

# **Report on the Implementation of the National Reform Programme of the Czech Republic 2020**

**Courtesy translation**

Úřad vlády České republiky



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## List of abbreviations

AML	Anti-money laundering
CAP	Common Agriculture Policy
CNG	Compressed natural gas
CZSO	Czech Statistical Office
ČMZRB	Českomoravská záruční a rozvojová banka, a.s. (Czech-Moravian Guarantee and Development Bank)
ČSOB	Československá obchodní banka, a.s. (Czechoslovak Trade Bank)
DPČ	Dohoda o pracovní činnosti (form of employment relationship)
DPP	Dohoda o provedení práce (form of employment relationship)
EC	European Commission
EET	Elektronická evidence tržeb (Electronic registration of sales)
ERDF	European Regional Development Fund
ETS	Emissions Trading System
EU	European Union
GDP	Gross domestic product
IROP	Integrated Regional Operational Program
ISO	International Organization for Standardization
JTF	Just Transition Fund
LNG	Liquefied natural gas
MFF	Multiannual Financial Framework
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoH	Ministry of Health
MoI	Ministry of Interior
MoIT	Ministry of Industry and Trade
MoRD	Ministry of Regional Development
NGEU	Next Generation EU
NGS	New green savings programme (Nová zelená úsporám)
NRP	National Reform Programme
OECD	Organisation for Economic Co-operation and Development
RES	Renewable energy sources
RIA	Regulatory impact assessment
RRF	Recovery and Resilience Facility
RRP	Recovery and Resilience Plan
SEA	Strategic environmental assessment
SFRB	State Housing Development Fund, during 2020 renamed to State Investment Support Fund
SIZ	Strategic industrial zone
SMEs	Small and medium-sized enterprises
TA CR	Technology Agency of the Czech Republic
VAT	Value added tax

# 1 Introduction

## Impact of the COVID-19 pandemic

The economic development of all countries in the world in 2020 was significantly affected by the effects of the COVID-19 pandemic.

Due to anti-epidemic measures of states to protect the lives and health of their population and their accompanying effects, the world economy is in recession. This inevitable and since World War II **unprecedented recession** will affect all countries affected by the pandemic, including the Czech Republic. The macroeconomic forecast of the Ministry of Finance (MoF) from September 2020 assumes a decline in the Czech Republic's GDP of 6.6% for 2020, while in 2021 the Czech economy could show GDP growth of 3.9%. However, the September forecast of the MoF worked with the scenario that no other significant restrictive measures will be taken in connection with the epidemiological situation. The European Commission's (EC) autumn economic forecast of 5 November 2020 already works with a decline of nearly 7% in relation to the Czech Republic for 2020. Regarding 2021 and 2022, the forecast predicts GDP growth of 3% and 4.5%, respectively. According to the EC forecast, the Czech Republic's GDP should not return to the level of 2019 until 2022.

In order to support the economy and minimize the social impact of the pandemic, affected states responded by **adopting massive fiscal and monetary stimulus packages**, and in general, almost all public policies were adjusted. In this context, for the first time in history, the EC also proposed the activation of the so-called general escape clause within the framework of the Stability and Growth Pact<sup>1</sup>.

## Next Generation EU and changes to the European Semester

In the context of fiscal stimulus and public policy adjustments, in May 2020 the EC complemented the ongoing negotiations on the EU's Multiannual Financial Framework 2021-2027 (MFF) with a set of proposals for the EU's Next Generation Package (NGEU). According to the NGEU proposal, the EC will borrow funds in the financial markets in the order of about three quarters of the volume of the MFF, and these resources will be quickly invested in the recovery and transformation of the EU economy.

The most important of the new tools is the **Recovery and Resilience Facility (RRF)**. According to the relevant draft regulation, the RRF is to be managed within the established EU economic and social policy coordination mechanism (European Semester). The cycle of the European Semester 2021 has been significantly modified so that the Semester can serve for the administration of the RRF.

Changes in the European Semester at the EU level were also reflected in **changes in the European Semester at the national level** in the Czech Republic. The National Reform Programme of the Czech Republic (NRP) 2021 is to be submitted together with the Recovery and Resilience Plan (RRP), which is a necessary precondition for benefiting from support of the RRF. Therefore, the preparation of NRP 2021 was started at the beginning of November 2020, ie significantly earlier than in the previous cycles of the Semester.

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<sup>1</sup> In particular, in the case of the preventive arm, Articles 5 (1) and 9 (1) of Regulation (EC) No 1466/97 provide that "...in periods of severe economic downturn for the euro area or the Union as a whole, Member States may be allowed temporarily to depart from the adjustment path towards the medium-term budgetary objective (...), provided that this does not endanger fiscal sustainability in the medium term." The general escape clause does not replace the procedures of the Stability and Growth Pact. It will enable the EC and the Council to take the necessary measures to coordinate policies under the Pact, while deviating from the budgetary requirements that would normally apply.

## **Specificities of the Report on the Implementation of the NRP 2020**

Due to the early preparation of NRP 2021 and in the context of the change in the requirements of the EC, this Report on the implementation of NRP 2020 is shorter than in previous years.

NRP 2020 contains a chapter specifically focused on the then adopted **economic measures of the Czech Republic in response to the COVID-19 pandemic**. *The Chapter 2 The economic measures to combat the COVID-19 pandemic* below follows on with the current description of the main economic and social measures in response to the ongoing pandemic.

With regard to the long-term perspective, *Chapter 3 Reforms in the context of specific recommendations of the EU Council for the Czech Republic* below focuses on some of the reform measures described in the NRP 2020. The chapter describes the work carried out in 2020. These reforms are among those measures addressing the challenges identified in the specific recommendations of the EU Council for the Czech Republic from 2019 and 2020. The recommendations of the EU Council from 2019 and 2020 are key in focusing reforms and public investment to be supported through the RRF. A detailed description of the planned reforms and public investments that will contribute to the fulfilment of the recommendations will thus be contained in the currently prepared NRP 2021 and RRP.

The European Semester has also served as a mechanism for the ongoing evaluation of the **implementation of the Europe 2020 strategy**. As is clear from the very title of the strategy, we have reached the planned time horizon of the strategy. The objectives set out in the Europe 2020 strategy are also gradually being replaced by the objectives set out in new strategy papers, such as the European Green Deal. This Report therefore contains an annex with an overview of the fulfilment of the national targets of the Europe 2020 strategy over the past decade.

## **The preparation of the Report on the Implementation of the NRP 2020**

As in previous years, the Report was prepared by the Office of the Government - Section for European Affairs in cooperation with the relevant ministries. Social and economic partners commented on the draft version of the Report and the document was also discussed at the tripartite Working Group for the EU on 4 December 2020. The report was discussed by the Government's EU Committee at the working level 8 December 2020 and subsequently adopted by the cabinet on 14 December 2020.

## 2 Economic measures in response to COVID-19

As the epidemiological situation was getting worse, a state of emergency was again declared in the Czech Republic starting on 5 October 2020, within which the Government introduced a number of measures to protect the lives and health of the population, which have an impact on entrepreneurs, employees and the self-employed. The current economic and social measures related to the COVID-19 pandemic are described below.

### 2.1 Support of employees and entrepreneurs

#### Antivirus programme

On 14 October 2020, the Government approved by resolution no. 1039 changes in the *Antivirus* programme. This involves extending the period of eligibility of expenditure in Mode A until 31 December 2020 and also introducing an increased contribution for closed operations - Antivirus Plus (Mode A Plus). On 26 October 2020, the Government followed this decision with the approval of the extension of the period of eligibility of expenditures for Mode B also until 31 December 2020.

The period of eligibility of expenditures under **Mode A** is extended until 31 December 2020. In Mode A, employers will be able to receive a contribution for expenditures incurred in October, November and December. Eligible expenses are wage compensation paid to employees due to the quarantine order (according to Article 192 of the Labour Code). However, Mode A may continue to be used by employers even if employees are unable to perform work due to the closure of the employer (or its significant limitation) if it occurred directly on the basis of Government measures, ie Government crisis measures, emergency measures of the Ministry of Health (MoH) or public health authorities. In this case, however, the employer can take advantage of the increased contribution in the Antivirus Plus Mode. In this case, employers are reimbursed 100% of the salary paid, incl. levies, a maximum of 50,000 CZK per month per employee.

The period of eligibility of expenditure under **Mode B** was extended until 31 December 2020, under the same conditions as before. The amount of support does not change, it still amounts to 60% of eligible expenses, a maximum of CZK 29,000 per employee per month. Eligible expenses are wage compensations paid due to obstacles to work on the part of the employer pursuant to Articles 207 to 209 of the Labour Code, including insurance premiums paid from this wage compensation. Under the Antivirus Plus regime, an employer whose operation has been forcibly closed down (or significantly restricted) directly by Government crisis measures or extraordinary measures of the MoH may receive a contribution of 100% of the expenses incurred, up to a maximum of CZK 50,000 per month. The expenditure incurred is a compensation of wages to employees, including statutory contributions, paid for the period of another obstacle to work on the part of the employer pursuant to Article 208 of the Labour Code, arising from regulations closing or restricting the employer's operations.

#### COVID programmes

The **COVID III** programme continues to be implemented, the aim of which is to improve the availability of operational financing for entrepreneurs who employ a maximum of 500 employees and whose economic activities are limited due to the occurrence of coronavirus infection and related preventive measures. The support is provided in the form of a portfolio guarantee to Českomoravská záruční a rozvojová banka, a.s. (ČMZRB) to banks, foreign banks operating in the Czech Republic through a branch or to savings and credit unions for operating loans provided to entrepreneurs up to a maximum

of CZK 50 million. These need to have a portfolio guarantee agreement with ČMZRB for the COVID III Programme (cooperating banks). In the future, COVID III should cover not only operational but also investment activities.

On 16 October 2020, the Ministry of Industry and Trade (MoIT) announced Call 2 of the **programme COVID - rent**. The programme is intended for entrepreneurs who, due to emergency measures, had to temporarily close premises for retail activities and the provision of services to customers in these premises. Applications can be submitted from 21 October 2020 to 21 January 2021 and the amount of support is 50% of the decisive rent for the decisive period. The initial allocation of funds for Call 2 was CZK 1.2 billion. Based on a Government resolution, it was increased to a total of CZK 3 billion on 21 October 2020.

Furthermore, the **"Nursing" programme for the self-employed** was implemented, where it was possible to apply for a subsidy for the first time in March 2020, in connection with the declared first state of emergency. The subsidy was designed to at least partially compensate for the reduced or limited opportunities for self-employed persons (only for the main activity) to do business as a result of preventing the spread of the COVID-19 pandemic, when school facilities were closed by Government measure. Currently, 4 calls have already been implemented (March, April, May and June), during which approximately 190,500 applications were paid in the total amount of **CZK 2.3 billion**. Further challenges according to the development of the pandemic situation are being prepared and are also planned for 2021. Currently, on 9 November 2020, the reception of applications for **October 2020** was started as a result of the declaration of a second state of emergency and re-closure of school facilities. For this call, the subsidy was approved by the Government in the amount of CZK 400 per day. The amount is almost identical to the amount that employees receive under health insurance, or when caring for a family member. Compared to previous calls, currently "Nursing" for self-employed persons cannot be combined with a compensatory bonus, which will be paid by the MoF. All other conditions remained unchanged or were adjusted more precisely on the basis of practical experience. An additional **CZK 0.4 billion** is expected for this phase of the programme. In total, entrepreneurs will receive at least **CZK 2.7 billion** in this form for the entire programme. More information to be found at [www.mpo.cz/osetrovneosvc](http://www.mpo.cz/osetrovneosvc).

On 15 October 2020, the MoIT, in cooperation with the Ministry of Culture, announced the Call 2 of the **COVID - Culture** programme, which aims to provide support in the form of a contribution to performers and professional artistic and technical professions for wasted expenses incurred in connection with the organization of cultural events and the development of continuous activities in culture. The total allocation amounts to CZK 750 million and support is provided in the amount of 50% for eligible expenses of business entities for the organization of cancelled or moved cultural events and individual projects and in the amount of 80% for eligible expenses of business entities whose continuous activity in culture was limited. Within this programme, one-time support in the amount of 60,000 CZK is also provided for self-employed persons in the field of culture (artistic professions in the field of music, theatre, dance-performers and professional and technical staff). Under the **COVID - Bus** programme (implemented by the Ministry of Transport), support is intended for entrepreneurs in irregular bus transport to compensate for the decline in sales due to the COVID - 19 pandemic in the period from 12 March to 30 June 2020. The allocation is CZK 1 billion and applications could be submitted electronically from 26 October 2020 to 25 November 2020.

## Sport

On 14 October 2020, the Government approved the call of the **COVID - Sport 2** programme, which is intended to support business entities that participate in professional sports competitions and business entities organizing sports events. This subsidy programme will be administered by the National Sports Agency in cooperation with the MoIT. The total proposed budget of the programme (support area A and support area B) is set at CZK 500 million.

## Tourism and hospitality industry

Tourism is one of the most affected sectors, which is why the Ministry of Regional Development (MoRD) has prepared several subsidy titles to support this sector. Within the *calls COVID - travel offices, COVID - travel agencies and COVID - guides in tourism*, subsidies are provided to support the tourism industry, respectively travel agencies and guides affected by the consequences of Government and MoH measures related to the COVID-19 pandemic. The support is aimed at strengthening liquidity, maintaining the operation of these facilities and maintaining the supply of existing services and jobs. The allocation of these 3 calls amounts to approximately CZK 425 million (based on Government resolution no. 1070 of 19 October 2020 on tourism support).

