

NATIONAL REFORM PROGRAMME of the Czech Republic

Úřad vlády České republiky



2020

Contents

1. Introduction	1
2. Macroeconomic outlook	3
3. Structural reforms	5
3.0 Czech economic measures in the fight against the COVID-19 pandemic.....	5
3.1 Macroeconomic stability	11
3.1.1 Tax policy.....	11
3.1.2 Budget framework	13
3.1.3 Long-term sustainability of public finances	13
3.1.4 Stability of the financial sector.....	15
3.2 Fairness: housing, work, social policy and education	16
3.2.1 Housing.....	16
3.2.2 Labour market.....	20
3.2.3 Social policy	28
3.2.4 Education	31
3.3 Productivity: investment, business environment and public administration.....	37
3.3.1 Investment policy.....	37
3.3.2 Research, development and innovation	40
3.3.3 The business environment and the internal market.....	44
3.3.4 Quality of public administration	48
3.3.5 Digital agenda and e-government.....	52
3.3.6 The regional dimension.....	60
3.4 Sustainability: the environment, transport and energy	62
3.4.1 Climate change, the environment and agriculture	62
3.4.2 Transport infrastructure.....	67
3.4.3 Energy and raw materials.....	71
4. Progress in meeting national targets under the Europe 2020 strategy	75
4.1 Employment.....	76
4.2 Poverty and social exclusion.....	77
4.3 Education	78
4.4 Research, development and innovation.....	80
4.5 Climate and energy policy	80
5. Implementation of the Sustainable Development Goals	83
6. EU funds	87
6.1 Interlinkage of EU funds and Council of the EU recommendations	87
6.2 Interlinkage of EU funds and national targets under the Europe 2020 strategy.....	90

List of abbreviations

AEP	Active Employment Policy
AI	Artificial intelligence
AMSP	Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic
AS	Academy of Sciences of the Czech Republic
ASGS	Annual Sustainable Growth Strategy
ATAD	Anti-Tax Avoidance Directive
CAP	Common Agricultural Policy
CDE	Czechia in a Digital Europe
CEFoF	Central European Fund of Funds
CLLD	Community-led local development
CMGDB	Czecho-Moravian Guarantee and Development Bank
CNG	Compressed natural gas
CNB	Czech National Bank
CR	Czech Republic
CSI	Czech School Inspectorate
CSO	Czech Statistical Office
CSRs	Country Specific Recommendations
DBIS	Data Box Information System
DES	Digital Economy and Society
DIH	Digital Innovation Hubs
DPP	Digitisation of planning permission and spatial planning
DSM	Digital Single Market
DTM	Digital technical maps
EAFRD	European Agricultural Fund for Rural Development
ECOFIN	Economic and Financial Affairs Council
EET	Electronic records of sales
EFSI	European Fund for Strategic Investments
EGAP	Export Guarantee and Insurance Corporation
eGC	eGovernment cloud
EGD	European Green Deal
EIA	Environmental impact assessment
EIB	European Investment Bank
EIF	European Investment Fund
EP	European Parliament

EPC	Energy Performance Contract
EPSR	European Pillar of Social Rights
ERDF	European Regional Development Fund
ESA	European Space Agency
ESF	European Social Fund
ESIF	European structural and investment funds
EU	European Union
EUR	Euro (the currency)
EUSPA	EU Agency for the Space Programme
FEP	Framework Educational Programme
GA CR	Grant Agency of the Czech Republic
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GPG	Gender pay gap
GSA	European Global Navigation Satellite Systems Agency
ICP	Inter-ministerial comment procedure
ICT	Information and communication technology
IROP	Integrated Regional Operational Programme
IS 2019+	Innovation Strategy of the Czech Republic 2019 – 2030
ITDP	Integrated territorial development plan
ITI	Integrated Territorial Investment
ITS	Intelligent Transport System
KoDuS	Community Retirement Home
LNG	Liquefied natural gas
LO	Labour Office of the Czech Republic
MAG	Ministry of Agriculture
ME	Ministry of the Environment
MEYS	Ministry of Education, Youth and Sport
MF	Ministry of Finance
MFA	Ministry of Foreign Affairs
MH	Ministry of Health
MI	Ministry of the Interior
MIT	Ministry of Industry and Trade
MJ	Ministry of Justice
MLSA	Ministry of Labour and Social Affairs

MoRD	Ministry for Regional Development
MT	Ministry of Transport
NAP	National Action Plan
NAPEE	National Action Plan for Energy Efficiency
NIA	National Identification Authority
NIP	National Investment Plan
NRP	National Reform Programme
NQF	National Qualifications Framework
NUTS	Nomenclature of Territorial Units for Statistics
OECD	Organisation for Economic Co-operation and Development
OP E	Operational Programme Employment
OP EIC	Operational Programme Enterprise and Innovation for Competitiveness
OP Env	Operational Programme Environment
OP PGP	Operational Programme Prague Growth Pole of the Czech Republic
OP RDE	Operational Programme Research, Development and Education
OP T	Operational Programme Transport
PA	Priority Axis
PPP	Public-private partnership
PSC	Point of Single Contact
PWD	Persons with disabilities
R&D	Research and development
R&D&I	Research, development and innovation
RDP	Rural Development Programme
RES	Renewable energy sources
RIA	Regulatory impact assessment
RIS3	Czech National Research and Innovation Strategy for Intelligent Specialisation
SCA	Special Committee on Agriculture
SDGs	UN Sustainable Development Goals – Agenda 2030
SEA	Strategic environmental assessment
SEF	State Environmental Fund of the Czech Republic
SEP	State Environmental Policy
SFEP	State Framework for Employment Policy
SHDF	State Housing Development Fund
SISF	State Investment Support Fund
SIZ	Strategic Industrial Zone

SLIO	State Labour Inspection Office
SME	Small and medium enterprises
SRSP	Structural Reform Support Programme
TA CR	Technology Agency of the Czech Republic
TEN-T	Trans-European Transport Network
TFEU	Treaty on the Functioning of the European Union
UN	United Nations
USA	United States of America
VAT	Value added tax

1. Introduction

The 2020 National Reform Programme of the Czech Republic (NRP) is a strategic document of the Government of the Czech Republic in the field of economic and social policy. Its objective is to formulate key measures leading to prosperity and sustainable growth. The measures presented stem from the government's programme priorities and are tied into the Czech Republic 2030 strategic framework and other conceptual documents at the national level.

Response to COVID-19 pandemic

In the first quarter of 2020, Europe was hit by a pandemic of COVID-19, the disease caused by the coronavirus SARS-CoV-2, which spread across the world from the original outbreak in China. The measures essential for protecting the lives and health of citizens adopted by many countries including the Czech Republic have inevitably disrupted economic development and everyday life in society.

Economic development has become difficult to predict, which has been reflected in Chapter 2 of this year's NRP – Macroeconomic Outlook. In order to preserve a functioning economy and support subsequent recovery, the government has prepared a number of economic and social measures that are described in the new chapter 3.0 Czech economic measures in the fight against the COVID-19 pandemic.

Long-term European context

Aside from the impact of the COVID-19 pandemic and the national priorities, the government also reflects the long-term European framework, an important part of which is the European Green Deal – a plan for the European Union (EU) submitted by the new European Commission (further the Commission) for achieving, in addition to a sustainable and circular economy, climate neutrality by 2050. The government views the EGD as an ambitious strategy for sustainable growth that presents opportunities as well as great challenges for many sectors. In the context of the COVID-19 pandemic and its economic impact, a Europe-wide discussion on the approach to implementing the EGD will be necessary.

The CR has long been meeting the development targets it set for itself in the international context, having already reached the vast majority of national targets formulated under the EU's Europe 2020 economic strategy. The relevant chapter of the NRP contains a current assessment of fulfilment of national targets for Europe 2020. The measures described in the NRP also help with meeting the UN's Sustainable Development Goals (SDGs). A newly added NRP chapter describes the current state of implementation of SDGs in the CR. The government is determined to help achieve a climate-neutral EU by 2050 in accordance with the EGDs and the targets of the Paris Agreement. Details are primarily presented in the NRP under chapter 3.4 Sustainability.

The measures presented in the NRP also react to the Council of the EU's country-specific recommendations addressed to the Czech Republic in the past year and the findings listed in the Commission's regular analytical document Country Report Czech Republic from February of last year. The structure of the NRP takes into account four key dimensions of the Annual Sustainable Growth Strategy 2020 (ASGS) set out by the EC: macroeconomic stability, fairness, productivity and sustainability.

The government considers systematic support for research, development and innovation to be a key means for achieving development goals and strengthening the upward economic and social

convergence of the CR to the world's most developed countries. This means fulfilling the vision laid out in the *Czech Innovation Strategy 2019 – 2030 (The Czech Republic: The Country for the Future)*: combining our industrial traditions, research facilities and business skills to make the Czech Republic one of the most advanced countries by 2030.

Institutional framework for preparation of NRP

The NRP was prepared by the Office of the Government in cooperation with the ministries. As in previous years, economic and social partners, the Parliament of the Czech Republic and other institutions were invited to collaborate on preparations. Due to the pandemic, the standard face-to-face talks on preparation of the NRP did not take place, but these were replaced by two rounds of written comments on working versions of the programme.

The NRP was approved by the government on 7 May 2020. After approval the NRP will be submitted to the Commission.

The government will be steadily monitoring proper implementation of the individual reform steps over the whole year. At the end of the year the government will then evaluate the level of fulfilment of the stipulated measures in a regular report, as it does every year. The next update – preparation of the 2021 NRP – is planned for spring of next year as part of the next cycle of the European Semester.

2. Macroeconomic outlook

In 2019, **economic growth** slowed slightly, being still driven by domestic demand. Private consumption was supported by growing household incomes, but the dynamic of investment was considerably weaker than in 2018.

In the first half of this year, the Czech economy will be quite fundamentally affected negatively by the pandemic of the new type of coronavirus and the measures individual countries are enacting in order to prevent its spread. The NRP's macroeconomic scenario anticipates that Europe will have managed to handle the situation in the second half of 2020 and economic activity will subsequently start to gradually recover. The shock to aggregate demand as well as supply should thus only be temporary and one-off, nevertheless the Czech economy will not avoid a deep recession.

In 2020 we expect a drop in economic performance of over 5%. The deepest decline is expected in the field of foreign trade and investments in fixed capital. Household consumption will also be lower however. From the second half of 2020, economic activity should pick up once again.

At the end of 2019 the year-on-year **growth in consumer prices** ended up above the 3% zone of tolerance of the Czech National Bank's 2% inflation goal. In 2020 the average level of inflation should reach 3.2%; next year it should slow to 1.6%. In further years, prices should grow at a rate of 2%. The impact of unit labour costs on inflation vary significantly in the individual years of the NRP outlook. In 2020 they are expected to grow exceptionally, in all likelihood transitioning to a not insignificant decline in 2021. In the following years their development should stabilise. The output gap should dampen inflation over nearly the whole timeline of the NRP, most of all in 2020 and 2021. The exchange rate should contribute to growth of consumer prices in 2020, but should become an anti-inflationary factor in the following years, given the expected appreciation. A fundamental anti-inflationary factor in 2020 should be the drop in oil prices. According to the adopted scenario, this should grow in the following years. Administrative measures¹ should increase inflation in the years 2020–23.

For several years the **labour market** has been showing symptoms of overheating, but in many aspects has already reached its limits and signs of starting to cool down have appeared. Due to the economic downturn and associated drop in demand for labour, employment rates should fall this year. The unemployment level should also rise. Aside from the high number of job vacancies and employed foreigners² (who are likely to be let go first), greater impact of the recession on unemployment should be prevented by fiscal measures adopted. The economic situation should be significantly reflected in the dynamic of earnings, particularly in 2021, when the average real wage could even fall.

In terms of the **external macroeconomic balance**, in 2019 the current account of the balance of payments fell into a slight deficit for the first time since 2013. The impact of the coronavirus pandemic should lead to a worsening of the balance of goods and services this year. In terms of the other current account items, we expect a lower deficit on the balance of primary income as a result

¹ Administrative measures here mean adjustments to indirect taxes (VAT, excise duties) and customs duties and changes to regulated prices (e.g. electricity, gas, heating, water, public transport).

² According to Labour Ministry data, in March 2020 there were 645 000 foreigners employed in the CR, which is 57 000 more year-on-year, and 17 000 more than in February 2020.

of the poorer dynamic of profits for companies under foreign control. In the coming years the current account should be in a slight surplus (recovery abroad will increase the surplus in the output balance, while on the other side the primary income deficit will deepen), then in 2023 be balanced (acceleration of investment in connection with final drawing of EU funds from the 2014–2020 financial perspective, import of US military helicopters).

