, including the implementation of a control VAT report; introduction of electronic records of sales alongside negotiations at the EU level on the possibility of extending the reverse charge.

Other planned Government measures are aimed at the availability of public kindergartens, for example, increasing the capacity of childcare facilities, draft legislation for inclusion of children younger than three years of age to kindergartens or introduction of a compulsory final year of kindergarten. The Government is also preparing a new law on the promotion of research, development and innovation, including a new methodology for evaluating research organizations, brand new Public Procurement Act and the Act on Contract Registry. The Government considers as a priority the implementation of the measures adopted in response to the Government's Anti-Corruption Conception for the years 2015-2017.

The Czech Republic's 2015 National Reform Programme was created through extensive interdepartmental cooperation and coordinated by the Office of the Government. Its preparation involved consultation with economic and social partners, Members of the Czech Parliament and with academic and other experts. The Programme is fully aligned with all major sectoral strategies and the Government Action Plan to Promote Economic Growth and Employment in the Czech Republic, which was adopted by the Government last year to accelerate short-term pro-growth measures. The National Reform Programme will be regularly evaluated by the Government, involving key stakeholders, to ensure it can continue to contribute to effective and efficient economic policy in the Czech Republic.

# 1. Introduction

The National Reform Programme for 2015 (NRR) is a conceptual document of national economic policy, which, in accordance with the economic priorities of the EU sets out a plan of key measures to promote economic growth in the Czech Republic in compliance with a responsible fiscal policy. The measures contained in it respond to the current economic situation and are based on programme priorities defined by the government.

The document is presented annually to the European Commission (EC) within the so-called European Semester, which represents an annual cycle of economic policy coordination. Within the European Semester, the Member States will first receive priorities in economic policy for the coming cycle, which they take into account when preparing their national reform programmes and stability and convergence programmes. After evaluating these programs at EU level, the Commission proposes, the European Council politically confirms and the Council formally approves recommendations for individual countries for the implementation of budgetary and economic policies that countries take into account in their decisions at the national level.

The structure and content of NRP reflect the EC guides. NRP in the introductory section contains the current macroeconomic forecast of April 2015 from the pen of the Ministry of Finance. The main part is devoted to the Czech Government's response to the Council recommendations from last year. It also reviews the progress of the Czech Republic in the fulfilment of national goals set within the Europe 2020 strategy. The Government reform measures beyond the recommendations of the Council are another major chapter. A separate chapter deals with the implementation of the cohesion policy and the use of ESIF as a tool to implement the priorities of the Europe 2020 strategy. Annexes then present an overview of strategic and policy documents of the Government and a detailed overview of measures in response to the Council recommendation of 2014 and beyond them. The NRP also contains the opinion of the Czech Republic to the EC analysis (i.e. Country Report), evaluating the economic challenges and progress in meeting the Council recommendations from last year. The NRP is complemented by the Convergence Programme of the Czech Republic (updated April 2015) (CoPr) in the part dealing with macroeconomic and fiscal policies.

The Czech Government seeks the maximum possible participation of stakeholders in the preparation of NRP. Active dialogue is considered as one of the essential elements of effective cooperation and necessary social consensus over the economic direction of the country. Therefore, from February to April 2015 there were a number of formal and informal discussions with relevant ministries, representatives of Parliament, representatives of economic and social partners (especially the Bohemian-Moravian Confederation of Trade Unions, the Confederation of Industry of the Czech Republic, Association of Independent Unions, Chamber of Commerce, the Confederation of Employers and Entrepreneurs Unions CR), local government (in particular the Association of Towns and Municipalities), academic sphere, the European Commission Representation in Prague and other interested public.

The document was approved by the government on 29<sup>th</sup> April 2015. After evaluating the NRP and CoPr at the EU level, the EC should publish a draft recommendation to the Member States in mid-May. The government will then actively work with it. It should help it to focus on the major challenges in the economic areas and areas with significant cross-border effects on other Member States. The government realizes that the key is proper implementation of reform measures. It will therefore regularly evaluate the progress in the implementation of individual measures.

## 2. The current macroeconomic forecast of the Czech Republic

In the 4th quarter of 2014, real GDP quarterly increased by only 0.4%, however the real gross value added, which, unlike GDP does not include the balance of taxes and subsidies on products, increased by 1.2% compared to the third quarter of 2014. Therefore the recovery of economic activity continued. Over the past year, real GDP has increased by 2.0%, solely due to the growth in domestic demand. This year the expected economic growth is 2.7%, in the coming years real GDP growth could slow down slightly to 2.3% in 2017 and 2018. The main driver of growth in the prediction horizon and outlook should be domestic demand, both consumption and investment. The balance of foreign trade at constant prices should, however, slightly slow down the GDP growth in 2015; however for the next years we anticipate a neutral effect of net exports on GDP growth.

The average inflation rate in 2014 reached 0.4%. Also in the current year the consumer prices are expected to rise very slowly, mainly due to the significant drop in oil prices. The average inflation rate this year could thus be further reduced to 0.3%. In 2016, the main factors influencing inflation should act as either neutral or upside. Growth in consumer prices is therefore expected to accelerate, but we expect that inflation will be in the lower half of the tolerance band of 2% inflation target. In 2017 and 2018, inflation should be already close to the CNB's inflation target.

In line with the expected gradual rise in the economy, the labour market situation should also gradually improve. The unemployment rate could fall to 5.3% in 2018, while employment within the forecast horizon should grow very slightly. Growth in wages and salaries in the years 2015-2018 should be around 4%, not only because of the expected improvement in the situation of the private sector, but also due to the growth of salaries in the public sector.

Table 1: Main macroeconomic indicators

		2011	2012	2013	2014	2015	2016	2017	2018
						Forecast	Forecast	Outlook	Outlook
Gross domestic product	bill. CZK	4 022	4 048	4 086	4 266	4 467	4 644	4 816	5 002
Gross domestic product	growth in %, const.pr.	2,0	-0,8	-0,7	2,0	2,7	2,5	2,3	2,3
Consumption of households	growth in %, const.pr.	0,2	-1,8	0,4	1,7	2,8	2,3	2,2	2,1
Consumption of government	growth in %, const.pr.	-2,9	-1,0	2,3	2,3	1,7	1,6	1,5	1,3
Gross fixed capital formation	growth in %, const.pr.	1,1	-2,9	-4,4	4,5	5,3	4,2	3,2	3,2
Contr. of foreign trade to GDP growth	p.p., const.pr.	1,9	1,3	0,0	-0,1	-0,3	0,0	0,1	0,1
Contr. of increase in stocks to GDP growth	p.p., const.pr.	0,2	-0,2	-0,2	-0,3	0,0	0,0	0,0	0,0
GDP deflator	growth in %	-0,2	1,4	1,7	2,4	1,9	1,4	1,4	1,5
Average inflation rate	%	1,9	3,3	1,4	0,4	0,3	1,5	1,8	1,9
Employment (LFS)	growth in %	0,4	0,4	1,0	0,8	0,7	0,2	0,1	0,1
Unemployment rate (LFS)	average in %	6,7	7,0	7,0	6,1	5,7	5,5	5,4	5,3
Wage bill (domestic concept)	growth in %, curr.pr.	2,2	2,1	-0,4	3,1	4,0	4,1	4,1	4,1
Current account / GDP	%	-2,1	-1,6	-0,5	0,6	1,3	0,9	0,4	0,0
<u>Assumptions:</u>									
Exchange rate CZK/EUR		24,6	25,1	26,0	27,5	27,5	27,5	27,2	26,8
Long-term interest rates (10 years)	% p.a.	3,7	2,8	2,1	1,6	0,6	0,8	1,2	1,8
Crude oil Brent	USD/barrel	111	112	109	99	60	68	74	77
GDP in Eurozone (EA-12)	growth in %, const.pr.	1,6	-0,8	-0,4	0,9	1,4	1,8	1,9	2,1

Source: Macroeconomic prediction of the Czech Republic, Ministry of Finance, April 2015

The current account balance could show a slight surplus in this and the next year. The increase in the goods surplus will be supported by low oil prices and currency exchange rates as well as by expected improvement in the performance of key partner economies; however the on-going deepening deficit of primary income will have an opposite effect on the current account balance. The current account surplus is therefore expected to slightly decrease to the "positive zero" in 2018.

Forecast risks are considered to be skewed downwards, mainly due to the risks that are external to the Czech economy.

## 3. Progress in the implementation of the Council recommendations of 2014

### 3.1 Budget strategy

**Recommendation No. 1:** Following the correction of the excessive deficit, preserve a sound fiscal position in 2014. Significantly strengthen the budgetary strategy in 2015 to ensure that the medium-term objective is achieved and remain at the medium-term objective thereafter. Prioritise growth-enhancing expenditure to support the recovery and improve growth prospects. Adopt and implement measures to strengthen the fiscal framework, and in particular establish an independent fiscal institution to monitor fiscal policies, introduce fiscal rules for local and regional governments and improve coordination between all layers of government.

#### 3.1.1 The fiscal situation in 2014

According to the spring Notification of Government Deficit and Debt, the government sector deficit reached 84.6 billion CZK, i.e. 2.0% of GDP, in 2014. It is a significant deterioration compared to 2013, when the deficit represented 1.2% of GDP, however, this result is largely negatively affected by one-offs on the revenue and expenditure side. These are essentially a lower collection of tax on tobacco products as a result of lowered stocking up (impact on deficit in the amount of ca. 24 billion CZK) as well as the methodological changes related to the inclusion of new units in the government sector. Due to this change the payments of the Deposit Insurance Fund to the bankrupt financial institutions of 14.7 billion CZK were included in the deficit.

The increase in the deficit in 2014 was also determined by the recovery of public investments (impact of 11.6 billion CZK). After several years of substantial investment downturn, the investment activity of the government sector has been restarted. Another significant influence on the expenditure side was the increase in health insurance companies' expenditures on health care by almost 6%. They tried to compensate for the loss of income of health facilities due to the abolishment of charges in healthcare.

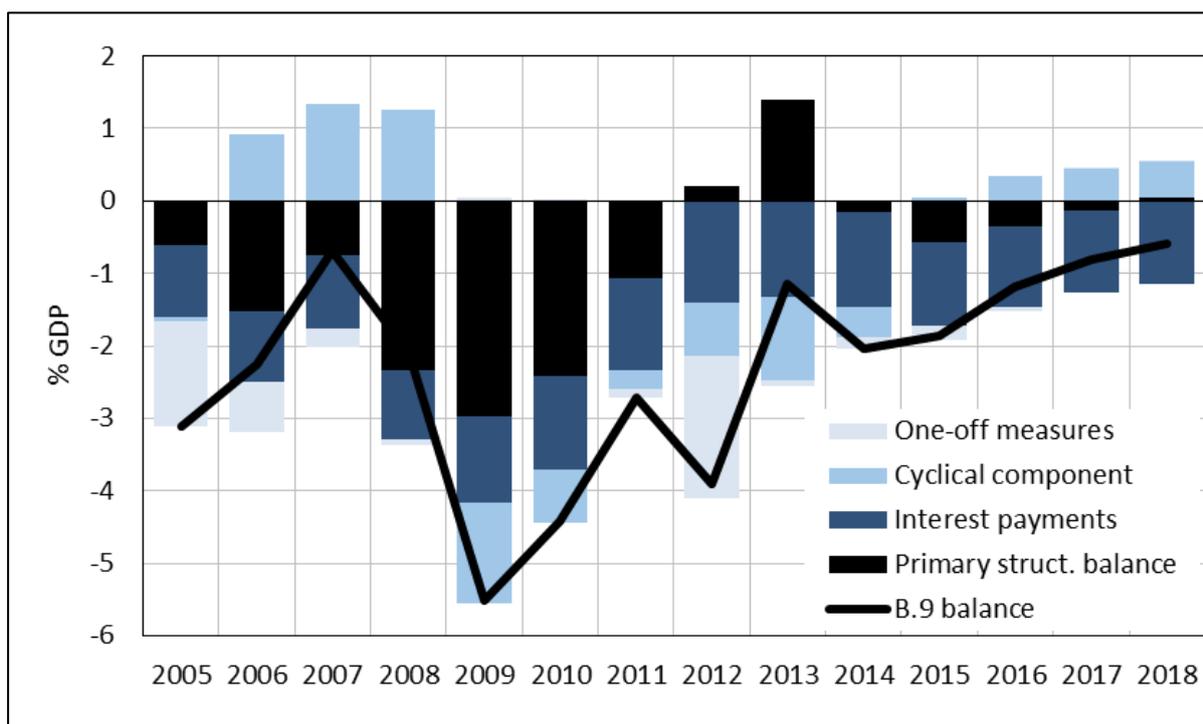
Despite these factors the deficit for 2014 remained at a safe distance from the 3% reference limits.

#### 3.1.2 The budgetary strategy in 2015 and the outlook for the period 2016-2018

For 2015, we expect the culmination of the support of domestic economic growth via instruments of fiscal policy. The revenue and expenditure side of government budgets will also reflect the effect of adopted measures, which were aimed at improving the financial situation of certain disadvantaged groups (e.g. seniors, patients, families with children). Compared to 2014, the deficit should decrease only slightly to 1.9% GDP. For the medium-term outlook we expect a significantly better performance of the government sector and a decrease of the deficit to 0.6% GDP in 2018. This trend is expected partly due to the improving macroeconomic situation and the positive contribution of the cyclical component of the deficit and partly due to a slightly positive government fiscal effort.

Prediction of development is detailed in the Convergence Programme of the Czech Republic 2015.

Chart 1: **General Government Balance**



Source: *Convergence Programme of the Czech Republic 2015*

### 3.1.3 Prioritising growth-supporting expenditures

The state budget for 2015 as well as the budgets of state funds foresees a recovery in government investment, especially in construction, modernization, repair and maintenance of roads, highways and national and regional railways. Also to this end, the government will continue eliminating administrative barriers that prevent successful allocation of domestic resources and funding from the EU co-financing. In 2015 we expect the culmination of the volume of investments co-financed from the Structural Funds and the Cohesion Fund of the EU. Their expected annual growth of almost 50% is in line with efforts to maximise drawdown of the total allocation for the Czech Republic in the period 2007-2013. Also in 2015 we expect to begin drawing ESI funds for the period 2014-2020. The government is paying attention to reviving household consumption which it supports mainly by adjusting the indexation of pensions and indirectly by increasing expenditure on salaries and other payments for work done in the government sector.

In order to support investments that accelerate economic growth, the Czech government also intends to utilize the potential offered by Investment Plan for Europe, including the European Fund for Strategic Investments (EFSI). Although the ESI funds remain Czech Republic's key tool for investment, the government will pay special attention to the selection of quality projects and the possibility of using technical support from the European Investment Advisory Centre (EIAH), which is to be created for this purpose.

### 3.1.4 Strengthening the fiscal framework

To strengthen the national fiscal framework the government prepared a series of measures designed to implement the EU Directive 2011/85/EU on Requirements for Budgetary Frameworks of the Member States. In order to modernize the budgetary framework the government approved on 23<sup>rd</sup> February 2015 a package of laws on fiscal responsibility (draft constitutional law on fiscal responsibility, the Act on the rules of fiscal responsibility and a related amending law) with effect from 1<sup>st</sup> January 2016. Proposals define numeric fiscal rules for the functioning of public finances; they also strengthen the medium term dimension of the budgetary process, meet the requirements for realistic

macroeconomic and budgetary forecasts for fiscal planning and define enhanced transparency features of public finances. At the institutional level it is proposed to introduce a debt rule, which should work complementarily with previous limitations and reflect eventual failure to uphold them. Unlike previous rules it will cover the whole government sector.

Within the bills on the rules of fiscal responsibility it is expected that the National Budget Council will be established as a functionally autonomous body responsible for assessing compliance with fiscal rules and monitoring long-term sustainability of public finance.

A better coordination between levels of government should be facilitated by the so-called government budgetary strategy, which will be discussed each year together with an update of the Convergence Programme of the Czech Republic. The government budgetary strategy will include a binding framework for the derivation of the state budget and the budgets of state funds for future years under the structural balance rules and the allocation of the framework between key economic policy measures. The strategy will also include the financial relationships of the government budget to other public budgets.

Under preparation is also the new regulation on financial management or the so-called managerial responsibility for the implementation of public budgets and audits (Act on Internal Management and Control Systems in Public Administration).

Performance evaluation of the accounting units of the civil service in a form of establishment of the key analytical indicators was included in the process of the preparation of the government budget. Key analytical indicators are focused on the condition and course of the operational economic result of the accounting units of the civil service with emphasis on operational expenses.

## 3.2 Tax Policy

**Recommendation No. 2:** Improve tax compliance with a particular focus on VAT and reduce the costs of collecting and paying taxes by simplifying the tax system and harmonising the tax bases for personal income tax and social and health contributions. Reduce the high level of taxation on labour, particularly for low-income earners. Shift taxation to areas less detrimental to growth, such as recurrent taxes on housing and environmental taxes. Further reduce discrepancies in the tax treatment of employees and the self-employed.

### 3.2.1 Improving the collection of taxes and simplify the tax system

The fight against tax evasion is a major priority of the current government coalition and is the basis from which the whole concept of tax administration will fundamentally develop. Already during 2014, the cooperation between the departments of financial administration, customs and police was significantly strengthened. On June 1<sup>st</sup> 2014 was established the Kobra team composed of representatives of these three institutions, which focuses on tax evasion in a range of over 150 million CZK. The results of the work of this special group suggest that this is a successful implementation of operational measures in the fight against tax evasion. At the same time further systematic steps are on-going to improve efficiency of financial management, whether via the organization or via proposed legislative measures within the Tax Code. One-off themed events are also being held.

Since 2015 measures to combat tax evasion were strengthened, especially in relation to VAT. The Czech Republic will continue to negotiate with representatives of the European Commission (EC) on the possibility of extending the scope of the reverse charge mechanism as an effective and flexible tool in the fight against tax fraud, in order to achieve a higher level of general use.

More effective prevention of tax evasion is the main goal of the current government coalition. The following three tools serve its fulfilment: inspection reports, electronic records of sales and wider use of the reverse charge mechanism. The first two tools will be introduced from 2016, the third after finding a solution within the EU.

All payers of value added tax will now have the obligation to forward the Financial Administration also other information besides tax returns – the so-called control reports on value added tax. This will include a list of taxable transactions and the identification of the provider and buyer. On the basis of the pairing of these reports by financial administration, greater control of the legitimacy of excessive deductions and tax obligation will be achieved. Higher level of computerization of the circulation of tax documents reduces administrative costs for the tax administration and also accelerates the ability of tax administration to respond to current threats in the form of tax evasion. For this reason overall obligation to submit electronic tax returns for the majority of entities subject to corporate tax is being implemented since 2015.

From 2016 is planned the introduction of the so-called electronic records of sales. Its basic premise is immediate reporting of sales electronically to Financial Administration with emphasis on the lowest possible amount of additional administrative costs for compulsory subjects. Each executed payment transaction will be marked with a unique identifier, which will be displayed on the payment receipt issued to the buyer. On the basis of this document it will be possible to verify at any time whether the transaction was reported to Financial Administration. During 2016 a gradual rollout of obligations to record sales is expected for each group of subjects according to business type. The first phase of the project of the electronic records of sales will be mainly focused on the sector of catering and accommodation. In the next phase, the measures will be implemented in the segment of retail and wholesale. The measure will be gradually applied on other segments as well in relation to the results of the Financial Administration's risk analysis.

Furthermore, measures aimed at corporations operating within international groups have been implemented. The tax returns of income tax of legal persons was accompanied by an annex, which maps intercompany flows that are a common tool for optimizing the tax base and profit-shifting. By these measures the Czech Republic ranks among countries actively fighting against the release of the profits from their jurisdictions.

Continuously strengthened has been the international cooperation and information exchange that takes place at both the OECD and EU level. Cooperation and mutual information are generally perceived as a very effective means of the global fight against tax evasion.

Analyses of the possibility to simplify the taxation of natural persons are being currently conducted.

### **3.2.2 Reducing the tax burden on labour**

In order to reduce the tax burden on labour in certain groups of people the government in 2015 reintroduced the possibility of applying tax payer deductions for income tax of individuals also for working pensioners. Since 2015 it also increased the tax deduction for second and subsequent child, through which it will reduce the tax burden on families with children. The Czech Republic plans to further increase tax benefits for second and subsequent child in 2016.

The tax deduction for placement of the child (so called kindergarten deduction) can be applied by the taxpayer since 2014. The expenses for placement of the child in a facility providing pre-school care including the kindergartens can be deducted up to the value of a minimum wage.

### **3.2.3 Shifting the tax burden**

The Czech Republic plans to increase the share of indirect taxation of in the case of taxation of gambling, where it proposes a tax rate increase and enlarging the tax base in the form of new taxes on gambling, which will also consistently tax gambling operated via the Internet. The increase in indirect taxes also occurs as a result of the proposal to increase excise taxes on tobacco products in the years 2016-2018. In the field of tobacco products there is a greater increase in taxation on tobacco and cigars as compared to cigarettes.

A partial progress in the field of taxation of activities with a negative impact on the environment can be considered the planned increase in fees in some area, in particular the environmental fee when

registering vehicles, drawing surface water and groundwater, discharging wastewater and fees for the mining of minerals.

### **3.2.4 Limitations of differences in the tax treatment of employees and self-employed**

Since 2015 the government introduced additional restrictions of flat rate expenses for self-employed persons with an absolute limit of 1.2 million CZK for the flat rate of 60% and 1.6 million CZK for the flat rate of 80%, which was the first of the measures to reduce the difference in the taxation of employees and the self-employed.

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

**Recommendation No. 3:** Ensure the long term sustainability of the public pension scheme, in particular by accelerating the increase of the statutory retirement age and then by linking it more clearly to changes in life expectancy. Promote the employability of older workers and review the pension indexation mechanism. Take measures to improve significantly the cost effectiveness and governance of the healthcare sector, in particular for hospital care.