Furthermore, the MoRD implements the notified subsidy title **COVID - Spa**, intended for providers of spa medical rehabilitation care (allocation of CZK 1 billion). The MoRD is preparing to extend the COVID - Spa programme at least until 31 March 2021. Another notified subsidy title to support the tourism sector is **COVID - Accommodation**, intended for operators of collective accommodation facilities in the Czech Republic. The MoRD has also prepared a specific support subsidy title **COVID - Schools in nature**, intended for operators of accommodation facilities that specialize in organizing schools in nature trips. Applications can be submitted from 10 December 2020. However, other supporting subsidy titles and programmes under the responsibility of other ministries, such as COVID - Rent, Antivirus, Compensation Bonus etc., are also very important for entrepreneurs in tourism services. A very important step was also reducing VAT rate for selected services on the level of the first reduced rate, including catering (as of 1 May 2020), accommodation, admission to cultural events and sporting events, admission to sports grounds (including ski tow tickets) and admission to saunas and other similar facilities. In all cases, the VAT rate was reduced to 10%.

## Fiscal policy

The planned measures listed in the NRP 2020, which include a simplification of the contribution obligation and administrative complexity of business for small self-employed persons (**lump sum tax**) and a simplification of the provision of food allowance (**meal voucher lump sum**), should come effect at the beginning of 2021. In the case of electronic registration of sales for entities falling into all phases of **EET**, this obligation was suspended until the end of 2022. The obligation to register sales thus arises for entities, regardless of which phase of registration revenues fall, as of 1 January 2023.

Measures taken during 2020 include, in particular, loss carry back (**retrospective application of incurred tax losses** for personal and corporate income taxes for the two tax periods preceding the tax period in which the loss arose), abolition of **real estate acquisition tax**, reduction of road tax, extension of the application of the **second VAT reduction rate to 10%**, waiver of the June advance on personal and corporate income tax, and waiver of fines and selected tax accessories in specific cases. The **abolition of the super-gross wage** is being discussed (return to the classic form of determining the gross wage tax base, which will, among other things, result in increased disposable income for entities,

accelerated depreciation, means pro-investment incentives and other partial measures that simplify asset management from tax and accounting) and a reduction in the rate of excise duty on diesel fuel.

In 2021, a sharp launch of the *My Taxes* portal is expected, a draft tax on digital services is being discussed in the Chamber of Deputies, and due to the outcome of the US presidential election, the new administration can be expected to unblock negotiations.

The decisions of the MoF of October 2020 (made following the re-declaration of the state of emergency) mean, among other things, extending the tax breaks introduced under the spring **liberation packages** and extending tax deferrals to those businesses whose activities were immediately limited (deferral of all payments - VAT, advances on income tax and advances on road tax).

**The compensation bonus for self-employed persons, partners of small firms, workers employed under DPP<sup>2</sup> and DPČ<sup>3</sup>** is parametrically linked to the proven model from the spring months of this year. For each day of closing the establishment or direct impossibility or restriction of business, the Financial Administration will pay 500 CZK.

## 2.2 Changes in the insolvency law

As a part of the effort to revive the economy, a **conceptual debt relief amendment was submitted to Act no. 182/2006 Coll., on bankruptcy and ways of resolving it (Insolvency Act)**, the aim of which is to relieve both indebted entrepreneurial and non-entrepreneurial natural persons. The amendment introduces a uniform debt relief regime for all natural persons, regardless of the nature of their gainful activity, which will ensure the debt relief of honest debtors in 3 years. The amendment was approved by the Government on 2 November 2020 and is now being discussed in Parliament as Parliamentary Press 1073. The amendment is expected to take effect on 1 July 2021. It will therefore be available to those debtors who have found themselves in a difficult situation caused by the COVID crisis. This is a partial transposition of Directive (EU) no. 2019/1023 on restructuring and insolvency.

In 2020, an urgent law was submitted in response to the current effects of the coronavirus crisis (no. 191/2020 Coll., the so-called **lex covid justice I**), which, among other things, introduced some relief for debtors in insolvency proceedings. For instance, it prevented the possibility of non-compliance with the repayment schedule due to COVID measures, or introduced the possibility to interrupt reorganization. The law also made it possible to request an extraordinary moratorium. The law finally suspended the debtor's obligation to file for insolvency. With regard to the success of the measures, a bill, the so-called **lex covid justice II<sup>4</sup>**, is currently being discussed, which should extend the validity of some measures until mid-2021.

## 2.3 Housing

In connection with the spread of COVID-19 in the Czech Republic and the resulting extraordinary measures of the MoH and crisis measures of the Government, Act no. 209/2020 Coll. was adopted to **reduce the economic impact of the epidemic on tenants** of flats and other premises used to provide for housing needs and on recipients of loans provided by the State Housing Development Fund (SFRB)<sup>5</sup>.

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<sup>2</sup> Dohoda o provedení práce - agreement to complete a job, form of a rather part time employment relationship.

<sup>3</sup> Dohoda o pracovní činnosti - agreement on working activity, form of a rather part time employment relationship.

<sup>4</sup> Discussed as parliamentary press 1060 <https://www.psp.cz/sqw/historie.sqw?o=8&T=1060>

<sup>5</sup> With effect from 1 June 2020, the SFRB was renamed the State Investment Support Fund. Namely, Act no. 113/2020 Coll., amending Act no. 211/2000 Coll., on the State Housing Development Fund and amending Act no. 171/1991 Coll., on the competence of the Czech authorities in matters of transfers of state property to other persons and on the National Property Fund of the Czech Republic, as amended, and Act no.

The law would respond to the inability to fulfil certain obligations under Act no. 67/2013 Coll., which regulates some issues related to the provision of services associated with the use of apartments and non-residential premises in apartment buildings.

In the case of renting housing to meet housing needs, the proposal prevented landlords from giving notice to tenants only because the tenant was in arrears with the rent. That is if the delay occurred during the relevant time and mainly due to a constraint resulting from an epidemic emergency that prevented or significantly impeded the proper payment of rent. At the same time, the repayment period for rent receivables, which became due during the duration of the emergency measure during the pandemic, was extended.

Furthermore, the **possibility of postponing the maturity of principal repayments and accessories of loans** provided by the SFRB was introduced until 30 November 2020, if the borrower proves to have become unable to repay the loan due to an emergency measure issued during the epidemic.

Measures concerning Act no. 67/2013 Coll. consisted in **extending the deadlines for the delivery of the financial statement** and the financial settlement of the costs of maintenance associated with the use of flats and non-residential premises in the house with flats under the Services Act. The reason was the assumption that many service suppliers will not be able to supply service providers with the necessary documents in time to send service bills, and thus for settling overpayments and arrears, and non-compliance with deadlines is relatively heavily sanctioned under the Services Act.

The amendment to the Real Estate Mediation Act<sup>6</sup> **extended the period for proving the expertise of a real estate broker** necessary for further business.

## 2.4 Food industry and agriculture

Due to COVID-19 losses of the food industry are significant. Restrictions on the operation of restaurants and school canteens due to the pandemic affected all segments of the food industry. The expected number of affected enterprises in the Czech agriculture and food is up to 10,000 entities. In October 2020, the Ministry of Agriculture (MoA) prepared the **AGRICOVID - Food industry** compensation programme for food producers who suffered losses due to the COVID-19 pandemic with an expenditure framework of CZK 3 billion. Compensation under the AGRICOVID programme can be obtained by food producers or agricultural entrepreneurs who produce food intended for food service operators, provided that the decrease in their income is more than 25% for the relevant period, ie from 1 March to 30 November. 2020. The programme was launched on 1 December 2020.

As part of the **Rural Development Programme 2014 - 2020**, an extraordinary Call 10 of applications for the support of investments in agricultural and food enterprises for CZK 3.4 billion was announced in the period from 14 July 2020 to 4 August 2020. The round was focused on strengthening the self-sufficiency regarding sensitive sectors. The rules for the provision of subsidies were adjusted in

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248/2000 Coll., on the support of regional development, as amended. The aim of the amendment to the law was, in addition to the new title, also to expand the fund's activities to the area of regional development, spatial planning and tourism. Furthermore, a part of the budgetary rules was implemented directly into law, and the composition of the fund's committee also changes.

<sup>6</sup> As of 3 March 2020, Act no. 39/2020 Coll., on real estate mediation, is effective. It introduced the obligation to document the expertise of real estate agents and their compulsory insurance. Act no. 190/2020 Coll. of 16 April 2020, which amends Act no. 39/2020 Coll., on real estate brokerage and on the amendment of related acts, the fulfilment of the condition for existing brokers was postponed from 3 September 2020 to 3 March 2021. Start-up entrepreneurs without experience have a special tolerance period. Half a year after the amendment was adopted. Then real estate intermediaries who do not meet the mandatory requirements of the profession should no longer operate on the market.

connection with the crisis situation caused by the COVID-19 pandemic<sup>7</sup>. Furthermore, the selection of projects was simplified and the submission of building permits and tenders was shifted from the grant application to the payment application. In order to ensure that funds were available to applicants as quickly as possible, advance payments were made possible.

In connection with the crisis epidemiological situation, **the deadline for receipt of the single application, applications for care and compensation for afforestation measures and forestry measures was extended until 15 June 2020**, so that applicants have more time to prepare relevant applications and provide evidence in crisis situations. In this context, the Government decree was published in the Collection of Laws on 29 April 2020 under number 2017/2020, which amends some Government regulations in the field of agriculture in connection with the extraordinary epidemic in 2020.

In connection with addressing the effects of the pandemic, the following measures were taken:

- Based on Government resolution no. 302 of 26 March 2020, funds were released in 2020 from the budget chapter General Treasury Management, item Government Budget Reserve, up to CZK 1 billion to the budget of Chapter no. 329 - MoA at current measures of the Support and Guarantee Agricultural and Forestry Fund to ensure food self-sufficiency and reduce the impact of the coronavirus pandemic crisis. Following this Government resolution, the Government approved and subsequently launched a new support programme Operation 2020 - reduction of the loan principal.
- By Government resolution no. 1204 of 20 November 2020, the Government approved the release of funds in the amount of CZK 20 million for Chapter 329 - MoA for the implementation of subsidy sub-programme 18.C Support for the operation of food banks and other entities with a humanitarian focus (specifically specified as „Supporting the very activities of food banks and other humanitarian actors as a result of the collection, storage and increased distribution of food to people in material need who are without adequate access to basic foodstuffs as a result of measures to combat SARS CoV-2 in the Czech Republic, both in the area of measures aimed at the population and in the case of measures aimed at tightening hygiene measures in food banks compared to the current situation, and at the same time to contribute to the reduction of food waste”).

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<sup>7</sup> In particular, it concerns the eligibility of expenditures as of 12 March 2020 in connection with Government resolution no. 194 of 12 March 2020, by which the Government, in accordance with Articles 5 and 6 of Constitutional Act no. 110/1998 Coll., on security of the Czech Republic, declared a state of emergency for the territory of the Czech Republic.

### 3 Reforms in the context of the Country Specific Recommendations

In 2019, the Czech Republic received following Country Specific Recommendations:

1. *Improve long-term fiscal sustainability of the pension and health-care systems. Adopt pending anti-corruption measures.*
2. *Foster the employment of women with young children, including by improving access to affordable childcare, and of disadvantaged groups. Increase the quality and inclusiveness of the education and training systems, including by fostering technical and digital skills and promoting the teaching profession.*
3. *Focus investment-related economic policy on transport, notably on its sustainability, digital infrastructure, and low carbon and energy transition, including energy efficiency, taking into account regional disparities. Reduce the administrative burden on investment and enable more quality-based competition in public procurement. Remove the barriers hampering the development of a fully functioning innovation ecosystem.*

In 2020, the Czech Republic received the following Country Specific Recommendations:

1. *In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Ensure the resilience of the health system, strengthen the availability of health workers, primary care and the integration of care, and deployment of e-health services.*
2. *Support employment through active labour market policies, the provision of skills, including digital skills, and access to digital learning.*
3. *Support small and medium-sized enterprises by making greater use of financial instruments to ensure liquidity support, reducing the administrative burden and improving e-Government. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on high-capacity digital infrastructure and technologies, clean and efficient production and use of energy, and sustainable transport infrastructure, including in the coal regions. Ensure access to finance for innovative firms and improve public-private cooperation in research and development.*

The steps taken in 2020 in the preparation of selected fundamental reforms are described below. These reforms address the challenges identified in the Country Specific Recommendations for the Czech Republic from 2019 and 2020 and were described in the NRP 2020. In the context of RRP preparation and ongoing consultations with the EC on RRP the chapter is roughly structured according to particular segments of the Country Specific Recommendations.

#### 3.1 Pension system

In 2020, the work of the **Commission for Fair Pensions** continued, which was set up to ensure not only a sustainable pension system, but also a pension system ensuring decent and fair pensions. Within this Commission, the proposed measures are discussed by representatives of all parliamentary parties, representatives of social partners and representatives of the professional community specializing in pension issues. This Commission is addressing a wide range of agendas related to potential pension

reforms. These are, for example, carers' pensions, where in the Czech Republic care related to children and relatives is performed mainly by women, who have 13% lower pensions than men, mainly due to differences in previous careers (however, unification of retirement age reduces this difference); widows' and widowers' pensions; or the possibility of setting up early retirement for people in demanding professions.

Special attention is paid to the **overall sustainability of the pension system** as such. The Commission deals with the architecture of the pension system and its revenues. Phenomena such as population aging and digitization need to be adapted not only to the partial parameters of the pension system but also to its overall architecture. The Commission also discussed ways to increase the role of the third pillar, which should complement state pension insurance more significantly in the future than it does now.