A number of **risks** are associated with the expected economic development, which taken as a whole we considered strongly skewed in a negative direction. We consider the most significant risk of the current moment to be the spread of a **new type of coronavirus**. If the situation is not managed during the second quarter and the measures meant to prevent the disease from spreading end up lasting longer as a result, the economic downturn will be much deeper than in the NRP scenario. In addition, in some economies risks could materialise that are associated, for example, with their high level of debt or the situation in the banking sector.

Aside from uncertainty concerning how future relations between the United Kingdom and European Union are to be set up, risk is also presented by **tension in trade relations** between the United States of America and China, and indeed the EU. The coronavirus pandemic has pushed the issue of trade relations into the background, but re-escalation of disputes cannot be ruled out (e.g. as part of efforts to "protect" US industry from foreign competition and thereby help the economy overcome the consequences of the coronavirus pandemic).

The cyclical development of the economy in combination with low interest rates has led to a high dynamic of mortgages. Along with the factors that limit the offer of residential property (from which certain ones are specific to Prague), this development has contributed to a marked rise in the price of flats and certain overpricing thereof. The combination of **credit financing of residential real estate** and the **rapid growth** of the **prices** thereof represents a macroeconomic risk that could start to materialise with the expected economic downturn and a potential price correction. In light of the fact that many households are experiencing at least temporary loss of part or even all income due to the coronavirus pandemic, the Czech government has prepared a six-month moratorium on mortgage payments and consumer and business loans. Even so, households need not be able to repay after the moratorium ends, particularly if the economic downturn has a pronounced effect on labour market developments.

In light of the importance of the **automotive industry** for the Czech economy, the strong procyclical nature of this sector, the orientation on export and the dependence on supply chains present a risk. In the medium to long term, these risks are compounded by the structural changes that will evidently be taking place in the automotive industry due to the gradual tightening of emission standards. If they are not met, manufacturers will face high fines. The transition to alternative fuels will however require enormous investments in developing technology, in machinery and equipment, and in infrastructure. Impact can also be expected on employment, supplier-customer relations and energy prices.

3. Structural reforms

3.0 Czech economic measures in the fight against the COVID-19 pandemic

According to predictions, the strict measures adopted by EU Member States and other countries of the world to protect the life and health of their inhabitants during the COVID-19 pandemic will continue to have fundamental consequences for economic development in the form of inevitable recession. In an effort to support the economy and minimise the social impact of the pandemic, funding was freed up at both the EU and Member State level and public policies have been adjusted. The vast majority of fiscal stimuli are financed from national budgets, which is one of the reasons that the Commission, for the first time in history, has proposed activating the "general escape clause" under the Stability and Growth Pact³. Listed below are the main economic and social measures adopted by the Czech Republic in reaction to the pandemic.

Support for entrepreneurs and employees

In order to maintain jobs, the government is directly supporting the Czech economy to the tune of CZK 100 billion and indirectly in the form of guarantees for a further CZK 900 billion.

On 16 March 2020, the Czech-Moravian Guarantee and Development Bank (CMGDB) launched a programme under which **interest-free two-year loans with up to 12 months (inclusive) of deferred payments** will be provided to companies affected by the consequences of the coronavirus pandemic (the *COVID I* programme); the funds can be used to cover operating costs. The loan amount can range from CZK 0.5 million to CZK 15 million. On 2 April 2020, applications began to be accepted under the programme *COVID II*, which is financed from funds under the Operational Programme Enterprise and Innovation for Competitiveness (OP EIC) and focuses on providing guarantees. The loans will be provided through commercial banks, with the state guaranteeing them via the CMGDB. Loans of up to CZK 15 million are guaranteed. In contrast to the first wave, the programme will thus also be able to be utilised by the self-employed and small business owners who have lower requirements for loan funds than under COVID I, i.e. loans under CZK 500 000. Once again, the loans can be used to cover operating costs (wages, rent, energy, material or supplies). For Prague-based companies and self-employed persons, the programme COVID PRAGUE was launched 21 April 2020, being funded from the Operational Programme Prague Growth Pole (OP PGP). This programme contains the same conditions as the COVID II programme.

On 20 April 2020 the government also approved a draft act on provision of a state guarantee of the Czech Republic for securing CMGDB debts arising from guaranteeing loan debts in connection with mitigating the negative impact caused by the SARS-CoV-2 virus. After the law is approved by both chambers of the Czech Parliament and signed by the president, the COVID III programme will be launched; this is expected at the turn of May. COVID III will be a portfolio guarantee for commercial bank operating loans up to a maximum of twice the annual wage costs of the recipient or a quarter of a company's turnover in 2019, capped at CZK 50 million. The draft act anticipates a maximum state guarantee of CZK 150 billion, thus in total this programme can guarantee commercial operating loans totalling up to CZK 600 billion. This programme will be notified to the Commission under the approved Temporary Framework for State Aid, thus it will be a bank guarantee without a financial

³ This clause applies to cases of serious economic downturn in the EU or eurozone as a whole.

contribution to cover commercial interest (the Temporary Framework does not permit this combination).

The Ministry of Labour and Social Affairs (MLSA) has prepared a **targeted programme to deal with employment** entitled *Antivirus*. The conditions for implementation of the "Antivirus" programme for supporting businesses approved by the government of the Czech Republic on 31 March 2020, on the basis of which the state helps companies retain employees, contains two regimes. **In Regime A**, the employer is paid a contribution as compensation for impediments to work consisting of quarantined employees or shutting down or limiting operations due to the crisis resolutions of the Czech government and emergency measures of public health authorities amounting to **80% of wages being compensated, including deductions, to a max. of CZK 39 000 per employee**. **Regime B** is compensation for impediments to work on the part of the employer, where a causal link to COVID-19 is presumed. These impediments to work on the part of the employer have arisen as a result of impediments to work on the part of employees, loss of production supplies, or limits on the employer's sales. The contribution is paid out in an amount of **60% of wages being compensated, including employee and employer deductions, to a max. of CZK 29 000 per employee**.

In order to mitigate negative consequences to the sheltered labour market related to the spread of COVID-19, the MLSA also prepared modifications concerning the **employment of persons with disabilities** on the sheltered labour market. In particular, this affected the first part of Act No. 161/2020 Coll., on certain adjustments in the field of employment in connection with emergency measures during the 2020 epidemic and amending Act No. 435/2004 Coll., on employment, as amended, which took effect 14 April 2020. In relation to the sheltered labour market, this concerns the following measures during provision of a contribution under Section 78a of Act No. 435/2004 Coll., on employment, as amended (hereinafter the "Employment Act"):

- 1) If the period for which the contribution is being requested falls within the duration of the emergency measures for the epidemic, the employer can also bring to bear compensation for wages or pay provided to employees during impediments to work on the part of the employer in applying for a contribution under Section 78a of the Employment Act for the purposes of establishing the contribution amount.
- 2) If the period for which the contribution is being requested falls within the duration of the emergency measures for the epidemic, the condition of solvency shall not be required for the purposes of drawing the contribution. The employer is thus not required to provide confirmation that it does not have tax arrears or insurance arrears or fines for public health insurance or social security or the state employment policy contribution for the given period.

At present the aforementioned changes apply to provision of contributions for the first and second quarters of 2020.

The government has approved⁴ a draft act amending Act No. 355/2019 Coll., on the state budget of the Czech Republic for 2020. This bill includes under anti-crisis measures **increasing the insurance capacity of the Export Guarantee and Insurance Corporation (EGAP)** from CZK 188 to 330 billion. The aim of these measures is to activate approx. CZK 142 billion for bolstering the liquidity of companies. In this complicated situation it is necessary to react quickly and create efficient instruments, especially for supporting manufacturing enterprises with export potential. The EGAP

⁴ With Resolution No. 273 of 23 March 2020.

instruments will be expanded to include provision of guarantees for loans to exporters and manufacturers (export suppliers) for operations, labour capital and costs for maintaining and expanding business.

The government has also approved⁵ the **programme Czech Rise Up – Smart measures against COVID-19**, which was prepared by the Ministry of Industry and Trade (MIT). The programme was created based on an analysis of needs drawing from a broad survey among relevant entities from the business environment and innovation sector.

The aim of this programme is to support rapid implementation of new solutions that can help in the fight against coronavirus, including measures to mitigate the impact of further spread and subsequent addressing of consequences of this situation. It will also be possible to use the programme to support projects for new solutions in the fight against COVID-19 in the form of funding necessary costs for rapid implementation of innovative solutions into practice. Aid applications will be able to be submitted during April of this year, with an allocation so far of CZK 200 million, which can be increased if needed.

Another MIT programme approved by government Resolution No. 294 of 23 March 2020 is the programme **COVID Technology**. The objective of this programme is to increase the production capacity of Czech SMEs to produce medical supplies and implements including disinfectant, with the overall programme budget being foreseen at a minimum of CZK 300 million.

On 4 May 2020 the government took under advisement the MIT's plan to contribute in the form of a subsidy programme to businesses hit by the government's restrictive preventive measures to **cover rent for their premises**.

Starting 20 March 2020, the Czech Trade Promotion Agency (CzechTrade) reacted to the current situation arising due to the COVID-19 pandemic by introducing **free individual export counselling in 58 countries**, both via the employees of its Prague headquarters and foreign offices. In addition to standard services such as market screening, compiling a database of potential contacts, analysing the competition and testing product interest, it also offers free assistance to companies in dealing with crisis situations abroad that have arisen for example in shipping goods due to delays at the border or confiscation over customs issues.

During the state of emergency due to the spread of coronavirus, the Ministry of Foreign Affairs (MFA) and embassies are helping business owners to deal with problems occurring in foreign markets. Contracts are being affected by the complicated logistics of trade operations, growth of trade restrictions and turbulent demand. The integrated foreign network of Czech embassies also helps analyse opportunities and seek out suitable business partners. These services are provided for free or with significant state support. The MFA is also preparing webinars and individual consultation with economic diplomats that can help entrepreneurs get their bearings in the current situation and which outline opportunities in the given countries. In cooperation with business associations, the MFA has launched an instrument for supporting economic activities abroad entitled PROPEA, which allows Czech entrepreneurs abroad to make use of the services of local experts to ensure continuity of business relations and resolution of logistical and other problems associated with emergency measures. PROPEA has had a pilot launch in 10 countries.

⁵ With Resolution No. 277 of 23 March 2020.

With Resolution No. 302 of 26 March 2020, the government has freed up funds in the 2020 budget heading of General Treasury Administration, item Government Budget Reserve, of up to CZK 1 billion for the budget heading of the Ministry of Agriculture (MAG) for providing for the current measure of the Support and Guarantee Agriculture and Forestry Fund to **ensure food self-sufficiency** and reduce the impact of the crisis situation caused by the coronavirus pandemic.

A homecare allowance will be paid out for the whole period of school closures assuming a child is less than 13 years old or if the caregiver is taking care of a disabled person or persons. For self-employed persons that stay home in order to ensure care for children aged 6–13 the state will contribute an amount of CZK 424 a day. All self-employed persons whose sole income is from their business will be allowed to defer health and social insurance payments for up to 6 months. This deferral concerns the amount of the minimum premiums, i.e. CZK 4 986. **The government is also compensating self-employed persons** whose places of business have been closed due to the coronavirus epidemic with a one-off amount of CZK 25 000. Further direct support for the self-employed of CZK 500 a day is now also being applied to the period from 1 May to 8 June. On 4 May 2020 the government also approved a draft act on a compensatory bonus, which will offer similar support as self-employed persons received to the partners of small limited-liability companies. The programme will be focused on companies with at most two partners, with both being able to apply for support, or with more partners if they are members of a single family.

In mid-March 2020, after the state of emergency was declared in the Czech Republic and the borders closed, **accepting of requests from third-party nationals** to enter the Czech Republic for purposes of employment was **stopped** effective immediately. In inter-ministerial cooperation (MLSA, MI, MIT, MFA, MAG), measures were addressed for utilising and connecting available labour of third-country employees within the Czech Republic in danger of losing their employment with employers who were looking for new labour (particularly in the field of agriculture).

Tax policy

Two liberation packages were adopted. **Liberation Package I** means across-the-board waiving of the fine for late filing of personal and corporate tax returns, waiving of the fine for late tax claims and across-the-board waiving of fines for late filing of inspection reports in the amount of CZK 1000 that arose between 1 March and 31 July 2020.

Liberation Package II applies to waiving of the June advance tax payment for personal and corporate income tax, across-the-board waiving of the fine for late submission of tax returns for real estate acquisition tax and suspension of the obligation to keep electronic records of sales for entities that fall under all phases of the electronic records of sales scheme (EET). Launching of the final phase of EET has also been postponed. Implementation of loss carryback is also planned.