### **3.3.1 Securing long term sustainability of the pension system**

Based on the previously adopted measures and favourable demographic and macroeconomic outlook the long-term sustainability of the pension system is significantly improving. According to the current projections of the Working Group on Ageing (AWG, Ageing Working Group), expenditure on pensions will increase in 2060 compared to 2013 baseline by 0.7% GDP and at the end of the projection period will reach 9.7% GDP (measured in ESA 2010). Part of the AWG projections is a sensitivity analysis of impacts of linking the retirement age to changes in life expectancy, in the form in which such measure is perceived by the EC. This scenario, however, proved to be unsuitable for any recommendations because it works exclusively with effective, not statutory, retirement age.

Regarding the specific measures in the text of the recommendation, it must be emphasized that during the discussion of the draft the Czech Republic has clearly and systematically built a dismissive attitude to the part where it states that there should be a faster pace of increasing the retirement age. The Czech Republic refused to accept this part of the recommendation and does not propose any action in this context. The reason is that the current growth rate of legal retirement age corresponds to changes in life expectancy. Average time spent in retirement in the Czech Republic is no longer than in most other Member States.

Despite this improvement the Czech government recognizes the persisting imbalance, and therefore, based on the Government Policy Statement, it established in 2014 an Expert Committee for Pension Reform with the representation of the relevant political actors (political parties, social and economic partners and other experts). In relation to the recommendation, the Expert Committee presented proposals for specific changes at the end of 2014, with two recommendations concerning the PAYG<sup>1</sup> system (revision mechanism of age limits setting and sharing the calculation bases for spouses). Draft regular revision mechanism of setting the retirement age will be transformed into a legislative intention preliminarily by mid-2015 and subsequently submitted to the government.

### **3.3.2 Employability of older workers and review of the indexation of pensions**

The government supports the employability of older people within its active employment policy (AEP). Within its framework the category of persons older than 50 years is included in the group of people to

---

<sup>1</sup> The system PAYG (Pay As You Go) is based on intergenerational solidarity and redistribution of resources. Economically active individuals continuously contribute to the pension system and these payments are immediately used to pay pensions.

whom priority attention is paid (in addition to those aged under 30 years, long-term unemployed or people returning to the labour market from maternity and parental leave). During 2014 the representation of persons older than 55 years amounted to more than 12% of the number of people supported by AEP tools, which corresponds to their percentage representation in the structure of job seekers.

In the event that the employer recruits job seekers over 50 years of age, he/she may receive a financial contribution from the Labour Office (LO CR) of up to 24 000 CZK per month to cover labour costs. The tools that are used are public works (PW) and subsidised employment (SE), in case of SE the wage contribution may be granted for up to 12 months, in the case of PW newly from 1<sup>st</sup> January 2015 for up to 24 months.

Older people also benefit from other AEP instruments, particularly retraining, allowing them to increase their qualifications in accordance with the labour market's or employers' needs (e.g. courses to improve computer literacy). A special project *Internships in Companies - Learning through Experience 2* aims to support the training of persons older than 50 years.

The implementation of a pilot testing of a new model of support for older people approaching retirement age in the labour market started during 2014. It is the so-called *generational tandem*, where the employer can obtain a wage contribution from LO CR for his/her current employee who is approaching retirement age, if he/she also creates a new job for job seekers with low or no work experience. The employer also agrees to maintain these two persons in employment for a certain time even after the contribution payment ends. The measure aims to increase the security of older persons in the labour market and promote intergenerational exchange. During 2014 the border for recognizing a person approaching retirement age was moved from 18 months before the retirement pension to 36 months.

In 2015, the implementation of the new programming period will begin where support for older people in the labour market is an integral part of the new Operational Programme Employment (OP Emp). In addition to supporting older job seekers when they enter the labour market it will support mainly the prevention of unemployment of elderly people within the support of their professional mobility.

In addition to the above mentioned measures, the government will further support the development of support for older persons starting businesses, especially job seekers. The government also plans to introduce *discounts on social security insurance* for selected categories in line with its policy statement, including people over 50 years, graduates, long-term unemployed and parents returning from parental leave. Prior to their introduction, however, it is necessary to rigorously evaluate the potential negative impact of this measure on the state budget.

Since 2015 *the indexation mechanism*, which was temporarily reduced in the years 2013-2015, has been restored. Now, the pensions are annually increasing again by 100% of the CPI plus one third of the increase in real wages. A discussion about changing or adjusting the indexation mechanism was launched within the *Expert Committee on Pension Reform* in early 2015.

### **3.3.3 Improving cost efficiency and governance of the healthcare sector**

In 2014, a number of measures have been implemented to enhance the cost efficiency and governance of the healthcare sector. From 1<sup>st</sup> January 2015 the yearly limit on activity costs of health insurance companies decreased from 3.41 % to 3.08 % of the funds collected from premiums after redistribution, which should contribute to the stabilization of the reimbursement system and reduce wasted spending from collected health insurance.

In April 2014, *the Commission for Assessment of Allocation of Medical Devices* has been established, whose task is to assess and recommend the entry of expensive and costly medical equipment to public insurance scheme so that it is used effectively and appropriately allocated geographically. For hospitals directly managed by the Ministry of Health, i.e. the largest hospitals in terms of volume of

care and consumption of health insurance, central purchasing of drugs and medical supplies has been introduced.

A number of other measures are in the final stage. The draft legislation that would ensure regular indexation of payments for the state insured with respect to the average wage growth and inflation at the latest from the 2016 is prepared. The reduction of the reserve funds of health insurance companies by half would increase the efficiency of the distribution of funds for health insurance companies. An Act on Non-profit Hospitals, which will bring fundamental and advanced legal concepts for hospitals set up by the state and local authorities in the areas of human resources, accounting and quality of care, setting out the rules for the management of hospitals by collective bodies with a transparent structure and clear responsibilities should come into force from 1<sup>st</sup> January 2016. This will ensure more efficient management of hospital care.

The amendment of the Act on Redistribution of Health Insurance Using Statistical Tools and *PCG (Pharmacy-based Cost Groups)* is also ready. It should ensure the distribution of collected premiums among health insurance companies so that the resources from public health insurance are effectively reallocated. The building of a sustainable data, information and personnel base for optimization and continuous cultivation of the system of reimbursement of inpatient care (i.e. *DRG Restart*), which will lead to efficient distribution of funds in accordance with the proportions of actually provided health services is also significant.

Following the amendment of the Act on Public Health Insurance health insurance companies gradually approach to publishing contracts on health care. This results in a settlement of previously created disparities in the distribution and quality of care. Since 2014, the Institute of Health Information and Statistics has been working on the restructuring of the national data repository of reports, both in the quality of the information, as well as its collection or extraction and analysis for effective evaluation of the health system in many of its fields.

### 3.4 Employment services and childcare

**Recommendation No. 4:** Strengthen the efficiency and effectiveness of the public employment service, in particular by setting up a performance measurement system. Increase participation of unemployed youth in individualised services. Increase considerably the availability of affordable and quality childcare facilities and services, with a focus on children up to three years old.

#### 3.4.1 Improving public employment services

Since the beginning of April 2013 the stabilization LO CR has taken place. Above all, there was an increase in the number of office staff by 700 workers in the employment sphere, whose mission is to work actively with employers and 600 workers in the sphere of non-insurance social welfare agenda where designated as a priority in the investigation before providing benefits. From 1<sup>st</sup> April 2014 changes in responsibilities of LO CR centres were introduced and the selected contact offices at the district level became the basic body for implementation of the AEP, which has brought implementation of this agenda closer to local labour markets.

Regarding the establishment of a system for measuring the performance of public employment services, a project has been implemented named *Improving the Effectiveness of Public Administration and Public Services in the Upcoming Reform of the MLSA*. Within its framework a set *Monitoring Indicators LO CR - Revision of Requirements*, i.e. a set of indicators for monitoring and management of employment services that respond, among others, to EC requirements for evaluation indicators of employment services in EU countries was created already in October 2014. The indicators allow assessing how the LO CR is burdened by the agenda of job mediation and non-insurance social benefits, determining the financial requirements of selected activities and allow the evaluation of the quality of services provided by LO CR. The pilot verification of the project outcomes is under preparation.

During 2014 a major tender has been announced to supply new, modern information systems for employment, non-insurance social benefits and technical security of IT support. This was a crucial step which will positively affect the activity of LO CR employees and provide them with high quality and modern IT system tools for their work. These information systems will also allow more sophisticated monitoring of performance and efficiency of public employment services. Completion of the tender for information system for employment area is expected by the end of 2015, the LO CR monitoring indicators will subsequently be put into practice within this system. To improve the quality, increase efficiency and effectiveness of LO CR several other projects are implemented that will be finished in 2015.

Within the project MIKOP (Methodology of Individual and Comprehensive Work with Clients of LO CR) have been developed methodologies for the work of LO CR employees with clients in the labour market, job placement and for employment counselling, casuistic seminars were held horizontally in all regions, pilot implementation of processed methodology is currently underway, in particular innovative practices of working with clients. The horizontal training of all concerned employees of LO CR is also being gradually carried out. Informational materials for LO CR clients were developed and distributed. The follow-up to the project MIKOP – the project EFES (Effective Employment Services) is prepared for the next programming period, which is aimed at strengthening the personnel and technical equipment of regional LO CR offices in relation to increasing the quality of provided services, the establishment of information centres at selected LO CR branches, the introduction of intercom systems in the employment department, continued good practice of casuistic seminars, improvement of PR activities, measuring customer satisfaction and improving cooperation with regional partners and employers.

Through 85 professional employees of the project *Development of Services in the Field of Job Vacancies* cooperation has intensified with employers and other stakeholders – as of 30<sup>th</sup> November 2014 there were 10,776 personal monitoring contacts with employers, which are carried out with the aim of getting the job vacancies, surveying the current state of the labour market and the prediction of employment development at employers connected with services offered by LO CR. LO CR employees will complete a training program, on the basis of which will be created the Set Of Training Materials for the Teaching of LO CR Staff Working in Cooperation With Employers.

The project Effective Management of Human Resources of the Labour Office (ELZUP) is focused on the optimization of HR processes and effective human resources management of LO CR, within its framework is also developed a methodology of evaluation of performance of its employees. The project also aims to improve the education and continuous training of LO CR employees, increase their capacity, management skills, motivation, productivity and professionalism and to improve the quality of services provided. Already processed has been the learning strategy with related management processes and human resource development; the LO CR educational needs, training plans for 21 types of positions have been analysed and training of 2400 responsible employees and training managers have been completed. In 2015 the remaining workshops will be organized for managers and HR staff, manuals for these employees will be prepared and the training of the remaining staff completed, including an e-learning course within the LO CR information system.

### **3.4.2 Youth unemployment**

In 2014, in collaboration MLSA and LO CR successfully continued implementation of *Work Placements for Young People Under 30 Years* as a set of regional individual projects of the Operational Programme Human Resources and Employment (OP HRE). Under this measure employers receive a financial contribution to the wage of an employee, former job seekers under 30 years of age with no experience, and of the mentor, i.e. a current employee who trains the recently hired young person at the employer's workplace. The measure could contain retraining courses. The piloted measures also include internships, which are provided by the Fund for Further Education.

Based on the EC comments, the text of the Youth Guarantee Implementation Programme was finalized in April 2014, which has become a key strategic document of the Czech Republic for the support of young people in the labour market. With this programme the Czech government guarantees to offer a job opportunity, further education, training or internship to every young person under 25 years within 4 months after becoming unemployed, completing formal education or dropping out of the formal education system. Measures of the program have the character of both prevention, particularly through the development of career counselling, and remedy, facilitating the entry of young people into the labour market.

Further development of the implementation of the program will start with the beginning of the implementation of OP Emp, with particular emphasis on the development of career guidance, support of job creation, development of work experience and internships. Under preparation are projects *Trial Employment*, *Internship Abroad* and *Return to Education*. In April 2014, pilot testing of a set of monitoring indicators was initiated for evaluating the progress of implementation of the programme.

### **3.4.3 Availability of facilities and childcare services**

Accessible and quality child care services are an important tool for keeping in touch with employment during maternity and parental leave and the entry of parents into the labour market. According to the government's goals and recommendations of the Commission, the high-quality and affordable childcare are a key factor for the Czech Republic. For this reason, in November 2014 the Act on the Provision of Childcare Services in a Children's Group and amending related laws (i.e. *the Act on Children's Group*) came into force. The enactment of the Act on Children's Group has set the basic parameters of childcare services on a non-commercial basis. The founders of children's groups can be both private companies and public institutions (public authorities, municipalities, regions), NGOs, foundations and other entities. Establishment of a children's group will help the parents maintain contact with employment during child care (1 to 6 years of age) and their gradual return or entry to the labour market with regard to the parent's strategy of reconciling professional, family and personal life. The Czech Parliament is currently discussing the amendment of the Act, which introduces the possibility (not the obligation) for providers to enter the registry and thus fall within the scope of the Act.

The Act, among others, establishes requirements for qualification of children's groups personnel, the range of providers, reimbursement for the service, the highest number of children and the lowest number of carers in children's groups, internal rules and a plan of education and care, catering, registration of children, a contract on the provision of child care services in the children's group and technical and sanitary requirements for the facilities and operations. It further defines the creation, modification and termination of authorization to provide services, register of providers and the entry in the register of providers, supervision and administrative offenses. Related to the Act is also a decree on hygiene requirements for premises and operation of children's groups of up to 12 children. Care for more than 12 children is subject to a general regulation on hygiene requirements for premises and operation of institutions and facilities for education and training of children and adolescents.

In connection with the Act the amendment to the Income Tax Act came into effect, which contains fiscal measures to stimulate the creation and use of children's groups, namely the introduction of tax deductibility of employer's expenses in connection with the provision of childcare services for their employees and the introduction of income tax credits for the parents who use child care services in connection with the entry or return to the labour market.

Institutions providing childcare services of the children's group type were until now financially supported under the current OP HRE and will continue to be supported under the investment priority 1.2 OP Emp. It will support children's groups for both employers and the public. Simplified cost reports are planned for these projects. Since 2012, the MLSA is the Vocational Qualifications Authority (VQ) for the qualification of Nanny for Children under the Mandatory School Age and Nanny for the Children's Corners. So far 235 candidates gained Certificate of Eligibility for these VQ. The project

Reconciling Work and Family Inspired by Examples of Good Practice in Europe is currently finishing. Extension of the project's implementation until November 2015 will allow preparation of seminars focused on childcare services intended for potential and current providers. New projects will be proposed within the OP Emp in order to create a stable system of care for children and the mandatory school attendance.

The proportion of children under 3 years in kindergartens registered in the school register was 9.1% in the school year 2013/2014. The educational opportunities opening for children up to 3 years in kindergarten has become one of the objectives of the *Education Policy Strategy of the Czech Republic until 2020*. Availability of public kindergartens is still weak, which particularly affects low-income groups. In 2015, the increase of the capacity of preschool institutions registered in the school register will be supported by both European and national sources. As of March 2015, 50 projects amounting 400 million CZK has already been approved by the Fund for the Capacity Development of kindergartens and Primary Schools amounting in total 1.5 billion CZK.. The capacities of kindergartens and primary schools should be balanced by 2016 also with the help of the Fund for the Capacity Development of kindergartens and Primary Schools. Furthermore, in 2014, a programme was launched, which should make annually available funds in the amount of 300 million CZK. Financial support for investment in preschool education will also be allocated within IROP.

Draft legislation on inclusion of children younger than 3 years to kindergarten is being prepared within an interdepartmental agreement. In defining the conditions for the education of children under 3 years of age it is necessary to keep in mind the needs of children, to strive to create the best possible conditions for these children and their teachers and ensure the safety of the children. To do this it is necessary to reduce the number of children in classes, adjust kindergarten personnel, which will educate children younger than 3 years and provide teachers with methodological support and further education. In the school year 2014/2015 the Czech School Inspectorate (CSI) specifically focuses, among other things, on the admission of children under 3 years to pre-school education.

Regarding other measures to expand opportunities for participation of children in preschool education, an amendment to the Education Act has been approved in March 2015, which among other things will make primary school preparatory classes available to all children. At present, a draft amendment is also being prepared to introduce compulsory final year of pre-school education (for details about these measures see chapter 3.5.4).

### **3.5 Quality and inclusive education, evaluation and funding of research institutions**

**Recommendation No. 5:** Ensure that the accreditation, governance and financing of higher education contribute to improving its quality and labour market relevance. Accelerate the development and introduction of a new methodology for evaluating research and allocating funding in view of increasing the share of performance-based funding of research institutions. In compulsory education, make the teaching profession more attractive, implement a comprehensive evaluation framework and support schools and pupils with poor outcomes. Increase the inclusiveness of education, in particular by promoting the participation of socially disadvantaged and Roma children in particular in early childhood education.

#### **3.5.1 Higher education and its relevance for the labour market**

The Czech Republic considers the issue of quality of education and employability of graduates in the labour market as a major political priority. In March 2015, the government approved an amendment to the Higher Education Act, which contains several important changes. In particular, (i) establishment of rules for the internal systems of assurance and evaluation of universities; (ii) the introduction of two profiles of bachelor and master degree programmes: professional and academic, in order to create space for greater support for study programmes focusing on the needs of the labour market; (iii) the

possibility for institutional accreditation in education in case of universities with an established and functional internal quality assurance system. In January 2015 a key regulation was prepared on standards for institutional accreditation, standards for the accreditation of study programmes and standards for accreditation of habilitation procedures and procedures for the appointment of professors.

The focus of the Individual *National Project* (IPn) *KREDO* is the creation of the strategy of development of higher education in 2030., The main objective of the project is to carry out a comparative analysis of strategic development plans of individual universities and based on it prepare the groundwork for strategic decisions, e.g. regarding the evaluation of institutions, funding and raising funds from other sources, better employability of graduates according to regional needs.

Generally, in comparison with other EU countries, the Czech Republic shows a low unemployment rate and conversely high graduate employment. Tertiary education graduates in the labour market show no major problems. Unemployment of persons with tertiary education aged 20-34 is among the lowest in the EU. College graduates rarely face "over-qualification" problems. At the same time they still have a significant advantage in terms of salary compared to those with secondary education. In order to create the foundations for a system of evaluating and forecasting the skills needed by the labour market the project *Překvap* was established at MLSA. The project aims to create a permanent system of forecasting of labour market trends and regular processing of projections of the skill needs and sectoral studies within this system. The system will include a methodology for regular data collection and forecasting output. Information on the skill needs of the labour market will enable to make decisions that will contribute to increasing employability, balancing of labour market needs and offered qualifications and generally solving problems that are characteristic of the Czech labour market. In the course of 2015, pilot outputs are expected, which will be elaborated in the subsequent project of a systemic nature funded by the OP Emp.

### **3.5.2 Evaluation and funding of research institutions**

The government continues with a gradual increase in public spending on research, development and innovation (R&D&I), while trying to stabilize institutional support in keeping with the recommendations of the international audit. This also causes considerable changes to the preparation of a proposal for the government in order to stabilize the spending of individual budget chapters on R&D&I. Based on the recommendations of the international audit of the R&D&I system in the Czech Republic a new methodology is being prepared for evaluating research organizations (i.e. *IPn Methodology*). A large pilot testing should take place in 2015. The evaluation will be a combination of an assessment of the purpose for which the organization is established and its performance in this area.

The new system of evaluation and funding of research organizations will take into account the different positions and different roles of different types of research organizations in the national research and innovation system of the Czech Republic, evaluation will be performed through an informed international peer-review and it will focus on the ability to achieve internationally competitive research and to transfer knowledge from the research environment into practice. The evaluation will no longer be focused solely on retrospective bibliometric evaluation of achieved results, but will also take into account other aspects of the operation and management of research organizations such as the quality of their management strategy for sustainable development, participation in international networks and R&D&I activities or the ability to raise funds from foreign and private sources.

The government will also prepare a methodology of interim and ex-post evaluation of research infrastructures, which will build on the already developed methodology of ex-ante evaluation. The methodology of ex-ante assessment of research infrastructures, fully built on the principles of an informed international peer-review was implemented in 2014 in order to obtain expert opinions for deciding on funding of the so-called large infrastructures for research, experimental development and innovation in the years 2016-2022 and the updates of the *Roadmap of the Czech Republic's Large Infrastructures for Research, Experimental Development and Innovation*. The system of ex-ante,

interim and ex-post evaluation of research infrastructures will be a comprehensive methodological framework of the continuous process of evaluation and funding of research infrastructures of the Czech Republic at all stages of their life cycle. Expert work on the preparation of these two methodologies will be completed during 2015.

### **3.5.3 Comprehensive system of evaluation and support for basic education**

The aim of the introduction of a comprehensive evaluation system is building a culture of assessment of educational outcomes at all levels of the educational system and a strategic approach to the management and sharing the ideas about the quality of education. A system of testing pupils is being developed at the national level. After verifying the overall results of pupils in 5<sup>th</sup> and 9<sup>th</sup> grades of primary school a selective verification has been carried out of the results of pupils 4<sup>th</sup> and 8<sup>th</sup> grades of elementary school and 2<sup>nd</sup> grades of secondary vocational schools and in the school year 2014/2015 a selective verification of the results of pupils of 9<sup>th</sup> grade of primary and 3<sup>rd</sup> grade of secondary vocational schools will be performed. Schools are also made available a module for school testing, which the schools can use to implement their own testing. The purpose is to provide feedback about the extent to which pupils manage what would be the minimum required by the state, what they are weaker at etc. Based on this schools implement changes leading to an increase in the quality of education.

Testing students for the purpose of monitoring the performance of the education system is performed by the CSI through surveys in a sample of schools. Since the school year 2013/2014, all the other schools that were not involved in the sample can do the tests subsequently. Results of testing will be provided, along with comments, to individual pupils but also to schools and teachers. Subsequently, the results are aggregated and published in an anonymous form, which serves as a basis for strategic decisions at the level of state educational policy, as well as for self-evaluation and strategic measures regarding quality development at school level.