In connection with the decline in the ratio of average pension to average wage in recent years, and especially in connection with the effects of the epidemic on the income and social situation of pensioners, the Government approved the law on 2 September 2020 to bring an extraordinary contribution of CZK 5,000, which they should receive in December 2020. The law was approved by Parliament and published in the Collection of Laws on 23 November 2020.<sup>8</sup>

## 3.2 Healthcare

As a result of the spread of COVID-19 and the related decline in wage and salary growth as well as Government measures in the area of insurance premium payments (especially the waiver of advance payments for self-employed health and social insurance for March - August 2020), a significant **decline in premium collection** is expected this year. To compensate for this decline (originally estimated at up to CZK 50 billion), the Government increased **the payment of insurance premiums for state-insured persons**. Starting on 1 June 2020, the monthly payment for each state-insured person increased by CZK 500 from the original CZK 1,067 (and from 1 January 2021 it will increase by another CZK 200). The total payment by the state will thus increase by CZK 26.1 billion in 2020 and by another CZK 31.7 billion in 2021.

The implementation of the **CZ-DRG system** for the classification and reimbursement of acute inpatient care in the Czech Republic remains a fundamental measure to increase the efficiency of healthcare provision. The CZ-DRG system will be fully implemented in the coding and reimbursement mechanisms of acute inpatient care in 2021, so it will completely replace the existing IR-DRG system from 1 January 2021. The exact form of implementation is specified in the payment decree for the year 2021 (decree no. 428/2020 Coll.). The system provides a fundamental starting point for modelling public expenditure on the provision of acute inpatient care.

In 2020, as part of the **primary care reform**, further measures were to be launched to increase the availability of primary care, in particular establishment of joint practices together with ensuring the standardization of equipment. However, due to the current situation, where it was necessary to solve the current problems associated with the COVID-19 pandemic practically from February 2020, these tasks were postponed and special attention was paid to the availability of general practitioners for patients while maintaining stricter hygienic epidemiological rules.

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<sup>8</sup> Act no. 469/2020 Coll., on a one-off contribution to pensioners in 2020 and amending Act no. 155/1995 Coll., on pension insurance, as amended.

An important step in the field of **electronic healthcare** is the sharing of the patient's drug record as a key functionality of the eRecept system. The legislative amendment to Act no. 378/2007 Coll., on medicinal products and on amendments to certain related acts (Medicinal Products Act), as amended, with effect from 1 December 2019, enshrined the so-called shared drug record of a patient. It enables physicians, pharmacists and clinical pharmacists to take into account the current drug history of a particular patient when providing health services. This leads to a reduction of adverse drug interactions and their duplication of use and ensures a higher level of a patient safety. In the period from 1 December 2019, individual citizens could possibly express their disagreement with the view of the drug record (they still have this option). As of 1 June 2020, the sharing of the patient's drug record was made available to physicians, pharmacists and clinical pharmacists.

To ensure a conceptual system solution, the MoH prepared a conceptual material called the **Strategic Framework for the Development of Health Care in the Czech Republic until 2030** (Health 2030), which was approved by the Government in November 2019. Due to the subsequent occurrence of the COVID-19 pandemic and its impact, the MoH decided to update its priorities so that more emphasis is put on the protection and promotion of public health. Government resolution no. 743 of 13 July 2020 approved the updated Health 2030. The area of electronization is addressed through specific objective 2.3. Digitization of healthcare.

The development and commissioning of e-health tools that will ensure a more efficient and faster communication between healthcare actors (patients, health service providers, insurance companies) is a long-term priority of the MoH. The eRecept (eReceipt) system has been in routine operation since July 2017, and since 1 June 2020 the function of the patient's shared drug record. The Smart Quarantine system or the eRouška (eMask) trace application has been developed. In addition to mobile applications for tracing, the Czech Republic also focuses on the use of other digital solutions, especially Clinical Management Support System and Clinical Patient Management System or telemedicine. Through the National Health Information Portal, state-guaranteed information in the field of healthcare is newly provided to the general public. The area of electronization is addressed by the law on the electronization of healthcare. An amendment to decree no. 98/2012 Coll., on medical documentation with effect from 1 July 2020, was implemented, supplementing the definition of "patient summary" due to the provision of basic data on the patient's health status for cross-border health services. The system solution and sufficient financial resources and professional capacities are necessary to significantly strengthen the cyber security of the Czech healthcare system as a whole and of each individual organization. The MoH's Strategy of cyber security for the years 2021 - 2025 is another systemic measure in the field of increasing the resilience of the entire healthcare system to cyber threats.

One of the main investment priorities related to the EU funds of the period 2021-2027 is the need to expand and accelerate the electronic public administration (building eGovernment), including the deployment of eHealth services and pan-European interoperable services. The Digital Czechia programme thus represents the main strategy of the coordinated and comprehensive digitization of the Czech Republic starting 2019. The Czech Republic participates in the preparation of the EU investment programmes, eg through the Recovery and Resilience Facility (RRF). Some plans described in the Digital Czechia programme will be included for funding in the RRP.

The RRP is being prepared to be complementary to the REACT-EU programme as well as to traditional European funds and other financial mechanisms. Within the RRP preparation, the MoH participates in the preparation of Digital Services and Digital Systems components from the Digital Transformation pillar, the aim of which is to introduce efficient and secure eGovernment services, offer open access to data and introduce agile architecture and implementation. Regarding the Digital Transformation pillar of the RRP, the coordinator of digital agenda (Ministry of Interior, MoI) proposed an inclusion of

approximately 11 reform investments / project plans for the area of electronic healthcare under the responsibility of the MoH. The inclusion of a long-prepared programme to support the management of the development of electronics through the National Centre for Electronic Healthcare, whose coordinating role is irreplaceable, was also discussed with the MoI.

### 3.3 Anti-corruption measures

On 30 June 2020, a **draft law on the protection of whistle-blowers** and a **draft law amending certain laws in connection with the adoption of the law on the protection of whistle-blowers** were again submitted to the inter-ministerial comment procedure. After settling the received comments, the above-mentioned laws were submitted to the Government on 30 September 2020 and subsequently discussed by the Legislative Council of the Government and its working commissions. Through these laws, **Directive (EU) 2019/1937 of the European Parliament and of the Council** of 23 October 2019 on the protection of persons who report violations of Union law will be transposed into the Czech legal system.

During 2020, on the basis of the **Action Plan for the Fight against Corruption for 2020** and in accordance with the **Government Strategy for the Fight against Corruption for 2018 to 2020**, other anti-corruption measures included in individual priority anti-corruption areas were implemented. The implementation of individual measures will be comprehensively evaluated through the non-legislative material **Evaluation of the Implementation of Measures Set Out in the Action Plan for the Fight against Corruption for 2020**, which will be submitted to the Government by 31 March 2021.

### 3.4 Promoting the employment of parents with young children

The availability of care for young children in the Czech Republic is low in the European context, and the Country Specific Recommendations also draw attention to the problem. The Government's goal is therefore to increase the availability of care for young children. On 20 July 2020, the Government approved a **draft amendment to the Act on Children's Groups**, which will be newly targeted at children under 3 years of age, and the change of name to "crèche" is related to this. The amendment modifies the conditions for providing the service so that it corresponds more closely to the prevailing demand of parents and at the same time follows the system of kindergartens. Providers registered before the law came into force will have a transitional period to adapt to the new conditions. As of 1 September 2024, all these pre-school facilities should be called crèches and accept children only until 31 August after reaching the age of three, so as to ensure continuity in kindergarten. Children's groups/crèche will become institutions of early care only and a prelude to pre-school education, which will take place in registered kindergartens. The aim of the amendment is mainly to set up new system financing from the state budget. According to the planned amendment, the state would contribute to a place in the crèche for children under four years of age (or until 31 August immediately following the child's third year of age) whose parents work, study, look for a job or do business. The amendment should also mean the introduction of standards of quality of care and of other aspects.

### 3.5 Education, including digital skills

On 19 October 2020, the Government approved the document Strategy of the Educational Policy of the Czech Republic until 2030+ (2030+ strategy). The 2030+ strategy sets the **direction of education development** and investment priorities for the next ten years. The aim is to modernize the Czech educational system in the field of regional education, leisure-based and non-formal education and lifelong learning, prepare it for new challenges and at the same time solve the problems that persist in

Czech education. The 2030+ strategy has two main strategic objectives. The first objective focuses on **changing the content and manner of education**, the second on **reducing inequalities in access to education** and developing the potential of all children. The ways to realize these goals are represented by individual strategic lines; in total there are five of them - the transformation of education itself, the issue of inequality, support for teachers, increasing professional capacity, trust and mutual cooperation and ensuring stable funding.

In line with the 2030+ strategy, schools should be **modernized and equipped, digital technologies introduced and innovation encouraged**. Furthermore, the aim is to adjust the volume of the curriculum and implement new methods of preparation and evaluation of students, so that they acquire knowledge, skills and attitudes usable in personal, professional and civic life.

Government resolution no. 871 of 24 August 2020 approved the Strategic Framework for Employment Policy until 2030, which defines the Adaptability pillar within the executive part. The aim of this pillar is, inter alia, to support the adaptability of the workforce, including support for the development of lifelong career guidance and support for the development of lifelong learning, in particular continuing vocational training, and to update, create and develop interlinked qualifications and occupation systems.

### **3.6 Transport infrastructure and sustainable transport**

To speed up the construction of transport infrastructure, another amendment to Act no. 416/2009 Coll., **on speeding up the construction of transport, water, energy** and electronic communications infrastructure, as amended, was approved in 2020. The aim of the amendment is in particular to enable the permitting of transport constructions in joint proceedings with a lower level of documentation detail and to eliminate the need to issue separate administrative decisions pursuant to the Nature and Landscape Protection Act. These administrative decisions should be appropriately replaced by a so-called single binding opinion, which should in case of transport infrastructure preparation avoid multiple administrative appeals related to subsequent decisions needed to start construction of transport infrastructure.

In the area of **clean mobility**, one of the priorities of the Czech Republic is to support the construction of infrastructure for alternative fuels (CNG, LNG, hydrogen and electricity). The Czech Republic strives to reduce emissions in transport through measures set out in the National Action Plan for Clean Mobility, which was created on the basis of the requirements of Directive 2014/94/EU of the European Parliament and of the Council on the implementation of infrastructure for alternative fuels. At the same time, it is about supporting the transformation of the automotive industry in connection with the transition to low-emission mobility in accordance with the Memorandum on the Future of the Automotive Industry.

In connection with the support of low-emission vehicles (electric cars and plug-in hybrids), a limit of 50 g of CO<sub>2</sub> per km will be applied to passenger cars. This limit is based on Directive 2019/1161 of the European Parliament and of the Council amending Directive 2009/33/EC on the promotion of clean and energy efficient road transport vehicles, which lays down a mandatory share of low-emission and non-emission vehicles acquired by contracting authorities. Support for CNG/LNG vehicles is very important due to meeting the mandatory target by 2030, ie achieving a 14% share of energy in transport from renewable sources, which the Czech Republic will meet mainly by consuming bio CNG.

The Czech Republic supports the reduction of emissions in a technologically neutral way. Support for the construction of infrastructure for entrepreneurs and the building of public infrastructure continued. Within the 2014 - 2020 programming period, a total of five calls were announced in the Operational

Programme Enterprise and Innovations for Competitiveness with a total allocation of over CZK 0.6 billion. Thanks to this, not only the purchase of electric cars could be supported, but more than 200 charging stations also. In the Operational Programme Transport, 15 calls were announced in the amount of CZK 1.6 billion, from which the construction of approximately 1,280 charging stations, 7 hydrogen filling stations, 18 LNG stations and 9 CNG stations should be supported.

### **3.7 Low carbon economy and energy transformation**

In November 2020, an initial analysis was published on the **possibilities and costs of achieving climate neutrality by 2050** at the Czech level and increasing the EU reduction target by 2030. In 2021, this analysis will be followed by modelling within the ARAMIS project implemented under the Environment for Life programme, which should also serve as an important basis for the evaluation and subsequent updating of the *Climate Protection Policy in the Czech Republic*.

#### **Modernization Fund and New Green Savings (NGS)**

The resources of the **Modernization Fund** will be managed by the State Environmental Fund. Their total volume depends on the market prices of emission allowances and is estimated at CZK 150 billion for the period 2021 - 2030. The funds should be available from 2021, ie in 2020 the preparation of the implementation structure and material focus took place. The factual focus is planned in addition to the relevant operational programmes financed from EU funds (Cohesion Fund, ERDF, JTF) and other programmes financed from the auctioning of greenhouse gas emission allowances (successor programme to the NGS). Part of the resources of the Modernization Fund is primarily intended for operators of electricity generation facilities for the purpose of modernization, diversification and decarbonisation of the energy sector. Projects implemented in regions affected by the decline in coal mining should also benefit.

In 2020, the current programming period is gradually coming to an end and the successor programme **NGS 2030** is being prepared, which should be launched in the second half of 2021 and will build on the existing NGS.

#### **National Energy and Climate Plan**

In October 2020, the EC published an evaluation of the *National Energy and Climate Plan of the Czech Republic*. The framework position for this document is currently being prepared. According to the EC, the Czech Republic has at least partially taken into account all its recommendations, with the exception of recommendations to strengthen objectives and measures in the field of energy efficiency. The document also contains recommendations for the implementation of the National Plan, which have already been launched.

#### **Coal Commission**

On 4 December 2020, the Coal Commission recommended phase out of coal in the Czech Republic for the production of electricity and heat in 2038. Still, it is up to the Government to decide on the final date of the phase out.