Social policy

In order to protect the most vulnerable parts of the population, the government approved further social measures. The MLSA prepared a legal draft of extraordinary measures, the goal of which is to ensure smooth and timely provision of non-insurance social benefits for the duration of the state of emergency. The measures, which include simplifying administrative procedures and preference for remote communication with clients, are to allow for expedition and simplification of benefit accessibility and flexible response to (sudden) fall-offs in income. In particular, the housing allowance

and material need benefits are of increased importance, including emergency immediate assistance, through which funds flow to at-risk groups in order to cover costs for housing and basic necessities.

State budget, monetary policy and macroprudential policy

A **draft amendment to the act on the state budget** for 2020 was approved, envisaging overall revenue of CZK 1.4282 trillion and an expenditure of CZK 1.7282 trillion. The deficit will thus total CZK 300 billion (which is CZK 260 billion higher than in the originally approved budget).

On 17 March 2020, the Czech National Bank (CNB) reduced the two-week repo rate by 50 basis points to 1.75% and subsequently on 26 March 2020 decreased it a further 75 basis points to 1.00%. The CNB also revised the countercyclical capital buffer for exposures located in the Czech Republic.⁶

Also going through the legislative process was an **amendment to the Act on the CNB** to loosen up the current restrictions on free market transactions. Thanks to this, up until the end of 2021 the CNB will also be able to trade in instruments with a maturity of over one year, including with entities other than just banks and savings and credit unions. Now the central bank can have trade partners that include for example insurance companies, pension companies, and other institutional investors. In the case of trading in government securities, the amendment does not break the ban on monetary financing of state and public institutions.

Use of EU funding

Under the programmes financed from EU funding, it is being considered that funds could be transferred into areas **to support businesses affected by the consequences of the coronavirus infection**. The Czech Republic has supported the accelerated adoption of two packages of modifications to the general regulation under the Investment Initiative Reacting to the COVID-19 Pandemic, which allow more flexible use and more rapid freeing up of funding allocated under the structural and investment funds. Thanks to more flexible transfers of resources under OP EIC (CZK 6 billion), it will now be possible to use these funds for loans and guarantees provided via the CMGDB. The government has also welcomed the new package of Commission proposals from the start of April, which allow further flexibility for the use of EU structural and investment funds, in particular in terms of transfers between funds, increasing the level of co-financing or easing the rules for thematic concentration and reducing administrative burden. An analysis is underway at the national level of not yet committed funding from the individual operational funds with the goal of identifying possible transfers to where the funds could be used flexibly to address the consequences of the pandemic.

The government has also approved freeing up CZK 3.3 billion from the state budget for the *Rural Development Programme for 2020*. These funds should help deal with the crisis situation of businesses in agriculture and the food sector. The main reason for support is ensuring food self-sufficiency. The change to the programme document will be conferred with the Commission.

Healthcare funding

In the healthcare sector, a reduction in planned operations and outpatient examinations is taking place, and by contrast so is a growth in the costs of providers in the hospital and laboratory segment in connection with COVID-19. Health insurance companies are reacting flexibly with a range of

⁶ For more detail on the revised countercyclical capital buffer, see section 3. 1. 4 Stability of the financial sector.

targeted measures, whereby with the help of advance payments they are stabilising the short-term financing of providers and are increasing the advances to those providers facing increased costs through an individual contractual policy.

On the revenue side, a **significant drop in the collection of insurance premiums** is expected this year, to the tune of CZK 50 billion, which is caused by the drop in wage growth and the government measures in terms of self-employed persons paying premiums. To compensate this drop-off, **the government has increased the payment of premiums for state-insured persons**. From 1 June 2020 the payment for a state-insured person will increase by CZK 500 and from 1 January 2021 it will rise by another CZK 200, which will provide an additional CZK 19 billion this year and CZK 53 billion next year, depending on the development in the number of state-insured persons.

Despite the increased payments for state-insured parties, this year there will be a drop in overall revenue and growth of expenditures on healthcare, which will be felt in a significant increase of the deficit in the health insurance system in the order of tens of billions of CZK, which will however be possible to cover from insurance company reserves.

Education

The measures adopted by the government do not have a negative influence on school system funding from the state budget in 2020.

A crucial element for kickstarting the education system are "templates", with which more than 75% of schools in the Czech Republic have plenty (many years) of experience. On 31 March 2020 the Ministry of Education, Youth and Sport (MEYS) declared the **3rd wave of templates** for nursery and primary schools. These create the conditions for schools so that they can better cope with the current situation. The call is set up so as to support all nursery and primary schools that express an interest. The announcing of this call is key for overcoming the impact of the pandemic, as it provides schools with such things as staffing support for educating students at-risk of scholastic failure, as well as activities for tutoring pupils, tandem teaching, etc., which constitutes significant support for pedagogical workers in overcoming the consequences of limitations on school instruction during the school closures. The 3rd wave of templates makes use of nearly the whole **available allocation of OP Research, Development and Education (RDE) of the European Social Fund (ESF)**. OP RDE no longer has any free allocation available under the European Regional Development Fund (ERDF).

In reaction to the COVID-19 pandemic, the Technology Agency of the Czech Republic (TA CR) adopted a decision on the possibility of expanding research topics related to this pandemic for beneficiaries of projects being implemented. They could also apply for a budget increase in accordance with Act No. 130/2002 Coll. At the same time recipients from the GAMA 2 programme were approached to consider priority support for sub-projects dealing with research related to COVID-19. In the prepared DELTA 2 programme for international cooperation, the TA CR also called on international partner agencies to consider focusing projects on research related to COVID-19.

Measures in the field of justice

The government has approved a draft act that reacts to the main problems people are currently facing in regards to **court proceedings**, in the field of executions and insolvency, and in the functioning of legal persons, e.g. corporations or cooperatives. The proposal thus provides for expanding the possibility of forgiving missed deadlines in court proceedings if the deadline was

missed as a result of restrictions stemming from the emergency measures adopted in the fight against the spread of COVID-19 (mandatory quarantine, restriction on movement and gathering of people). For the duration of the emergency measures, the decision-making of legal person bodies was also simplified making use of technology or correspondence voting. At the same time, automatic extension or renewal was established for the term of members of elected bodies that expired during the emergency measures (with the given person's consent). The deadline for convening a general meeting or cooperative members' meeting to discuss the regular annual accounts has also been extended, by three months from the day the emergency measures end.

In terms of **insolvency**, deferral of the obligation of a debtor to submit an insolvency petition if it is in bankruptcy has been allowed for example, by six months from the emergency measures, and it has also been established that no account shall be taken for a creditor petition filed up to 31 August 2020. Aside from this, an emergency moratorium has been introduced offering business owners a special protective regime (preventively before as well as after the insolvency petition has been filed), during which they are protected against a bankruptcy decision and allowed to operate their business.⁷ In addition to this, the rules for debt relief commenced before the major amendment in 2019 have been relaxed to help debtors that have a problem with a drop or loss of income (debt relief commenced after the 2019 amendment was already more flexible). In terms of executions this problem is already resolvable by the existing institution of execution postponement, which can be requested repeatedly. Based on discussions with MPs however, further measures were also prepared that should assist debtors facing execution, e.g. across-the-board postponement of certain methods of execution.

3.1 Macroeconomic stability

3.1.1 Tax policy

The government's priority is a transparent tax environment, minimising distortion, reducing the administrative difficulty of tax collection, digitisation and protection of health via the tax policy. Also wrapping up are projects in the field of fighting tax evasion.

The Ministry of Finance (MF) is submitting a bill thanks to which the **deduction obligations and administrative demands of doing business** will be significantly **simplified for small tradespeople** from among the self-employed. Entrepreneurs whose annual income does not exceed CZK 1 million will be able to rid themselves of the obligation to file three different forms for income tax, social insurance and health insurance through a single flat-rate tax. They will also be able to pay income tax and insurance premiums with a single payment to the tax administrator.

Revision and gradual abolition of the established tax exemptions will considerably help in reducing the administrative burden of tax collection. One of the goals of the forthcoming legislative adjustment to the Income Tax Act is **simplified provision of the meal allowance** for employers and reducing the transaction costs for both employers and businesses receiving payments through meal vouchers. Thanks to this, the law will allow small business owners to also make use of the meal

⁷ The moratorium also protects the debtor against termination of contracts for supply of energy, raw materials, goods and services, and also allows it to pay commitments directly related to preserving business operations before older debts. After the emergency moratorium ends, the insolvency register record will be made inaccessible, which will prevent the effects of negative publicity. These measures should provide business owners time to deal with the problematic situation caused by the coronavirus without being at risk of insolvency proceedings.

allowance system as an employee benefit, as well as those who have not joined the system of distribution of meal tickets through vouchers or meal cards.

Another planned change that will have a positive effect in terms of reducing the administrative burden of business entities is **providing for a new legal treatment of accounting in the Czech Republic** so it can succeed in the European economy and changing world. The new legal treatment includes rationalisation of the scope of regulatory instruments. In particular, the planned new organisation of legal regulations governing accounting will better reflect the real needs of affected accounting units.

Digitisation of tax administration continues to be a priority, as does a more pro-client approach. The project *MY Taxes* (Modern and Simple Taxes) remains the flagship for gradual digitisation of tax administration and fundamental client-side simplification and an accommodating approach for taxpayers. The expected date for it to take effect is 2020.⁸

Due to the established policy of not increasing the accessibility of commodities that are harmful to health, steps were taken to **increase the excise duty rates on alcohol and tobacco products** (the plan for excise duties on tobacco products is divided into several years).

The Czech Republic is still endeavouring to introduce a **blanket mechanism for the transfer of tax liability** that would substantially reduce the remaining value-added tax (VAT) evasion. The Czech Republic is currently discussing extension of the granted exemption.

A proposal for a **digital services tax** is in the legislative process, being based on the draft directive on a common system of a digital services tax⁹. The unilateral measure is proposed as time-limited. The Czech Republic strongly supports work on a global solution under the Organisation for Economic Co-operation and Development (OECD).

Next year the last **wave of EET** will be launched, involving all remaining sectors. This is connected with the launch of a "paper" registration system for the smallest entrepreneurs and a reduction in the VAT rate for selected services with a high level of human labour and certain other goods.

Another important instrument in the fight against tax evasion at the international level is the constantly evolving mechanism of **international exchange of information** concerning tax administration. At present the implementation of a new range of information is underway, which as early as October 2020 is to be shared by EU Member States under the system of automatic exchange of information. This is standardised information on tax optimisation schemes that are deemed a risk in terms of evading tax obligations.

As part of the support for international standards of proper tax administration, the Czech Republic has undertaken to expand the scope of provisions concerning the taxation of controlled foreign companies (without examining other decisive factors for application of these provisions) to all

⁸ This includes setting up a *MY Taxes* portal, which will be a virtual Financial Office that inter alia will offer taxpayers the option of pre-filled in tax forms featuring the taxpayer's basic data, wage input from their employer and data from third parties that are important for the final assessment of the tax obligation (information from banks or pension funds). An integral part of the digitisation of tax administration is streamlining tax collection using software (analytical) instruments and managing supervisory activity with the support of computer technology in order to reduce the burden on tax entities caused by supervisory activities. The MF publishes information on the project on the website <https://www.mfcr.cz/cs/verejny-sektor/dane/moje-dane/aktualni-informace>.

⁹ Proposal for a Council Directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services, COM/2018/0148 final - 2018/073 (CNS).

companies/controlling persons whose controlled companies are a resident of a country or jurisdiction included on the list of non-cooperating jurisdictions. In such a case, the activities of the foreign controlled entity will now be viewed (in terms of income tax) as if they were realised by a Czech-controlled company.

3.1.2 Budget framework

An **amendment** has been prepared to **Act No. 218/2000 Coll., on budgetary rules**, dealing in particular with the area of programming funding with the aim of streamlining data on provided subsidies. The government passed the proposal on to the Chamber of Deputies. On 24 January 2020 it went through the first reading in the Chamber of Deputies. The proposal was assigned to the Budget Committee, which took it up and recommended it be approved with the proposed amendments it submitted.

3.1.3 Long-term sustainability of public finances

The Czech Republic is currently evaluated by the Commission (in the report *Debt Sustainability Monitor 2019*) as a **country without significant fiscal risks** over a one-year horizon and in the medium-term perspective, while from the perspective of long-term sustainability it faces a medium risk. According to the Commission's most recent data, the long-term sustainability indicator (S2) has reached a value of 4.8% of the gross domestic product (GDP). In the last two years this indicator has grown by over three percentage points. The reason is the impact of the projected increase in costs of aging (according to the *Commission's Aging Report 2018*), which in terms of size is identical to the value of the whole indicator. Nearly 50% of the growth in aging costs is accounted for by pensions followed by long-term care with an impact of around 20%. The influence of the initial budgetary position is neutral. According to the analysis of debt sustainability that supplements the sustainability assessment, the Czech Republic numbers among the countries with a low risk.