In 2015, the framework for comprehensive quality evaluation will be completed, which includes the definition of the *criteria of quality schools*, which will be published together with the methodology for their use. The criteria will be determined for a longer period of time so that schools have enough time to make changes. Support for weak schools will be built on the support of school principals and teams involved in the management of schools in the areas of leading of teaching and learning processes, strategic management and change management, team management, organization management and individual professional development. These areas and the description of the skills are the basis of director's standard, created in 2015 as part of *IPn Career system*.

The evaluation of the quality of a teacher's work will be part of a comprehensive system of assessment. The proposal for a career system for teachers is in the final stages; it is based on the competency standard of the teaching profession and is intertwined with the on-going formative assessment, attestation system and linked to the rules of remuneration of the teaching staff. The preparatory legislative work is underway to enable putting the career system into practice. Professional development for school management and teaching staff is essential for improving the quality of education. A step towards the empowerment of teachers is the government draft amendment to the Act on Educational Staff of February 2015, which is aimed at establishing minimum rules of employment for a specified period in the case of teaching staff at schools and educational institutions. The teaching staff will be supported within the OP RDE mainly in their skills of participative leadership to improve education, in working with the pupil's individuality, in the development of the potential of each pupil and formative assessment, new pedagogical approaches to the development of key competencies of the pupils.

### **3.5.4 Increasing the inclusiveness of education**

The government considers the inclusiveness of education a top priority, which was confirmed in 2014 by the adoption of a *Strategy for Education Policy of the Czech Republic until 2020*. The *Action Plan*

for *Inclusive Education 2016–2018* as an implementation document of the Strategy in the field of inclusion is being prepared and will be followed by a similar document for the period 2019–2020. The plan will include concrete measures to achieve one of the main objectives of educational policy, which is to reduce inequalities in education, especially activities to promote inclusive education and solutions of early school leavings among vulnerable groups.

In February 2015 the Committee of Ministers of the Council of Europe presented a revised action plan to enforce the judgment *D.H. and others v. the Czech Republic* of 2007 due to indirect discrimination against a number of Roma pupils, which contains an overview of previously implemented measures to enforce the judgment and a summary of measures for the enforcement of the judgment that will be implemented. The Committee of Ministers of the Council of Europe welcomed at its March meeting the pro-inclusive steps of the MEYS, which were adopted in connection with the judgment *D.H. and others v. the Czech Republic*.

In 2015, an amendment to the Education Act has been approved, which legally anchored the principle of individual support for each pupil with the need of support measures provided by schools and educational institutions. The amendment, inter alia, *makes available the preparatory classes of primary schools* for all children, not just children from socially disadvantaged backgrounds, from the academic year 2015/16. This is an alternative way of preschool preparation designed especially for children with delayed school attendance because of their lack of maturity for the entry to compulsory schooling.

Currently, the draft amendment is being prepared to introduce a *compulsory final year of pre-school education* in order to get all children into pre-school education, with the expectation that it will be put into practice from the school year 2017/18. The mandatory pre-school year will be free as it is now, and it will be possible to fulfil it according to the possibilities and needs of the children - either in kindergarten recorded in the school register, in pre-school grade of the primary school or individually under certain conditions. Linked to this is the need to increase the capacity of kindergartens and primary schools in certain areas (see section 3.4.3).

In 2015, a call is planned within the OP RDE to support the systemic project for the creation of social inclusion strategies aimed at developing education in communities with socially excluded localities, as well as support for specific measures to promote inclusive education in communities that are already prepared to implement their strategies. At least 25 towns and villages will thus be supported in 2015. Emphasis will be placed on the development of school counselling centres, i.e. in particular to ensure the activities of specialists in schools - teaching assistants, school psychologists, special teachers etc. Special attention will be paid to desegregation in the education of children with special educational needs, especially children from socially disadvantaged backgrounds (e.g. Roma children) and increasing readiness of kindergartens and primary schools of the mainstream education for their education.

In December 2014 the *Action Plan of Measures for the Education of Roma Children, Pupils and Students 2015–2017* was approved, which reflects equal access to education as a functional concept that helps the all-round development of students and emphasizes the upskilling of the population as a principle to strengthen the competitiveness and growth of the Czech economy and society. In February 2015, the Government adopted the *Strategy for Roma Integration until 2020*, which establishes a framework for measures that will reverse the negative trends in the situation of a large part of the Roma population in the Czech Republic by 2020.

### 3.6 Reform of regulated professions and reduction of energy intensity

**Recommendation No. 6:** Accelerate the reform of regulated professions, focusing on the removal of unjustified and disproportionate requirements. Step up the efforts to improve energy efficiency in the economy.

### 3.6.1 Reform of regulated professions

The Czech Republic was fully engaged in the process of peer review of national legislation on access to professions, which is based on the EC Communication dated 2<sup>nd</sup> October 2013 and currently participates in the pilot project of ex ante economic reforms aimed at reforming the regulated professions. Two stages of this process have been fully completed, within which all conditions for the exercise of regulated professions have been mapped in detail. For a group of professions selected by the EC, the 3<sup>rd</sup> stage of the process has already been completed, namely the review of the adequacy, where it was needed that the guarantors of individual professions properly justify the regulation as protection of public interest and evaluate the adequacy of such regulation and its necessity. The Czech Republic has also conducted a survey among employers and individual contact places both in the Czech Republic and neighbouring countries; the results of the public consultations has shown a generally negative attitude of respondents to a significant reduction in requirements for the professions. Also no issues have been identified related to regulated professions in the cross-border movement of services, or the settling of foreign persons.

There is currently no set uniform methodology that would further clarify what is a separate profession and what is merely a specialization, and to unify the approach of individual Member States. The high number of regulated professions in the Czech Republic in the European database is the result of efforts of the Czech Republic to achieve a complete transparency in this area, with all existing regulated activities presented in detail. An example would be the nuclear power sector, where the Czech Republic declares of more than 30 occupations in the database, while other States only 1-2. However, the overall level of regulation in this sector is likely comparable.

In autumn, the Office of the Government started an analysis of regulated professions partly in light of the economic impact of regulation and partly in the context of individual aspects of a possible revision of the existing regulations, including a long-term approach of the Czech Republic to the issue. The analysis in its preliminary conclusions presents that the informative value of the formal number of regulated professions regarding the overall level of regulation of professions and the subsequent economic impact is low and that flat reduction of the number of regulated professions based on this indicator or on the basis of individual progress by individual professions is a legally coherent approach, but may not lead to a measurable economic impact. In the event that the aim of the revision of professions is an economic impact, the deficiencies in the Czech system of regulation of the professions should therefore be specified, or a clear comparative mechanism should be pointed out, in which the Czech Republic shows a high degree of regulation (e.g. in an independent OECD evaluation of the regulation of four main profession the Czech Republic is around average or just above it and no excessive degree of regulation can be drawn from it in comparison to the other Member States). Legal and harmonization objectives of the revision of the regulation of professions are gradually fulfilled by the Czech Republic's current steps. To achieve an economically significant impact in the field, it is necessary to start targeting sectors that exhibit a low level of competition and a high level of surcharges and proceed in the wider context of the impact of regulation on competition within these sectors. However, a similar procedure cannot be implemented via individual revisions of proportionality in all regulated professions. Therefore, according to the study, the legal and harmonization argumentation within the evaluation of the Czech Republic should be separated from the aspects of the impact of regulation on competition, the size of the surcharges within sectors and therefore the most visible sources of positive economic impacts.

The Czech Republic's approach to the peer review process has been evaluated by the EC as very positive, the required information is sent at specified times and in high quality. More than 7000 data entries were checked, updated and supplemented in order to improve the transparency and functionality in this area. The priority for this and the next year will be to complete the review of adequacy for all regulated professions and to develop action plans that will include any proposals for measures to eliminate unjustifiable requirements for the performance of regulated professions, particularly with regard to the possibility of replacing the legal regulation with voluntary certification within the National Qualifications Framework.

### 3.6.2 Increasing energy efficiency

Increasing energy efficiency and energy saving are the common denominator of all three pillars of the energy policy of the Czech Republic, namely security, competitiveness and sustainability. The emphasis on increasing energy efficiency is based on the declining availability of available primary resources and persistent industrial orientation of the economy. The Czech Republic is aware that it must maintain or accelerate the trend of decline in energy intensity of GDP and strive to achieve that, after 2020, the energy intensity of GDP in various fields will be at the level of comparable economies within the EU.

For this purpose, an amendment to the Energy Act, the Energy Management Act and the Act on Supported Energy Sources, which implements the Energy Efficiency Directive 2012/27/EU and which are currently in the legislative process, has been prepared. Another document, which was drawn up in 2014, is the Strategy of Building Renovation<sup>2</sup>, which is an analysis of potential savings opportunities and renovation of buildings.

The national program New Green Savings Programme (successor to New Green Savings 2013) has been launched as the main measure in 2014. The receipt of applications under the call for the implementation of energy saving measures in houses started on 1<sup>st</sup> April 2014. Within the first nine months, 6110 applications have been accepted worth nearly 1.4 billion CZK. On 1<sup>st</sup> April 2015, the first call for social housing in Prague was announced with the allocation of 500 million CZK as well as the 2<sup>nd</sup> call for houses throughout the Czech Republic with an allocation of 600 million CZK. Reducing energy consumption is also a part of a comprehensive renovation of houses as a part of the national program PANEL 2013+. The measure has a significant multiplier effect for the construction sector with a positive impact on the state budget. In 2014, 181 contracts were concluded within the project, for which the State Housing Development Fund provided loans in the amount of 631.8 million CZK. The expected funding for 2015 is 600 million CZK.

Under the new programming period 2014-2020, four operational programmes for reducing the energy intensity have been planned - OP E, OP EIC, IROP and OP PGP. In addition to the operational programmes, the annually-announced state programme EFEKT also contributes to the fulfilment of the Czech Republic's obligation to save 47.78 PJ (13.27 TWh) in final energy consumption by 2020.

Regarding public support, the Czech Republic will provide, in addition to the usual subsidies, support primarily for the use of financial instruments. For this purpose, a document named Financial Instruments as a Means to Ensure Financing of Projects in the Programming Period 2014-2020 has been prepared.

Coordination has been improved among the various programmes. Representatives of all relevant ministries are represented in the working groups for preparation of individual programmes. National programmes that complement the Structural Funds programmes are designed to complement them.

---

<sup>2</sup> The Strategy of Building Renovation has been created as required by Article 4 of Directive 2012/27/EU on energy efficiency, which is attached to the National Energy Efficiency Action Plan of the Czech Republic.

## 3.7 Quality public administration, fight against corruption, administration of EU funds, public procurement

**Recommendation No. 7:** In 2014, adopt and implement a Act on Civil Service that will ensure a stable, efficient and professional state administration service. Speed up and substantially reinforce the fight against corruption by implementing the remaining legislative measures provided for in the anti corruption strategy for 2013-2014 and by developing plans for the next period. Further improve the management of EU funds by simplifying implementing structures, improving capacity and tackling conflicts of interest. Increase transparency of public procurement and improve the implementation of public tenders by providing appropriate guidance and supervision.

### 3.7.1 Implementation of the Act on Civil Service

The Czech Republic is aware of the importance of an effective public administration and its major impact on the functioning of the state. The adoption of the Act on Civil Service in 2014 has been one of the main priorities of the government.

The Czech Republic made a commitment to adopt the legislation on the status of civil servants and to ensure its effective implementation, or the adoption of other related laws that create favourable regulatory conditions in the public administration in the Czech Republic, in the Partnership Agreement for the 2014-2020 Programming Period (PA). The Czech Republic is also committed to incorporate some key elements into the Act on Civil Service: (i) establishing principles and fundamental values of the civil service; (ii) a clear definition of the boundaries of the interaction between the political and bureaucratic levels; (iii) the development of a recruitment system based on transparent testing requirements for performance of civil service, improvement of the expertise of public administration; (iv) fair system of remuneration with a transparently specified performance component of salary; (v) the scope of the Act is to include all subjects engaged in the civil service and their employees (or duly justified exceptions).

The Act on Civil Service came fully into force on 1<sup>st</sup> January 2015. Its implementation is in accordance with the Roadmap of Works ensuring legislative process on the implementing acts of the Act on Civil Service, the update of which the government approved on 28<sup>th</sup> January 2015 and which includes an overview of the status of implementation of various implementing measures. In February 2015 the Deputy Minister for the Civil Service was appointed and currently the selection process of state secretaries of each ministry as well as other measures in accordance with the roadmap is underway. With respect to the PA and following the negotiations with the European Commission the Czech Republic has undertaken that by the 1<sup>st</sup> July 2015 it will implement the key elements of the Act on Civil Service.

### 3.7.2 Strengthening the fight against corruption

Fight against corruption is among the priorities of the current government, which declares its political commitment to implement realistic and targeted anti-corruption measures. Due to a period of political instability, especially in the second half of 2013 and the start of a new coalition government in January 2014, only several partial measures of the Government Anti-Corruption Strategy for the years 2013 and 2014 were successfully implemented during the year (overall ca. 48 out of 78 tasks have been fulfilled). The most important step implemented during this period was the adoption of Act on Civil Service.

Implementation of key legislative measures contained in the Anti-Corruption Strategy adopted for 2013 and 2014 was postponed; however, legislative tasks mentioned there were subsequently included in the Anti-Corruption Action Plan for 2015. The Action Plan contains a package of legislative and non-legislative measures. A detailed timetable of implementation of the tasks is set out in the Government Legislative Work Plan for 2015 and in the non-legislative tasks plans of the government for this period. The activities of the Government Anti-Corruption Council as an advisory body to the Government have

an important role especially with regard to the corruption impact assessment of the upcoming legislation. Among the legislative tasks are included, in particular, the amendment to the Act on Conflict of Interest that creates conditions for effective prevention of conflict of interest and introduces electronic completion and publication of asset declarations of public officials; Act on the Central Electronic Register of all Contracts concluded by public authorities over a certain minimum financial limit; a new law to replace Public Procurement Act and Concessions Act; new legislation regulating state prosecution that focuses primarily on ensuring its independence from political influence; legislative solutions of declaring the origins of property, that will help to detect undeclared or concealed income of income tax payers; extension of the powers of the Supreme Audit Office; the new Act on Internal Management and Control System in the Public Administration; legislative setting of clear rules for funding of political parties and movements, including setting a limit on donations from individuals and legal entities.

In December 2014, together with the Anti-Corruption Action Plan for 2015 the government approved the Government Anti-Corruption Conception for the years 2015 to 2017. The Anti-Corruption Conception is based on the previous Anti-Corruption Strategy, as well as on the priorities set therein. The document redefines four basic priorities of the government anti-corruption policy in the following three years, describes its institutional framework and specifies two main instruments - corruption impact assessment (CIA) and annual action plans. Attention is paid to the prevention of corruption in public administration with an emphasis on government bodies, while the priority areas are: efficient and independent executive branch, transparency and open access to information, efficient state property management, civil society development.

### **3.7.3 Improving the management of EU funds**

The preparation of the implementation framework for the use of EU funds in the 2014-2020 programming period is based on the need to significantly simplify and streamline the management of these resources. The Czech government adopted a series of guidance documents (binding guidelines and non-binding recommendations), which constitute the basis of harmonized rules and administrative procedures for all implementation bodies. Establishing uniform rules in key areas of implementation will contribute to a clearer and more lucid set of rules for beneficiaries of the EU budget. Binding rules for providers of support would be reflected in the rules for applicants and recipients through the so-called programmes management documentation. An overarching Methodology of programme management has been adopted on 26<sup>th</sup> March 2015, with effect from 1<sup>st</sup> June 2015. To complete the Single Methodological Framework is necessary to publish the Certifications Methodology that can be expected in the first half of 2015.

The goal of a unified monitoring system is to simplify the administration of projects and programmes through its computerization. The monitoring system will contribute to accelerating and streamlining communication between the project holder and the managing authority and other bodies involved in the management of EU funds. The monitoring system will also be a tool for enhanced coordination of programmes and will also help to better plan the financial management of programmes, continuously monitor and evaluate the implementation of set financial and performance targets and the meeting of the set predictions or administrative deadlines.

### **3.7.4 Public procurement**

The so-called technical amendment to the Public Procurement Act came into force on 6<sup>th</sup> March 2015. Its subject is especially the remedy of the shortcomings of the effective wording of the Act and reflection of the new European directives. The amendment introduces effective tender procedure, reduces administrative, time and financial costs and accelerates the review procedure before the Office for the Protection of Competition (OPC). It also extends the assessment criteria for contracts awarding with the opportunity to evaluate the organization, qualifications and experience of workers participating in the public contract, thereby suppressing the tendency for supplier selection solely on the basis of the lowest bid price. The evaluation is also allowed to include aspects of social

responsibility of the submitter. The benefit is also the abolishment of the obligation to cancel the tender procedure in cases where the contracting authority receives only one bid. The validity of the amendment is estimated to be approximately one year, due to the plans to adopt an entirely new Public Procurement Act (PPA).

The new PPA, the effectiveness of which is expected to start on 1<sup>st</sup> January 2016, will, among other things, fully reflect the adoption of a "package" of new procurement directives. The aim of the new law is the introduction of the principle of proportionality to the subject of public procurement and the estimated value, the opportunity to assess the supplier's team, the possibility to exclude a supplier due to professional misconduct, mandatory computerization of selected aspects, in-house procurement (80% of activity in favour of the contracting authority) or just a single stage proceedings before the OPC for simplified sub-limit proceedings.

All contracts worth over 500 000 CZK are in accordance with the Public Procurement Act mandatorily published on the profile of the contracting authority under penalty of up to 20 million CZK, while some central authorities voluntarily acceded to the disclosure of contracts over 50 000 CZK. This practice is strongly promoted within the government of the Czech Republic. The Act on Contract Registry, which should in the future systematically regulate the area of centralized publishing of contracts, is before the second reading in the Chamber of Deputies

The Methodology to the Decree on Publishing of Calls was updated with effect from 1<sup>st</sup> November 2014 for the purposes of the Public Procurement Act and the formalities of the profile of the contracting authority. Basic data on public procurement both in the Bulletin of Public Contracts and the profiles of the contracting authority shall take the form of structured data, and allow potential candidates a relatively easy way to automatically obtain information on public procurement for further processing or control.

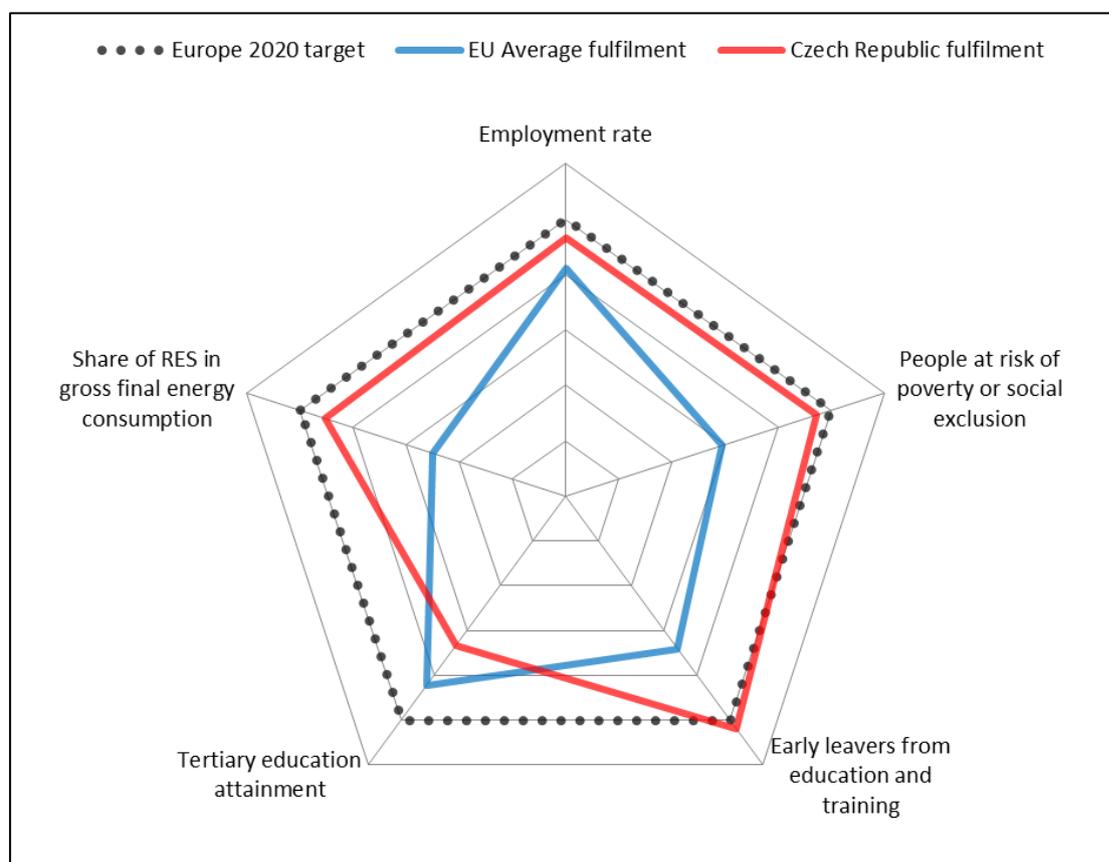
An internal database, which contains all requests for interpretation of the law on the public procurement received from subjects of implementation structures of operational programmes, has been established. The collected data are the basis for the update of legislation, guidance documents or planning of educational activities. The Czech Republic modifies the database so that general conclusions on good and bad practice can be easily published based on keywords through an information portal for the public called "Info-Forum" on the Portal of the Public Procurement and Concessions.

Effective on 14<sup>th</sup> April 2014 a *Procurement Working Group* has been established in order to coordinate and discuss common continuous ensuring of compliance with the EC general precondition and to perform other tasks related to the fulfilment of EC preconditions in the field of public procurement. In 2014 several conferences, seminars and workshops were organized on the topic of public procurement, including the sharing of "best practices" with experts from other states.