Working Group no. 1 of the Coal Commission identified a total of 24 possible variants (scenarios) of attenuation without modelling the compensation of shutdown power. Subsequently, the variants examined in more detail were narrowed to 4 (reference, conceptual, ambitious and progressive). Replacement of the shutdown power was considered while maintaining the conditions of system

operability and self-sufficiency. These scenarios were examined not only within the electricity system of the Czech Republic, but also from the point of view of functioning in the interconnected European electricity system, namely at time sections 2033, 2038 and 2043. Cumulative greenhouse gas emissions and investment and operating costs were calculated for individual scenarios.

Working Group no. 2 of the Coal Commission prepared draft legislative instruments for coal phase out on the basis of identified examples from EU Member States and is currently preparing a timetable for the adoption of the necessary legislation.

Working Group no. 3 of the Coal Commission identifies social impacts on the basis of the preferred variant (year) of phase out. The working group cooperates with the members of the transformation platform of the JTF and preparing the Territorial Just Transition Plan. The identified impacts can then be defined in cooperation with other groups, possibly tools and measures for their minimization.

### **Update of the Strategy for Adaptation to Climate Change in the Conditions of the Czech Republic and related National Action Plan**

Submission to the Government in 2020 will not be fulfilled, work is underway to update both documents so that they are submitted to the Government for approval at the beginning of 2021.

### **Circular economy**

In 2020, the preparation of **new waste legislation continued** (Waste Act, End-of-Life Products Act, the amendment to Packaging Act). The entire legislation was discussed in the Chamber of Deputies and the Senate of the Parliament of the Czech Republic, where it was rejected and returned to the Chamber of Deputies. The preparation of the **Strategic Framework for the Circular Economy in the Czech Republic - Circular Czech Republic 2040** has also been postponed. At the end of 2020, comments and settlement of background documents prepared by the OECD took place within the working group. The project will be extended to 2021 in agreement with the EC.

### **Air quality**

**Air quality improvement programmes**, which were issued in mid-2016, are currently being updated and gradually published. Out of a total of 10 programmes for individual zones and agglomerations, 4 programmes are currently being completed (ie published in the Ministry of the Environment Bulletin) (current status as of 1 December 2020). The remaining 6 programmes have already been completed in terms of content and are in a different state of further discussion and approval (SEA notifications are being processed or are in the SEA process). The expected date of issue of the last programme is the turn of the years 2020/2021 in connection with the completion of the SEA process.

The update of the programmes revealed three problematic areas and related measures. This is mainly the issue of local heating, which is addressed throughout the Czech Republic; then the reduction of emissions from stationary sources, which is being addressed in the Moravian-Silesian, Olomouc and Zlín regions; and in the case of Prague and Brno also the issue of transport.

### **Flood protection, water retention in the landscape and drought**

Considering drought, the WATER-DROUGHT Inter-ministerial Commission prepared a Position Report on Progress in Implementing the Drought Protection Concept for the Czech Republic for 2019 at the beginning of 2020. Furthermore, in the second half of 2020 a schedule and financial the complexity

of individual necessary measures to protect against drought for the period from 2021 to 2030 and the output was provided in October to the Chamber of Deputies of the Parliament of the Czech Republic. An amendment to the Water Act was also discussed and approved in 2020, which, among other things, addresses the operational solution to drought and water scarcity.

### 3.8 Territorial dimension

In 2020, discussions continued on anchoring the territorial dimension within the operational programmes in the period 2021 - 2027. To this end, work continued on the *Territorial Dimension in the 2021+ operational programmes*, which will be finalized and submitted to the Government in the first half of 2021. Discussions also continued on mainstreaming the territorial dimension in other European support instruments, in particular the RRP. *The Action Plan of the Strategy of Regional Development of the Czech Republic 2021 - 2022* was prepared in close cooperation with ministries and territorial partners as an implementation document of the *Strategy of Regional Development of the Czech Republic 2021+*. It will be presented to the Government in December 2020.

In the course of 2020, the *Strategic Framework for Economic Restructuring of the Ústí nad Labem, Moravian-Silesian and Karlovy Vary Regions* was updated (RE:START strategy) and the transformation of energy was reflected in this strategy. A fourth *Comprehensive Action Plan* has also been prepared, which takes into account both current developments in the field of energy transformation and proposes measures to mitigate the effects of COVID-19 on the restructuring process of these regions. The proposed measures also take into account the issues addressed in the preparation of the *Territorial Just Transition Plan* and the forthcoming Just Transition Fund.

In the first quarter of 2020, work continued on the draft of the **Tourism Development Strategy** of the Czech Republic 2021 - 2030. According to the internal schedule, the strategy was to be submitted to the Government meeting by 30 June 2020. Following the outbreak of the COVID-19 pandemic, the declaration of a state of emergency and the introduction of emergency measures, the approval of the strategy was suspended. The MoRD prepared the *Crisis Action Plan for Tourism in the Czech Republic 2020 - 2021* (approved by Government resolution no. 631 of 8 June 2020)<sup>9</sup>, which bridges the period between the ending of the former *Concept of tourism*<sup>10</sup> and the prepared strategy. As a result of the outbreak of the second wave of the COVID-19 pandemic and the Government's associated anti-epidemic measures, work on the strategy was further interrupted, mainly because it is not possible to estimate the real impact or further development of the pandemic at this time. Data on the Czech Republic's performance for the entire year 2020 will be available during the first quarter of 2021. The expected deadline for submitting the strategy to the Government is 30 June 2021, together with its *Action Plan for the 2022 - 2023*.

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<sup>9</sup> <https://mmr.cz/cs/ministerstvo/cestovni-ruch/koncepce-strategie/krizovy-akcni-plan-cestovniho-ruchu-2020-2021>

<sup>10</sup> Concept of the state tourism policy in the Czech Republic for the period 2014 - 2020 (approved by Government resolution no. 220 of 27 March 2013)

### 3.9 Business environment

#### **Online establishment of limited liability companies and online registration of branches of foreign companies in the Commercial Register**

In 2020, preparations were made for the transposition of Directive (EU) 2019/1151 of the European Parliament and of the Council of 20 June 2020 amending Directive (EU) 2017/1132 as regards the use of digital tools and procedures in company law. The aim is to enable limited liability companies to be established and registered in the Commercial Register through models entirely online (without the physical presence of the founder), so that branches of companies can be registered in the Commercial Register entirely online and so that companies can submit the required documents and particulars to the competent authorities.

In 2020, the main parameters of the proposed amendment were consulted primarily with the expert group of the Ministry of Justice for Commercial Law. However, the COVID-19 pandemic significantly affected the legislative work, as a result of which the Ministry of Justice urgently focused mainly on the preparation of a bill addressing some of the effects of the coronavirus epidemic in the field of justice. The regulation was successfully adopted as Act no. 191/2020 Coll., on certain measures to mitigate the effects of the SARS CoV-2 coronavirus epidemic on persons involved in court proceedings, victims, victims of crime and legal persons, and amending the Insolvency Act and the Code of Civil Procedure. The impact of the epidemic has also made it difficult to carry out the necessary stakeholder consultations in full. For these reasons, it was requested to extend the deadline for submitting the bill in question to the Government until the end of April 2021.

#### **Family business support**

In response to the experience from the implementation of the **definition of a family business** (approved by the Government on 13 May 2019) and the effects of the COVID-19 pandemic, the MoIT, together with the Association of Small and Medium-Sized Enterprises, proposed to extend the definition. The extended definition was approved by the Government on 11 May 2020. On 1 March 2020 the registration of family companies was launched, in which about 370 companies are registered so far.

MoIT, through ČMZRB, has also launched **programmes of preferential loans** and loan guarantees that are prepared especially for family companies (eg the Guarantee 2015 – 2023 programme or the EXPANZE programme).

To support and reduce the bureaucratic burden, especially of small entrepreneurs, the MoIT, in cooperation with the MoF and other ministries, prepared a set of measures called the **Trade Licensing Package**, which clearly shows individual topics dealt with by ministries and current progress in each of these measures.<sup>11</sup> Details are available at [www.zivostensky-balicek.cz](http://www.zivostensky-balicek.cz).

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<sup>11</sup> We present several fulfilled goals at random. Eg, through the amendment to the Act on the Collection of Laws and International Treaties, the so-called uniform effective dates for all legal regulations with an impact on entrepreneurs were introduced on 31 December 2019 (twice a year, always on 1 January and 1 July), all forms for entrepreneurs are in interactive form available on the portal [www.businessinfo.cz](http://www.businessinfo.cz), a trade license can be processed via the Citizen's Portal (fully online) and from 1 January 2021 it is also possible to deposit the registered capital of a limited liability company at the notary. There was also a reduction in statistical surveys due to the increase in the threshold for the obligation of entrepreneurs to report static data, etc.

## **Implementation of the V. AML directive in the form of a draft law on the registration of beneficial owners**

On 8 June 2020, the Government submitted to the Chamber of Deputies a proposal of Act on the Registration of Beneficial Owners. The aim of the proposal is, first of all, to properly transpose into the Czech legal system some new requirements concerning the registration of beneficial owners according to the so-called V. AML Directive and in this context to revise the relevant transposition of the amended IV. AML Directive.

The subject of the new Act on the Registration of Beneficial Owners will be, in particular, the regulation of (1) the detailed definition of the beneficial owner, (2) the method of accessing data in the records, (3) the process of entering data on beneficial owners (registration in court proceedings or through a notary), (4) automatic transfer of certain data from the public register, (5) resolution of incorrect or missing data in the register and (6) sanctions for breach of obligations related to the registration of beneficial owners. It can be assumed that the greater functionality of the register of beneficial owners will have a significant anti-corruption effect due to the strengthening of the transparency of the business environment. The proposal was approved by the Chamber of Deputies on 19 November 2020 and forwarded to the Senate.

### **Regulatory impact assessment**

One of the important tools for reducing the regulatory burden is conducting a Regulatory Impact Assessment (RIA), which includes a review of the effectiveness of existing regulation (ex post RIA). Therefore, in February 2020, the Office of the Government - Section of the Legislative Council of the Government presented a proposal for more effective implementation of the review, which unifies the current review procedure and brings it closer to international standards. The form of the proposed process is resolved in the comment procedure. If approved by the Government, a series of training and methodological materials will be prepared for 2021. Intensive methodological assistance to RIA developers also continues.

### **Eco audit**

The aim of the so-called Eco audit is to reduce the administrative and financial burden on industrial enterprises and service providers in the context of environmental protection legislation. The document is updated and submitted to the Government every two years. The final document, which will contain newly proposed measures of a legislative and non-legislative nature, as well as an overview of completed tasks from the previous stages of the Eco audit, will be submitted to the Government for approval by the end of 2020. Out of the total number of 163 measures, 138 have been implemented so far.

## **3.10 Recodification of public construction law**

An important step in **promoting investment and reducing administrative burden** is the recodification of public construction law, which includes a new building law and an amendment to almost 60 related laws, and which is also a commitment contained in the Government's programme statement. The aim of the recodification is primarily a significant acceleration and simplification of the construction procedure, when it is proposed to merge the existing permitting processes into one procedure. In addition, the recodification envisages **organizational changes within the construction administration**, the aim of which is to speed up and streamline the performance of the construction agenda in the Czech Republic. In justified cases, a reduction in the number of bodies concerned and the integration of selected agendas of the bodies concerned into the decision-making of building authorities is also envisaged. The

recodification also envisages a revision of a number of substantive legal regulations regulating general requirements for construction and documentation.

Proposals for the Building Act and the related amending law have been under preparation for a long time. The Government approved the proposals for both laws on 24 August 2020 and on 5 November 2020 they passed the first reading in the Chamber of Deputies of the Parliament of the Czech Republic. The new Building Act and the related amending law are expected to enter into force in the first half of 2021. Given that the new Building Act brings fundamental changes in the institutional area, its gradual entry into force is expected, with the entry into force on 1 January 2022. the effectiveness of the provisions establishing the Supreme Building Authority. Due to coordination with the digitization of construction proceedings, the law should take full effect from 1 July 2023.

### 3.11 Public procurement

In accordance with the Country Specific Recommendations, the Czech Republic continues to implement measures to increase transparency and efficiency in public procurement. In January 2016, the Government approved the *Strategy for the Electronic Procurement of Public Procurement for the period 2016 - 2020*, an evaluation of the efficiency of operation and a proposal for further use of electronic public administration marketplaces and a proposal for the mandatory use of the **National Electronic Instrument**.

In 2020, measures were continuously implemented, such as monitoring of foreign *best practices* in the field of electronic public procurement, including an assessment of the possible implementation of the best solutions into the legislative environment of the Czech Republic and others. Measures to ensure the optimization of the operation of individual modules included in the National Infrastructure for Public Procurement (eg unification of the Public Procurement Bulletin and the Public Procurement Information System) are in various stages of development.

The legislative process to **amend the Public Procurement Act** is currently underway. The amendment aims primarily to respond to minor reservations of the EC on the transposition of European directives, to further reduce the administrative complexity of procurement procedures for suppliers and contracting authorities, to clarify some provisions for which interpretation problems were recorded during application practice.

The addressees of the Public Procurement Act are provided with a wide range of methodological, consulting and educational support, which takes place in person and in the current pandemic period also through virtual classrooms. Within this, the MoRD also continuously addresses the topic of qualitative aspects of procurement. In response to the COVID-19 pandemic, a number of methodological materials were published dealing with the possibilities and limits of public procurement in a state of emergency. This topic is also trained in the virtual classroom *How to procure during a stage of emergency (COVID-19)*.