Pension system

The year 2019 was the third in a row where **income from pension insurance premiums exceeded expenditures** on pension insurance benefits. In the MLSA budget heading, a surplus of insurance premiums over expenditures of nearly CZK 20 billion was reached. At the same time there was a turnaround in the unfavourable trend of a falling ratio of average pension to salary, with this ratio, according to estimates, increasing by 0.5 pp in 2019 to 38.6%.

Measures adopted in recent years to ensure the adequacy of pensions have thus worked and begun to fulfil their purpose. For the same reason, the **Pension Insurance Act was amended** over the course of 2019, guaranteeing an increase in the average pension of at least CZK 900 starting January 2020.

In February 2019, the **Commission for Fair Pensions** began its work as an advisory body to the minister of labour and social affairs. During its meetings, the commission dealt with a number of serious issues with the Czech pension system – discrepancies between the pensions of men and women, ensuring earlier retirement for people in physically demanding professions, and the low efficiency of supplementary pension schemes. Since September, the commission's activity has been almost fully devoted to more marked **parametric reform of the pension system**, which consists of creating a robust – zero-level – solidarity pillar and a fully insured – first – pillar for the pension system. In January 2020, three possible variants were presented, differing with how the individual parameters were set up and also by the expected impact on public finances. The long-term impact of

variants considered range from a drop in expenditures of approximately 0.5% of the GDP to increasing the expenditures by 1.5% of the GDP. The proposal is currently being discussed by the coalition council.

In parallel, a proposal is being prepared for dealing with earlier retirement by **people in demanding professions**. This proposal should be legislated over the course of 2020 once the governing coalition has agreed on all its points. The planned solution should affect approximately 10% of all employees. In terms of the budget, in the first years the measures should bring additional income into the state budget at a level of 0.2% of the GDP due to the higher employer-paid premiums in demanding professions; long-term, after 2040, the growth in revenue will be outweighed by increased costs, again at approximately 0.1% of the GDP.

The OECD is preparing a **study mapping the situation in the Czech pension system** including variant reform proposals. In January 2020 an OECD mission was in the Czech Republic, with the aim of acquainting itself with the thoughts of various stakeholders. The report itself should be released in July 2020.

Healthcare expenditures

According to the **cash balances** published by the MF, in 2019 the public health insurance system operated with total revenue of CZK 332.5 billion, which is an increase of 7.3% compared to 2018. The overall expenditures for last year totalled CZK 319.1 billion, and the total cash balance of the system exceeded CZK 13 billion. Thanks to positive economic management, it was possible to increase the balances in health insurance companies' funds to a total of CZK 58.5 billion as of the end of 2019.

According to the **health insurance companies' health insurance plans**, revenue of CZK 350 billion was expected in 2020, which is a year-on-year increase of CZK 17.5 billion. For reasons associated with the onset of the COVID pandemic and the adopted government measures, income of CZK 320 billion is now expected. At the same time, 11 of 14 segments of medical services came to an agreement for the year 2020 under a conciliation procedure, with an agreement not being reached only for the segments of acute and follow-up inpatient care and homecare, for whom the Ministry of Health (MH) subsequently laid down the reimbursements itself in a reimbursement decree. For those segments that did come to an agreement with under conciliation, the reimbursement decree also increased the reimbursements as part of an overall appreciation agreed at the government level. The overall expenditures for 2020 are expected at CZK 358.4 billion, which is a record increase of CZK 39.3 billion (of which at least CZK 34 billion represents a growth in costs for medical services, broken down as CZK 28 billion through the reimbursement decree and CZK 6 billion through individual insurance company payments). The expenditures in certain segments could rise further in connection with COVID. For the year 2020 a considerably negative balance is expected in the system to the order of several tens of billions of CZK, which will significantly reduce the balance in health insurance company funds.

The CZ-DRG system for inpatient care (*Diagnoses Related Group System*) remains a key measure for **increasing the efficiency of healthcare provision**. It is expected that the CZ-DRG system will have been fully implemented into the reimbursement mechanisms for acute care in 2021. The exact form and scope of implementation will be specified during 2020. The system provides a fundamental starting point for modelling public expenditures on provision of acute inpatient care.

Activities related to expanding the competencies of general practitioners and laying down the rules between primary and specialised care were launched in 2019 as part of **primary care reform**. These steps should help optimise the use of outpatient care and settings for management of chronic afflictions. In 2020, measures will then be launched to increase the accessibility of primary care, in particular by creating joint practices along with ensuring standardisation of facilities. Support should also commence for education of young physicians at medical faculties, specialised training and support for primary care trainers.

An important step in terms of **digitising healthcare** that goes hand-in-hand with changes in how primary care is configured is the sharing of a patient's medication record. A legislative change to Act No. 378/2007 Coll., on pharmaceuticals, effective from 1 December 2019, established a "shared patient medication record", which allows physicians and pharmacists to take into account the specific patient's existing medication history when providing healthcare services, helping prevent adverse interactions between medications and duplication and ensuring a higher level of patient safety. Access to the shared patient medication record will open up during 2020.

3.1.4 Stability of the financial sector

The stability of the financial sector is regularly assessed by the CNB. The results of this assessment are published twice a year in the publications Financial Stability Report and Risks to Financial Stability and the Indicators. In connection with this evaluation, twice a year the CNB also assesses the settings of its Recommendations on Management of Risks Associated with Provision of Retail Credit Secured by Residential Real Estate.¹⁰ These Recommendations, which inter alia contain the upper limits for the indicators LTV, DTI and DSTI¹¹, are nevertheless not currently legally enforceable. For this reason, the CNB along with the MF has submitted a **draft amendment to the Act on the CNB** into the legislative process, which includes the power to set an upper limit for the aforementioned indicators in a legally binding manner. One of the objectives of the bill is to ensure equal conditions on the market and prevent unfair competition among providers in the future, when foreign institutions that do not fall under the prudential supervision could start providing mortgages to a much greater extent. The draft amendment to the CNB Act was approved by the government in June 2019 and in January 2020 it was taken up by the Chamber of Deputies in the first reading. The fact that the CNB does not have the power to set an upper limit on loan indicators in a legally binding manner was also mentioned in a warning from the European Systemic Risk Board in terms of risks associated with the residential real estate market of 27 July 2019 addressed to the Czech Republic.

As is described in chapter 2 Macroeconomic outlook, the considerably unfavourable development of both the domestic and global economy in connection with the coronavirus pandemic will in all likelihood cause a shift in economies into a downwards phase of the economic and financial cycle. With the goal of supporting macroprudential space for lending to the real economy, the CNB has partially loosened the countercyclical capital buffer (CCyB) from the current level of 1.75% to a level of 1% (as of 1 April 2020). In order to fulfil the purpose of loosening the CCyB in a situation where cyclical credit risks have not yet actually materialised in banks' balances and capital positions, the CNB has recommended postponing the payment of dividends until the acute and long-term

¹⁰ See CNB Recommendations of 11 June 2019, 13 December 2019 and 1 April 2020.

¹¹ The ratio of a loan to the value of an asset - *loan-to-value* (LTV), the ratio of a debt to a loan applicant's net income - *debt-to-income* (DTI) and the ratio of the total debt service to the loan applicant's net income - *debt service-to-income* (DSTI). Since 1 April 2020, the CNB has immediately abandoned the obligation of assessing new mortgages according to the DTI indicator in reaction to the economy being hit by the Covid-19 pandemic.

consequences of the pandemic on the economy have subsided. At the same time it adjusted the limits of the Recommendations. It increased the DSTI limit to 50% and LTV to 90% with the possibility of exceeding each of the limits by 5%, and made the DTI limit non-binding, as in the current situation they could be overly strict.

3.2 Fairness: housing, work, social policy and education

3.2.1 Housing

According to the data of the Czech Statistical Office (CSO), the **offer price of flats** in the Czech Republic rose 53% from 2010 to 2019, in Prague by more than 75%. Flats are a sought-after investment commodity for owner-occupied housing and for long-term rental, or potentially for foreign investors, in addition as a business project, especially in attractive locations, they are rented out via online platforms as private tourist accommodations. This trend represents a major social problem and it must be rapidly addressed systematically. The issue of a large amount of short-term rentals via online platforms, utilised primarily by foreign tourists, is now clearly visible (the sudden influx of flats for rent, especially in the centre of Prague). This is also compounded by the strong factor of insufficient residential construction, particularly due to its low intensity, with roles being played by poor investment preparation and building permit processes, as well as lack of infrastructure and slow revitalisation of brownfields, especially their ecological burdens.

At the same time, there is a persistent preference in the Czech Republic for own housing through the purchase of real estate. According to the CNB, **mortgages** for housing amount to more than CZK 1.2363 trillion in 2019, building savings loans CZK 82.2 billion, and other real estate loans CZK 11.2 billion.

In recent years, the high volume of newly granted loans in the conditions of growing residential property prices has been supported by dynamic growth in household income and the relatively low interest rates in this segment of the credit market. An increase in household debt levels would thus increase their problems in paying off loans in the case of an economic downturn. Roughly a fifth of Czech households are paying off housing loans, most frequently couples with children. Even low-income households do not steer clear of mortgages or building savings loans, having few alternatives.

In 2018, as a result of the rapid growth in mortgages, the CNB issued **Recommendations on Management of Risks Associated with the Provision of Retail Credit Secured by Residential Real Estate** in accordance with the prudential procedure. These recommendations concerned the limits regarding the indicators DTI and DSTI.

The macroprudential measures and associated pre-supply of the market before they took effect in October 2019, the low offering of real estate and the worsened affordability of housing caused a drop in the number of new mortgages. In 2019 the volume of actually new mortgages (i.e. not including refinanced mortgages) fell year-on-year by 13.6%, in part due to pre-supply in 2019. Providers adapted to the regulation in part by offering new types of products, e.g. making use of the space for exemptions from LTV to specifically target mortgages at younger applicants, introducing new products such as the relay mortgage (allowing parents to take out a mortgage instead of their offspring and only passing it on once they could handle the payments) or mortgaging a mobile home (to get money to purchase a mobile home without a house number).

Nevertheless, the current emergency measures of the Government of the Czech Republic and other countries that have been adopted in connection with the COVID-19 pandemic are also impacting the whole area of housing (supply, demand, construction, loans, rent, etc.).

The Ministry for Regional Development (MoRD) is responsible for the *Housing Policy of the Czech Republic until 2020 (revised)* from 2016. In 2019 work began on assembling material for a **new housing concept for the period 2021+**. The proposal section is currently being worked on and the new concept should be presented to cabinet by the end of 2020.

Acceleration of housing construction is a long-term goal. Aside from partial amendments to the current Building Act, which aim to speed up the processes required for obtaining a building permit, work is also being done on recodifying public construction law, which is one of the government priorities – for more see chapter 3.3.1 Investment policy.

In order to improve the enforceability of law and the functionality of housing co-ownership, the MoRD and the Ministry of Justice (MJ) have prepared an **amendment to the Civil Code** and the act on transfer of ownership rights to units and group houses of certain housing cooperatives. The goal is to **simplify and speed up the creation of owners' associations** (and also to describe more management of buildings and land without the creation of a unit owners' association). An **adjustment of the transfer of a unit owner's debts** when transferring a unit has been proposed and it is proposed that pre-emption right be abolished and the system from before 2018 be returned to. An amendment to the Civil Code, the Corporation Act and certain other related acts has been approved and will take effect 1 July 2020.

In terms of **regulating the real estate brokerage market**, the Real Estate Brokerage Act¹² took effect on 3 March 2020. The law should help cultivate the real estate market and increase the protection of those interested in purchasing or renting real estate.

A draft of Act No. 113/2020, amending the Act on the State Housing Development Fund¹³ and several other acts was approved with the goal of **expanding the powers of the State Housing Development Fund** (SHDF) to include support for regional development. In light of the fact that with this amendment the fund's focus is expanded to include investment in support for regional development and tourism, as of 1 June 2020 it is being renamed the State Investment Support Fund (SISF).

In reaction to current developments on the housing market, a discussion has been launched between the MoRD and MLSA on the topic of **affordable housing and possibilities for supporting it**. The government has long been concerned with the deteriorating accessibility of housing and the associated social problems. Now a draft Affordable Housing Act has been incorporated into the Government Legislative Work Plan for 2020, which should focus both on adjusting social housing and on the possibility of housing for persons without limitations, which should expand the number of people who are able to provide housing for themselves, plus regulation of short-term rentals through online platforms. The MoRD is responsible for the draft Affordable Housing Act, which should be submitted by the end of 2020. At the same time the *Social Housing Concept of the Czech Republic 2015–2025* is being updated by the MLSA, with the changed title of *Affordable Housing Concept of the Czech Republic 2020–2025*. Agreement has not yet been reached among all the ministries on this proposal however.

¹² Act No. 39/2020 Coll.

¹³ Act No. 211/2000 Coll.