## 4. Progress in meeting national targets under the Europe 2020 strategy

According to Eurostat data for 2013, the Czech Republic performs relatively well in achieving some national objectives, in comparison to the EU average. The Czech Republic has already reached its national target for the share of early leavers from education and training, when in 2013 this indicator reached a value of 5.4% (national target is set at 5.5% of GDP). As for the indicator of persons at risk of poverty and social exclusion, the Czech Republic has established a new national target this year (a reduction by 100 thousand persons compared to 2008), as it already fulfilled the current target of reducing the number of vulnerable people by 30 thousand already in 2013. The Czech Republic is closer to meet the national targets than the EU average to meet its target in the overall employment rate of people aged 20-64 years and the share of RES in gross final consumption. In contrast, the Czech Republic's gap in achieving its national target in the share of persons aged 30-34 with tertiary education is larger than the EU average gap in achieving the European target.

Chart 2: Distance to national targets and comparison with EU average



Source: Eurostat

Table 2: Overview of the fulfilment of national targets

Field	National target	Reference value (year)	Current status (as of)
Employment	Increase the employment rate of people aged 20-64 years to 75%	70,4 % (2010)	73,9 % (3Q/2014)
	Increase the employment rate of women (20-	61 % (2010)	64,7 % (3Q/2014)

	64 years) to 65%		
	Increase the employment rate of older people (55-64 years) to 55%	46,5 % (2010)	54,7 % (3Q/2014)
	Reduce youth unemployment rate (15-24 years) by one third compared to 2010	18,4 % (2010)	16,3 % (3Q/2014)
	Reduce the rate of unemployment among people with low qualifications (ISCED 0-2) by a quarter compared to 2010	25 % (2010)	21,2 % (3Q/2014)
Poverty and social exclusion	Reduce the number of people at risk of poverty, material deprivation, or living in households with very low employment intensity by 100 000 persons in compared to 2008	1566 thousand (2008)	1508 thousand (2013)
Education	Reduce early school leaving dropout rate to maximum of 5.5%	4,9 % (2010)	5,4 % (2013)
	Achieve at least 32% of the population with tertiary education in the age group from 30 to 34 years	20,4 % (2010)	26,7 % (2013)
R&D&I	Reach the level of public spending on science, research, development and innovation in the Czech Republic in the amount of 1% GDP	0,62 % (2010)	0,64 % (2014)
Climate and energy policy <sup>3</sup>	Reduce greenhouse gas emissions - the maximum allowable increase in emissions outside the EU ETS 9%	+1,3 % (2005)	- 0,9 % (2012)
	Increase the share of RES in gross final energy consumption (13%) and the share of renewables in transport (10%)	6 % (2005) and 0,1 % (2005)	11,22 % (2012) a 5,6 % (2012)
	Increase energy efficiency - save 47,78 PJ (13.27 TWh) in final energy consumption	- (2014)	Cannot be quantified at present

Source: Eurostat, CZSO, MIT, R&D Council

## 4.1 Employment

During 2014, progress has been achieved towards all of the observed national employment policy targets. Positive effects on the labour market mainly reflect a gradual economic recovery, guaranteeing a gradual increase in the number of jobs as well as state intervention in the area of employment. Positive in particular are the increase in the implementation of active employment policy as well as a more effective collaboration of LO CR with labour market stakeholders, in particular employers. This is reflected in the very good progress towards the employment targets. Of the

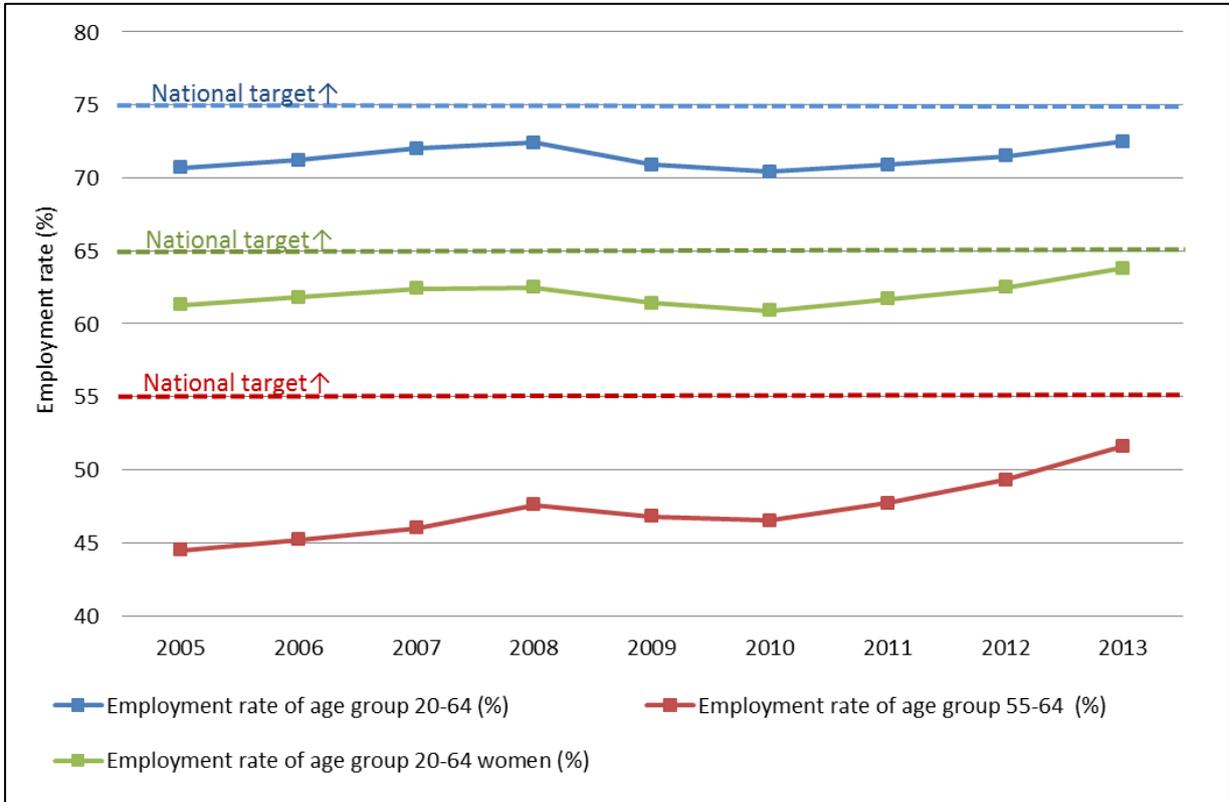
<sup>3</sup> Objectives of the climate-energy framework are based on European legislation. The reduction of greenhouse gas emissions and increase of energy efficiency are stipulated by Directive no. 2009/28 / EC on the promotion of the use of energy from renewable sources and the Directive no. 2012/27 / EU on energy efficiency. The target of reducing greenhouse gas emissions outside the EU ETS is determined by Decision no. 406/2009 / EC on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction by 2020.

systemic measures the application of the strategic material *Activation Measures to Address the Adverse Situation on the Labour Market* in practice starts to show very positive impacts.

In the case of growth of employment of older people there is a significant effect of increasing retirement age, which can be deduced from the dynamically growing activity rate in the age group 55 to 64 years.

Although the national target on female employment is being met relatively well (in Q4/2014, the employment rate for women aged 20-64 years was 0.3 percentage points below the target value for 2020), women in the labour market continue to face problems in particular in terms of remuneration, career development and balance between work and family life, especially after maternity or parental leave. Increasing the employment rate for women is thus caused mainly due to the extension of the retirement age and therefore longer stay of working women in the labour market in higher age groups (55+).

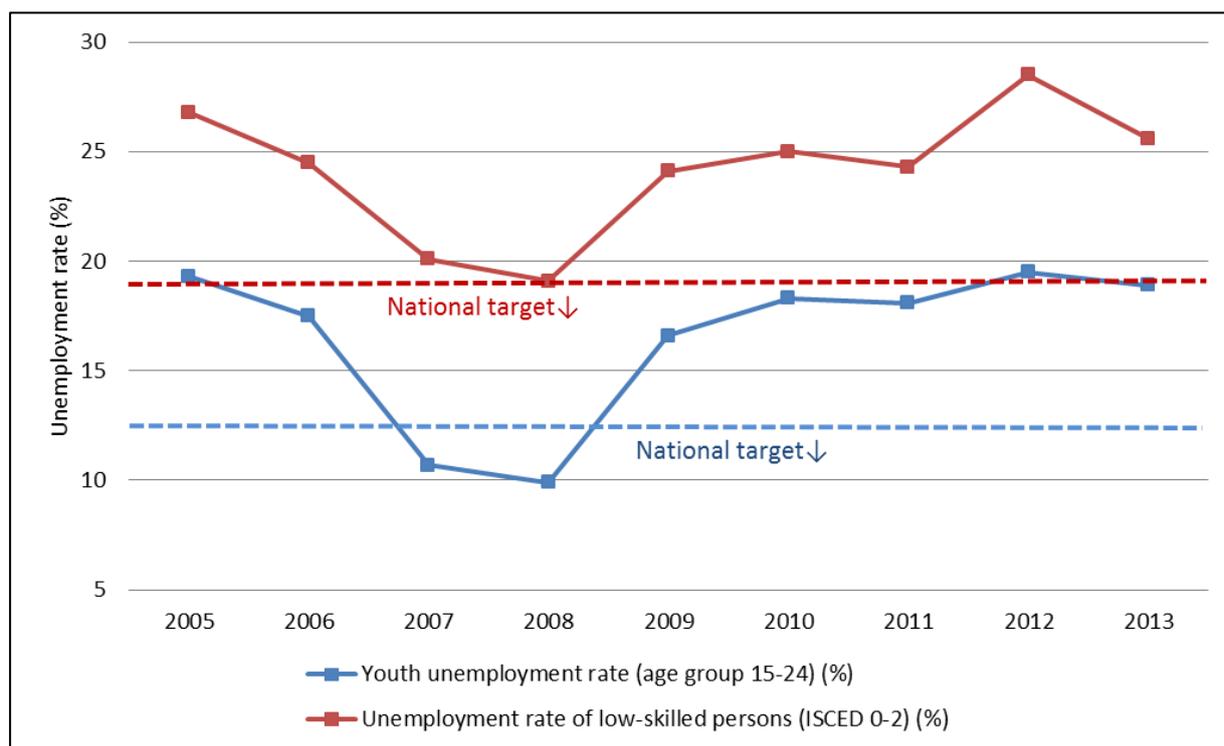
**Chart 3: Fulfilment of national employment targets**



Source: Eurostat

Thanks to the favourable situation on the labour market and successful projects to support the acquisition of work experience, the youth unemployment has been significantly reduced - in 2014 it amounted to 15.9%, i.e. by 3 percentage points less than in 2013 (18.9%). Labour market recovery is also positively reflected in the unemployment rate of the low-skilled. However, significant changes in the dynamics of the position of this group of people in the labour market is due to its low numbers, as well as a relatively quick response of employers to create jobs for which these people apply. However, this reaction works both ways and unskilled labour is very vulnerable to any negative economic developments.

Chart 4: Fulfilment of national targets in the area of unemployment



Source: Eurostat

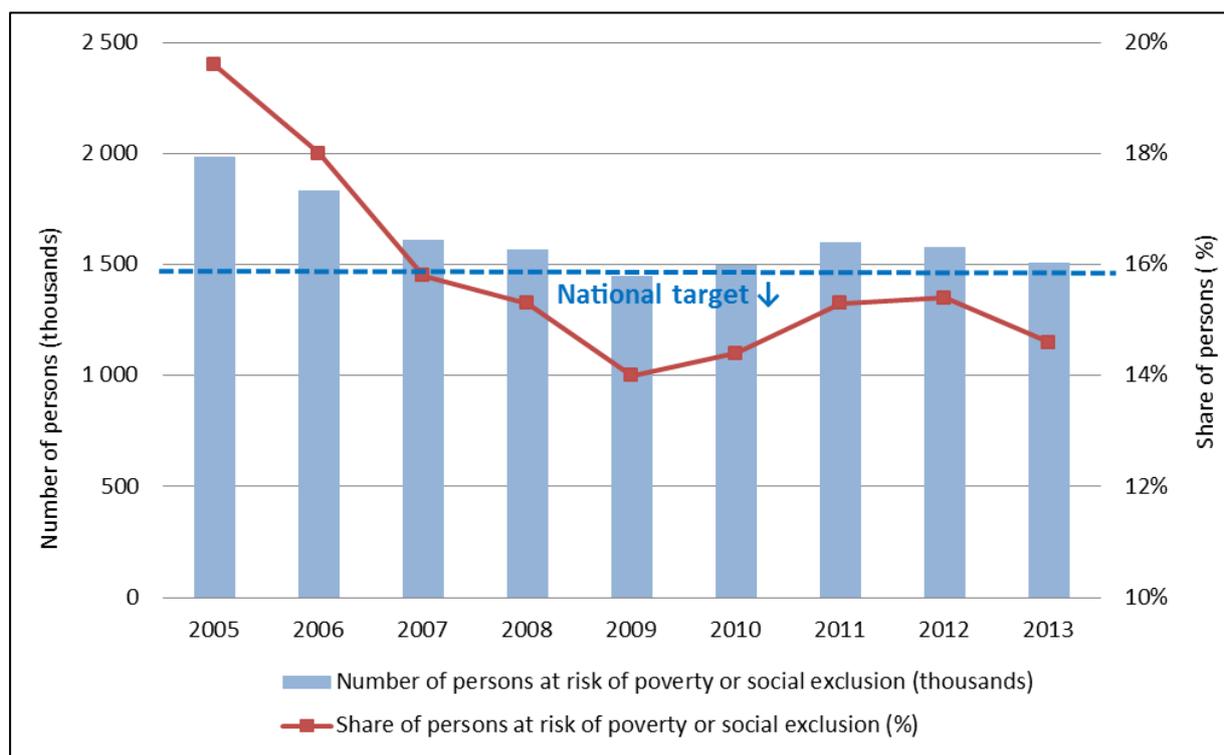
## 4.2 Poverty and social exclusion

According to the latest comparable data of Eurostat the risk of poverty and social exclusion has decreased in 2013 compared to 2008 by 0.7 percentage points to 14.6%, i.e. 1,508 thousand people. Within this comprehensive indicator the Czech Republic is doing very well, the proportion of vulnerable people in the Czech Republic is the lowest of all EU countries, according to Eurostat estimates, the EU-28 average amounted to 24.5%.

The level of risk of income poverty between 2012 and 2013 fell from 9.6% to 8.6%. In 2013 there were 886,000 people in the Czech Republic threatened by income poverty (about 104 000 persons less than in 2012). In this indicator, the Czech Republic is achieving the best results from across the EU (EU-28 average in 2013, according to Eurostat estimates, is 16.7%). Conversely, the rate of material deprivation in the whole population remained, according to the results in 2013, roughly at the same level as in 2012 at 6.6%. The decline in the risk of poverty and unchanged level of material deprivation therefore led to an overall decline in the indicators of the risk of poverty or social exclusion.

The Czech Republic meets the current national target of reducing the number of persons at risk of poverty and social exclusion by 30 000 people (compared to 2008, between 2008 and 2013 there was a decrease in the number of vulnerable people by 58 000 persons). In the context of the positive developments in the field of poverty and social exclusion the Czech Republic defines a **new, more ambitious target of reducing the number of persons at risk of poverty and social exclusion by 100 000 until 2020** (compared to 2008).

Chart 5: Population of the Czech Republic at risk of poverty or social exclusion



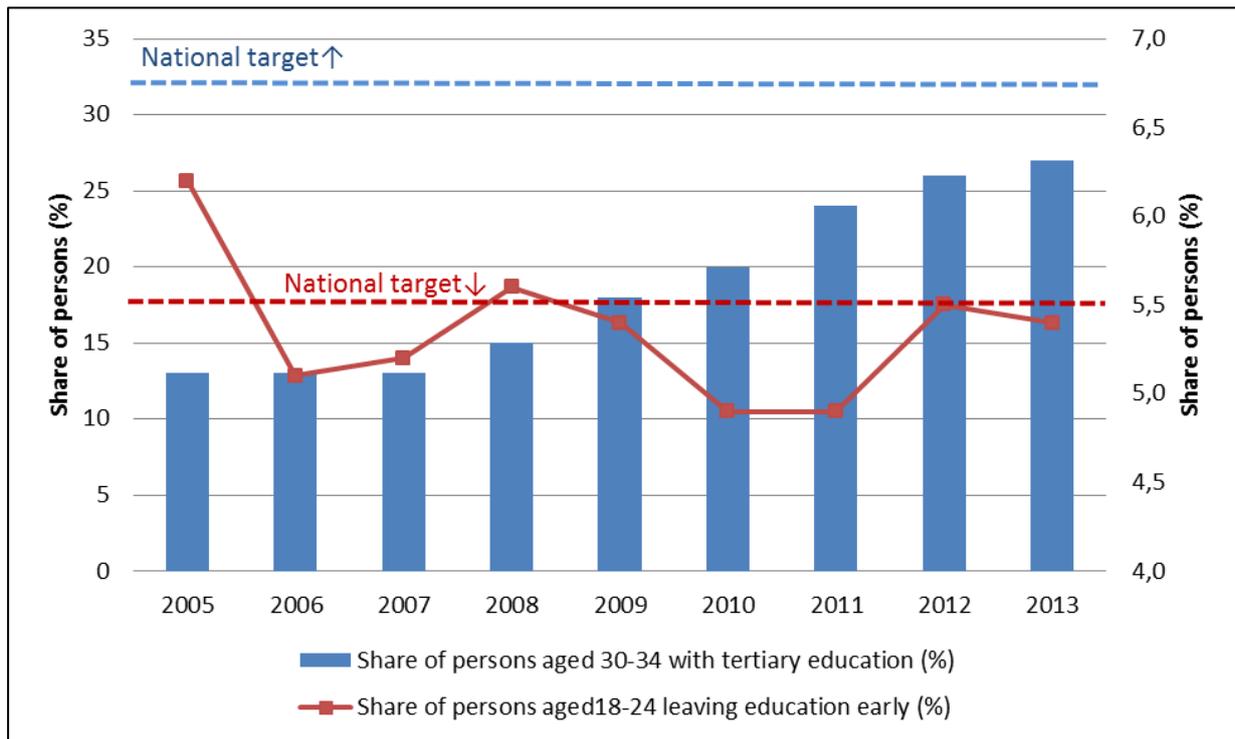
Zdroj: Eurostat

### 4.3 Education

The Czech Republic has been one of the countries with the smallest share of early school leavers in the EU. According to Eurostat data, it was 5.4% in 2013. However, it is higher for specific marginalized groups.

The proportion of university graduates has been growing at a rapid pace for several years in a row. Although it is possible, with regard to the development of numbers of students at Czech universities, to expect a gradual slowing of this trend, the fulfilment of the set target is not jeopardized. The Czech Republic reached the level of 32% in 2013 in the lower age group 25-29 years. Regarding the age group 30-34 years, the share of population with tertiary education in the Czech Republic was 26.7% in 2013.