### 3.12 Development and digitization of public administration

In the course of 2019, a **new conceptual material** *Client-Oriented Public Administration 2030* was created and approved by the Government in May 2020, which builds on the current *Strategic Framework for the Development of Public Administration for the period 2014 - 2020*. This includes the *Implementing Action Plan for 2021 - 2023*. July 2020, the Government also **approved an updated system of measurement and evaluation of public administration. The Methodology for**

**Determining Overhead Costs for the Performance of State Administration** was amended, which will become a practical guide for the preliminary assessment of costs for the performance of state administration, which are generated by newly prepared legal regulations (approved by the Government in July 2020).

The implementation of the **Civil Service Act** continued, with the issuance of service regulations and methodological instructions setting out partial civil service processes. Following the crisis measures to prevent the spread of COVID-19, **recommendations are issued by the deputy minister of interior for the civil service to implement the Government resolutions on crisis measures** aimed at responding to the current epidemic situation with emphasis on maintaining the functioning of the civil service and its individual processes.

### **Selected activities in the field of eGovernment**

The digital transformation is taking place in accordance with the Government programme **Digital Czechia**, which covers three main pillars forming one logical unit with a large number of internal links, but also in a structure reflecting targeting different beneficiaries and differences given by the current legislative definition: 1. Czechia in Digital Europe, 2. Information Concept of the Czech Republic, 3. Concept of Digital Economy and Society. The Government has instructed the MoI to submit updated implementation plans for this programme to the Government. From October 2020 to the beginning of 2021, a catalogue of plans for all interested ministries and authorities is open for editing and is being updated. After the proper modification of the plans and their confirmation by the digital proxies, implementation plans for the year 2021 will be created from them, including the expected financial allocation. Updated implementation plans will be submitted to the Government by April 30, 2021.

Due to the growing popularity and trust in the **Information System of Data Boxes** and with regard to the situation caused by the COVID-19 epidemic, record numbers of uses of this critical information system were registered. During the state of emergency, fees for sending postal data messages between natural or legal persons to each other were abolished, thus enabling the use of electronic communication via data boxes free of charge for all users. Both the number of established data boxes and the number of delivered data messages increased.

In the course of 2020, new portals and online services, in particular public administrations, were added, which are connected to the National Point for Identification and Authentication and to which it is possible to log in using **electronic identification** means issued by qualified administrators. In 2020, a number of portals of cities and municipalities were added (for all of them, for example, the Prague Portal). In 2020, accreditation was granted for the administration of a qualified electronic identification system by three private companies (First Certification Authority, CZ.NIC Association and ČSOB). A banking identity project is being prepared, which will be launched in 2021 and will enable clients using Internet banking to use their Internet banking login details also to log in to online services of public administration and other third parties. In connection with this project, Act no. 21/1992 Coll., on banks, was amended. After the accreditation process, banks will be able to offer the banking identity service at the earliest from the beginning of 2021.

In connection with the purpose and goals of **Act no. 12/2020 Coll., on the right to digital services**, a Government proposal of the **law related to the further electronization of public authority procedures** was submitted to the Chamber of Deputies of the Czech Republic in February 2020 in which rules are proposed in particular to allow further expansion of use expanding the use of the data box system, simplifying, expanding and sharing data in basic registers and agenda information systems,

expanding the rules for fulfilling the catalogue of services and systematic use of cloud computing in the field of public administration. The law is still in the legislative process, with the law being proposed to be effective as of 1 February 2022, but the law contains a significant number of exceptions to the expected effectiveness.

As part of the ongoing implementation of the **Strategy for the Development of Infrastructure for Spatial Information in the Czech Republic** until 2020, the development of electronic tools was completed, the practical use of which will contribute to the management of the uniform interchangeable format Digital Technical Map, simplify management of national infrastructure development and other terminological dictionaries. The Government has instructed the MoI to manage a publicly accessible national infrastructure information system for spatial information, which contains metadata on spatial data and services over spatial data, requirements for spatial data and services over spatial data, and information on spatial information projects.

In 2020, the implementation of the **e-Collection and e-Legislation** project continued successfully, the aim of which is to modernize the legislative process and increase the accessibility and comprehensibility of the law. In 2020, the project completed the process of creating a database of Collections of Laws, Collections of International Treaties and Official Papers from 1945 to 30 June 2020. At the same time, the tools of the electronic legislative process are being created. In the area of legal regulation, the implementation of the electronic legislative process into the Senate Rules of Procedure remains to be solved at the moment, the draft of its amendment is currently being discussed in the Chamber of Deputies. The completion of the project and the pilot and verification operation of the system were postponed due to the impact of measures against the spread of the COVID-19 pandemic on the project work, the need to incorporate the impacts of the new requirements of Act no. 277/2019 Coll. and the need to reflect on the National Cyber and Information Security Agency's warnings regarding the use of Huawei technologies. The current date of completion of the project is set for March 2021. The commissioning of both systems is expected on 1 January 2022 and is linked to the entry into force of Act no. 222/2016 Coll., on the Collection of Laws and International Treaties.

### **3.13 Agricultural policy and its digitization**

Following a set of legislative proposals for the **future Common Agricultural Policy (CAP)** presented to the EC on 1 June 2018, intensive discussions with the EU institutions continued during 2020. The focus was primarily on transitional legislation. There is now an agreement between the institutions on a two-year transitional period - on 27 November 2020, a final trilogue took place, at which the agreement of the institutions was confirmed. In October 2020, the Council agreed on a general approach to the legislative package on the future shape of the CAP, and on 10 November 2020, dialogues on CAP legislation were launched. Given the fact that the positions of the Council and the European Parliament differ significantly in a number of important respects, it can be assumed that these inter-institutional negotiations will be quite complicated.

The receipt of applications for direct payments and some measures from **the Rural Development Programme** took place through the so-called single application, mainly by electronic means. Due to the COVID-19 pandemic, the submission of single applications was extended until 15 June 2020. Despite the complications caused by the pandemic, this year the interest of applicants for subsidies was high and applications were accepted from 30,324 applicants.

## Water management

Measures from flood risk management plans are gradually being implemented, and measures of the *Flood Prevention III* programme are being implemented on an ongoing basis regarding III. phase for the years 2014 - 2022 and IV. phase for the years 2018 - 2024, despite the restrictions caused by measures against the spread of COVID-19. Furthermore, in 2020, the programme *129 330 Vlachovice - Settlement of Rights to Real Estate Affected by the Planned Construction of a Waterworks* and the programme *129 340 Settlement of Rights to Real Estate Affected by the Planned Implementation of a Comprehensive Drought Solution in the Rakovnicko Region* were launched. Using the programmes real estate needed for water dams in Senomaty, Šanov and Kryry are bought.

Improving the retention capacity of the landscape and adapting to climate change is addressed by the programmes "Support for water retention in the landscape - ponds and reservoirs", "Support for the competitiveness of the agri-food complex - irrigation" and "Support for measures on small watercourses and small reservoirs".

## Digitalization

In 2020, the MoA began work on the preparation of IT solutions for the **digitization of fishing grounds**. Furthermore, in 2020, an amendment to Act no. 449/2001 Coll., on hunting, was started. One of the main goals of the amendment will be to reduce the number of wild ungulates in the Czech Republic, and thus reduce the damage caused by game in forests and agriculture. In order to effectively achieve the above goal, the MoA proposes in the amendment to the Hunting Act to **digitize the entire hunting agenda, including the introduction of an electronic control system for caught game**. Therefore, the state hunting administration, users of hunting grounds, holders of hunting grounds (owners of hunting grounds), the Police of the Czech Republic, the Military Police, the State Veterinary Administration and the Military Veterinary Institute will be able to use a unified electronic system. This information system will also be publicly accessible. This amendment was approved by the Government on 29 June 2020 and submitted to the Chamber of Deputies.

### 3.14 Housing

According to CZSO data, the offer prices of flats in the Czech Republic increased by about 62% from 2010 to the second quarter of 2020, in Prague even by 83%. According to statistics from the Czech National Bank, mortgage loans for house purchase amounted to more than CZK 1,236.3 billion at the end of 2019, loans from building savings amounted to CZK 82.2 billion and other real estate loans to CZK 11.2 billion.

MoRD is responsible for the *Concept of the Housing Policy of the Czech Republic until 2020 (revised)* from 2016. In 2020, work continues on the preparation of a **new housing concept for the period 2021+**. The design part is currently being worked on, the new concept is to be submitted to the Government by the end of 2020.

#### Housing promotion programmes

The *Housing Support Programme* fulfills part of the objectives of the *Concept of the Housing Policy*, namely in the area of the priorities Accessibility (ie increasing the availability of housing in all forms of housing) and Quality (increasing the quality of housing).

In 2020, a total of CZK 141,600,000 was allocated under the **Supported Housing** sub-programme, creating 236 new housing units. These non-repayable investment subsidies enabling the construction of rental housing intended for the provision of social housing for persons of economically inactive age and for persons who have difficult access to housing due to special needs resulting from their unfavorable situation (health status or social circumstances).<sup>12</sup>

Within the sub-programme **Apartment Houses without Barriers**, a total of CZK 289,400,000 was allocated in 2020 for non-refundable investment subsidies intended for the removal of barriers at the entrance to the house and for the construction of elevators.

In 2020, a total of CZK 50,651,000 was allocated from the **Technical Infrastructure** sub-programme in the form of non-repayable investment subsidies for the investment of land intended for the construction of residential or family houses. The subsidy can be used to finance the construction of roads, water supply or sewerage.

The **Housing Support Programme in areas with a strategic industrial zone (SIZ)** with sub-programmes is also used:

- **Construction of housing units in areas with SIZ** - rental housing intended primarily for employees from these industrial zones to ensure a more comfortable way of life, with regard to three-shift work at work. In 2020, CZK 153,959,000 was allocated for the construction of flats.
- **Construction of technical infrastructure in areas with SIZ** - investment subsidy intended for the construction of technical infrastructure, thanks to which the construction of family houses or apartment buildings will be intensified in the given area. This will increase the population and at the same time improve the environment - conditions in the affected municipalities, which suffer from excessive traffic and congestion due to temporary accommodation. In 2020, CZK 43,584,000 was allocated.

On 28 February 2020, the Government approved an amendment to Government decree no. 112/2019 Coll. on the basis of which the SFRB<sup>13</sup> implements the subsidy-loan programme **Construction for Municipalities**. It is about supporting the creation of social and affordable housing. The programme allows you to financially support municipalities and cities that will want to buy rental houses or apartments for social and affordable housing. The subject of the amendment was to **expand the target group of people**. Interest in subsidies and loans from the programme has increased slightly, but due to the COVID-19 pandemic, the increase in interest is not large, as investment in the acquisition of social and affordable housing requires the participation of municipal funds and these have decreased. For the entire period of the programme's existence until November 2020, SFRB received 53 applications for CZK 592 million, of which 46 applications worth CZK 470 million are for a subsidy for the acquisition of social housing and 7 applications worth CZK 122 million are for a loan for the acquisition of available housing.

On 24 January 2020, the Government approved decree no. 16/2020 Coll., according to which **interest-free loans are provided for the energy modernization of apartment buildings**. For these purposes,

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<sup>12</sup> The sub-programme includes two grant titles: a nursing home (for people with special housing needs due to health or advanced age) and a community home for the elderly.

<sup>13</sup> Later renamed to State Investment Support Fund.

the funds of the EU Funds are used, which are currently intended for the implementation of SC 2.5 of the Integrated Regional Operational Programme (IROP). The programme is a financial instrument of IROP. There has been great interest in the programme from the very beginning, as these are interest-free loans that can be combined with a subsidy from specific target 2.5 of the IROP. From the beginning of applications submission from 2 March to November 2020, the SFRB received 83 applications with the required loan amount of CZK 343 million, while the total budget of the programme until the end of 2023 is CZK 1 billion.

In 2020, Government decree no. 136/2018 Coll., the so-called **Youth Programme**, is being amended with the aim of raising the age of applicants to a maximum of 40 years and enabling the acquisition of a cooperative share in a housing cooperative. Another amendment is undergoing Government decree no. 284/2011 Coll., which should remove the obligation to have an ISO standard for construction companies involved in the construction of rental apartments and apartment buildings for a specific group of residents, and thus try to select suppliers of these buildings. These and other changes should make the programme more attractive to new applicants.

### **Improving the law enforcement and functionality of housing co-ownership**

**An amendment to the Civil Code was adopted under no. 163/2020 Coll.** This amendment brought some fundamental changes in the area of housing co-ownership and housing cooperatives. Namely, the restriction of the right of first refusal; facilitating the establishment of a community of owners; simplification of declaration changes<sup>14</sup>; simplification of the forced sale of the unit<sup>15</sup>; transfer of debts on unit transfer<sup>16</sup>; the owner of the unit is now obliged to notify all intended building modifications inside the apartment; review of the decision of the owners' meeting<sup>17</sup>; and a replacement assembly<sup>18</sup>.

### **3.15 Research, development and innovation**

In 2020, the implementation of the measures of the *National Research, Development and Innovation Policy (R&D&I) of the Czech Republic for the years 2016 - 2020* continued, which was updated for the period 2019 - 2020, and which contains measures to support cooperation between the public and private sectors. This cooperation took place mainly within the portfolio of national R&D&I support programmes implemented mainly by the Technology Agency of the Czech Republic (TA CR) and the MoIT. In the first half of 2020, the new *National R&D&I Policy of the Czech Republic 2021+* was also prepared with effect from 1 January 2021, which was adopted by the Government in July 2020.

An important milestone in the field of R&D&I was the preparation of an extensive amendment to the R&D&I Support Act in 2020, which should bring support for innovation, introduction of other than subsidy instruments to support research, development and innovation, simplify and increase the

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<sup>14</sup> The consent of the owners concerned, together with the consent of a specified majority of unit owners, is still sufficient. An assembly resolution is no longer required.