Non-insurance social benefits play an important role in securing affordable housing for low-income households, preventing loss of housing and ensuring its sustainability. The MLSA has prepared changes to the legislation revising and harmonising the provision of state benefit support in the field of housing. The **discussed proposal for housing benefit support** aims to simplify the system, expand the legal right to benefits, and define eligible housing costs. It is also considering expanding the conditions for the right to state support by incorporating testing of beneficiary activity (e.g. in the form of finding employment) and compliance with stipulated rules (e.g. proper school attendance of children). Further adjustments under discussion are minimum basic standards for housing quality and the factuality of use of housing and lack of means. Currently the draft is in inter-ministerial comment procedure (ICP), but a consensus among ministries has not yet been reached on it.

Support for social housing

The MLSA realises **social housing support** through the project *Social Housing – Methodological and Information Support in the Field of Social Agendas* financed from the European Structural and Investment Funds (ESIF). This support is based in part on international cooperation and the transmission of good practice, project research activities, and of course consultation sessions with key actors on the issue. A contact centre has been set up by the MLSA to broker methodological support. The base document is the government-approved *Social Housing Concept of the Czech Republic 2015–2025*.

Close cooperation was established in the project with 16 municipalities of various sizes across the Czech Republic. The project was also expanded to include the key activity Housing First Support, which concerns support for the implementers of these projects, under call for submissions 108 of OP Employment (OP E) – Support for the Housing First Programme. At the aforementioned contact centre for the Social Housing project, support is also offered to unsuccessful applicants (under call for submissions 108) and other municipalities that are determined to address the issue of housing in their community. A *Survey of Neighbourhood Relations and Attitudes to Social Housing* was realised under the project on the basis of a public tender, the researcher of which was the Institute for Evaluation and Social Analysis.

At the start of 2020 the assessment of all individual calls for social housing under the MoRD's Integrated Regional Operational Programme (IROP) was completed. Call 80 Social Housing II was increased by CZK 400 million from the ERDF, so a total of approx. CZK 3.9 billion was available for social housing from Specific Objective 2.1 of IROP. Applications continue to be accepted in 2020 under the "integrated calls" of IROP – integrated territorial investment (ITI), integrated territorial development plan (ITDP) and community-led local development (CLLD) – no. 83, 84 and 85, where there is still approx. CZK 600 million available up to the end of 2023.

Housing support programmes

Support under subsidy and loan programmes in the field of housing falls under the MoRD and SHDF. The MoRD supports the housing policy through the programmes *Housing Support* and *Housing Support in Areas with a Strategic Industrial Zone (SIZ)*. The *Housing Support* programme is broken down into 3 sub-programmes.

In terms of the amount of allocated funding, the most important of them is the sub-programme *Assisted Flats*, which is focused on creating flats in the Czech Republic that serve for the provision of social housing for persons that are at an economically inactive age – seniors – and persons who have

difficulty accessing housing as a result of special needs resulting from their unfavourable social situation. Subsidy beneficiaries are designated types of legal persons including municipalities. Two subsidy titles were announced for 2020 under this sub-programme – *Nursing Flat* and *Community Retirement Home (KoDuS)*, with a total allocation of CZK 260 million, under which an applicant can draw up to CZK 600 000 for the creation of a single flat with regulated rent.

The target group of future tenants for *nursing flats* is seniors¹⁴ in an unfavourable social situation or persons who are dependent (for health reasons) on the assistance of another natural person. What this means for these people is reacquiring or extending their self-sufficiency and independence, while also allowing effective provision of field social care services. For the *KoDuS* subsidy title with a target group of persons over 60, in addition to maintaining self-sufficiency and independence it supports a community way of life on the principle of neighbourly assistance thanks to the shared home spaces for leisure time.

Another programme is *Residential Homes without Barriers*, through which the MoRD co-finances up to 50% of the structural modifications allowing for barrier-free access to the building and the lift in apartment buildings with four or more floors (maximum CZK 200 000 per entrance) and construction of lifts in apartment buildings that never had one (up to CZK 800 000 per lift). The subsidy beneficiary can be (co-)owners (natural and legal persons including housing cooperatives and municipalities) and unit owners' associations. The allocation for 2020 totals CZK 165 million.

The third sub-programme *Technical Infrastructure* focuses on expanding the offering of prepared building lots (support for hooking them up to the infrastructure) for subsequent construction of blocks of flats or single-family homes. The beneficiary (municipality) can use the subsidy to finance construction of roads, water lines or sewers, and can obtain CZK 80 000 for each lot earmarked for development.

The programme *Housing Support in Areas with a SIZ* supports municipalities located in an area affected by the operation of a major investor and rapidly growing offer of job opportunities (specifically the Solnice-Kvasiny zone in the Hradec Králové Region). The programme is divided up into the sub-programmes *Construction of Flats in Areas with a SIZ*, which is focused on developing municipally owned rental housing with an allocation of CZK 100 million, and *Construction of Technical Infrastructure in Areas with a SIZ*, which aims to support the offering of prepared building lots for subsequent residential construction, where the budgeted funds total CZK 20 million.

The **SHDF** supports housing for example through the *Panel Programme 2013+* (this year's allocation CZK 200 million) as well as through the new¹⁵ *Insulation Programme*, which is a financial instrument of IROP SC 2.5 and allows the provision of interest-free loans for energy modernisation of apartment buildings under the condition of achieving overall energy consumption savings (at least 20% compared to before modernisation), with an allocation this year of CZK 150 million.

The *Rental Houses Programme* allows the applicant (natural and legal persons, including municipalities) to procure rental flats for designated groups of disadvantaged persons through low-interest loans¹⁶. The loan can cover up to 90% of the investment costs and the repayment period is up to 30 years from the completion of construction. The interest rate starts at 0.75% p.a. The

¹⁴ Age 65 and over.

¹⁵ Approved by Government Order of 13 January 2020.

¹⁶ These include persons aged 65+, adults under 30 or persons with low income, the disabled, and potentially people who have lost their homes due to natural disaster.

allocation for 2020 is CZK 400 million. The subsidy loan *Housing Estate Regeneration Programme* has an allocation of CZK 120 million this year. This year's allocation of the *Programme for Young People* is CZK 830 million.

The *Construction for Municipalities Programme* allows a subsidy to be provided for procuring municipally-owned social rental flats intended for households with low incomes and unsuitable housing, and an advantageous loan for acquiring affordable municipally owned rental flats for the general population in municipalities with insufficient infrastructure of rental flats. The budget for 2020 is CZK 340 million, with the possibility of increasing it if necessary.

3.2.2 Labour market

As of 31 December 2019, the Labour Office of the Czech Republic (LO) registered a total of 215 532 job seekers and at the same time 340 957 job vacancies reported. Year-on-year the number of job seekers had thus fallen by 16 000, while the number of job vacancies compared year-on-year was 16 500 higher.

The level of unemployed persons fell year-on-year in 2019 by 0.2 pp to a value of 2.9%. The high demand for labour was reflected in a reduction in long-term unemployment. At the end of 2019, people registered as job seekers totalled 20.8% of all job seekers, which is 5.3 pp less than at the end of 2018. The level of people with disabilities also fell by nearly 1 pp, while the percentage of the elderly (55+), young people (under 25), and persons with only basic education remained practically unchanged.

In 2020 the validity of the existing *Employment Policy Strategy to 2020* will end. The MLSA has thus prepared a follow-up strategic document for the 2020's, which will be submitted to the government for approval in the first half of 2020 – the **Strategic Framework for Employment Policy until 2030** (SFEP). Its production drew on an analysis of the labour market development over the last 10 years as well as available information on future trends on the labour market – the aging population and impact of the 4th Industrial Revolution on the labour market. Also taken into account were the demands placed on the employment policy by the *UN Sustainable Development Goals* and the *European Pillar of Social Rights*.¹⁷

Along with the long-term vision of SFEP 2030, the first measures falling under SFEP have been prepared for 2020. These are modifications in the field of brokering employment, active employment policy and support for the disabled on the labour market.

Given the rapidly evolving situation caused overall on the economic field, thus also on the labour market, in the first quarter of 2020 by the COVID-19 pandemic, which has significantly affected conditions in the Czech Republic as well, on 14 April 2020 legislative adjustments were rapidly adopted in terms of job placement, as it was necessary to quickly allow for effective contact with the LO, but not in person. One minor adjustment that had a fundamental impact on **increasing the accessibility of service provided by LOs** is doing away with the obligation to submit a request for

¹⁷ The SFEP is based on four basic pillars. The **first pillar is the field of prediction and prevention** with the goal of basing employment policy on a functional system for predicting labour market developments and career guidance. The **second pillar is individualisation**, i.e. implementing the employment policy based on the needs of labour market stakeholders – be they employees, employers or the unemployed. Using a similar concept is the **adaptability pillar**, under which instruments boosting the adaptation of the labour market and its stakeholders to changing conditions will continue to be prepared, i.e. preparations for the impact of the 4th Industrial Revolution, demographic aging and ecological challenges. The **final pillar, effectivisation**, focuses on boosting the development of employment services and cooperation on the labour market.

brokered employment in person at a LO branch. Such an application can now also be submitted via remote access. Likewise, the obligation has been abolished to do so at the LO contact office with jurisdiction where the job seeker has permanent residence. Now a client can submit this application essentially at any LO branch, or rather the one in whose district they regularly abide. The purpose of this adjustment is to support regional mobility of labour and increase the accessibility of services provided by LOs.

Other measures have already passed through the ICP and allow for greater individualisation of the services provided by LOs to job seekers with the goal of providing them with proper support adequate to their needs. Thus **profiling** of persons on the job market has been proposed based on their level of disadvantage. A follow-up measure is the proposal for a new tool of active employment policy (AEP) – **job placements for the particularly disadvantaged**. Following agreement with the LO, an employer would be able to set out such a job for a particularly disadvantaged person for a period of up to three years. At the same time, they could receive a wage contribution, the amount of which would decrease over time. The contribution is now proposed for dealing with specific employee disadvantages.¹⁸

Further proposed measures aim to support the professional development of employees and adaptation of the workforce. Based on prior experience with realising a project under *OP E Support for Professional Training of Employees* and projects preceding it, it is proposed that a **contribution for incorporation and professional development of employees** be enshrined in the legislation.

The proposed changes can also help fulfil the relevant SDGs, in particular *SDG 10 – Reduce inequality within and among countries* and *SDG 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*. Particularly reacting to these goals are the aforementioned measures aiming to support persons disadvantaged on the labour market and strengthening individual work with LO clients. Adjustments in terms of requalification and the contribution for incorporation and professional development of employees then especially react, aside from the SDGs above, to *SDG 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all*.

In 2020 LOs will continue working intensively with job seekers, in particular with the long-term unemployed. Key emphasis is on linking existing AEP instruments into more comprehensive wholes so as to provide disadvantaged persons with "tailor-made" assistance. Under the **OP E project Support for Employing Long-term Registered Job Seekers**, selected fundamental instruments of the AEP are gradually being combined in supporting long-term unemployed job seekers on the labour market. Thus counselling, requalification and creating jobs with a financial contribution are being combined based on the needs of clients. One component for example is support for trial job creation, i.e. short-term job opportunities whose purpose is to activate long-term unemployed persons with the possibility of securing long-term regular employment.

A **draft act on social enterprise** has been prepared, the goal of which is to support the business activities of companies in which they can also employ long-term disadvantaged persons on the free labour market. In autumn 2019 the MLSA took over preparing the law. Given that over 500 comments were brought to bear in the inter-ministerial comments procedure, and more than half of them were crucial, modifications to the bill are currently being dealt with. Once the current crisis is

¹⁸ This is provision of a financial contribution to an employer that has an interest in addressing specific disadvantages of its employees, for example execution. Provision of a contribution to the employer allows them to provide their employees with, for example, debt counselling, even while they are otherwise working.

over, the next steps in preparing the law will be taken up with the ministries in question so that the legislative process can continue with a bill acceptable for all or at least most of the interested parties.

Changes have also been proposed in the field of **support for the employment of persons with disabilities (PWD)**. A crucial matter is the proposal for differentiating the transfer of funds to the state budget if the obligation to employed PWDs is not fulfilled¹⁹. According to the proposal to employers that partially fulfil this obligation, the mandatory contribution to the state budget would be reduced. The goal is to motivate employers in the free labour market to employ PWDs at least to a minimum extent, and to reflect their efforts to do so. The project under Operational Programme Employment *Development of a Support System for Employing Persons with Disabilities in the Free Labour Market*, the goal of which is to support the brokering of employment to PWDs on the free market through targeted work both with these persons and potential employers will continue to be implemented. For this a network of counsellors specifically focused on advising PWDs and their employees has been created under the LO.