Chart 6: Share of persons leaving education early and those with tertiary education

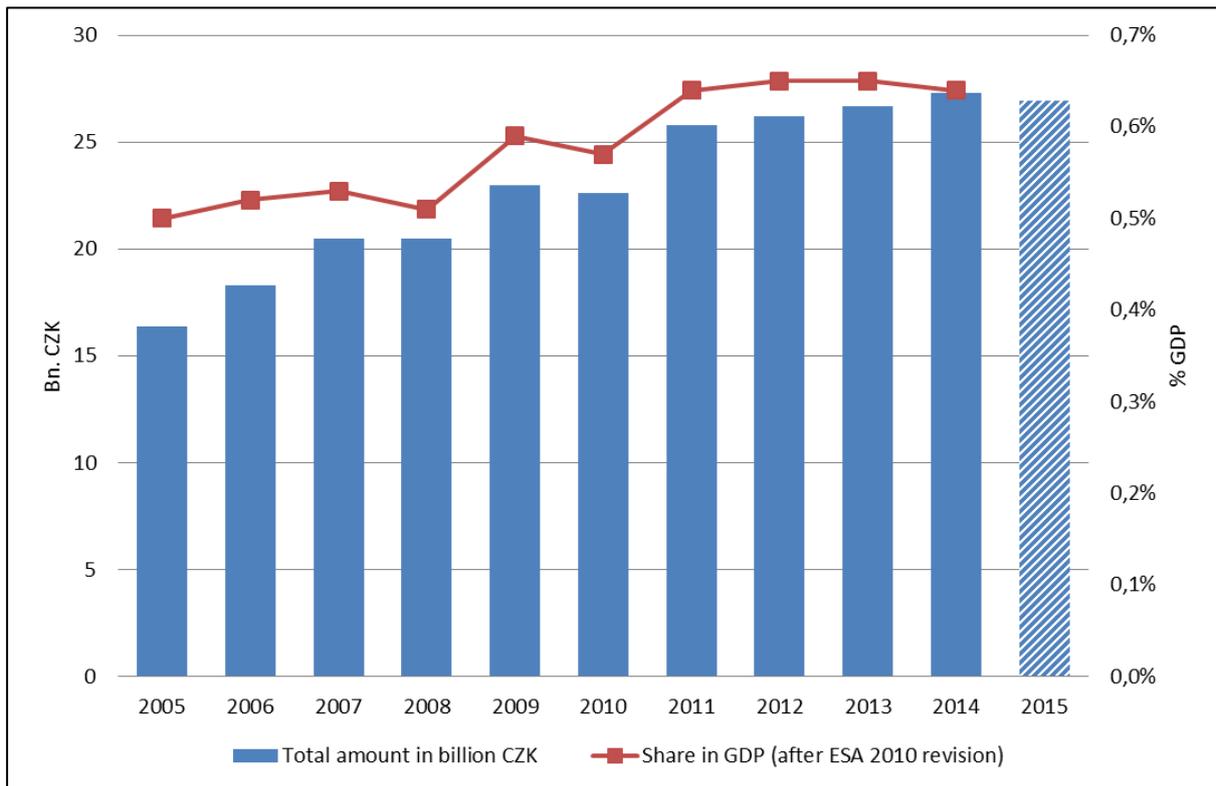


Source: Eurostat, CZSO (Workforce survey)

#### 4.4 Research, Development and Innovation

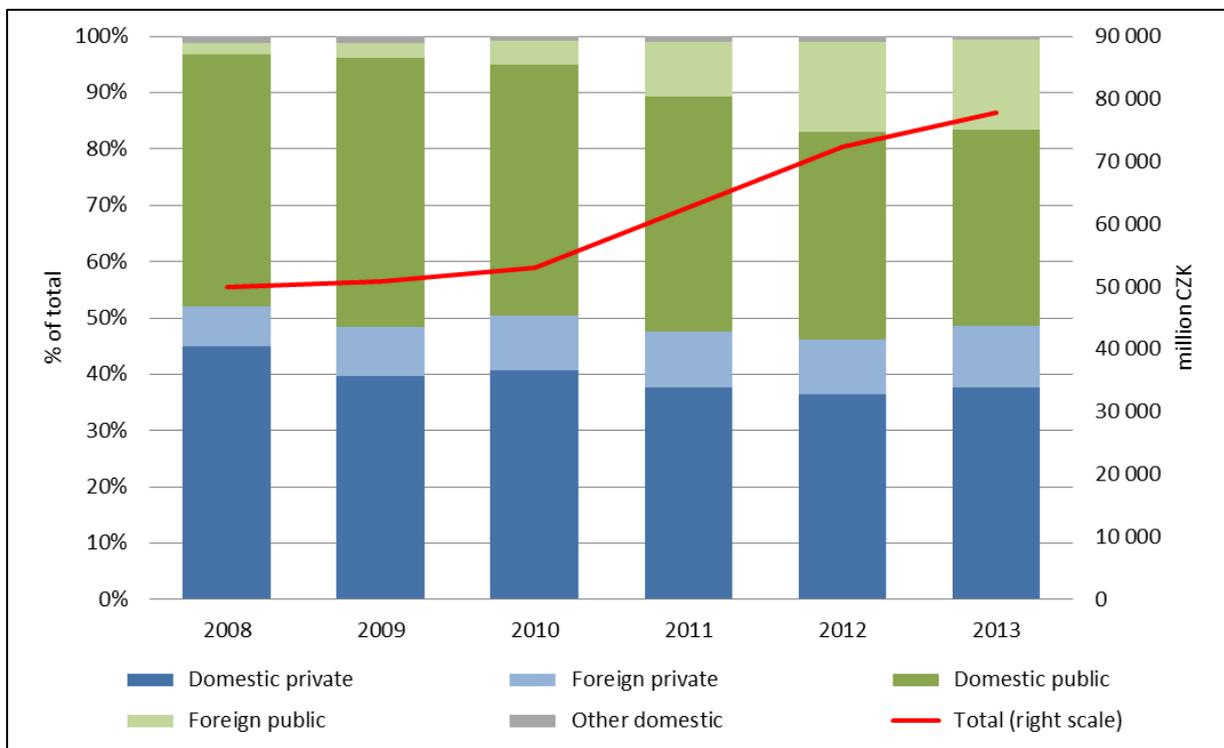
Since 2010, the annual state budget expenditures have increased by 4 billion CZK and chart 7 shows a steady moderate growth. It is the implementation of the measures of the updated *National Policy of Research, Development and Innovation No. 1*, which has to be fulfilled by 2020. The same applies to the share of government expenditures on R&D&I in GDP. Important is the growth of total expenditures on R&D&I in the Czech Republic, which is significant especially in recent years due to increased expenditures of the private sector and the increasing use of foreign financial resources. For the year 2015 only planned state budget expenditures are given according to the Act on the State Budget, the figures for 2007–2014 represent actual drawing of the government expenditures. Indirect support for industrial research achieved, according to CZSO data, almost 2 billion CZK in 2012 and the amount of the deductible items exceeded 10 billion CZK.

Chart 7: State budget expenditures on R&D&I



Source: CZSO (2005-2013), R&D Council (2014-2015)

Chart 8: The ratio of R&D resources by sector and total volume



Source: CZSO

## 4.5 Climate and Energy Policy

In the area of reducing greenhouse gas emissions, the Czech Republic meets the objectives of the Europe 2020 Strategy (i.e. 20-20-20). Based on projections, it is assumed that the Czech Republic's commitments for 2020 have already been fulfilled based on the effective implementation of existing measures, without any need for further measures. The expected surplus emission allowances in the performance targets outside the EU ETS (Emissions Trading System) may be, in case of sale, an additional revenue source. For the Czech Republic, the maximum allowable increase for greenhouse gases outside the EU ETS by 2020 has been set to 9% as compared to 2005.

From the perspective of reducing greenhouse gas emissions by 2040, the update of the State Energy Policy is pivotal.

The Czech Republic contributes to the achievement of agreed-upon EU targets primarily through the emission allowance market EU ETS, to which the EU-wide target of reducing emissions by 21% compared to the reference year 2005 applies. In 2013, the decrease in emissions in the EU ETS facilities continued at a slower pace than in 2012 and reached 2.3% (1.6 Mt CO<sub>2</sub>). In the period 2005-2013, the emissions in the EU ETS facilities decreased by 18%.

Directive 2009/28/EC on the promotion of the use of energy from renewable sources sets the target of a 20% share of energy from renewable sources and a 10% share of energy from renewable sources in transport by 2020 for the EU as a whole. For the Czech Republic, the European Commission defined the minimum share of energy from renewable sources in gross final consumption of energy at 13% and the share of renewables in transport at 10%. In 2012<sup>4</sup>, the share of RES in electricity was 11.64% (compared to the partial target in the National Action Plan for Renewable Energy Sources (RES NAP) at 11.5%). The share of renewables in the transport sector in 2012 was 5.59% (compared to the partial target of 5.2%). The share of renewable energy sources for heating and cooling was 13.64% (compared with 12.2%) in 2012. Partial target set in the RES NAP of 10.5% for 2012 can be considered fulfilled - according to statistics an overall share of 11.22% has been achieved.

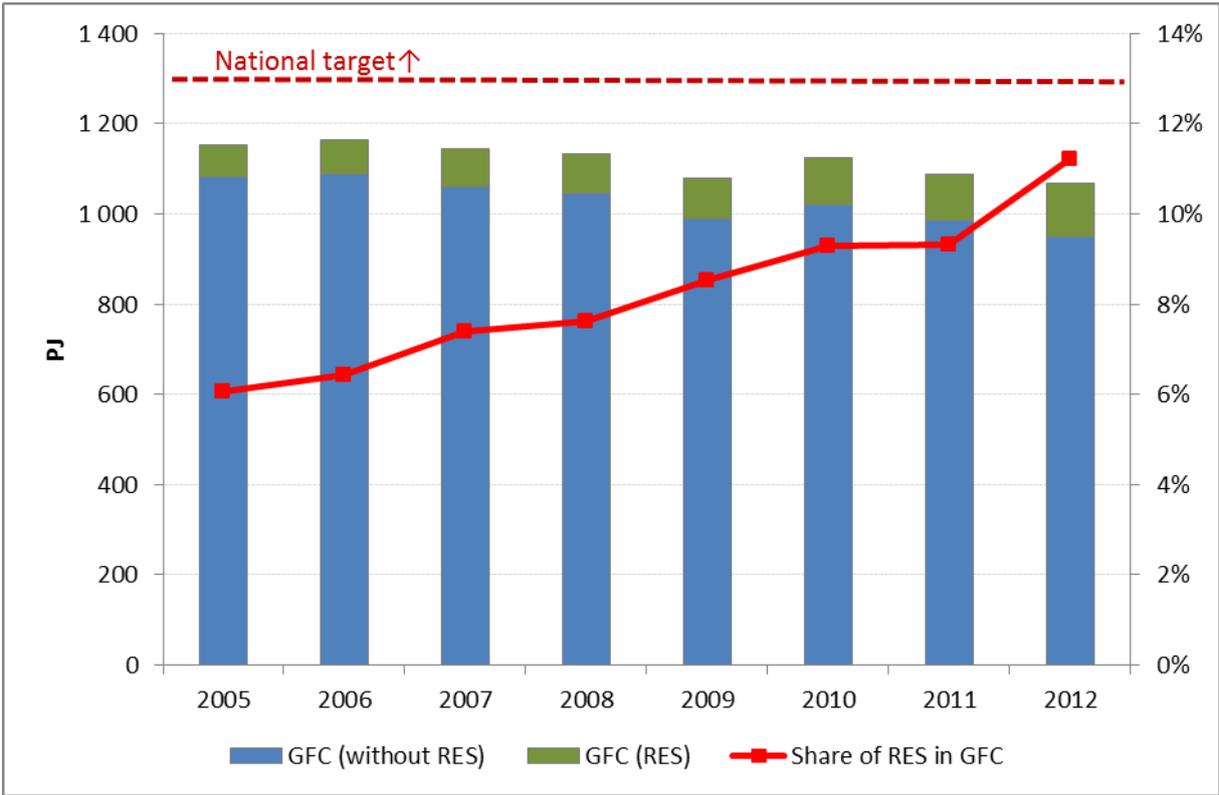
The setting of the target of energy efficiency for 2020, including measures to achieve it, is contained in the National Action Plan of Energy Efficiency (NAPEE), which the Czech Republic adopted in 2014. The Czech Republic has determined that, in the period 2014-2020, it will save 47.78 PJ (13.27 TWh) in final energy consumption. Providing funding for achieving this objective involves the utilization of European funds as well as national programmes. Although the Czech Republic is against the dilution of the existing Europe 2020 Strategy objectives, it supports the idea of a RMC (Raw Material Consumption) monitoring indicator and a general desire to follow the trajectory of positive developments towards the efficient use of resources as part of the Strategy's mid-term evaluation.

The Czech Republic also, in accordance with the *Transport Policy for 2014-2020 with an outlook to 2050*, is a long-term supporter of energy-efficient modes of transport and increasing the share of alternative fuels and infrastructure for alternative fuels. The issue of the use of alternative fuels for road transport will be dealt with in accordance with the SEP in the *National Action Plan for Clean Mobility*. Measures of these policy documents should lead, in the long term, to a gradual reduction in energy intensity in transport, reduction of dependence of the transport sector on petroleum products, increase of energy efficiency, and reduction of CO<sub>2</sub> emissions.

---

<sup>4</sup> The latest official available data exist for 2012

Chart 9: Development of the share of RES in gross final consumption (GFC)



Source: MIT

## 5. Government Reform measures beyond the Council recommendations

### 5.1 Effective public administration and quality legislative environment

#### **Strategic Framework for the Development of Public Administration**

Several strategic documents were adopted in the area of public administration in 2014. These determine the direction of development of public administration in the coming years. In August 2014 the government approved the *Strategic Framework for the Development of Public Administration of the Czech Republic for the Period 2014-2020* (including the area of eGovernment in public administration), and in January 2015 its implementation plans. This is a conceptual document related to the *Smart Administration Strategy for 2007-2015* and it sets the direction for the development of public administration until 2020. The aim is to simplify the structure and improve the territorial division of public administration, improve transparency in the financing of public administration, implement process modelling of agendas and quality methods, create a method and a system for monitoring and evaluation of public administration in terms of its efficiency, economy, effectiveness and adequacy, increase the availability of public administration through eGovernment and the professionalization and development of human resources in public administration.

#### **The draft law on liability for offenses and related proceedings, creation of a register of selected offenses**

The Act aims to unify the conditions of liability for offenses committed by natural persons and administrative offenses of legal and incorporated natural persons and thereby eliminating the shortcomings of the current legislation on administrative liability, modify procedural standards consistently with the development of our legal system and streamline the offense proceedings. The *draft law on liability for offenses and related proceedings* was submitted for consideration and approval of the government Legislative Council on 4<sup>th</sup> March 2015. The Chamber of Deputies is now discussing a bill establishing a central register of selected offenses aimed at stricter punishment of repeatedly committed offenses which will be subject to registration and more efficient verification of offense reliability required by some special laws.

#### **Project e-Collection and e-Legislation**

After an interruption the project *e-Collection and e-Legislation* will continue its implementation in the programming period 2014-2020. The aim of the project *e-Collection and e-Legislation* is to create a modern form of access to law by creating a modern information system *e-Collection and e-Legislation*, which will include a legally binding electronic form of legal regulation and legal liability of its full version. The project should also allow a better grasp of the legal system, reduce the administrative burden of law-making, mitigate the economic impacts of legislative errors, contribute to the development of legal informatics market, more competitive legal environment and achieve savings in the cost of access to justice and in law-making and last but not least it should have a positive impact on the environment. It is also an anti-corruption tool increasing the transparency of the process of law-making in all its stages.

#### **Regulatory Impact Assessment (RIA)**

Through the RIA, the Czech government seeks to contribute to the continual improvement of the legal environment, to enhance the transparency of public administration, to better inform the public, to the predictability of regulatory requirements for end recipients as well as to eliminate the formation of new and unjustified or redundant regulation burdening citizens and businesses. In the Czech Republic the RIA is applied to all generally binding legal regulations prepared by the ministries and other central administrative authorities under the *Government Legislative Rules*, where this obligation has been

enshrined in the annual *Government Legislative Work Plan for 2015*, including the implementation of EU legislation, where significant impacts has been identified within their preparation<sup>5</sup>.

Institutional supervision of the quality of final reports on RIA, and therefore generally a review of the procedure of ministries and other central administrative authorities in impact assessments, is provided by the RIA Commission, which is composed of independent experts and which is part of the Government Legislative Council.

As part of the methodological support for ministries in their analytical work, complementary methodologies to main RIA methodology (*RIA General Principles*) are being prepared. These methodologies are focused on some specific issues in the field of impact assessment. These are the draft of the *Methodology for Evaluating the Impact on Small and Medium-Sized Enterprises (SME)* containing specific issues focused on the application of the test of impacts on SME, *Methodology for Evaluating the Impact on Competitiveness*, *Risk Analysis Methodology*, which is a crucial area for proper identification of the problem and impact analysis of the proposed options in the RIA and the *Methodology for Assessing Administrative Burden for Citizens and Impact on Privacy*, which focuses on issues that are currently generally not sufficiently evaluated in the legislation, but can gain great significance for example with the development of communication technologies. These methodologies will be prepared and submitted for government approval as binding supporting methodologies for RIA processors by the end of 2015.

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

### **5.2.1 Improving the business environment and developing services for business**

#### **Reduction of administrative and regulatory burden on entrepreneurs**

The Czech Republic has set a national target of reducing administrative burdens for businesses by 30% in comparison with the administrative burden of 2005. In 2013, the target was met in relation to the calculation of the overall administrative burden within the Re-evaluation project.

Based on the combination of the outputs of the activities implemented to reduce the administrative burden for businesses since 2008; in 2013, the government of the Czech Republic expanded the approach of evaluating the effectiveness of reducing the administrative burden for businesses. 60 measures have been set as a new goal to reduce the administrative burden for businesses by 31<sup>st</sup> December 2015 as well as the goal to perform a new re-evaluation of administrative burden for businesses in 2016.

By the end of 2013, the Czech Republic has managed to implement 34 measures to reduce administrative burden. The ministries continue to work on the remaining measures. Information on the status of implementation of measures adopted for 2014 will be included in the *Report on Progress in Reducing the Administrative Burden for Businesses in 2014*, which will be submitted to the Czech government by 30<sup>th</sup> June 2015.

To intensify the efforts in reducing the burden for entrepreneurs, an expert group for reducing the administrative burden for businesses was established in April 2014, which addresses the complaints from businesses directly<sup>6</sup>.

---

<sup>5</sup> Similarly for non-legislative materials on which a change in applicable legislation is based in the future.

<sup>6</sup> Current information on the activities of the Expert Group for reducing the administrative burden for businesses and further information on this topic are available at <http://www.mpo.cz/cz/podpora-podnikani/zap/>

It has been proposed to incorporate the recommendation to use the uniform data of law enforceability where possible into the Government Legislative Rules as part of the amendment planned for the first half of 2015. The application of the uniform data of law enforceability would mean a concentration of laws that have an impact on businesses into two terms, namely 1<sup>st</sup> January and 1<sup>st</sup> July, and the related reduction of administrative burden.

### **Consumer protection**

In January 2015, the government approved the *Consumer Policy Priorities 2015-2020*, laying down the essential attributes of consumer protection for the upcoming period. Priorities include ensuring the safety of products and services, cooperation with the European Commission and other EU institutions in the preparation of consumer legislation and strengthening of law enforcement, and rational and effective performance of market supervision.

The Czech government has drafted a bill amending the Consumer Protection Act. The proposal aims to simplify and accelerate the settlement of disputes between consumers and sellers or manufacturers by introducing a system of out-of-court settlement of consumer disputes, improving the precision of the regulation of unfair business practices, and by modifying certain powers of supervisory authorities in response to the problems of application practice. It also aims to increase the already high level of consumer protection, while maintaining a properly functioning competition and proper enforcement of consumer protection rules. The bill is now in the legislative process.

### **Ecoaudit**

In 2014, the next stage of the *Proposed Solutions of Measures to Improve Competitiveness and Business Development in the Czech Republic in Terms of Legislation on Environmental Protection* (i.e. Ecoaudit) was finalized. The Ecoaudit provides 46 new tasks, with 15 of those to be fulfilled by the end of 2015. Deadlines of other tasks have been postponed to 2016. In particular, these challenges relate to the prevention of major accidents and waste management, whereas the fulfilment of the tasks should result in reduction of the administrative and financial burden for businesses. These tasks are currently being fulfilled.

During 2015, the government, in cooperation with industry and business federations and associations, will launch the next phase of Ecoaudit. Cooperation takes place in the form of screening business sector, which sends proposals and suggestions for amendments to the legislation on environment that presents excessive administrative and financial burden and is not required by the EU legislation. After the verification of received ideas and suggestions, the result will be forwarded to the legislative process.

### **Company foundation**

An amendment to the Court Fees Act, which aims to meet the EC ex ante conditionality of reducing the cost of setting up a company under EUR 100, has been prepared. The amendment proposes to exempt certain limited liability companies from court fees and a reduction in remuneration of notaries for notarial record of the founding acts. The amendment is now in the legislative process, its approval is expected during 2015.

The Act on Public Registers lays down the obligation to file, among other things, financial statements, which entrepreneurs will no longer be forced to re-attach to their tax returns, into the Collection of Documents. It is expected that this will reduce the administrative burden for businesses and improve the business environment.

Also, the shortcomings of the new regulation of private law are being evaluated as well as practical suggestions for its implementation are being analysed. Preparatory work is underway for an amendment to the Civil Code and the Law on Corporations, which should eliminate ambiguities and some inappropriate legislative solutions for business transactions.

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

In 2015, the Czech Republic will continue its activities aimed at raising awareness among Czech entrepreneurs and citizens concerning the existing tools and services for businesses operating on the EU internal market. These services specifically include Points of Single Contact (PSC), Product Contact Points (ProCoP) and the SOLVIT network. This year, the government will also focus more on raising awareness of the Your Europe portal, which serves as an information tool for both citizens and businesses within the EU. In addition to the informative activities aimed at stakeholders and the wider public, the government will continue to focus on the development and improvement of these services (mainly on building the 2<sup>nd</sup> generation of electronic PSC) and enhancing their user-friendliness. It will also continue in informative activities on the business server Businessinfo.cz where the entrepreneurs and citizens can find information about current EC public consultations and events within the internal market.

### **Increase of the social responsibility of organizations**

In order to contribute to the development of the concept of organizations' social responsibility in the country and its positive impact on society, economic development and the competitiveness of the country, a strategic document called *National Action Plan for Social Responsibility in the Czech Republic* was adopted in 2014; the update will be presented by the end of 2015. The intention of the individual activities is primarily to motivate commercial businesses, non-profit organizations, and government bodies to implement social responsibility.

### **Trade Business**

On 1<sup>st</sup> January 2015, an amendment to the Trade Act, which introduces digitization of documents submitted by entrepreneurs to the Trade Licensing Office, has come into effect. This eliminates the obligation of entrepreneurs to repeatedly present documents that have already been submitted to any Trade Licensing Office in cases where the facts that these documents certify remaining unchanged. At the same time, this amendment implements changes consisting of the removal of certain hitherto publicly accessible data in the Trade Registry in order to ensure greater protection of privacy of individuals and their personal data recorded in this registry.

### **The uniform authorization procedure**

The main tasks of the government in the field of spatial planning and building regulations include an amendment to the Act on Spatial Planning and Building Regulations (i.e. The Building Act) and related laws, which will simplify, accelerate, and streamline administrative processes of licensing structures. The amendment to the Building Act is included in the Government Legislative Work Plan for 2015. Simplifying and accelerating the authorization procedure will lie in the introduction of unified management, which will result in one decision, including not only the planning and construction management, but also the EIA process (Environmental Impact Assessment). Entry into force is expected in June 2016.

## **5.2.2 Industrial policy**

Industry is a source of economic prosperity of the Czech Republic; therefore, the goals include strengthening of the industrial base and the development of a favourable environment for the functioning of the economic subjects. The Czech government supports a systematic approach to the EU industrial policy of systematically taking into account the competitiveness of industry in all relevant policies. The Czech Republic's approach to the development of industry in the Czech Republic is based on the general framework and measures to promote economic development that applies to the industry as well. The Czech Republic also recognizes the importance of initiatives designed to reduce the administrative burden, reducing bureaucracy, and creating attractive conditions for Czech and foreign investors.

The Czech Republic also advocates for the creation or cultivation of conditions favourable to businesses. In this regard, favourable energy prices or effective legislation are, for example, among the traditional aspects. Due to the dynamic development of the environment, it is regarded as equally important to develop "soft" factors, among which human capital based on quality vocational education

and skills development adapted to new manufacturing technologies, the possibilities offered by ICT as well as demographic changes are included. Proper emphasis is also being put on opportunities arising from innovative activities and abilities to use innovative solutions in industrial enterprises as well as the use of relevant elements of the digital agenda, digitization of the economy, and the preparation of a single digital market for digitization of industry and services.