<sup>15</sup> The sale of an owner's unit that violates its obligations in a manner that significantly restricts or prevents the exercise of the rights of other unit owners is simplified; it is now sufficient to issue a written warning to the person responsible for the administration of the house and a single finding of legal proceedings.

<sup>16</sup> It is clearly stipulated that the transferor's debts are transferred by law to the transferee's debts on contributions to the administration of the house and land, on services connected with or related to the use of the apartment and advances on these services to the person responsible for the administration of the house and land. These debts will pass to the transferee ex lege only if the transferee had and could find them.

<sup>17</sup> It explicitly states that the overruled unit owner may propose to the court to decide on matters relating to the management of the house and land, and at the same time it is added that the court will arrange the legal relations of the unit owners at its discretion.

<sup>18</sup> The new regulation is intended to help deal with the frequent cases where the assembly is unable to meet, but there is still a need to decide on the necessary issues for the functioning of the community. If the statutes so allow, the alternate assembly shall have a quorum in the presence of unit owners who hold at least 40% of all votes.

flexibility of the support system, etc. referred to the Government and subsequently to the legislative process.

Government resolution no. 1128 of 2 November 2020 approved the Identification of economic and non-economic activities of research organizations and research infrastructures in R&D&I (methodological recommendations). The economic and non-economic activities of research organizations and research infrastructures and their scope are decisive for whether or not their public funding constitutes public support. The methodological recommendation proposes and unifies the way in which research and development activities are known and correctly classified before reporting.

In accordance with the Country Specific Recommendation 2020 no. 3, the Czech Republic focuses on the support of innovative enterprises, digital transformation and cooperation between the public and private sectors in the field of R&D&I. In 2020, much more emphasis was placed on reflecting current global threats. In connection with the ongoing COVID-19 pandemic, support for industrial research is increasing support for projects aimed at reducing the health, social and economic threats of the pandemic and seeking solutions to limit the impact of similar risks in the future.

In order to support innovative companies and at the same time cooperation between the business sector and domestic research institutions and universities, a new programme *The Country for the Future* is implemented with a total allocation of CZK 6.1 billion, which offers a new systemic approach to support the establishment and development of innovative start-ups companies. The programme will also focus on the development of activities complementary to the **Digital Europe** programme, including *Digital Innovation Hubs* projects and other necessary infrastructure designed in particular for the development and modernization of SMEs. Last but not least, the programme supports the introduction of product and process innovations in SMEs in order to facilitate digitization, robotics, automation and promotion of innovations in companies in accordance with defined Industry 4.0 standards and key industry trends. In 2020, two public tenders were held to receive projects for support. The **TREND** programme to support industrial research projects with a total allocation of almost CZK 10 billion, which is implemented by the TA CR<sup>19</sup>, also contributes to increasing the innovation capacity of domestic companies. Emphasis is placed on fulfilling the priorities of the *National Research and Innovation Strategy for Intelligent Specialization of the Czech Republic*, on the development of digitization and the implementation of the principles of Industry 4.0, including the use of 5G technologies. In 2020, public tenders were held in Subprogramme 1 Technological Leaders and in Subprogramme 2 Newcomers.

In response to the COVID-19 pandemic, the TA CR (similarly to other providers) adopted a decision on the possibility of **expanding research topics related to this pandemic** among the beneficiaries of implemented projects. At the same time, they can request an increase in the budget. The TA CR set aside CZK 100 million for this purpose. TA CR contributes to the fulfilment of the vision of transformation and modernization of the energy sector through the THETA Programme. It contributes to this goal by supporting projects aimed at **modernizing the energy sector**, including research in the public interest and energy strategies. Currently, the TA CR is preparing the 4th public competition of the THETA Programme, which should be announced in February 2021<sup>20</sup>.

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<sup>19</sup> Similar to the new thematically focused programmes TRANSPORT 2020+ (Ministry of Transport) and Environment for Life (Ministry of Environment).

<sup>20</sup> TA CR also implements the KAPPA Programme financed from the EEA and Norway Funds, which focuses on international cooperation of entities from the Czech Republic with partners from Norway, Iceland and Liechtenstein in applied research and on connecting research organizations with the application sphere, especially SMEs. A secondary objective of the programme is to support carbon capture and storage projects. Approximately CZK 124,890,326 will be set aside for these projects. In the 1st public competition of the KAPPA Program, the TA CR supported 2 projects.

**Evaluation of the fulfilment  
of the national targets of the Europe  
2020 strategy**

**Annex to the Report on the Implementation  
of the National Reform Programme of the  
Czech Republic 2020**

## Introduction to the Annex

The Europe 2020 strategy represented the main economic reform agenda of the EU with a horizon to 2020. This annex to the *Report on the Implementation of the National Reform Programme of the Czech Republic 2020* presents a look back at this ongoing strategy in terms of meeting national targets within the strategy.

The proclaimed goal and subtitle of the strategy (*Strategy for smart, sustainable and inclusive growth*) was to achieve economic growth that is based on the principles of the knowledge economy, is sustainable and promotes inclusion, both social and territorial. The Europe 2020, as the EU's main economic strategy over the past ten years, is connected to significant components of sectoral policies.

The Europe 2020 strategy was presented by the EC on 3 March 2020<sup>21</sup>. Following consultations with the EC on the form of the Czech Republic's national targets, the commitments arising from the European Council conclusions of 26 March 2010 and taking into account the domestic economic, social and political situation, the Czech Government approved certain quantified national main targets and sub-targets of the Europe 2020 strategy on 7 June 2010. These targets were subsequently extended on 1 September 2010, when the Government Committee for the EU approved a national goal in the field of social inclusion and poverty reduction. The Europe 2020 strategy was finally approved on 17 June 2010, confirming all 5 headline targets for the EU as a whole. Specifically, it was about achieving:

- 75% of the employment of the population aged 20 to 64;
- 3% of the European Union's GDP to be invested in research and development;
- Achieving the so-called "20-20-20" climate and energy targets, ie reducing greenhouse gas emissions by 20% compared to 1990 levels and increasing the share of energy from renewable sources in final energy consumption to 20% and moving towards increasing energy efficiency by 20%;
- reducing the proportion of early school leavers to below 10% and achieving a tertiary level of education for at least 40% of the younger generation;
- a decrease in the number of people at risk of poverty by 20 million.

These main objectives have been defined on the basis of a Europe-wide average. The individual national targets (ie the obligations of the Czech Republic too) were negotiated individually so as to reflect the different conditions and circumstances that prevailed in individual states.

The Czech Republic was generally successful in meeting the national targets of the Europe 2020 strategy. Most national targets have been met, in some cases well before 2020, or with a relatively large margin. The following chapters of this Annex contain data and annotated graphs concerning the fulfilment of individual goals, which were prepared by the Office of the Government - Section for European Affairs in cooperation with the ministries which are responsible for the fulfilment of particular targets. The graphs specifically cover a longer period of time, so that they allow an assessment of the overall development even with regard to subsequent economic cycles.

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<sup>21</sup> Through the EC Communication COM (2010) 2020.

## Meeting the targets of the Europe 2020 strategy

**Table 1: Overview of the fulfilment of the quantitative targets of the Europe 2020 strategy (data source: CZSO, Eurostat)**

Policy	National target	Reference value (reference year)	Current value (quarter/year)	Current status of fulfilment (yes/no)
1. Employment	Increasing the overall employment rate of people aged 20-64 to 75%	70.4% (2010)	79.4% (Q2 2020)	YES
	Increasing the employment rate of women (20-64 years) to 65%	60.9% (2010)	71.6% (Q2 2020)	YES
	Increasing the employment rate of older people (55-64 years) to 55%	46.5% (2010)	68.1% (Q2 2020)	YES
	Reduction of the unemployment rate of young people (15-24 years) by a third compared to 2010	18.3% (2010)	7.2% (Q2 2020)	YES
	Reduction of the unemployment rate of the low-skilled (ISCED level 0-2) by a quarter compared to 2010	25% (2010)	10.9% (Q2 2020)	YES
2. Poverty and social exclusion	Reduction of the number of persons at risk of poverty, material deprivation or living in households with very low work intensity by 100,000 persons compared to 2008	1566 ths. (2008)	1306 ths. (2019)	YES
3. Education	Reduction of the number of early school leavers to 5.5%	4.9% (2010)	6.7% (2019)	NO
	Achieve at least 32% of the population with tertiary education in the age group from 30 to 34 years	20.4% (2010)	35.1% (2019)	YES
4. Research, development and innovation	Achieve a level of public expenditure on science, research, development and innovation in the Czech Republic of 1% of GDP	0.65% (2010)	0.79% (2019)	NE
5. Climate and energy policy	Reducing greenhouse gas emissions - maximum allowable increase in emissions outside the EU ETS 9%	0.0% (2005)	+2.7% (2018) <sup>22</sup>	YES
	Increasing the share of RES in gross final energy consumption (13%) and the share of renewable sources in transport (10%)	7.1% (2005) & 1.1% (2005)	15.2% (2018) & 6.6% (2018)	YES NO
	Increasing energy efficiency - national energy efficiency target, ie. reducing final energy consumption to a maximum of 25.3 million tonnes of oil equivalent by 2020.	- (2014)	25.3 Mtoe (2018)	YES

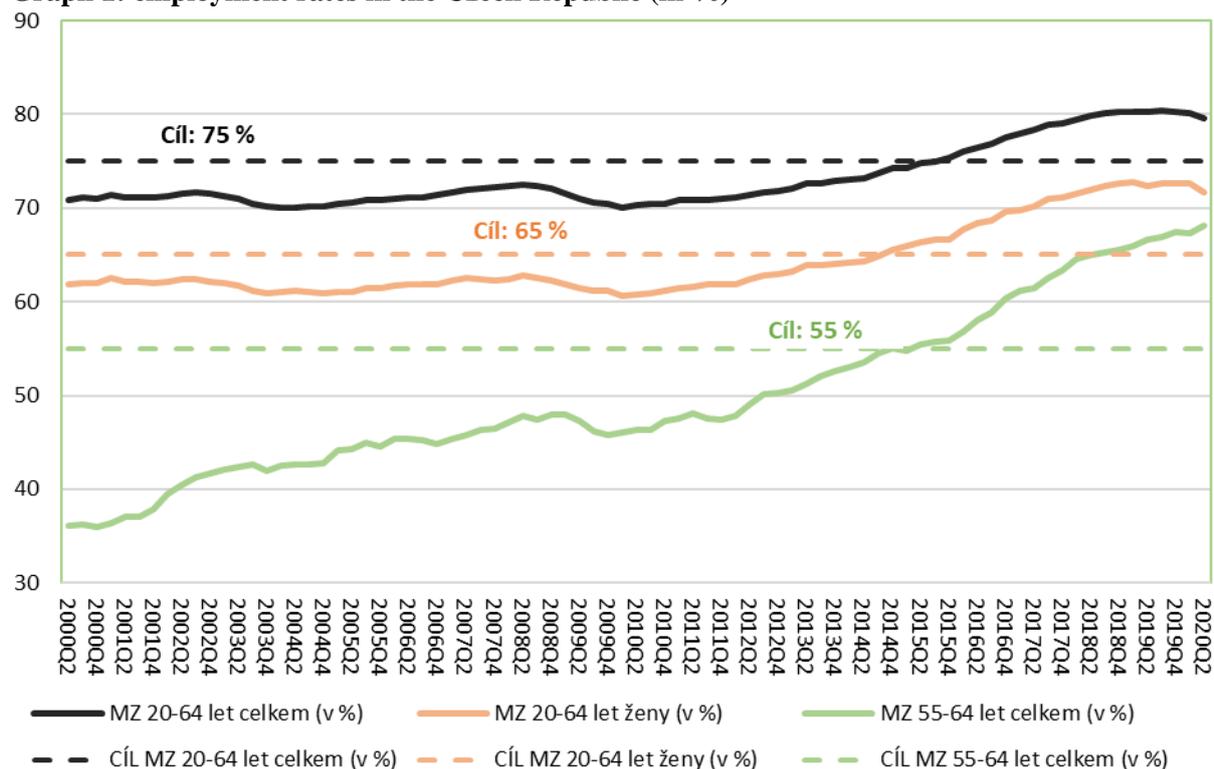
<sup>22</sup> This is a preliminary figure. The actual value of the increase is likely to be lower.

## Employment

All employment policy objectives were achieved in the first quarter of 2017 at the latest, and since then the set target values have been met. The national target to increase the employment rate in the 20 - 64 age group to 75% was achieved in 2015 Q3, and in Q2 2020 the relevant indicator reached 79.4% (4th highest among EU Member States). Due to the economic impact of the COVID-19 pandemic, it decreased by 0.8 pp year-on-year. The employment rate of women aged 20 - 64 reached 71.6% in Q2 2020 (9th highest among EU Member States) and the national target is thus exceeded by almost 7 pp, it was reached at the end of 2014. Year-on-year employment of women also fell by 0.8 pp.

Despite the pandemic, however, growth was achieved in the elderly category, when the employment rate of people aged 55 - 64 increased in Q2 2020 by 1.4 pp year-on-year to 68.1% (6th highest among EU Member States). In this case, the target value was exceeded by more than 13 percentage points and was already reached in 2015. In the third quarter of 2015, a partial national target was also achieved, consisting in a decrease in the unemployment rate of young people, ie persons aged 15 - 24. In the second quarter of 2020, the youth unemployment rate was 7.2% (the lowest among EU Member States<sup>23</sup>). It increased by 1.54 percentage points year-on-year, but the national target was still met by 5 percentage points. This target was not reached until Q1 2017. Unemployment of low-skilled people in Q2 2020 reached 10.9% (14th lowest among EU Member States<sup>24</sup>) and decreased by 0.3 pp year-on-year. The target is met by almost 8%.