Under OP E, the MLSA is realising a **project Labour Market Prediction (Compass)**, which is focused on setting up a system of prediction in the Czech Republic on the national and particularly the regional level. Prediction of the future needs and trends on the labour market should be the basis for making qualified strategic and conceptual decision, not just in terms of employment policy, but also for example in setting up lifelong learning and in terms of future qualification needs or taking into account regional differences in demand for qualifications. Also proposed is legislatively enshrining the obligation of LOs to reflect not only existing labour market needs in selecting requalification courses, but also the predicted development. Since 2018 the Czech LO has been conducting "Employment Surveys" in the individual regions based on a uniform methodology, which allows it to monitor the current state and demand of employers for labour.

Women's participation in the labour market

The potential of women in the labour market is not sufficiently utilised in the Czech Republic. Although the employment rate of women in the Czech Republic is above the EU average, the employment rate of women with small children numbers among the lowest in the EU (47.2% vs an EU average of 63.1% in 2018).

The Czech Republic has long had the highest level of impact of parenthood on the employment of women, with the difference between employment rates of childless women and women with children under six being 30.5 pp in 2018.²⁰ The Czech Republic is also the country in the EU with the third greatest gender pay gap (GPG), which in 2018²¹ was at a level of 20.1 % (EU average 15.7 %), with the adjusted GPG being 11%, while in other EU countries it ranges around 5%. The GPG also has a marked impact on the difference in pensions collected by men and women, in 2018 totalling 13% to the detriment of women (EU average 30%)²². The reason for the low employment of women with small children is above all the unavailability of pre-school childcare services and insufficient supply of quality, flexible working hours, along with the low wage level that often prevents women returning

¹⁹ Under Section 81 of Act No. 435/2004 Coll., on employment, as amended.

²⁰ Eurostat, 2019. Employment rate by sex, age groups, educational attainment level, number of children and age of youngest child. Available at: <http://ec.europa.eu/eurostat/data/database>

²¹ Eurostat, 2020

²² Eurostat, 2020.

to the labour market from parental leave earlier. In 2018 only 10.8% of working women in the 20-64 age group worked in a part-time position, while the EU average was 30.8%.²³

As part of the **OP E project 22% TO EQUALITY** focused on reducing the gender pay gap, an *Action Plan for Equal Pay* is being developed, which will propose specific measures with the goal of reducing the GPG. The project involves key actors on this issue, such as the State Labour Inspection Office (SLIO), the Office of the Public Defender of Rights, the LO, social partners and specific employers from the public and private sector.²⁴

The Technology Agency (TA CR) has long been working with the issue of the low involvement of women in research and development, in part through the ZÉTA programme, which is focused on supporting collaboration between the academic sector and businesses by involving university students and young research workers under 35. The TA CR is implementing output from the Horizon 2020 projects on gender equality and a responsible approach in research and innovation that it is involved in into the ZÉTA project on a pilot basis. For example, in 2019 the Logib instrument was successfully piloted in the ZÉTA programme, by which the wage differences between men and women in an organisation can be calculated. Based on the submitted calculation, several applicants received compensation. The Logib tool is not the only option for receiving a bonus for an advanced environment of caring for human resources and gender equality; holders of an HR Award, TOP Responsible Company, Company of the Year: Equal Opportunity and others are likewise accepted in the ZÉTA and ÉTA programmes.

Childcare services

Despite the recent growth in capacity of pre-school childcare services, in part thanks to ESF support, the offer of such services, in particular for children under three, is still insufficient. The attendance of children under three in formal care facilities (9.1%) is below the EU average (35.1% in 2018).²⁵ Affordable, locally available, quality childcare services (particular for pre-school children) are one of the most important tools for maintaining contact with employment during maternity and parental leave and for parents (re-)entering the labour market. A high-quality system of pre-school education is also an important instrument for addressing the possible social disadvantaging of children.

The Children's Group Act²⁶ sets out the basic parameters for non-commercial care of children from one year of age until the beginning of mandatory school attendance. The concurrent amendment to the Income Tax Act made employer costs connected to provision of childcare for its employees' tax deductible and gave a tax break to parents who make use of childcare services in connection with their (re-)entry to the workforce. As of 31 January 2020, the MLSA registered 1 037 active children's groups with approximately 13 600 spots for children.

Since 2016, the MLSA has been realising the systematic project *Support for Implementation of Children's Groups* under OP E, under which comprehensive counselling and methodological support is provided to children's group providers to implement the Children's Group Act. The systematic project

²³ Eurostat, 2019. Full-time and part-time employment by sex, age and educational attainment level.

Available at: <https://ec.europa.eu/eurostat/data/database>

²⁴ The project output includes for example quantitative analyses of the differences in pay between men and women in the Czech Republic down to the level of the same position with the same employer, including international comparison, a report with the results of a public opinion poll, an online wage/salary calculator, transposing the Swiss self-evaluation software for the employer Logib to the Czech Republic and more.

²⁵ EC, Country Report 2020.

²⁶ Act No. 247/2014 Coll., on provision of childcare services in a children's group and amending related acts, in force from 29 November 2014.

under OP E *Support for Implementation of Child Care for Children Aged Six Months to Four Years in "Micro-Crèches" and Pilot Testing of the Service* has also been being realised since 2016.²⁷ Currently there are 95 micro-crèches on record around the Czech Republic with nearly 380 places for children. The project also includes a review of education standards for persons caring for small children in order to increase the quality and professionalism of the provided service.

Currently an **amendment to the Children's Group Act** is being prepared in accordance with the measures of the *Family Policy Concept*. The goal of this amendment is to improve the quality of services provided, introduce the new service of caring for the smallest children in micro-crèches (enshrining the service in the legislation), introducing the term crèche instead of children's group and providing for a system of national funding for such facilities. The amendment will ensure the sustainability of existing childcare facilities, particularly for children under three for whom there is currently no legal entitlement to placement in a nursery school, thus allowing such facilities to expand their capacity in order to integrate working parents into the labour market, especially women/mothers with pre-school-age children. The introduction of children's groups and micro-crèches also leads to the creation of new jobs for caregivers. At the start of February 2020 the amendment to the Children's Group Act was sent to the government for discussion.

Measures to support the reconciliation of work and private life

Effective 1 January 2020, several fundamental changes took place in the system of support for families and parenthood through an **amendment to the Act on State Social Support**. The **overall amount of the parental allowance** has been **increased** from CZK 220 000 to CZK 300 000 (in the case of twins and multiple births from CZK 330 000 to 450 000). The **monthly limit for placement of a child under 2** in a facility has been **increased** from 46 hours to 92 hours. The **limit for drawing a parental allowance benefit for parents without sickness insurance** has increased from CZK 7 600 to CZK 10 000.

Following up on the Government Programme Statement, the *Family Policy Concept* and the needs based on the experience of the MLSA, in 2019 a new legal institute of **job sharing** was proposed in the Labour Code. This is a new flexible form of work that should help better reconcile the work and family life of employees. Job sharing should support the interest of employers in offering the shorter working hours that for certain groups of employees are the sole alternative to leaving the labour market, particularly due to necessary family care. In January 2020 the Labour Code amendment went through its first reading in the Chamber of Deputies; effectiveness is proposed from 1 January 2021.

In 2019 the MLSA prepared the **Updated Family Policy Concept** (Updated Concept) so that it is in keeping with the valid Government Programme Statement and reacts to the current needs of Czech families. The central topics of the Updated Concept are support for reconciliation of work and family (e.g. through job sharing), support for public services for families (especially pre-school childcare services) and support for affordable housing and primary prevention. The Updated Concept was submitted to cabinet in August 2019, but has not yet been taken up.

Since 2017 the MLSA has been implementing a systematic **project under OP E Coordination of Measures to Support Reconciliation of Work and Private Life at the Regional Level**, the aim of which is to improve coordination of national and regional policies in the field of support for families

²⁷ Micro-crèches offer care for children in small groups of up to four, most frequently organised by non-profit organisations and municipalities. An advantage is they can also be established by mothers on parental leave, who are also taking care of their own child.

through a network of regional advisors and the functioning of national and regional platforms comprised of key family policy stakeholders.

At present the project is focused on the target group of employers and also on the topic of primary prevention for families.

Currently the Chamber of Deputies is discussing a private members' bill that proposes introducing measures to mitigate certain conditions for the right to **long-term nursing allowance**²⁸ (shortening of the necessary hospitalisation period from seven days to four, getting rid of the condition of hospitalisation with the need for all-day care for persons in an incurable state, allowing a retroactive decision on the need for long-term care). These measures should help ensure care for a greater number of seriously ill relatives. Also discussed under the Commission for Fair Pensions were the possibilities for eliminating the unfavourable impact on the pensions of caregivers. The commission recommended that for the period of care, the principle of an excluded period be replaced with a principle of appraising the care period with an assessment base derived from the average income in the economy (at differing levels depending on the degree of dependence).

Migration of third-country workers to the Czech Republic

As of 31 December 2019, there were over 621 000 employees of foreign nationality in the Czech labour market, with another 90 000 foreigners carrying out economic activity as self-employed persons. Of this number only 16% of foreigners currently require a work permit for their job; the remaining 84% can enter the labour market freely (just like Czech citizens).

In 2019, long-term residence for the purpose of employment was granted on the basis of applications from embassies to 33 400 third-country nationals (year-on-year growth of 6 500). Thus the increase in number of foreign workers coming to the Czech Republic from third countries continued last year, however from September 2019 we can see a slight slowing of the growth in overall number of newly arrived foreigners.

As in previous years, Ukraine has remained the most important source country for labour migration to the Czech Republic²⁹, with its citizens forming the majority of workers with newly approved residence in 2019. From September to November 2019, the maximum volume of employee card applications received per month at embassies in Ukraine was doubled (as many as 4 000 a month) and the waiting period for submitting an application was considerably reduced (to about three weeks).

An amendment to the act on the residence of foreigners in the Czech Republic³⁰ (effective as of 31 July 2019) gave the government the power to regulate the volume of labour migration from third countries by a government order, and also introduced a **new type of residence permit – an exceptional work visa**. Thus Since 2019 migration of workers from third countries to the Czech

²⁸ Introduced as of 1 June 2018 by an amendment to the Sickness Insurance Act as a new sickness insurance benefit to support the caregiver at 60% of the daily assessment base. From June to December of 2018, 1 494 persons drew this benefit, of those 344 men and 1 150 women. In total 3 236 benefits were paid out. In 2019 the benefit was drawn by 4 255 persons, of those 958 men and 3 297 women. In total 10 939 benefits were paid out. The expenditure for the long-term care allowance in 2018 was CZK 31.5 billion, in 2019 CZK 110 million, which is 0.3% of the overall expenditure for sickness insurance benefits.

²⁹ Of the total of 144 114 Ukrainians in the Czech Republic, roughly 50% had free access to the labour market, the rest needed some form of work permit (i.e. an employment permit, blue card or employee card)..

³⁰ Act No. 326/1999 Coll.

Republic has largely been regulated **by annual quotas** for accepting applications for employee cards³¹ and exceptional work visas³² at selected Czech embassies.

A **transparent system of preferential treatment** exists under the stipulated quotas. The tool for selecting migrants who will be provided with preferential treatment when receiving applications are the **migration programmes** approved by the government in order to achieve economic benefit for the Czech Republic:

1. *Highly Qualified Employee Programme*
2. *Key and Scientific Staff Programme*
3. *Qualified Employee Programme*
4. *Exceptional Work Visa Programme for Ukrainian Nationals Working in Agriculture, Food Processing or Forestry*

Selected business representatives also take part realising programmes 3 and 4 along with the central government authorities – the MFA, Ministry of the Interior (MI), MIT, MLSA and MAg. The quota for each embassy is always divided up so that the number of spots is allocated for programme participants, whom the embassy itself assigns dates for submitting an application, and the rest of the quota is reserved for foreign nationals migrating outside the programmes, who make appointments for submitting applications as quickly as possible.

The labour migrants do not apply for inclusion in the programmes themselves, their applications are submitted by their employer, who must meet the stipulated criteria. Employers who have not settled their obligations to the state, are not fulfilling their legal obligations and who violate the legal regulations and do not contribute to developing the economy and employment rate by creating jobs cannot enter the programme. One of the criteria is also a **minimum wage for various categories of labour migrants**, which serves as prevention of social dumping and strengthens the economic status of foreign workers.

As part of the Qualified Employee Programme, a **wage criteria was implemented** in 2019 of at least 1.2 times the lowest level of guaranteed wage in the given work category. In the Highly Qualified Employee Programme and Key and Scientific Staff Programme, a wage criterion was introduced of at least the average earnings for the given CZ-ISCO sub-category of employment classification or the minimum amount set for blue cards. The standard minimum wage in the Czech Republic was only preserved for the Exceptional Work Visa Programme for Ukrainian Nationals Working in Agriculture, Food Processing or Forestry.