### **Support of SMEs**

Implementation of the *Small and Medium Enterprises Support Strategy 2014 – 2020* (SME Strategy 2014+), which contains 50 specific measures divided into four strategic priorities<sup>7</sup>, will be executed via national programmes for promoting entrepreneurship and, among other things, realized via the OP EIC. *The Action Plan for Supporting Small and Medium-Sized Enterprises in 2015* (AP SME), which builds on the government's *Action Plan To Promote Economic Growth and Employment in the Czech Republic*, has also been prepared. The goal is to specify concrete measures in line with these documents and the SME Strategy 2014+, which are to be implemented in the near future.

The complete drawing of funds from OP EI, the completion of preparation, and a quick announcement of calls for each programme under the new OP EIC are priorities of the Czech Republic in support of small and medium-sized businesses for 2015. Currently, entrepreneurs can apply for support under the programme *Inostart*, which has been prepared under the Swiss-Czech cooperation and aims to support activities of innovative start-up SMEs. Regarding the support of SME's access to bank loans, the *Programme Warranty 2015-2023* was approved in December last year and the first call has been announced.

### **Support of export**

In 2014, the Client Centre for Export was launched. It is a single point of contact for Czech entrepreneurs who want to expand into foreign markets. The Client Centre is able to assist both SMEs and large companies with large-scale or state procurements. It is a guidepost of common services for exporters<sup>8</sup> offered under the Unified Foreign Network of Czech embassies and CzechTrade's foreign offices. The Internet portal *Businessinfo.cz* will be further expanded with regard to the provision of comprehensive and complete information from territories or fields in one place.

In 2015, the Czech Republic will continue to create preconditions for global diversification of Czech exports. A list of sectoral priorities that will help exporters identify and timely target sectors with high growth potential in each country has been prepared. The sectoral approach is also reflected in the update of *the Export Strategy of the Czech Republic*, which shall be finalized later this year. Overview of sectoral opportunities should be available interactively on the web interface, which will be launched in April 2015. Information on individual perspective fields will be updated regularly.

A new system of cooperation in ensuring the promotion of export and economic diplomacy of the Czech Republic will be further developed within the state administration. Based on an earlier decision of the government, the strengthening of the Unified Foreign Network by adding 10 new places for economic diplomats is planned for 2015. Starting 2016, it is also planned to strengthen the Network with another 14 places for economic diplomats in countries outside Europe.

Since the autumn of 2014, the programme of joint export training of the MFA, MIT, and CzechTrade personnel in charge of the economic agenda has been taking place via the Diplomatic Academy of the MFA, in collaboration with the CzechTrade Export Academy. Furthermore, a new evaluation model of trade and economic activities of Czech embassies abroad is prepared for this year, within which the

---

<sup>7</sup> (i) Improving business environment, development of consulting services and training for entrepreneurship; (ii) Business development based on the promotion of R&D, including innovative and entrepreneurial infrastructure; (iii) Supporting the internationalization of SMEs; (iv) Sustainable energy management and development in energy innovation.

<sup>8</sup> On the basis of the Agreement on the Common Service Catalogue of the Uniform Foreign Network and Client Centre between the MFA and MIT dated September 30, 2014

entrepreneurs will participate in the evaluation of efficiency and quality of services of individual representations of the Czech Republic abroad.

This year, the Czech Republic also plans to ensure business missions and participation at fairs and exhibitions, meetings of joint bodies for economic cooperation, and organize seminars and business forums.

### **Promotion of investment**

In 2015, the amendment to the Investment Incentives Act and other related laws will come into force, which meets the government's policy statement regarding investment incentives. The purpose of this amendment is to ensure compliance of the support provision with new European regulations, improve the attractiveness of the system of investment incentives for investors, and increase its success in attracting quality investments with high added value. Due to the amendment of the Act, it should be possible to maintain the competitiveness of the investment incentive system in international competition with neighbouring countries, with a view to reducing the level of public support.

## **5.2.3 Transport Infrastructure**

The Czech Republic considers the efficient completion of the backbone transport infrastructure and connection of the remaining regions and major industrial centres to major Czech and European routes an essential condition for restoring the sustainable economic growth based on improved competitiveness of the Czech economy, including the removal of barriers for entrepreneurship in the regions with poor transport availability.

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

The *Transport Policy of the Czech Republic for the period 2014-2020 with an outlook to 2050* and the *Transport Sector Strategies, 2<sup>nd</sup> phase* are the two key strategic documents of the sector. The *Transport Policy of the Czech Republic* identifies the main problems of the sector and proposes measures to address them. It is followed by individual sub-strategies that further elaborate on the solutions and financing within specific areas. The key priorities include, among other things, development of transport infrastructure, harmonization of conditions on the transport market, the development of rail and water transport, improving the quality of road transport, support for multi-modal transportation systems or limitation of the impact of transport on the environment and public health with the use of alternative fuels and infrastructure support for alternative fuels.

*Transport Sector Strategy, 2<sup>nd</sup> Phase* is a key strategic document for the operation and development of the Czech transport infrastructure and, above all, the starting point in setting targets for the *Operational Programme Transport 2014-2020* (OP T). The annual planning of the process of building preparation, initiation of the process of restructuring of investor organizations, and linking the important transport infrastructure investment projects to the state budget will be ensured on ground of these documents. By mid-2015, a draft of the *National Action Plan for Clean Mobility in the Czech Republic* will also be presented, which will set targets for the Czech Republic in the promotion of alternative fuel vehicles.

### **Priority projects in infrastructure**

The completion of the railway transit corridors, including railway nodes (until 2018, with the exception of some railway nodes), and the modernization of the tracks on the main TEN-T network are, in particular, among the priority projects in the field of railway infrastructure. The already completed modernization of some key railway lines and nodes has led to an increase in the performance of passenger traffic by 16% as well as in the number of passengers between 2009 and 2013. At the same time, the use of passenger road transport decreased by 10% in the given period.

The priority projects in road infrastructure include, in particular, the construction of the missing speedway and road sections of the global network TEN-T (until 2030, respectively 2050). In the area of inland waterways, the Czech Republic continues to address the problems of navigability (including international relations) and reliability on the Elbe-Vltava waterway, also ensuring sufficient resources

from European funds for the development of multimodal freight transport is a major priority in the field of multimodal transport. Great attention will be paid to improving the legislative conditions and development of intelligent transport systems (ITS), which increase traffic safety, improve traffic management, raise awareness about the traffic situation and improve accessibility to public transport. ITS is also a tool for optimizing capacity utilization of transport infrastructure.

### **Intelligent Transport Systems (ITS)**

The top national strategic document relating to the development of ITS is the *Transport Policy of the Czech Republic for the period 2014-2020 with an outlook to 2050*, the purpose of which is primarily to implement a broader context and objectives of the European transport policy and to identify the main needs and objectives throughout the transport sector. The use and implementation of a modern management system and traffic regulation, information systems, ITS and GNSS systems must all become an integral part of the development of transport.

The main objectives of the transport policy, which are expected to be achieved with the use of ITS systems, are ensuring the connection of different modes including barrier-free transport links and also increasing traffic safety and awareness of its users. The transport policy also promotes the development of priority areas and priority actions described in the ITS Directive No. 2010/40/EU. The requirement to prepare the *ITS Action Plan* arises from this document. This will represent one of the twelve strategic documents related to the *Transport Policy of the Czech Republic for the period 2014-2020 with an outlook to 2050*. The *Action Plan for the Development of Intelligent Transport Systems (ITS) in the Czech Republic by 2020 (with an outlook to 2050)* was approved by the Government on 15<sup>th</sup> April 2015.

### **5.2.4 Digital Agenda**

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

On 21<sup>st</sup> May 2014, the *Report on the Implementation of Measures of the Updated State Policy in Electronic Communications - Digital Czech Republic v. 2.0 Journey to the Digital Economy and the Implementation of the Digital Agenda for Europe in the Czech Republic* was approved. The Report states, inter alia, that the Czech Republic actively supports the objectives of the Digital Agenda, which is considered the main tool for increasing EU's competitiveness, market development, increasing the supply of services, and level of consumer protection.

The Czech Republic, as well as other EU Member States, supports the multilateral cooperation of various organizations, both governmental and non-governmental organizations, and the business sector as a basic requirement for the effective functioning of the Internet. In response to international development, the Czech Republic supports the openness of the Internet and freedom of access without any central regulatory intervention and its development with the participation of all stakeholders.

### **Reduction of costs of construction of high-speed electronic communications networks and simplification of the construction process**

Support for the construction of high-speed electronic communications networks 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 the need for financial investment, but especially in the complexity of administration associated with the construction, diverse practice of building offices and inconsistent amount of fees associated with easements. The Czech Republic is aware of its role in this area and intends to address these problems not only by publishing a methodology for the procedure of building authorities, but possibly by legislative amendments to legal acts in question. In order to reduce construction costs, the Czech Republic will also transpose the Directive on measures to reduce the cost of deploying high-speed electronic communications networks, which was approved at the

European level. Last but not least, the *National Plan of Development of Next Generation Networks*, which focuses primarily on the use of public resources, simplification of administration related to construction or reduction of fees associated with easements, is being prepared. This material should facilitate public support for development of high-speed electronic communications networks in the country.

### **Cyber Security**

For ensuring cyber security, the Czech Republic aims to create a credible, workable and reliable environment that guarantees the protection of personal data and copyrights, respect of human rights and fundamental freedoms, including the freedom of expression, and that minimally interferes with the rights of the entities concerned. The Czech Republic supports efforts at the national and international level aimed at the increase of the level of cyber security through legislation and introduction of minimal uniform safety standards, which are based on a principle of technological neutrality and do not constitute excessive administrative and financial burden for operators of information systems.

The basic framework for ensuring cyber security has been set by the Act on Cyber Security and its implementing measures effective from 1<sup>st</sup> January 2015. The *National Cyber Security Strategy for the period 2015-2020* approved in February 2015 and the following *Action Plan*, which will be submitted to the government for approval in the second quarter of 2015, will serve to fulfil the presented concept in a broader sense. *The Action Plan* sets out the tasks and identifies the responsible parties in the priority areas as set in the national strategy. These include, among other things, ensuring the security of critical information infrastructure elements and major information systems and network security in general as well as the support for the private sector and academia in research and development of information technology security. The Czech Republic contributes to the creation of conditions for a functioning information society, and thus to the development of an attractive business environment and infrastructure for the Czech industry.

## **5.2.5 Energy and climate protection**

The aim of the Czech Republic in the area of energy and climate protection is to ensure the transition to a competitive low-carbon economy and to reduce the dependence on fossil fuels. Climate and energy policy must especially emphasize the balance among the three main pillars, namely sustainability, security, and competitiveness.

### **Updating the State Energy Policy (SEP)**

In 2012, the main elements of the energy strategy formulated in the updated SEP as well as the submission of the updated SEP in regards to the process of strategic environmental assessment (SEA) were approved. The main objective of SEP is to ensure a reliable, safe and environmentally friendly energy supply at competitive and affordable prices under standard conditions for the needs of the population and the economy of the Czech Republic. It must also ensure uninterrupted power supply in emergency situations to the extent necessary for the functioning of the main components of the state and survival of the population. An updated version of SEP was, along with an accompanying socio-economic impact analysis, submitted for approval in 2014. The updated SEP was discussed in December 2014. The next hearing has been postponed to the second half of 2015.

### **Climate protection policy**

The *Climate Protection Policy of the Czech Republic* (Policy), which represents the Czech Republic's strategy in the field of climate protection until 2030 and a long-term outlook to 2050 in line with the transition to an efficient low-carbon economy, is currently being prepared at the national level. The set goals are based on the international commitments of the Czech Republic in terms of reducing greenhouse gas emissions and the relevant documents and strategies, mainly from the aforementioned existing climate-energy package and the new climate and energy framework 2030. Extension of the Policy's horizon until 2050 is necessary so this document can also act as a national low-carbon strategy in accordance with the requirements of the UN Framework Convention on Climate Change and reporting under the EU Regulation no. 525/2013.

## **Renewable energy sources (RES)**

Long-term stable and sustainable conditions for promoting the production of energy from renewable sources are set via the *National Action Plan for Energy from RES* (RES NAP), which also serves as a regulatory tool for reducing the operational support of RES. Other regulatory instruments are introduced in the Act on Supported Energy Sources. In 2014, legislative changes, which responded to the completion of the EC notification procedure from June 2014 to the support system established by this Act, were drafted. In October 2014, the European Commission asked the Czech Republic to continue with the notification procedure leading to a decision on the compliance of the support system for the production of electricity from RES with EU public support rules also in relation to the RES electricity production plants put into operation before 1<sup>st</sup> January 2013.

Further updates of RES NAP should be prepared by 30<sup>th</sup> June 2015. The amendment to the Act on Supported Energy Sources is currently in the legislative process. The Act should come into force on 1<sup>st</sup> July 2015. This amendment should re-establish the operational support of energy from biogas. The Czech Republic currently conducts quantification of new biogas energy plants. The RES NAP will be based on SEP.

Regarding the European targets for renewable sources by 2020, the EC is proposing to revise the Directive 2009/30/EC on the quality of petrol and diesel and Directive 2009/28/EC on the promotion of the use of energy from renewable sources and modify the provisions on the use of renewable energy sources in transport. These regulations are in the approval process and a proposal to revise the goals and modifications of the Directives has been approved by the Council. International discussions of the Member States about the European Commission's proposal will continue in 2015 and it is not possible to competently set up the NAP RES update prior to the final decision of the EP.

## **Measures regarding raw materials**

Measures regarding raw materials will focus on preparing the update of the *State Mineral Policy* (SMP), which will be discussed together with the SEP update. Therefore, the latest version of the new SMP draft will contain metallic, non-metallic, construction, non-traditional and high-tech mineral resources, as well as energy resources, including proposals to the solution of territorial environmental limits of brown coal mining in Northern Bohemia. This interconnection of both state policies will contribute to a more efficient energy production accompanied by an efficient use of available natural resources and to the reduction of the material and energy intensity of the Czech economy. Further measures have been continuing with a gradual implementation of the principles of the European *Raw Materials Initiative*. The legal framework of the sector of exploration and extraction of minerals should provide a balanced status for citizens, government and businesses in this area, with respect to the interest of the state to ensure a reasonable level of raw material and energy security of the country and environment protection.

The gradual application of the *Policy of Secondary Raw Materials in the Czech Republic* into practice contributes to the reduction of energy and material consumption. By 30th June 2015, the *Action Plan of Promoting the Czech Republic's Self-Sufficiency in Raw Material Resources by Substituting the Primary Sources with Secondary Raw Materials* in cases where it is technically possible and economically viable will be submitted. The Action Plan will contain specific tasks and tools for the five main strategic objectives, including indicators for their evaluation.

## **Utilization of biomass**

Cultivation and utilization of biomass energy is an important element not only in agriculture, but also in the field of energy. Measures in this area are mainly based on the *Biomass Action Plan in the Czech Republic for 2012-2020* (BAP). This document is based on the NAP RES and is in accordance with SEP. BAP is also in line with the international trend supporting the use of RES. In the European context, it is in a particularly close relation to Directive 2009/28/EC, which stipulates binding national targets for Member States for the use of energy from renewable sources.

In 2015, the statistical survey ENERGO will be conducted, which is one of the tools for the implementation of BAP. This survey covers the area of burning forest dendromass in households in the Czech Republic. The implementation and further development of the project ReStEP (Regional Sustainable Energy Policy), which aims at the possibility to regionally define the energy potential of RES in the whole range of possible sources to a specific cadastral territory of the Czech Republic and arbitrarily larger areas, will also take place.

### **Development of energy infrastructure**

Support of the development of the capacity of renewable energy sources must be accompanied by adequate development of electricity infrastructure so as to avoid overloading the transmission system, and therefore the potential threats to energy security. In view of repeated overloading of the Czech transmission system with unscheduled electricity flows from Germany, the transmission system operator ČEPS, a.s. plans an installation of new lines and transformers with a controlled phase shift (PST) on the Czech-German profile. The start of their operation is expected in 2016.

Mainly the development of the resource base and the consequent need to ensure the power output of new resources, the potential growth of consumption in connection with the expected economic recovery in the Czech Republic and links to other transmission systems within the EU are the additional stimuli for the development of the Czech electricity system.

The priority in the gas sector is to ensure stable and diversified gas supplies and to continue with the interconnection of the infrastructure in the Czech Republic with neighbouring countries. For reducing energy dependence on energy supplies from Russia and the East-West energy infrastructure, it is vital to continue with the efforts to diversify the source regions and transport routes. Regional integration of the gas market and the on-going infrastructure linking to the EU Member States will also have a positive impact on securing alternative supplies. In the near future, it should mainly be the connection with Poland, which should ensure future ability to access the natural gas supplies from distant sources by using the LNG terminal Świnoujście. The pipeline project BACI (linking Břeclav, the compressor station in the Czech Republic, with the natural gas hub in Baumgarten, Austria) can also be considered as an important project.

## **5.2.6 Environmental Policy**

Healthy and quality environment is an integral part of a good standard of living of the Czech Republic's inhabitants. The government's priority is to minimize the negative impact of human and industrial activities on the environment, not only at the national, but also at international level. On 1<sup>st</sup> April 2015, an amendment to Act No. 100/2001 Coll., on Environmental Impact Assessment (EIA), came into force.

### **Air Protection**

By the end of September 2015, the mid-term *Strategy for Improving Air Quality in the Czech Republic (by 2020)*, which also includes the *National Programme for Reducing Emissions* and programmes for improving air quality for individual zones and agglomerations, will be completed. The Strategy's goals are to improve the air quality in the Czech Republic at least to the extent that complies with the applicable emission limits for the protection of human health, ecosystems and vegetation, and to propose measures to meet the national emission ceilings in force beginning 2020, in accordance with the revised Gothenburg Protocol with a view to 2030.

### **Waste management**

The main priorities in the field of waste management are defined in the new *Waste Management Plan of the Czech Republic for the period 2015-2024* (WMP), approved by the Government on 22<sup>nd</sup> December 2014. The prevention of waste generation and increased reuse of waste is the basic direction for waste management in the coming period.. Part of WMP is the *Programme for Waste Generation Prevention*. The strategy proposed in WMP 2015-2024 leads to a clear diversion of waste from landfills toward higher levels of the hierarchy of waste management. The landfill ban on selected

types of waste has already been enshrined into the legislation and will come into force in 2024. The adopted legislative and strategic action (landfill ban, mandatory sorting of other components of municipal waste, waste prevention) are based on the recommendations of the Commission and strongly support the implementation of priorities in the context of Europe 2020.

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

For the Czech Republic, it will be crucial to further reduce the risk of flooding, especially in areas with a significant flood risk. To this end, the Czech Republic will continue to support the realization of close to nature and technical flood protection measures. The preparation of plans for flood risk management, which include proposals for possible flood control measures for areas with a significant flood risk, is underway. Plans for flood risk management will be submitted for approval by the end of 2015 after the settlement of the comments and completion of the SEA process. Flood control measures for areas with a significant flood risk should be implemented in the period 2016- 2021. The results of mapping of the flood hazard and flood risk - hazard maps were included in the territorial analytical data and the regions have been informed about this.

The key area for the Czech Republic is the issue of drought and its impacts. In 2015, a government regulation on minimum residual flow will be prepared and submitted for approval. Other proposals to mitigate the risk of drought will be part of the updated *Catchment Area Management Plan*. These measures should be implemented in the period 2016-2021. The issue of drought in the context of observed and projected impacts of climate change will also be the subject of the upcoming *Strategy of Adaptation to Climate Change in the Czech Republic*.

With regard to possible droughts, a review of the General Plan of Areas Protected for the Surface Water Accumulation could be prepared in order to identify possible locations for reintegration into the General Plan.

### **5.2.7 Agricultural policy**

Direction of Agricultural Policy of the Czech Republic is mainly given by the adopted EU Common Agricultural Policy (CAP) for the period 2014-2020. The Czech Republic will promote further measures to develop Czech agriculture via proper implementation of the CAP which has been adapted to domestic conditions. During further discussion within the EU, the Czech Republic will promote, in particular, the facilitation of the setting of conditions for farmers, elimination of unnecessary administrative burden, and also the sustainability of the European model of agriculture, including support for its non-production functions. As before, the government will also focus its attention on the area of food safety at national and European level, which is related to the availability of high-quality and safe food and empowerment of farmers in the supply chain. Finally, it will also focus on the issue of food self-sufficiency and on increasing the competitiveness of Czech agriculture.

#### **The Rural Development Programme for 2014-2020**

Within the CAP the government approved the *Rural Development Programme 2014-2020* (RDP) on 9<sup>th</sup> July 2014. The RDP initiatives include, in particular, the support of livestock production and fruit and vegetable cultivation, support for technological research and innovation, and farming methods, which contribute to biodiversity conservation. The total allocation of public funds for the RDP should be approx. 3.074 billion EUR. The preparation of the national implementing legislation will be finalized in the first half of 2015. Expected approval of the programming document is planned for June 2015.

#### **Improvement of the export performance of the agri-food sector**

Preparatory work for the establishment of positions of agricultural diplomats in five non-EU countries (Russia, Ukraine, China, Saudi Arabia and Serbia) has been completed. The placement of these civil servants at embassies is expected during 2015. Also, a plan that deals with streamlining of the Czech participation in foreign trade fairs and exhibitions and increase of the support for the participation of Czech companies at these events is being prepared. Foreign business trips of the Czech Republic's

delegations to selected regions will be accompanied by a business mission. A deeper inter-departmental cooperation continues on projects of economic diplomacy in the agricultural sector.

### **Increase of food safety and quality**

In order to enhance food safety and quality, the government intends to support quality local food producers, intends to introduce stricter rules for retail chains, including transparent labelling of food and higher penalties for misleading information about the composition of the product. The Czech Republic will adopt measures associated with better functioning of the whole food chain with respect to the corresponding value added distribution. This will make the control system more efficient and will promote greater consumer awareness about products, with the aim to create a greater public demand for high quality and safe food and increase the number of inspectors in the field. This is achieved by an increased level of quality and food safety in the country and a better functioning of the entire food supply chain with regard to the appropriate distribution of added value.