**Graph 1: employment rates in the Czech Republic (in %)**

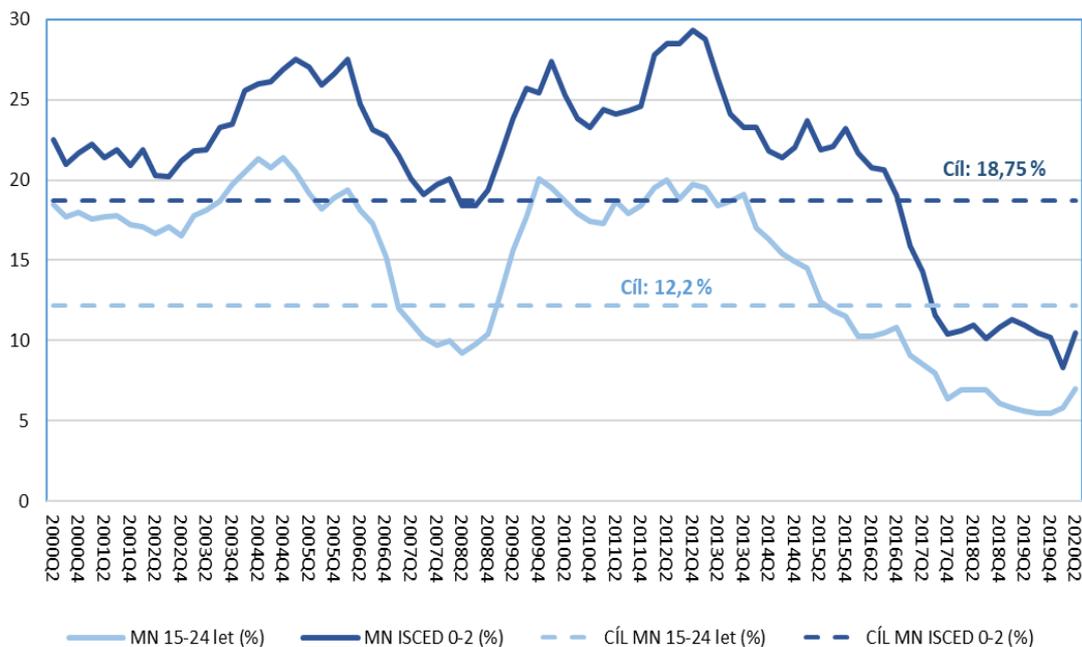


Source: Eurostat. “MZ 20-64 let celkem” – empl. rate of 20–64 age group in total. “Cíl” – target. “MZ 20-64 let ženy” – empl. rate of 20 – 64 age women. “MZ 55-64 let celkem” – empl. rate of 55-64 age group in total.

<sup>23</sup> Ranking data are given without Germany, data for Germany were not available at the time of reporting.

<sup>24</sup> Ranking data are given without Germany, data for Germany were not available at the time of reporting

**Graph 2: unemployment rates in the Czech Republic (in %)**

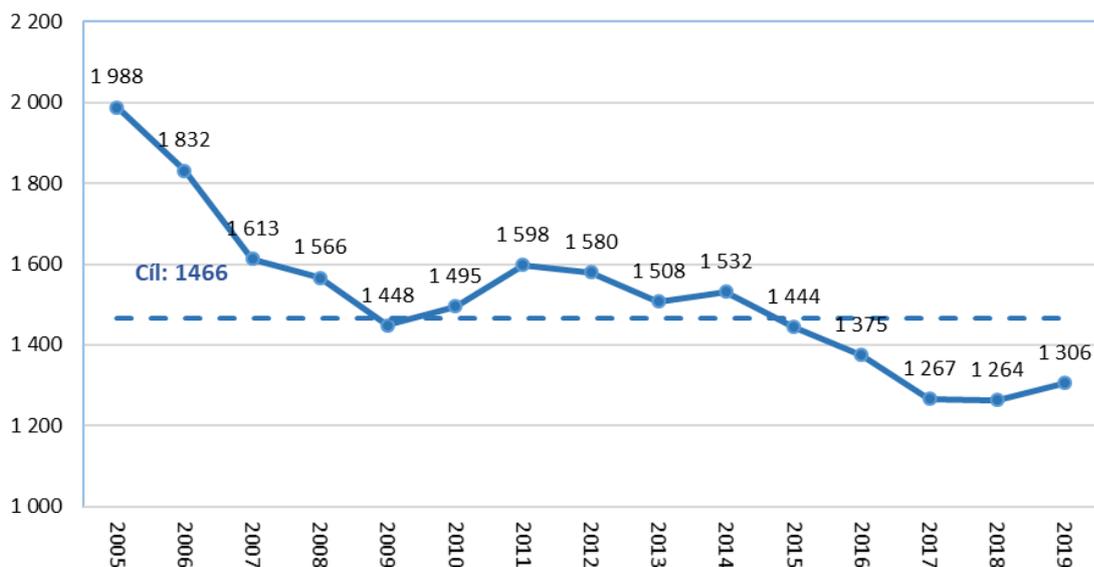


Source: Eurostat

### Poverty and social exclusion

In connection with the current development in the area of poverty and social exclusion, it seems quite realistic to meet the goal of the Czech Republic within the Europe 2020 strategy (reduction of the number of people at risk of poverty or social exclusion by 100 thousand people). By 2019 (1,306 thousand), compared to 2008 (1,566 thousand), the number of persons at risk of poverty, material deprivation or living in households with very low work intensity decreased by 260 thousand. Compared to 2018, the indicator increased by 42,000 people year-on-year. In 2019, the share of people at risk of poverty or social exclusion in the Czech Republic was again the lowest of all EU member states (12.5% of the population). The set goal has been met without interruption since 2015.

**Graph 3: number of people at risk of poverty or social exclusion (in thousands)**

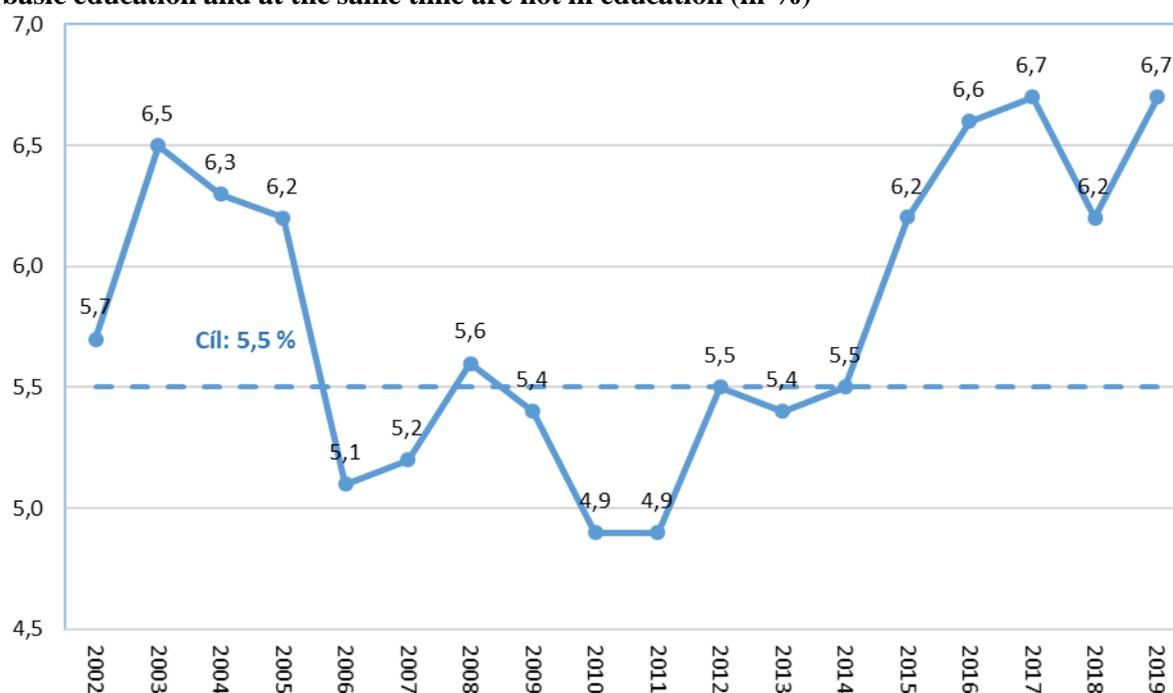


Source: Eurostat

## Education

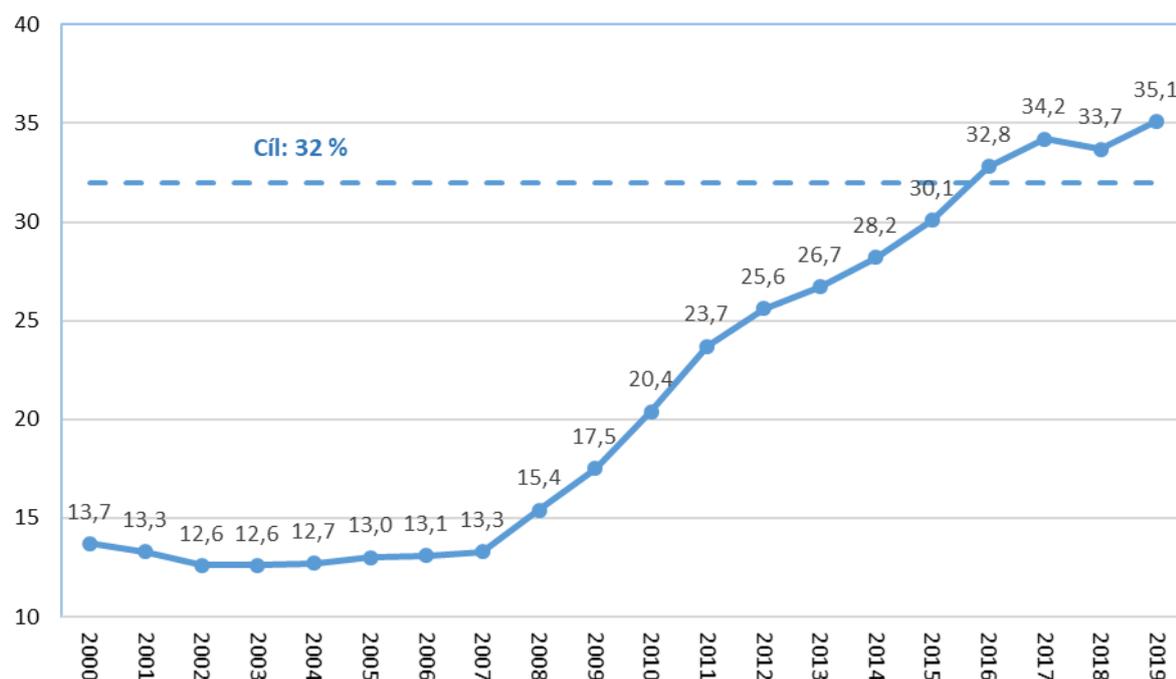
The values of the indicator of the share of early school leavers in 2006–2014 were (except for one fluctuation in 2008) below the value set as the national target for 2020 (5.5%) or at its maximum level. In 2015, however, there was a more significant increase in the value of this indicator. Since then, the share of people aged 18 – 24 who have attained as a maximum the basic education and at the same time are not continuing their education has ranged between 6.2% and 6.7%, thus exceeding the set target more permanently. In comparison with other EU Member States, the value of this indicator for the Czech Republic in 2019 was the eighth lowest. The development of the values of the indicator of the share of the population aged 30 – 34 with tertiary education shows that the national target (32%) has been consistently met since 2016, while the respective share continues to grow. In 2019, it reached 35.1%. It can therefore be expected that the target will be met in 2020, as the available data suggest that over 50% of people from the generations born after 1989 will enter the tertiary system. However, in 2019, the share of the population aged 30-34 with tertiary education was the sixth lowest compared to other EU Member States.