In the first half of 2020 a debate will take place on **setting quotas for next year** with social partners at the Economic and Social Bargaining Council. The competent ministries will work with business representatives in continuing to implement the government migration programmes and will monitor the development of labour migration outside of it.

The MLSA received technical support from the Structural Reform Support Programme (SRSP), under which a feasibility study of the "**Multicriteria Point System for Preferential Migration**" will be created from 2020 to 2022. Among the advantages of the system are a shift towards strategic planning of labour migration on the part of the MLSA and the option of flexibly adapting migration to the current state of the labour market. Also planned is tying the new system in to labour market

³¹ Government Order No. 220/2019 Coll., effective as of 1 September 2019.

³² Government Order No. 291/2019 Coll., effective as of 1 December 2019.

prediction and the unemployment rate in various professions, with the whole system to be available online both to employers and foreigners.

Effective 31 July 2019, a **new type of residence permit** was introduced as part of the implementation of EU legislation – a **long-term residence permit for the purpose of seeking employment** or starting a business, which is issued for up to 9 months to third-country nationals who have successfully completed university studies or scientific research in the Czech Republic and are interested in staying in the country as employees or entrepreneurs. The measure serves to **retain highly qualified foreigners in the Czech Republic**.

The **foreigner integration policy** is an integral part of legal migration, the goal of which is to support peaceful coexistence between the majority and foreigners and prevent the emergence of negative social phenomena. Measures in the field of integration of foreigners are governed by the updated *Integration of Foreigners Concept – In Mutual Respect* adopted by the government in 2016. The tasks stemming from the Concept are specified every year. The specific integration measures for this year are laid out in the document *Approach in Implementing the Updated Integration of Foreigners Concept – In Mutual Respect 2020*³³.

The main actors in terms of integration of foreigners at the regional level are **Integration Centres** (18 independent branches), which ensure the active formation and realisation of regional strategies for integration of foreigners in all the regions of the Czech Republic in keeping with the government integration policy.

The MI also supports the integration projects of municipalities/municipal districts at the local level through subsidy programmes, as well as the projects of non-profit NGOs.

An amendment to the Act on the Residence of Foreigners in the Czech Republic (effective from 31 July 2019) has introduced an **adaptation-integration course** for selected categories of third-country nationals that must be completed within one year of being granted a residence permit. This obligation will affect those foreigners granted a residence permit after 1 January 2021. The amendment also enshrined the Integration Centres in the Act on the Residence of Foreigners, thereby ensuring their long-term sustainability.

Prevention of undeclared work

While in 2018 a significant increase in the number of illegally employed foreigners was registered compared to 2017, in 2019 this number was practically identical to the previous year. The number of detected illegally employed foreigners thus continues to far exceed the number of illegally working Czech and EU citizens. The continuation of this trend reflects the ongoing situation on the labour market and the shortage of labour. The motivation is not only the economic factor, with employers not having to pay health and social insurance for such illegally employed foreigners and thus achieving an unfair competitive advantage, but also the efforts of employers to circumvent the conditions placed on employment of foreigners by the Czech legislation.

District inspectorates conducted a total of 8 160 inspections focused on detecting illegal employment in 2019, during which the inspection authorities uncovered a total of 4 342 illegally employed natural persons, specifically 622 Czech citizens, 207 EU citizens (most frequently citizens of Slovakia,

³³ Czech Government Resolution No. 918 of 16 December 2019.

Romania and Hungary) and 3 513 foreigners, i.e. third-country nationals (most frequently nationals of Ukraine, Moldova and Vietnam).

Aside from inspections targeting the facilitating and operation of illegal employment, the inspection authorities also focused on covert mediation of employment, as inspectors encounter abuse of the institute of agency employment ever more frequently. Cases of abusing the posting of workers for provision of services by an employer based in another EU Member State also continue to turn up. Inspectors are now also encountering a greater level of use of visa-free travel of Ukrainian nationals for economic activity, which is an infringement as this cannot be used for gainful purposes. Inspections focused on the above areas are priorities for labour inspection in 2020 as well.

3.2.3 Social policy

On 20 January 2020, the government approved the **Social Inclusion Strategy for 2021–2030**. Among other things, this strategy helps fulfil the SDGs: *SDG 10 – Reduce inequality within and among countries* and *SDG 1 – End poverty in all its forms everywhere*.³⁴ The strategy also helps fulfil the obligations arising from the International Covenant on Economic, Social and Cultural Rights (CESCR), to which the Czech Republic acceded in 1993. In addition, the strategy fulfils the basic condition for drawing funds from the ESIF in the 2021–2027 programming period. Much attention was paid in the strategy to the section *Debt prevention and assisting with over-indebtedness*.

During the implementation of the strategy a three-year Action Plan will be prepared containing a set of measures to meet the strategy goals and indicators set according to the SMART method.

The MLSA is now preparing implementation reports for 2019 for the strategic documents: *Prevention and Resolution of Homelessness Concept, Social Inclusion Strategy 2014–2020, Social Housing Concept of the Czech Republic 2015–2025*.

An **update of the Social Housing Concept of the Czech Republic 2015–2025** is currently underway. The material should be submitted to the government by the end of June 2020, but a consensus has not yet been reached on its proposal among all the ministries. In order to take into account the broader context of this issue, a change to the concept name from "social" to "affordable" housing has been proposed so that it is evident that this is an issue that potentially affects the lives of all citizens, including the ever growing category of seniors.

In 2019 negotiations continued on **healthcare for the homeless**³⁵ and on the basis thereof the MLSA drew up a proposal for a *street medicine* pilot project for Prague, Brno and Ostrava. The MH is also the implementer of the project *Increasing Accessibility and Creating Healthcare Options for Homeless People*³⁶, the main goal of which is to increase the availability of medical services and healthcare in

³⁴ The strategy also helps fulfil the obligations arising from the *International Covenant on Economic, Social and Cultural Rights* and takes into account the *15 measures to combat poverty and social exclusion* that came out of the round table meeting held in September 2018, attended by the Czech PM and representatives of the relevant ministries (MLSA, MoRD, Office of the Government), affected municipalities and the non-profit sector.

³⁵ In the second half of 2019, two meetings took place on the matter of street medicine, not only with representatives of the concerned bodies (MH, Office of the Government) but in particular representatives of major social services providers of national purview in this area (Caritas Czech Republic, Salvation Army, Naděje, Č.A.S.), representatives of major Prague hospitals (Na Františku Hospital, Thomayer Hospital), Prague City Hall and participative groups of homeless people and representatives of the medical students organisation – Medics on the Street.

³⁶ Supported from the Operational Programme Employment, priority axis: 3.2– Social inclusion and combatting poverty, co-financed by the ESF.

areas where homelessness is a risk for people without a home and people in danger of losing their home. A secondary goal of the project is boosting primary prevention for such persons.

At the end of 2019, the MLSA submitted the itemised wording of an **amendment to the Social Services Act** for the comments procedure, which ended 22 January 2020. The aim of the amendment is to optimise, stabilise, clarify and simplify the system for provision of social services and social work, reduce the administrative burden, deepen public administration cooperation, and strengthen inter-ministerial cooperation, which will lead to marked streamlining and also increased input and procedural quality, as well as intelligibility and transparency in the method of planning the social services system, and creating a network of social services and funding. Currently final work on amending this act is underway.

In 2018–2019 the preparatory phase of a project co-financed from the ESF was realised by the State Health Institute, *Effective Support for the Health of Persons at Risk of Poverty and Social Exclusion*, which reacts to the need of the Czech Republic to increase access to healthcare for vulnerable groups and help reduce health inequalities caused by socioeconomic disadvantages. A Regional Centre for Health Support was created in each region, which through community assistants – *health support mediators* – provides those in need with individual consultation focused on integrating excluded persons into the network of medical and related social services. A Mediator Activity Methodology was created. In the years 2020–2022, the regional centres will realise intervention education programmes targeting primary prevention by establishing changes in behaviour to lead to a healthy lifestyle.

A draft **amendment to the Act on Social and Legal Protection of Children** was submitted for discussion by the government. The goal of the act is to support care for children in foster families by increasing certain benefits for foster care, including raising the state contribution for foster care. At the same time it has been proposed that the placement of children under three in children's homes be curtailed, and last but not least that a care allowance for dependent young people leaving institutional or foster care be implemented. This benefit would facilitate the process of becoming independent for young people and support them in completing their studies. The draft amendment furthermore nails down the conditions for provision of child care in facilities for children requiring immediate assistance, including increasing the state contribution for such care.

In order to systematically secure the agenda of preparing for aging, the MLSA submitted to the government a **Strategic Framework for Preparing for an Aging Society 2020–2025**, which deals comprehensively with the challenges associated with an aging population. The document was resubmitted to the Czech government in March 2020 under the title **Strategic Framework for Preparing for an Aging Society 2020–2025**. In order to support the elderly, MLSA subsidy programmes, which already have a long tradition, are also made use of. These are the programmes *Support for Publicly Expedient Activities of Senior and Pro-Senior Organisations with Nationwide Purview* and a subsidy programme for supporting local governments in the field of aging. The competition Senior-Friendly Municipality, held since 2017, also helps support the elderly.

The ministers of health and labour and social affairs decided to connect the areas on the **health-social boundary** in the form of an amendment act. An inter-ministerial working group on adjusting the health-social boundary deal with the following areas in 2019: homes for children under 3, long-term care and reforming mental health care. Currently talks are continuing on the final form of the

proposal and the points of the amendment act are being developed. As part of this change, it is planned that long-term care beds will be established, the operation of which will require registration of the social service provider and authorisation to provide healthcare services. These beds will be financed through a performance payment for healthcare services and also by analogy as social care service beds, for which there will be a care contribution. At the same time the implementing regulation will include settings for the staffing and material/technical standards. The material will be submitted for approval based on a decision by the Czech government.

In order to ensure a conceptual systematic solution for reacting to the demographic aging of the population and addressing the inconsistency of the health and social care system, the MH drafted a *Strategic Framework for Developing Healthcare in the Czech Republic until 2030*, which was approved by the government in November 2019. Focusing on the area of the health-social boundary is specific objective 2.1 *Implementation of integrated care models, integration of health and social care, reform of mental health care*. This specific objective endeavours to guarantee fair opportunities to use health and social services at the same time for all Czech citizens in a long-term unfavourable state of health (as a result of chronic and incurable diseases like Alzheimer's disease, diseases associated with aging, etc.), at varying intensities and changing ratios according to need and in all necessary forms. This specific objective also includes continuing implementation of mental health care reform, implementation of the National Action Plan for Mental Health approved by the government in January 2020, implementation of the forthcoming National Action Plan for Suicide Prevention and implementation of the forthcoming National Action Plan for Alzheimer's Disease and other Similar Illnesses.

An amendment is being prepared to the decree on the sample **Standardised Social Worker Record**, which lists the basic system the social worker acts in and which is intended primarily for social workers of municipal and regional authorities and regional branches of the LO.

The MLSA has prepared a **draft act on child support advances** for dependent children who are owed court-mandated child support and the obliged parent is not living up to this obligation duly and on time. The proposal aims to help those families with children which, due to unpaid child support by the obliged parent, end up in an unfavourable social and financial situation. According to the proposal, the entitled person will have the right to payment of child support advances if the obliged person is not fulfilling their support obligation and a petition for execution or judicial enforcement of a decision is submitted. The law is proposed to take effect on 1 January 2021.

An important precondition for the measures to address social exclusion to be effective is appropriate territorial focusing of capacity and support. The MoRD is finalising the methodology for assessing the extent of social exclusion in an area, which will make it possible to use current data to identify the municipalities with the greatest need to address issues of social exclusion, i.e. for targeting relevant national or European resources.

Excessive debt

Effective 1 June 2019, an **amendment to the Insolvency Act**³⁷ provided access to the institute of debt relief to a wider range of honest debtors by removing the initial barrier of the ability to pay off at least 30% of claims to unsecured creditors, while also taking into account the interests of creditors to

³⁷ The amendment was published in the Collection of Laws as Act No. 31/2019 Coll.

a fair settlement. It also optimised the procedural side of debt relief and emphasised the importance of effective supervision of the debtor on the part of the insolvency administrator.

In 2020 the MJ (in accordance with the Government Legislative Work Plan for 2020) will prepare the transposition regulation of Directive (EU) 2019/1023 of the European Parliament and of the Council on restructuring and insolvency, which contains a requirement for provision of what is called a **second chance for entrepreneurs**. The directive asks the Member States implement procedures for entrepreneurs that lead to complete debt relief in a period not exceeding 3 years; the directive does not explicitly demand expansion of these rules to natural persons who are not entrepreneurs, but natural persons not engaged in business will be incorporated into the debt relief programme.