### **The Concept of Strategic Development of the State Enterprise Lesy ČR for the period 2015-2019**

In connection with the strengthening of the importance of small and medium-sized forestry and timber industry, the Government approved the *Concept of Strategic Development of the State Enterprise Lesy ČR for the period 2015-2019* on 23<sup>rd</sup> February 2015. In order to increase employment, particularly in mountain and foothill areas, an interdepartmental expert working body of forestry and timber sector, which will deal with this issue in collaboration with other stakeholders and institutions, will be created. It will continue to promote the development particularly of the small and medium-sized forestry and wood processing enterprises.

## **5.3 Functioning labour market, education system and social inclusion**

### **5.3.1 Development of the labour market and active employment policy, increasing labour productivity**

Beyond the measures resulting from the recommendation of the Council, the preparations for the reform of the system of investment incentives to encourage investors to create jobs in structurally affected regions are underway in accordance with the *Strategy of Employment Policy until 2020*. Thanks to the amended Regulation 515/2004 Coll., on Material Support for the Creation of New Jobs and Material Support for Retraining or Training of Employees within Investment Incentives, the support provided increased from 50 000 CZK to 200 000 CZK for one newly created job with effect from 1<sup>st</sup> February 2014. Under preparation is the expansion of area in which this support can be provided, i.e. to enable the provision of such support in the regions where the proportion of the unemployed exceeds the national average by more than 25% (currently only more than 50%). Of the systemic measures to increase employment the implementation of the strategic material *Activation Measures to Address the Adverse Situation on the Labour Market* starts to have a positive impact in practice.

The pilot implementation of a new tool of the active employment policy *Activation Job Opportunity* was carried out in 2014, which allows long-term registered job seekers and job seekers in material need the opportunity to earn extra money while keeping them in the register of job seekers. In connection with the expected reintroduction of the so-called Community Work focus will be put on the so-called permeable employment, particularly for persons at long-term risk in the labour market.

### **The National Plan for the Equalization of Opportunities for People with Disabilities 2015-2020**

In connection with the preparation of the *National Plan for the Equalization of Opportunities for People with Disabilities (PWD) 2015-2020* are being prepared measures to streamline the support of PWD employment, which will be directed mainly at the elimination of circumventing the obligation to employ PWD in a mandatory proportion and to increase the motivation of employers to employ people with disabilities in the open labour market. Under preparation is the introduction of registration of volume of deliveries implemented within the fulfilment of the mandatory proportion of employees with disabilities

and reducing the mandatory payroll deductions of employers in case when PWD are employed in the open labour market (i.e. does not apply to employers with more than 50% PWD).

### **Increasing the workforce mobility**

Contributing to the solution of problems of low geographical labour mobility is the pilot testing of new active employment policy tool *Contribution to Geographical Mobility*, which increases the motivation of job seekers to accept employment with the necessity of commuting, thus contributing to the balancing of regional differences in unemployment. Prior to its implementation into the system of active employment policy its efficiency will be pilot tested within the OP Emp.

### **5.3.2 Quality and affordable health care**

Beyond the already mentioned measures to increase efficiency in health care in chapter 3.3.3, a simplification of the system of postgraduate education of physicians is being prepared, which intends to optimize the number of specialized accreditation types, limit the amount of performances necessary to obtain certification and the opportunity to move the possibility of attestation training to regional hospitals as well, which rectifies some current systemic errors in medical education and should contribute to the stabilization of some groups or the shortage of doctors in operating mode.

#### **Action Plan for Ensuring the Quality and Safety of Healthcare Services**

At the end of 2014, the *Action plan Ensuring the Quality and Safety of Healthcare Services* has been created, which should significantly improve the environmental quality assessment in health care facilities. The evaluation requirements for the authorized persons/evaluators will also be optimized and made stricter. Part of the approved plan is the improvement of medical education in the context of safety in the provision of health services and also the setting of the national quality standards and indicators for measurement and evaluation by restructuring the database.

#### **National Strategy Health 2020**

The *National Strategy Health 2020* is the most comprehensive set of measures to improve the quality, safety and affordability of care. Action plans are currently being prepared with the following focus: reducing health risk behaviour, management of infectious diseases (particularly new and re-emerging), stress management and mental health, ensuring the quality and safety of healthcare services etc. An important part of the *Health 2020* is the *National Strategy for eHealth*, whose strategic objectives are focused on improving the position of the patient's access to health care, development of health literacy, ensuring equal access to care, promotion quality care by using the standards in communication and data sharing of medical services provided. To reduce the frequency of visits to outpatient clinics are planned e.g. the introduction of electronic consultation and electronic ordering of the patient to be examined by a clinic physician and outpatient specialist. In addition to the above mentioned measures, the *National Strategy Health 2020* deals with the plan to reduce the consumption of unwanted commodities such as alcohol, tobacco and also covers physical activity or a prevention and screening plan.

### **5.3.3 Social inclusion and combating poverty**

The government will, in line with the national objective of combating poverty and social exclusion, support measures to contribute to the integration of socially excluded persons or those at risk of social exclusion 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. The purpose is to increase the participation of socially excluded persons or those at risk of social exclusion in the open market of goods and services, contribute to mitigating social tensions and prevent its negative social and economic impacts and reduce spending on addressing the adverse social consequences of exclusion.

#### **Social Inclusion Strategy 2014–2020**

The government will continue to fulfil the *Social Inclusion Strategy 2014–2020*, which covers the main areas of interest for social inclusion of socially excluded persons or those at risk of social exclusion, determines priority topics for the Czech Republic in areas important for social inclusion and provides an overview of measures affecting social inclusion and combating poverty. It also shows the direction for the solutions of social exclusion, promotes socially responsible values related to social exclusion, points out the shortcomings in finding solutions to social exclusion and encourages the spread of the principle of mainstreaming of social inclusion at all governance levels. Information on the fulfilment of the measures of the Strategy for 2014 will be submitted to the government by 30<sup>th</sup> April 2015.

#### **Strategy for Combating Social Exclusion for the Period 2011–2015 and the subsequent steps**

Based on the evaluation of the implementation *Strategy for Combating Social Exclusion for the Period 2011–2015* follow-up measures with the outlook to 2020 will be prepared during 2015. Also in February 2015 the government approved the *Roma Integration Strategy 2014–2020*. In both materials there is a special emphasis on promoting social inclusion and social cohesion in structurally underdeveloped regions with higher unemployment and the incidence of socially excluded localities. A co-ordinated approach is ready to address socially excluded localities using ESIF and professional support of the Agency for Social Inclusion (ASZ). Also under preparation is the intention of a law on social inclusion and the intention of a law on social entrepreneurship, which will be submitted to the government in Q2 2015.

#### **National Action Plan Promoting Positive Aging for the Period of 2013–2017**

Due to forecasts of demographic development and population aging the government will support measures contained in *the National Action Plan Promoting Positive Aging for the Period of 2013–2017 (NAP)*. On the basis of government resolution an updated version of NAP has been prepared, which was approved by the government in March 2015. The aim is to promote the implementation of preparation for aging more effectively and to improve conditions for the integration of older people in society. Support for preventive measures and a well-defined policy of preparation for aging will contribute to a more efficient spending of the consequent social and health care and to coping with the consequences of population aging in the future. Measures are particularly relevant to areas that are important for the quality of life of seniors and aging of the population. The main areas of the NAP policy include the implementation of the policy of preparation for aging, ensuring and protecting the rights of older persons, lifelong learning, employment of older workers and seniors, volunteering and intergenerational cooperation, quality living environment for seniors, healthy aging and care for seniors with limited self-sufficiency. The main goal is to change people's and the whole society's attitudes to aging, improve the involvement of older people in society and promote active aging as a prevention of social exclusion and health problems.

#### **The Concept of Preventing and Tackling Homelessness Issues in the Czech Republic until 2020**

The government will support the implementation of *the Concept of Preventing and Tackling Homelessness Issues in the Czech Republic until 2020*, which covers topics from promoting access to housing and health care to promoting awareness and cooperation of all relevant actors. One of the measures of the Concept was the organization of the *First National Consensus Conference on Homelessness* in November 2014, and the publication of its output in April 2015, which should contribute to a general consensus and support for the future direction of the policy dealing with homelessness. By 30<sup>th</sup> June 2015, the government will discuss the *Report on the Implementation of Concept's Measures*.

#### **Social housing**

In 2014, preparations were made for the *Concept of Social Housing in the Czech Republic 2015–2025*. The planned timetable for the adoption of *the law on social housing* in accordance with the approved outlook of the government's legislative work is as follows: submission of the Concept to government's approval in April 2015, submission of the legal intent on social housing by the end of

September 2015 and submission of the draft law on social housing in Q2 2016. The law should enter force on 1<sup>st</sup> January 2017.

The social housing system consists of the use of social services (the emergence of new social services, i.e. emergency housing), the state contributions to housing and the use of social or affordable housing (social work is always used in connection to social housing). Eligible for entry into the social housing system will be persons from target group, which is defined according to current situation – through the definition of housing shortage or through the living conditions of the persons and their expenditures related to housing. The Act also stipulates priority target groups which will be provided social or accessible housing in an expedited procedure. The basic principle of social housing is to ensure access and maintain long-term quality standard and spatially non-segregated rental housing through a set of tools of the housing and social policies. According to the Concept the state is the guarantor of the right to housing and should exercise this right through the municipalities.

### **Development of social services**

In 2014, in the area of social services the government managed to amend *the Act on Social Services* and partially modify some aspects of the system of social services (e.g. quality, financing, planning social services, support of social work). Furthermore, the *National Strategy of Development of Social Services in 2015 was created*, which sets the framework goals and targets for the given period. Further planned in 2015 is the development of the *National Strategy of Development of Development of Social Services 2016-2020*. This will be a document developed in coordination with other entities, whose ambition is to define the main development areas for social services and establish key objectives and measures, the fulfilment of which would contribute to an overall increase in efficiency of the social services system.

### **The Act on Social Workers**

By the end of June 2015 the Czech government will receive the legislative intent of the *Act on Social Workers*, the submission of the articulated wording to the government is expected in June 2016, and the effectiveness of the Act from 1<sup>st</sup> January 2017. The basic pillars of the new legislation are state-regulated terms and conditions of social work for all social workers, professional growth, career advancement and protection of professional degrees. Professional association of social workers will be the bearer of ethical values.

### **Adjustment of long-term health and social care**

The aim of modifying the system of long-term health and social care is to set up solutions that ensure efficient and financially sustainable provision of long-term care at the social-health border. Two possible options are being considered - the first is a draft of a comprehensive law on long-term care, the second a draft of an amending law on long-term care - only the purpose, definitions and references to legislative changes in other laws. To tackle this issue an interdepartmental working group was created, which should discuss major issues of the new system. Proposed changes will be developed during the course of this year.

## **5.3.4 Reconciling work and family life**

In 2015, the *Expert Commission for Family Policy* has been set up that focuses on designing a long-term and systemic solution for family policy in the Czech Republic. In order to increase the ability of public authorities to provide its employees with measures to reconcile work and private life a methodological guide will be prepared in 2015, based on examples of good practice and experience sharing with the private sector.

### **Project Reconciling Work and Family Inspired by Examples of Good Practice in Europe**

The project *Reconciling Work and Family Inspired by Examples of Good Practice in Europe* is currently finishing. Analyses of legislative measures in the area of care for preschool children and flexible forms of work in both partner countries (Germany, Austria) were processed last year as a part of the project. Currently, on the basis of comparison with Czech legislation, the possible

implementation of certain measures in the Czech legislative system is in drafting. There are workshops with the participation of foreign partners on both topics.

### **Support for women starting a business**

The OP HRE supports entrepreneurship of women as one of the options of reconciling work and family life. Of the 366 supported projects 80 projects are aimed at supporting entrepreneurship of women in the total amount of more than 430 million CZK. The projects include the creation and implementation of comprehensive programmes to support the start and development of self-employment. Within the OP Emp the support of entrepreneurship of women will be an integral part of the investment priority 1.2 Gender Equality in All Areas, including access to employment and career advancement, reconciliation of work and private life and the promotion of equal pay for equal work.

### **5.3.5 Gender equality**

Promoting gender equality plays an important role in achieving social cohesion and sustainable growth. In this area the Czech government in accordance with its policy statement aims primarily to the consistent application of the principle of gender equality, combating gender-based violence, promote reconciliation of work, private and family life, a higher representation of women in decision-making positions and eliminating gender disparities in pay.

#### **The Government Strategy for Equality between Women and Men and other measures**

In November 2014 the government approved the *Government Strategy for Equality between Women and Men in the Czech Republic for 2014-2020*. This is the first government framework document for the implementation of the policy of equality between women and men in the Czech Republic, which defines the basic priorities and objectives until 2020. The strategy includes a total of 8 major strategic areas based on the *Beijing Declaration* and a platform for action adopted in 1995. The strategy also includes a total of 5 horizontal strategic priorities. Individual priorities and objectives will be developed annually into specific tasks within the *Updated Measures of Government Priorities and Procedures in Promoting Gender Equality*.

Following the Strategy the government approved in February 2015 the *Action Plan for the Prevention of Domestic and Gender-Based Violence for the years 2015-2018*, which aims to contribute to reducing the incidence and latency of domestic and gender-based violence in Czech society. In the first half of 2015 the government will also receive an *Action Plan for a Balanced Representation of Women and Men in Decision-Making Positions for 2015-2017*, which responds to the low representation of women in decision-making positions in politics, government, corporate and other areas related to public decision-making. International studies have shown that balanced representation of women and men in decision-making positions entails a number of advantages, including more effective decision-making and the ability to take into account multiple perspectives and use a wider range of talents.

In order to streamline the process of impact assessment submitted to the government on gender equality a methodology was established, in relation to which trainings for individual ministries will be organized during 2015. Following the Strategy optimization of the collection of statistical data disaggregated by sex for the consistent application of gender equality has begun.

### **5.3.6 Quality education**

#### **Promoting cooperation between schools and companies focused on professional training in practice (IPn Pospolu)**

The aim of the project *Pospolu* is to promote cooperation of vocational schools and employers, which leads to better preparation of graduates, deepening of the preparation of students in a real work environment and seeking additional opportunities for cooperation with schools besides training and work experience in companies. The main objective of the project is to produce a draft systemic and legislative changes that would facilitate cooperation between schools and businesses and enable its

expansion. The project, launched in December 2012, will continue until 31<sup>st</sup> October 2015. The total cost is 106.5 million CZK, of which 85% will be covered from the ESF. The project activities include piloting and monitoring of cooperation between schools and companies to identify the possibilities and limits of cooperation between schools and employers in compliance with the current legislation. A concept of the new vocational training measures promoting cooperation between schools and businesses has been created.

### **Year of Industry and Technical Education (2015)**

The aim of the implementation of the *Year of Industry and Technical Education (2015)* is the change in negative perceptions of the industry by the public. It refers to a lack of people with technical education and the need to increase interest in technical fields. Project activities include the promotion of science and technology, development and publication of grant programmes with a total financial support of nearly 300 million CZK, processing the digifolio of 2015, national roundtables on vocational training, the final conference of IPn Pospolu, conferences for technical and natural science education.

### **Implementation of the Strategy for Digital Education until 2020**

The *Strategy for Digital Education until 2020* is part of the *Comprehensive Strategic Plan of Digital Education - Touch Your Future*, which was created on the basis of the government document *Digital Czech Republic v. 2.0 Journey to the Digital Economy*. This strategy defines three priority objectives, at which initial intervention will be directed: open education to new methods and ways of learning through digital technology, improve the skills of pupils in work with information and digital technologies and to develop pupils' informatic thinking.

*The Strategy for Digital Education* tries to achieve these goals through interventions from the 7 main directions: (i) ensuring non-discriminatory access to digital learning resources; (ii) providing conditions for the development of digital competences and informatic thinking of pupils; (iii) providing conditions for the development of digital skills and informatic thinking of teachers; (iv) ensuring the development and rehabilitation of the educational infrastructure; (v) support innovative practices, monitoring, evaluation and dissemination of their results; (vi) creating a system supporting the development of schools in the integration of digital technology into the classroom and school life, and (vii) increasing the understanding of the goals and processes of integration of technology into education.

### **5.3.7 Support for the arrival of skilled workers from abroad**

A skilled workforce is one of the basic conditions of competitiveness and business success of employers. It represents a prerequisite for investment since it ensures the transfer of knowledge, innovation development, introduction of new technologies and leads to the creation of new jobs. With regard to the contribution of skilled workforce to competitiveness and due to the openness and nature of the Czech economy, the government shall accept such measures in the field of migration policies that take into account the economic needs of the country. The Czech Republic is preparing the introduction of long-term visas for business purposes by amending the Aliens Act. The visa would be subject to a significant investment and a credible business plan.

#### **Accelerated Procedure for Internally Transferred and Localized Staff (project Fast Track) and project Welcome Package for Investors**

In 2015, the government will continue in the successful implementation of the Accelerated Procedure for Internally Transfer and Localized Employees and Statutory Bodies of Foreign Investors (Fast Track), which sets rules for accelerated transfer and localization of internal employees or statutory bodies of foreign investors to work in the Czech Republic and helps to secure sufficient skilled labour.

In 2015, the government will continue to implement the project Welcome Package for Investors, which aims to streamline the procedure for entry and employment of key aliens, who need to obtain the necessary permits (residential, work) as soon as possible and smoothly regarding their investment in the Czech Republic. Benefits of the project lie in reducing the time for issuing work permits (10 working days) and long-term visas/employee cards (up to 30 calendar days).

## **Adjustment of training**

Trainings are often primarily used by large trading companies that typically have manufacturing units or facilities abroad and need to train their foreign employees in the Czech Republic, for which they use standard programmes of unpaid internships. These foreigners are staying in the Czech Republic only for a limited period of time (maximum 3-6 months), their positions are unpaid and ensured by companies in which the trainees work. For this purpose, it is nevertheless necessary to simplify the entry and residence of these foreigners in the Czech Republic, which is covered by the Government Resolution No. 962/14 of 24<sup>th</sup> November 2014 following the provisions Article 178b Paragraph 4 of the Aliens Act.

## **5.3.8 Strategy on Migration Policy of the Czech Republic**

The migration issue is conceived by the government comprehensively and strategically. The economic benefits have been reflected in the preparation of the new *Strategy on Migration Policy of the Czech Republic*, accompanied by the *Communication Strategy on the Benefits and Impacts of Migration* (both documents should be approved by the government in June 2015). One of the core principles of the Strategy is to promote legal migration, which is beneficial for the state and citizens as it enables the Czech Republic to respond flexibly to the needs of its labour market and reflect the long-term needs of the state. The aim of the Communication Strategy is, among others, to inform about the social impact of migration and change public attitudes through public debate

## **5.4 Growth based on research and innovation**

Significant progress has been made in the restructuring of public administration of R&D&I in 2014. Based on the recommendation of the international audit the establishment of a separate ministry, which should gradually become the main office of the state administration for research, development and innovations, is underway. As a first step the section of the Deputy Prime Minister for Science, Research and Innovation (OG-MPR) has been created as the basis for the creation of a new central office.

### **5.4.1 Development of conditions for excellent research**

The government is preparing a new legislation for R&D&I. During 2015, the government will prepare a new draft law on the support of research, development and innovations, which will include the establishment of a new central administrative authority for R&D&I (Ministry), adjusted evaluation of research organizations, and the new status and funding of the research infrastructure. The inspection of individual measures of the updated National R&D&I policy started at the beginning of 2015. By the end of 2015, the government should receive information about the status of the implementation of policies and proposals for possible changes.

The government will continue to pay particular attention to the launch of a new multiannual framework for the support of the so-called large infrastructures for research, experimental development and innovation (2016-2022). Financially supported large infrastructures for research, experimental development and innovation will be operated as unique research facilities showing national importance and significant international outreach, meeting the definition of a research infrastructure under new European regulations and operated on the principle of open access to their capacities, enabling a wide range of users from the Czech Republic and abroad to perform excellent R&D&I. Following the comprehensive assessment of research infrastructures of the Czech Republic in 2014 and in connection with the launch of a new multiannual financial framework of large infrastructures for research, experimental development and innovation (2016-2022) the government will also update the *Roadmap of the Czech Republic's Large Infrastructures for Research, Experimental Development and Innovation* in accordance with the principles of the updated *Roadmap of the European Strategy Forum on Research Infrastructures* (ESFRI Roadmap). At the same time, the government will support instruments of international cooperation in R&D&I contributing to the integration of the Czech Republic

into the European Research Area and the internationalization of the R&D&I environment in the country.

Following the new multiannual financial framework, the government will ensure synergistic and mutually complementary approach to the state budget funds for R&D&I and ESIF, based on the additionality principle. The ESIF funds will be drawn through OP RDE, OP EIC, OP PGP and partly also via the Rural Development Programme. Measures in these programmes will be part of the implementation of the measures of the *National Research and Innovation Strategy for Smart Specialization of the Czech Republic* (RIS 3). Interventions will be directed to modernization of R&D&I capacities, strengthening of the international and intersectoral mobility of human resources for R&D&I, development of cooperation between the public research sector and the private sector and increasing the level of strategic management of R&D&I by the government authorities of the Czech Republic.

#### **Updated National Policy of Research, Development and Innovation of the Czech Republic for 2009-2015 with a view to 2020**

As part of its reform measures undertaken in relation to the further development of the national research and innovation system, the Czech government will by the end of 2015 prepare the next update of the *National Policy of Research, Development and Innovation 2009-2015 with a view to 2020*. Measures of the review of the National Policy will be directed especially to strengthen the coordination and strategic management of R&D&I by relevant government authorities, the amendment of the legislative framework of R&D&I support and increasing the qualitative aspects of evaluation methodologies and funding of R&D&I from funds of institutional and targeted support with emphasis on achieving results of internationally competitive levels and high socio-economic relevance.