**Graph 4: share of persons in the Czech Republic aged 18 - 24 who have reached the maximum basic education and at the same time are not in education (in %)**



Source: Eurostat

**Graph 5: share of persons in the Czech Republic aged 30 - 34 with tertiary education (in %)**



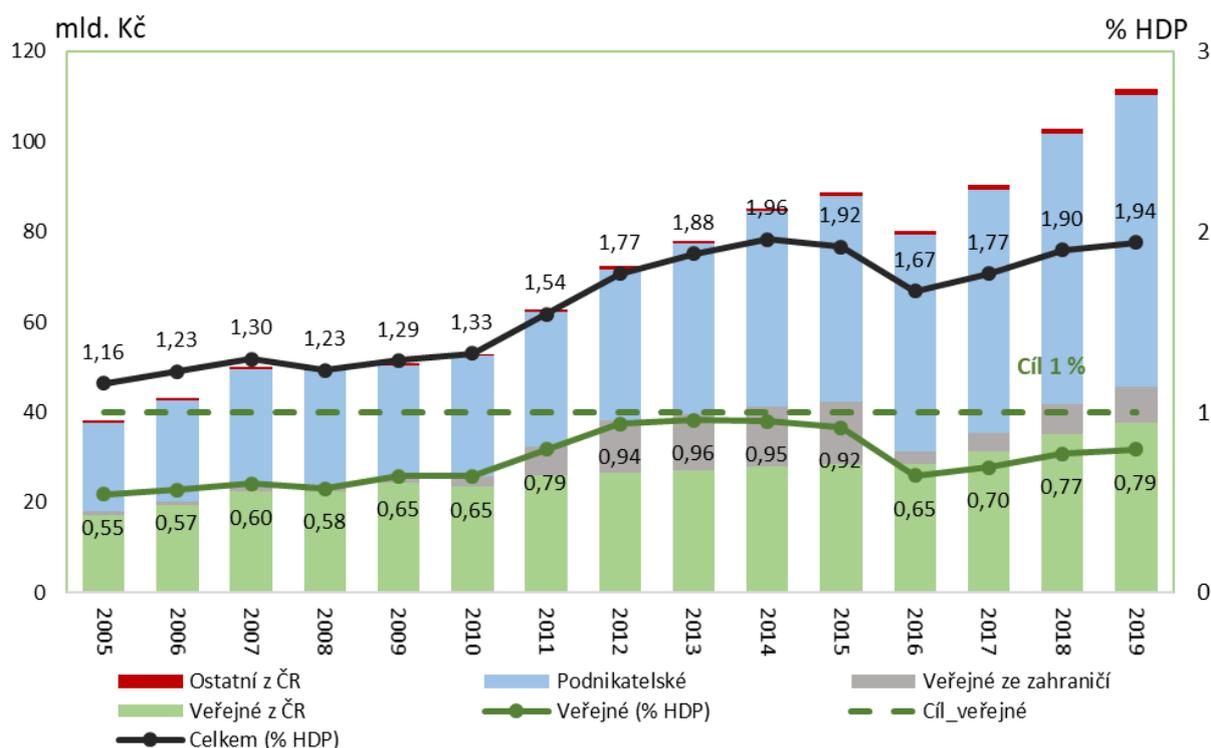
Source: Eurostat

## Research, development and innovation

Total R&D expenditures (in billions of CZK) in the Czech Republic show an average long-term growth for the years 2005 - 2019 and in 2019 for the first time exceeded CZK 110 billion. The long-term growth of total R&D expenditures in the Czech Republic was mainly due to the steady growth of business resources, which in 2019 amounted to almost CZK 65 billion. Another component of total expenditures, which contributed more moderately to the long-term growth of total expenditures on R&D, are public domestic sources, which for the first time exceeded CZK 35 billion in 2018 and even reached CZK 37.6 billion in 2019.

The Czech Republic was closest to the set national target (the level of public expenditure on research, development and innovation in the Czech Republic at 1% of GDP) in 2012-2015. Decrease in total expenditure and public resources on R&D in 2016 (also in relative terms to GDP) was caused by a significant reduction in foreign public resources, which is related to the transition to the next programming period of EU funds. Since then, it has been possible to observe a renewed increase in total expenditure and public resources on R&D (also in relative terms to GDP) and a gradual convergence with the set goal.

**Graph 6: R&D expenditure (GERD) in the Czech Republic by sources of financing (in billions of CZK, % of GDP)**



Source: CZSO. Red – other CZ resources. Green – public CZ resources. Blue- CZ business resources. Grey – public foreign (EU) resources. Black line – total expenditure in % of GDP. Green line – public expenditure in % of GDP, compared with 1% target.

## Climate and energy policy

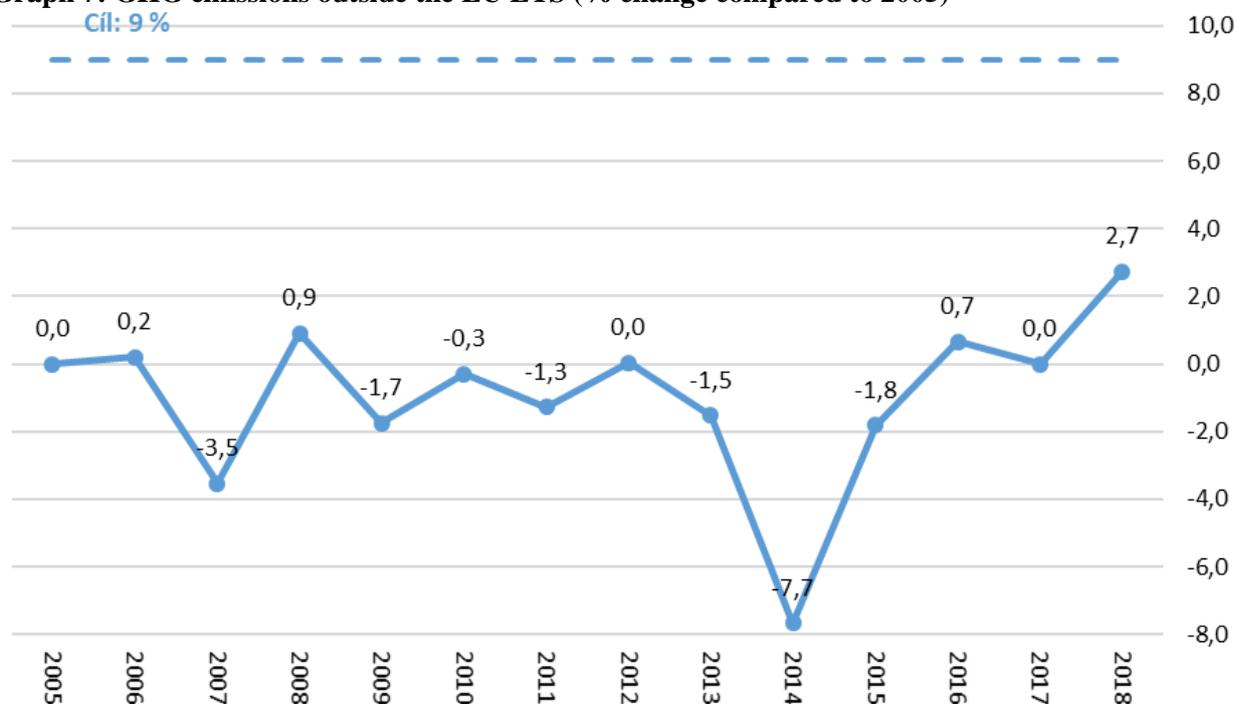
Despite a certain increase in emissions in sectors not covered by the EU ETS (preliminary results for 2018: + 2.7%), the Czech Republic should easily meet the target of a maximum increase in these emissions of 9% between 2005 and 2020. However, in comparison with other EU Member States, the Czech Republic ranked 6th in 2018 compared to 2005 in terms of emissions growth outside the EU ETS.

Regulation (EU) 2018/842 of the European Parliament and of the Council on the binding annual reduction of greenhouse gas emissions by Member States in the period 2021 - 2030 sets a target for the Czech Republic to reduce greenhouse gas emissions not covered by the EU ETS by 14% between 2005 and 2030. According to current emission projections, the target for 2030 should also be achievable with the effective implementation of already adopted policies and measures. For the EU ETS, the EU-wide target of reducing emissions by 21% by 2020 and by 43% until 2030 compared to the reference year 2005 applies. Between 2017 and 2018, emissions of equipment in the EU ETS were reduced by 62 thousand t CO<sub>2</sub>eq. In the period 2005 - 2018, emissions from installations in the EU ETS decreased by 18.8%.

In December 2019, the Czech Republic submitted to the EC the final version of the *National Accounting Plan for Forestry, including the proposed reference level for forests for the period 2021 - 2025*. In line with the current development of the bark beetle calamity emissions from the land use, land use change and forestry sector (LULUCF), established by Regulation (EU) 2018/841 of the European Parliament and of the Council on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the framework climate and energy policy until 2030.

In the course of 2019, the MoIT, in cooperation with the Ministry of Environment, finalized the *National Energy and Climate Plan* in accordance with EC Regulation (EU) 2018/1999 on the Administration of the Energy Union. Following approval by the Government, the final version of the plan was submitted to the EC on 13 January 2020.

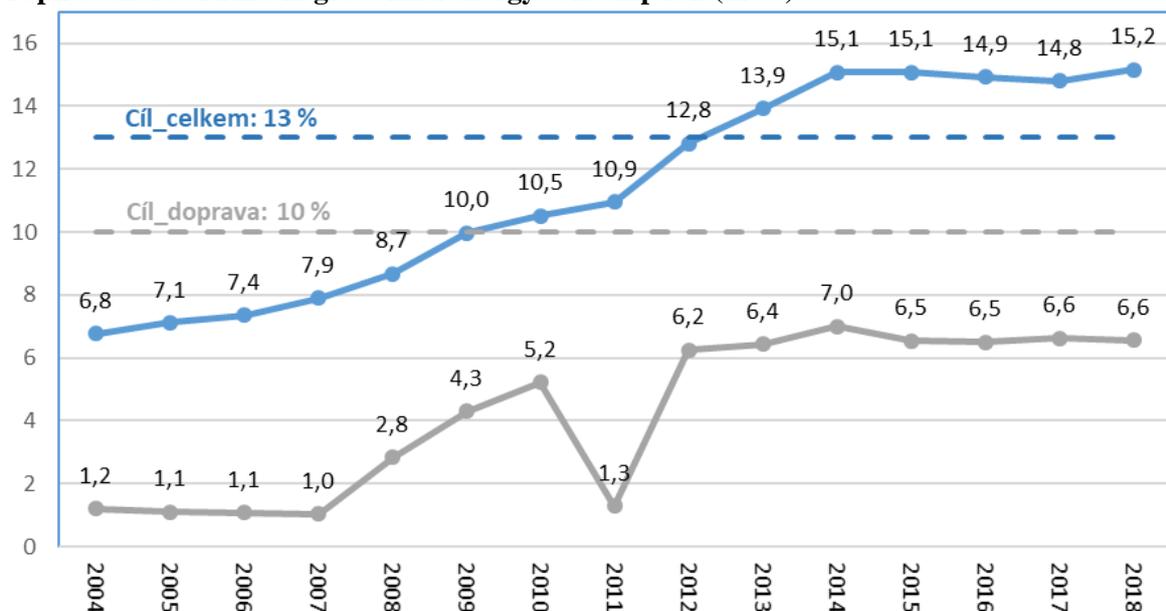
**Graph 7: GHG emissions outside the EU ETS (% change compared to 2005)**



Source: Eurostat (Note: the figure for 2018 is only preliminary, the resulting value will probably be lower.)

Since 2013, the Czech Republic has also been meeting the national target setting the share of renewable energy sources (RES) at least 13% of gross final energy consumption. In 2018, this share increased to 15.2%. This is the 18th highest value among EU member states. As for the goal of achieving a 10% share of RES in gross final consumption in transport, the Czech Republic has not come close to meeting it in recent years.

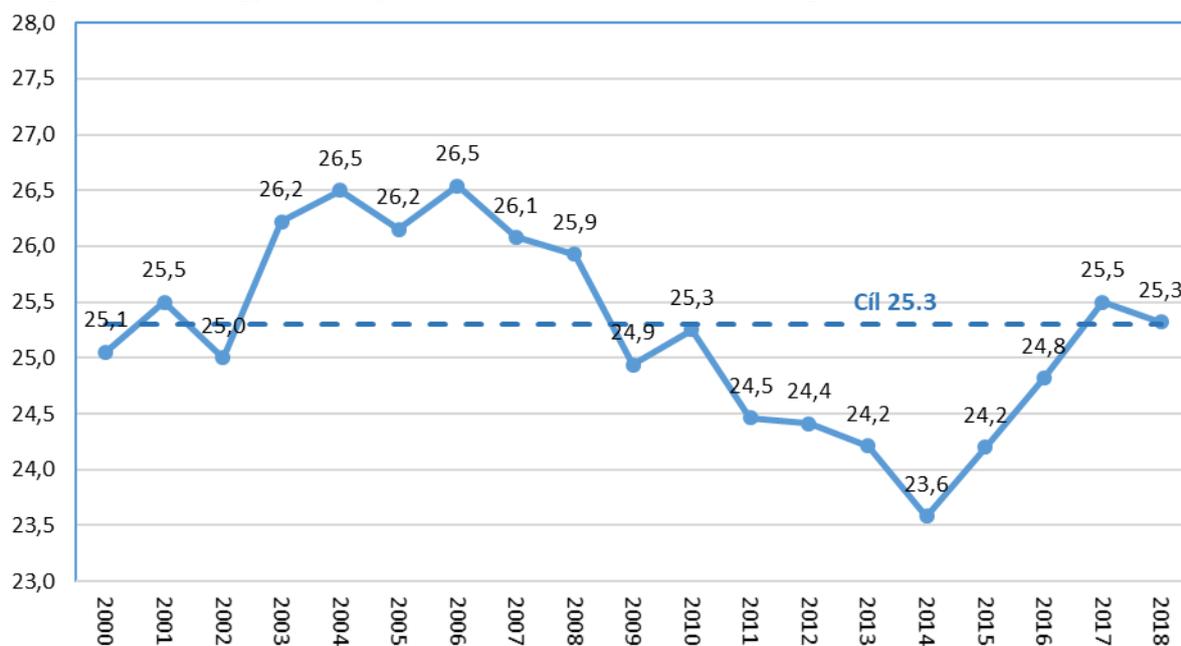
**Graph 8: share of RES in gross final energy consumption (in %)**



Source: Eurostat

The Czech Republic is currently on its way to meeting the goal of energy efficiency, ie. the goal of reducing final energy consumption. In 2018, according to Eurostat data, the Czech Republic reached the value of final energy consumption of 1060 PJ, which is the target value set for 2020. Despite the uneven development of final energy consumption, which is influenced by external factors (climatic conditions, economic situation), which manifested itself between 2014 and 2017, when it was possible to observe a year-on-year increase in final energy consumption after a long-term decline, the set target of reducing final energy consumption by 20% compared to 2007 can be expected; show the provisional fulfilment of the target.

**Graph 9: final energy consumption (in millions of tonnes of oil equivalent)**



Source: Eurostat