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

In relation to the drawing of the funds within the EU cohesion policy the government takes steps to ensure the sustainable development of R&D&I capabilities built using the resources of the European Regional Development Fund (ERDF). The main instruments of intervention that the government will implement in this area will still be the National Sustainability Programmes I and II. Operating expenses of R&D&I facilities constructed with financial participation of the ERDF, that meet the characteristics of the research infrastructure, will be funded through activities for the support of large infrastructures for research, experimental development and innovation.

#### **Selected projects**

Activities of the OP RDE in the area of cooperation between research organizations and the application sphere under the priority axis 1, will be significantly complemented by interventions within the newly developed programmes of the Technology Agency of the Czech Republic (TA CR), which will specialize in young researchers focus on applied research in collaboration with the application sphere, the support of social science research, innovative activities of public administration via procurement in the pre-commercial phase.

The project *Increasing the effectiveness of TA CR in research, development and innovation (R&D&I) intervention and improving R&D&I public administration capacities* was officially launched in August 2014. The main objective of the project is to streamline the provision of support for applied research and innovation by TA CR and possibly other public organizations, to strengthen professional capacities in the field of applied research and innovation, enhance understanding of the importance of applied R&D&I and its results for the further development of the Czech Republic and in the future also design basis of a uniform manner and conditions of providing support for applied research and innovation. The partial objectives of the project, which will contribute to the development of conditions for excellent research and to improve the cooperation between businesses and research organizations are e.g.: (i) setting of data analysis in research to measure results and impacts; (ii) optimizing the involvement of experts within the *R&D&I* support system; (iii) streamlining of methodological and advisory services of TA CR; (iv) the introduction of procurement methods in pre-commercial phase; (v)

promoting awareness and education of representatives of public organizations. The project will be completed in November 2015.

## **5.4.2 Development of cooperation between business sector and research organizations**

Development of cooperation between business sector and research organizations is supported e.g. by TA CR programmes, which announces programmes, the prerequisite of which is cooperation between businesses and public research institutes. It is e.g. the Competence Centres programme, Alpha programme, Delta programme or the Omega programme. All these programmes or their implementation will continue in 2015. The government continues to support programmes promoting cooperation between public research and the private corporate sector. During 2015 a new programme will be prepared to support applied research and development in the field of the so-called key enabling technologies, which will be based on cooperation of the research sector and enterprises.

In 2014 the possibility was introduced to reduce the tax base of enterprises when purchasing research services from research organizations in the public sector. This measure will remain in place and continue its objective of increasing the corporate sector's spending on R&D&I and strengthen the cooperation between the two spheres.

### **Implementation of the National Research and Innovation Strategy for Smart Specialization of the Czech Republic**

The government will consider the fulfilment of the *Strategy for Smart Specialization*, which is based on a long-term strategic dialogue between entrepreneurs, representatives of the scientific community and public administration with the participation of other partners from civil society (i.e. the entrepreneurial discovery process). According to the *Action Plan* specific activities are planned for 2015 (notably the plan of activities of the RIS 3 authorities and quantification of relevant financial allocations in public budgets). In the case of a favourable opinion of the EC, the RIS 3 will be updated and the update approved by the government probably in the 4<sup>th</sup> quarter of 2015.

### **Programmes for the development of cooperation**

Cooperation between research organizations and the business community was the condition of the Competence Centres programme, under which were selected projects with the greatest potential for application of R&D results in innovations in two public contests. Individual goals of the programme include the creation of conditions for long-term collaboration between research organizations and businesses.

Cooperation between research organizations and the business community is emphasized in the programmes of applied research, development and innovation. Although it is not always a condition for granting support (only in the programme Competence Centres) cooperation on a research project between at least one research organization and at least one company within the TA CR programmes for the majority of supported projects (currently about 95%) is the case. Specifically in the Alpha programme, which is funded from 2011 and projects that have been supported were selected in four public contests, the share of these projects exceeds 95%. A similarly high proportion is also in the newer programs Epsilon and Delta. The Gamma programme has a specific manner of promoting cooperation, which in its first sub-programme motivates research organizations to prepare R&D results to a phase already showing commercial potential and in its second sub-programme motivates businesses to exploit these results.

### **Project Increasing the effectiveness of TA CR in research, development and innovation (R&D&I) intervention and improving R&D&I public administration capacities**

In November 2014 the key activity 6 was started within the project *Increasing the effectiveness of TA CR in research, development and innovation (R&D&I) intervention and improving R&D&I public administration capacities*, which is focused on developing the methodology of TA CR advisory for the support of application of R&D results by export and verification of this methodology in pilot projects.

The TA CR, EGAP, CzechTrade and CzechInvest and other institutions cooperate within key activity 6. The basis is an active search for R&D&I results that are interesting for export and link researchers who created these results with potential manufacturers and exporters. A proposed new feature is support in the form of credit and its insurance by EGAP.

The specific objective 5 *Improving Conditions for Education Related to Research and Development and for Human Resources in Research and Development* of the priority axis 2 of the OP RDE. Its aim is to create a base for R&D consisting of high-quality human resources that can continually develop, draw experience from abroad and from the private sector.

### **5.4.3 Innovative entrepreneurship and start-ups development**

#### **National Innovation Fund**

The government intends to restore the idea of establishing a state tool to support innovative SMEs through venture capital in the new programming period 2014-2020. Within the OP EIC it allows for the creation of a pilot National Innovation Fund (NIF), which will together with private investors provide capital to promising companies in the stage of establishing and development that have difficult access to credit financing. It will be a repayable financial instrument; funds from successful investments can be used by the government to support SMEs in the coming years. The aim is to activate the private venture capital in the Czech Republic and the potential of new Czech business ideas and research results. Intensive preparation works on the NIF will be underway in 2015, final version of which will be based on ex-ante assessment of financial instruments in the OP EIC.

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

The government will continue in its efforts to improve knowledge about 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 about various industrial law instruments and their optimal utilization it will focus on explaining the importance and methods of acquiring and exploiting technical information from patent sources. In 2015 a popularization campaign will continue to provide arguments and instructions why, whether and how to use the protection of industrial property, how to proceed when registering abroad and taking advantage of the international system of the Patent Cooperation Treaty.

Special attention will be paid to the academic, research and development institutions. The system of the Patent Cooperation Treaty will be clarified, where by filing a single application it is possible to get more time to decide whether to continue efforts to obtain a patent abroad, and simultaneously increase the possibility of obtaining funds from the sale of solutions abroad.

Work will continue on the preparation of system of Patents with Unified Effect and the Unified Patent Court. The government will support the continuation of preparations for the creation of the Visegrad Patent Institute, which will make it easier and cheaper for Czech subjects to register technical solutions abroad.

Special attention will be paid to providing comprehensive, trustworthy and easy-to-reach and understandable information about cutting-edge technological solutions and the subjects of industrial property rights and how to best use them. Users will be offered services providing information on the latest state-of-the-art technology in their field taken from the newly published patent applications, also supported will be the industrial and legal audit and technological foresight to track trends and predict the future direction of the technology. It will improve the availability of information on the course of registration and other procedures.

TA CR in cooperation with the MEYS and MIT implements the project INKA - Mapping of Innovation Potential. The main objective of the project is to create a sustainable methodology of mapping of the innovation environment in the Czech Republic, which will ensure comparability of data in these investigations. Project outputs provide a complete picture of the innovation environment and identify areas of intervention for innovative businesses and R&D activities.

#### **5.4.4 Space activities**

Space activities are dynamically developing field, the advances of which are reflected in many sectors of human activity. The Czech 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, particularly for the improvement of the technological level of the Czech industry and its competitiveness.

##### **Investment in space activities**

Investments in ESA optional programmes must be conducted in accordance with the increasing capacity of Czech industry in this area and achieved partial successes in the transfer of know-how to the commercial industrial sector. By investing in space activities, in particular through ESA in the form of participation in its optional programmes, the government can effectively promote the competitiveness of Czech industry, excellence of research and contribute to the sustainable economic growth. Currently the Czech Republic contributes to the ESA programmes with an amount of 14.04 million EUR, of which 5.95 million EUR goes to optional programmes, which present the most opportunities for the Czech industry.

##### **Implementation of the National Space Plan for the years 2014-2019**

The *National Space Plan (NSP) for the years 2014-2019* was approved by Government Resolution No. 872 of 27<sup>th</sup> October 2014. The plan includes a vision, medium-term goals, general, organizational and financial measures for the development of space activities of the Czech Republic in the years 2014-2019. These are, among others, the increase in investment in space activities, the establishment of the National Space Programme, the establishment of the National Space Agency etc. The goal is to maximize the potential of space activities and to maximize economic and social benefits that space activities offer. In 2014 an information gathering was concluded in order to discuss the specific form of the National Space Programme.

## 6. Implementation of the cohesion policy and the use of ESIF as a tool for the implementation of the Europe 2020 priorities

### 6.1 Programming period 2007-2013

Almost 700 billion CZK were allocated on the implementation of cohesion policy in the Czech Republic from the EU funds in the 2007-2013 programme period, which contribute to reducing disparities in development between individual Member States and their regions. The global objective of the National Strategic Reference Framework is the transformation of the economic environment of the Czech Republic in accordance with the principles of sustainable development so that the Czech Republic would become an attractive place for investments, work and living. The main objective is the continued strengthening of the competitiveness of the country, employment growth and a balanced and harmonious development of regions.

The 2007-2013 programme period is approaching its final phase. More than 59 thousand projects in the total amount of 693.7 billion CZK were approved within the economic, social and territorial cohesion of the EU in the Czech Republic's territory by the end of 2014. More than 37 thousand projects worth 310.9 billion CZK were completed financially. Funds transferred to the accounts of beneficiaries amounted to 498.7 billion CZK. This amounts to 72.4 % of the funding from the Structural Funds and Cohesion Fund allocated for all operational programmes<sup>9</sup> for the entire programming period 2007-2013. Funds amounting to 473.9 billion CZK, i.e. 68.8% of the allocation were sent to EC for payment.

Already in 2012 the operational programmes faced many obstacles. 2013 and 2014 were marked by efforts to minimize the impending early exhaustion of funds. At the beginning of 2014 there was a risk that the Czech Republic will not draw 21.4 billion CZK from the EU funds. The Czech government has set a goal to reduce the risk of loss. In January 2014 the government created a crisis plan for each operational programme and defined the necessary measures. By accomplishing these measures and due to consistent financial management and close cooperation with all beneficiaries the managing authorities of operational programmes succeeded in reducing under-spending in 2014 to 8.7 billion CZK. Given the circumstances which the Czech Republic has faced, which was, among other things, a sudden increase in the allocation due to the intervention of the CNB in November 2013, it can be considered a success.

The year 2015 is the last year for drawing funds within the 2007-2013 period, i.e. expenditures co-financed from EU funds under the 2007-2013 period must be paid out by the beneficiaries before the end of the year. The crisis plans for 2015 continue so as to take maximum advantage of the remaining funds from 2007-2013. The Czech Republic remains to be reimbursed more than 200 billion CZK from the EU budget, which represents 30% of the funds of the programming period 2007-2013. But this money will be reimbursed from the EU budget gradually, at least until 2018. Depletion of such ample funds in the time available entails numerous risks and already it is highly unlikely that these funds will be utilized in full. All subjects involved in the implementation of EU funds are making every effort to draw the highest amount for the implementation of quality projects. This effort will be supported by both systemic steps to be carried out if necessary at the level of operational programmes and ad hoc interventions in individual risk cases. Great attention will be paid to the coordination of closing of the 2007-2013 programming period, including ensuring adequate administrative capacity.

---

<sup>9</sup> In these volumes are not included in the funds of cross-border cooperation, OP Fishery or transnational and international cooperation.

## 6.2 Programming period 2014-2020

Concurrently with the closing of the 2007-2013 programming period the preparations of programmes for the 2014-2020 period is on-going. In accordance with the legislative framework for ESI funds in the period 2014-2020 all planned interventions will help towards the objectives of the EU 2020 strategy. The PA has been approved in 2014, a key strategic document, which generally defines the priorities within which ESIF funds will be directed during the 2014-2020 period in the Czech Republic, and the results to be achieved. The PA negotiation was followed by the negotiations of the individual operational programmes. Between October and November 2014 the managing authorities received official comments of the EC and since then the negotiations have been on-going. Further comments are raised by the Commission during these negotiations. Approval of programmes was complicated by negotiations with the European Commission about the form of the implementing regulations to the Act on Civil Service so that the content and timing of adoption corresponded to the commitments stipulated in the PA. It can be assumed that most of the operational programmes will be approved by the Commission in April and May, the rest of the operational programmes then in the second half of 2015. The Commission's final decision on the approval of the programme, however, cannot be issued before the approval of amendments to the Multiannual financial framework and can be expected in June 2015. The Czech Republic tries to eliminate any negative effects of the delays in preparation of programmes by developing Criteria for initiating the implementation of programmes, during the fulfilment of which it is possible to announce a notification of the call for applications for support even before the approval of programmes. Furthermore, preparations are underway of the so-called programmes management documentation and its compliance with the requirements and rules of the Single methodological framework is being verified. After examining the programme management documentation it is possible to start the so-called compliance audit, which is a prerequisite for the subsequent submission of the first interim applications for EC payments.

The Czech Republic meets the ex ante conditions for drawing from ESIF in accordance with Regulation (EU) No. 1303/2013, whereas the steps and timeframe for their implementation are set out in the individual action plans of ex ante conditions. 21 ex ante conditions are currently satisfactorily fulfilled even from the perspective of the European Commission, with intensive work underway on the fulfilment of others. The Czech government also monitors the progress on a monthly basis.

Also developed under the new programming period is the concept of the effective implementation of financial instruments, which should be completed by September 2015. The concept is to create a full-fledged development bank in the Czech Republic, which should in the future play an important role in the establishment and administration of financial instruments contributing to the fulfilment of the objectives of the operational programmes. It should also be a partner for other Commission activities, such as using the Juncker package in the country and the "advisory hub" (i.e. delegated functions from the European Investment Bank). Currently underway in most of the managing authorities are ex ante analyses mapping market failures and setting up models of suitable financial instruments. The Czech Republic plans a close cooperation with European financial institutions such as the European Investment Bank and the European Investment Fund in the actual setting of implementation mechanisms and possibly also in the management of financial instruments.

## List of Annexes

### Annex 1: Overview of the government's strategic documents

The Annex provides a summary of the most important strategic and conceptual documents related to NRP, as well as selected reports on progress towards the goals and commitments arising from strategic documents of the government. Some of them are in the preparation stage or pending approval. The list of documents is not complete and exhaustive, and many other individual contributions to achieving the objectives of the Europe 2020 strategy can also be found in numerous other documents. Current information on the approved documents and other related information is also available in the system of *Database Strategies* (<http://databaze-strategie.cz/>). It is a national information system of strategic, conceptual and sub-program documents, which are inserted into the system and developed by individual coordinators.

NRP Chapter	Document name	Document status	Coordinator
<b>Horizontal documents</b>	Action Plan to Promote Economic Growth and Employment in the CR	Approved	OG
	Partnership Agreement for the 2014-2020 programming period	Approved	MoRD
	International Competitiveness Strategy of the Czech Republic for the years 2012-2020	Approved	MIT
<b>3. Progress in the implementation of the Council's recommendations of 2014</b>	Convergence Program of the Czech Republic 2015	In preparation <sup>10</sup>	MF
	Macroeconomic Forecast of the Czech Republic - April 2015	Approved	MF
	Medium-term Outlook for the State Budget of the Czech Republic for the years 2016-2017	Approved	MF
	Medium-term Expenditure Framework for the years 2016-2018	In preparation <sup>11</sup>	MF
	Government Anti-Corruption Conception for the years 2015 to 2017	Approved	OG
	Anti-Corruption Action Plan for 2015	Approved	OG
	The Action Plan of the Czech Republic's Open Government Partnership for the period 2014-2016	Approved	OG
<b>5.1 Effective Governance and quality legislative environment</b>	The Strategic Framework for the Development of Public Administration of the Czech Republic for 2014-2020	Approved	MoI
	Implementation plans Strategic Framework for Development of Public Administration of the	Approved	MoI

<sup>10</sup> The approval is expected on 27<sup>th</sup> April 2015.

<sup>11</sup> The approval is expected on 27<sup>th</sup> April 2015.

	Czech Republic for 2014-2020		
	Efficient public administration and friendly public services (Smart Administration Strategy in 2007-2015)	Approved	MoI
<b>5.2 The attractive business environment and infrastructure development for the Czech industry</b>	Report On Progress in Reducing the Administrative Burden for Businesses in 2014	In preparation	MIT
	National Action Plan for Social Responsibility in the Czech Republic	Approved	MIT
	Updated National Action Plan for Social Responsibility in the Czech Republic	In preparation	MIT
	Consumer Policy Priorities 2015-2020 (2015-2020)	Approved	MIT
	Update of the State Energy Policy of the Czech Republic 2010-2030	In preparation	MIT
	National Action Plan for Energy from Renewable Energy Sources (2012-2020)	Approved	MIT
	Raw Material Policy of the Czech Republic	In preparation	MIT
	Policy of Secondary Raw Materials in the Czech Republic	Approved	MIT
	Action Plan of Promoting the Czech Republic's Self-Sufficiency in Raw Material Resources by Substituting the Primary Sources with Secondary Raw Materials	In preparation	MIT
	State Policy in Electronic Communications - Digital Czech Republic v 2.0 Journey to the digital economy (2013-2020)	Approved	MIT
	The National Development Plan of Next Generation Networks	In preparation	MIT
	Small and Medium Enterprises Support Strategy 2014 – 2020	Approved	MIT
	Export Strategy of the Czech Republic for the period 2012-2020	Approved	MIT
	The Concept of Strategic Development of the State Enterprise Lesy ČR for the period 2015-2019	In preparation	MoA
	The Rural Development Programme for 2014-2020	Approved	MoA
	Biomass Action Plan in the Czech Republic for 2012-2020	Approved	MoA
	Action Plan for the Development of Organic Agriculture for the period 2016-2020.	In preparation	MoA
Strategy for Food Safety and Nutrition 2014-	Approved	MoA	

	2020		
	The Multiannual National Strategic Plan for Aquaculture	Approved	MoA
	Climate Policy of the Czech Republic	In preparation	MoE
	Strategy for Improving Air Quality in the Czech Republic (2020)	In preparation	MoE
	National Emission Reduction Programme of the Czech Republic (2007)	Approved	MoE
	National Emission Reduction Programme of the Czech Republic 2020	In preparation	MoE
	Strategy of Adaptation to Climate Change in the Czech Republic	In preparation	MoE
	Waste Management Plan of the Czech Republic for the period 2015-2024	Approved	MoE
	Catchment Area Management Plan and plans for flood risk management	In preparation	MoE (MoA)
	Proposed Solutions of Measures to Improve Competitiveness and Business Development in the Czech Republic in Terms of Legislation on Environmental Protection	Approved	MoE (MIT)
	Transport Policy for 2014-2020 with an outlook to 2050	Approved	MoT
	Transport Sector Strategy, 2 <sup>nd</sup> Phase	Approved	MoT
	The Concept of Public Transport	In preparation	MoT
	Action Plan for the Development of Intelligent Transport Systems (ITS) in the Czech Republic in 2020 (with an outlook to 2050)	Approved	MoT
	The Strategy for Air Transport for the period 2015-2020	In preparation	MoT
	The Strategy for Water Transport	In preparation	MoT
	National Action Plan for Clean Mobility	In preparation	MIT (MoT, MoE)
<b>5.3. Functioning labour market, education system and social inclusion</b>	The Concept of Social Housing in the Czech Republic 2015-2025	In preparation	MLSA (MoRD, OG – ASZ)
	The Concept of Living in the Czech Republic 2020	In preparation	MoRD
	Action plan for a Balanced Representation of Women and Men in Decision-making Positions for 2015-2017	In preparation	OG – RRP (MLSA)
	Politics Architecture and Building Culture of the Czech Republic	Approved	MoRD
	The Strategy for Education Policy of the Czech	Approved	MEYS

	Republic until 2020		
	Long-term Policy Objectives of Education and Development of the Education System in the Czech Republic for 2015-2020	Approved	MEYS
	National Strategy for Protection of Children's Rights	Approved	MLSA
	Roma Integration Strategies up to 2020	Approved	OG – SLP
	Strategies to Combat Social Exclusion 2016-2020	In preparation	OG – ASZ
	Social Inclusion Strategy 2014-2020	Approved	MLSA
	Strategy for Digital Education until 2020	Approved	MEYS
	Health 2020 - National Strategy on Health Promotion and Disease Prevention	Approved, preparation of action plans	MoH
	Psychiatric Care Reform Strategy	Approved	MoH
	National Strategy for eHealth	In preparation	MoH
	National Strategy for Development of Social Services for the period 2016-2020	In preparation	MLSA
	National Strategy for Development of Social Services for 2015	Approved	MLSA
	Strategy of Employment Policy until 2020	Approved	MLSA
	Activation Measures to Address the Adverse Situation on the Labour Market	Approved	MLSA
	Strategy on Migration Policy of the Czech Republic	In preparation	MoI
<b>5.4 Growth based on research and innovation</b>	Updating the National Policy of Research, Development and Innovation of the Czech Republic for 2009-2015 with a view to 2020	In preparation	OG – MPR (MEYS, MIT)
	National priorities oriented research, experimental development and innovation (2012)	Approved	OG
	National RIS3 strategy - National Research and Innovation Strategy for Smart Specialization of the Czech Republic	Approved	OG – MPR
	Preparation of the draft of state budget expenditures on R&D&I for 2016 with a view to the years 2017 and 2018	In preparation	OG – MPR
	National Space Plan 2014-2019	Approved	MoT
<b>6. Implementation of the cohesion policy and the use of ESIF as a tool for the implementation of</b>	Territorial Development Policy 2008	Approved	MoRD
	National Development Strategy for 2014-2020	Approved	MoRD
	Updating Spatial Development Policy of the Czech Republic	In preparation	MoRD

the Europe 2020 priorities			
----------------------------	--	--	--

## **Annex 2: Detailed overview of measures in reaction to Council recommendations of 2014**

See individual file

## **Annex 3: Detailed overview of the government's reform measures beyond the Council recommendations of 2014**

See individual file