Taking effect 1 June 2019, an amendment to the **Government Order on Non-Seizable Amounts**³⁸ raised the net wage limit above which the remainder of the debtor's net wage can be deducted without limit. The given measure led to an extension of the interval in which income is distributed by the system of thirds between the debtor and the creditor. The aim of this change was to motivate debtors who are in execution or insolvency to be economically active and attain a higher income, which simultaneously leads to increased satisfaction of the creditors. The cut-off for net wage (pay) above which money is deducted from the wage (salary) without limitations has been increased for debtors without a maintenance obligation from CZK 16 072 to 25 715 (in 2020 as a result of valorisation of the base amount of normative housing costs to CZK 26 432).

In contrast, the forthcoming follow-up amendment to the Government Order on Non-Seizable Amounts³⁹, coming into effect 1 July 2020, **increases the coefficients for calculating the base non-seizable amount**. The current total of two thirds of the total of the subsistence minimum and normative housing costs will be replaced with a total of three quarters; the coefficient for crediting supported persons is increased from one quarter to one third. In connection with the government order adopted in parallel increasing the amounts of the subsistence minimum and existential minimum effective from 1 April 2020, in the second half of 2020 the base non-seizable amount will rise from CZK 6 429 to CZK 7 772 and the amount attributable to each person supported by the debtor will rise from CZK 1 607 to CZK 2 331.

3.2.4 Education

At the end of 2018 the MEYS began preparing the *Education Policy of the Czech Republic until 2030+* (Strategy 2030+). In November 2019 the initial analytical and value document for the strategy was published, entitled *Main Directions of the Czech Educational Policy until 2030+*, having been drafted by an external group of experts. Work was commenced on formulating the individual measures leading to fulfilment of the objectives laid out in the Strategy 2030+. Also planned for this phase of document preparations is a series of discussions with the professional and general public so as to take into account the suggestions of as many stakeholders as possible. According to the plan, the Strategy 2030+ should be completed and submitted to the government over the course of 2020.

³⁸ Government Order of 19 March 2019 amending Government Order No. 595/2006 Coll., on the method of calculating the base amount that cannot be deducted from the monthly wage of an obligated party in executing a decision, and establishing the amount over which a wage is subject to deductions without limits.

³⁹ Not yet published in the Collection of Laws as of the day this text is being written; approved by Government Resolution No. 120 of 17 February 2020.

Pre-school education

Since 1 January 2020 a **new system for financing the regional school system** has been in effect, allowing the restructuring of nursery school classes. The deciding factor is no longer the number of children in a nursery school but the pedagogical work displayed. It is possible to divide up classes so that there are fewer children in them, thus facilitating a more individual approach including pedagogical diagnostics in which the teacher has greater room to monitor the educational needs of the children.

The development programme *Support for Educating Foreigners in Schools* was declared for 2020, intended for children in compulsory pre-school education. The purpose of the provided subsidy is to support the teaching of Czech adapted to the needs of foreign children and adjusting the conditions for their education so that nursery schools can adapt the number of children in classes to the difficulty of the teaching and take other measures to successfully integrate foreign children. Of the overall number of supported children and pupils, 14% were foreign children in the final mandatory pre-school year.

Basic education

Decree amendments have been in effect since January 2020 relating to **changes in the funding of the regional school system**.⁴⁰ Methodological and information support for the management of primary schools and their founding authorities will continue. In 2020 work will continue on revising the *framework educational programme for basic education*. The goal is to define a new, simple and binding scope and content of education that is common to all, which should be the foundation for individual development of each pupil. The development of literacy, digital education and computational thinking will be reinforced.

Inclusion in education

As of 1 January 2020 an amendment to Decree No. 27/2016 Coll., on the education of pupils with special educational needs and gifted pupils, has been in effect, reflecting the need for changes in implementation of collective education based on analyses. The aim is to reduce the administrative burden for educational workers at schools and school counselling facilities, set up systematic utilisation of support measures of a staffing nature, etc. A **teaching assistant** is no longer provided as a support measure in a school or class established under Section 16 (9) of the Education Act⁴¹, but in connection with the reform of funding for regional schooling funding is provided for this position as part of the normatives. This step reduces the administrative burden associated with support measures and helps to systematically enshrine the position of teaching assistant in schools and educational facilities. Organisation of the activity of teaching assistants is the competence of the school principal.

⁴⁰ Amendment to Decree No. 48/2005 Coll., on basic education and certain requirements for fulfilling compulsory school attendance, as amended, and several other decrees. The change also follows up on Government Order No. 123/2018 Coll., on determining the maximum number of hours of instruction funded from the state budget for a primary school, secondary school or conservatory established by a region, municipality or association of municipalities. The amendment to Decree No. 48/2005 Coll. ensures that the rules for establishing the number of pupils in a primary school class correspond to the new rules laid down for funding of pedagogical work. At the same time it sets the PHmax values in cases where they cannot be laid down in government order.

⁴¹ In the field of education primary school, special primary school, one-year practical school and two-year practical school, in a nursery school established pursuant to Section 16 (9) of the Education Act or in a class established pursuant to Section 16 (9) of the Education Act at a nursery school, at a school at an educational facility for carrying out an institutional upbringing or protective upbringing, in a preparatory class of a special primary school and in the school after-school care group formed solely by participants listed under Section 16 (9) of the Education Act.

A development programme *Equipping School Counselling Facilities with Diagnostic Instruments in 2020* has been declared, the purpose of which is to improve the quality and unify the provision of services of school counselling facilities.

Digital education

Completed in 2018 were the *Draft Revisions of Framework Educational Programmes in the Field of Informatics and Information and Communication Technology* for pre-school, primary, grammar and secondary vocational education – Framework Educational Programme (FEP) for pre-school education, the FEP for primary education, the FEP for grammar schools, and the FEP for secondary vocational education. In mid-2020, the trial testing of *Development of Computational Thinking* (realised at nursery, primary and secondary schools from 1 September 2018) and *Development of Digital Literacy* (from 1 February 2019) ended. The final version of the revised curriculum for information and communication technologies (ICT) in the FEP for primary education will be created with the involvement of the professional public and teaching community and completed by January 2021. The updated FEP for secondary vocational education, which already contains a revision for informatics and ICT, already went through ICP in 2019. After comments have been dealt with, the updated FEP for secondary vocational education will be approved, taking effect starting with the 2020/2021 school year, while the effective date for changes in informatics and information technology will be postponed based on an agreement with the secondary vocational schools.

From 31 October 2018 until 28 February 2019, a call *Implementation of the Digital Education Strategy II* was underway with a total allocation of CZK 616 980 767. This call will finance activities for **supporting the creation of digital education resources**, connecting formal and informal education in cooperation with other institutions (cultural/memory, ecological or scientific centres) or activities to support digital skills of school teaching staff.

The MEYS has also approved and published a *Framework for Teacher Digital Skills*. Along with this framework, material was also approved with steps to ensure its implementation. Following up on the approved *Framework for Teacher Digital Skills*, an online application Teacher21 Profile was launched, intended for teachers to evaluate and plan development of their own digital skills.

In order to support the **dissemination of digital education resources**, a reputation system EMA⁴² was launched, having been created under the project Support for the Work of Teachers (SWT). The reputation system is linked to the database of output from OP RDE. Other Czech repositories of digital education resources are gradually also being linked up.

The MEYS has also been focusing on **methodological support for schools and regions**. Thus as part of the SYPO project, a *National Cabinet for Informatics and ICT* was created, which contributes to building a network of methodological support – regional and district cabinets for informatics and ICT. Regional ICT methodologists also began their work with the aim of building up a network of methodological support. The MEYS also runs the *Czech Coalition for Digital Jobs*, called the DigiCoalition, which is among the most active among EU Member States. Currently it has nearly 190 members. Among the activities of DigiCoalition is the organising of joint meetings of companies, schools and the public sector, promotion of digital education, sharing examples of best practice, etc.

⁴² A catalogue of digital education resources. Accessible at: <https://ema.rvp.cz/>

In 2020 this activity will be expanded to include meetings on burning topics of digital education in the Czech Republic and the output thereof will be used by the MEYS in practice.

Improving the quality of schools

A central tool for improving the quality of schools are the activities of the Czech School Inspectorate (CSI) as the national authority for assessing the quality and effectiveness of education in schools and educational facilities recorded in the school register. For several years now, inspection activities have increasingly downplayed the previously dominant formal inspections (documentation, regulations, etc.) in favour of **qualitative evaluation of pedagogical processes**, i.e. the activities of schools that have a significant influence on the quality of education provided. At the same time the CSI is gradually adding to and expanding its portfolio of methodological activities for supporting schools on the path to higher quality education.

CSI primarily provides for the production of important methodological instruments designed to boost the quality of schools as part of implementation of the systematic project Comprehensive Evaluation System (supported from OP RDE).

The activities of the Czech School Inspectorate aiming to support the quality of schools and emphasising expanding the methodological dimension of the CSI's work will be substantially bolstered in 2020. For example, **specific thematic courses** will be created for schools focused on working with the criteria for assessing the conditions, course and results of education and making use of further evaluation instruments as part of the actual assessment of schools. In cooperation with external educators (e.g. facilities for further education of teaching staff organised by individual regions or the National Pedagogical Institute of the Czech Republic), **methodological-educational programmes for principals and teaching staff at specific schools** will also be created and realised in reaction to findings from the CSI's evaluation activities in the context of defined weaknesses or opportunities to improve at specific schools.

Support for teaching and non-teaching staff

In 2020 and the following period, the MEYS will strive in particular to create the conditions for ensuring sufficient staffing of pedagogical and non-pedagogical workers, increasing the attractiveness of the teaching profession, especially by creating the conditions for **growing wages of employees of the regional school system, with a focus on discretionary components, so as to reflect the scope and quality of their work**. The goal is to improve the quality of education at schools and educational facilities.

In order to increase the attractiveness of the teaching profession and to retain new teachers, support for welcome teachers is important.

An **amendment to the Act on Teaching Staff** is being prepared, which among other things should enshrine a two-year adaptation period for beginning teachers and set the conditions for graduates of master's programmes and practitioners entering the teaching profession.⁴³ The draft amendment passed the first reading in the Chamber of Deputies 28 January 2020. The draft state budget for 2020

⁴³ According to the amendment, only graduates of a master's study programme can teach general education subjects in the 2nd level of primary school. These teachers will have three years to acquire what are called teaching qualifications. At secondary schools, in terms of teaching vocational subjects and practical instruction, the amendment proposes allowing principals to employ what are called practitioners assuming their practice in the field – of at least five years – corresponds to the nature of the subject being taught. Such teachers will have three years to acquire what are called teaching qualifications.

foresees (as an impact incorporated into the medium-term outlook for 2021) an expected growth in wages for teaching staff in the regional school system of 9% in 2021 (with the average teacher salary in 2021 to be at least CZK 45 000 a month). It also counts on a salary increase for non-teaching staff in the regional school system of approx. 4% in 2021 (with the average salary for non-teaching staff in 2021 to be at least CZK 24 000 a month).

Support for education of future teachers at public universities is realised through several financial instruments. Increasing the institutional funding for public universities with teaching faculties with the targeted use of these funds for improving the conditions for teaching faculty professors (in particular in terms of salary) totalled CZK 115 million in 2019 and in 2020 is continuing at the same amount of 115 million. Support for study programmes (not just at teaching faculties) that educate future teachers totalled CZK 85 million in 2019 and in 2020 the same amount will be allocated. Support for study programmes at non-teaching faculties that educate future teachers in deficit approbations (mathematics, physics, biology and computers) will start being implemented in 2020 at an amount of CZK 30 million.

In order to support the reflected teaching practice of students – future teachers – a call under OP RDE entitled Pre-graduate Education II was declared in 2019. This call should also increase the skills of students in terms of joint education of children and pupils. The call will also support developing the skills of university instructors and teachers of cooperating schools who take part in teaching the student teachers. Students obtain support in didactic use of digital technology in instruction.

In 2019 a call Innovation in Teaching was also declared under OP RDE. Its goal is to support systematic, monitored and reflected implementation of innovation in teaching, to support pedagogical research focused on monitoring the impact of selected education policy measures in the field of pre-school, primary and secondary education and also to streamline the running, managing and climate of schools through innovation.

Vocational education

Currently the measures to support vocational education and training being prepared focus primarily on support for cooperation between schools and employers. The MEYS moved to **update the vocation component of the FEP** on the basis of Section 4 (2) of the Education Act, which states that framework educational programmes must correspond to the newest findings of the scientific disciplines whose foundation and practical use the education is to pass on and also due to changing requirements of the labour market caused by digitisation, robotisation and modernisation of technological processes. In the vocational component of the FEP the content part was updated, but the structure has not yet been changed, nor has the hourly subsidy or the teaching plan.

Chapter 3.3 Link to the National Qualifications Framework (NQF) has now been updated, listing the complete professional qualifications and qualifications related to the given field of education and references to the NQF register for the individual fields of education. This chapter is meant to help schools navigate through the NQF and motivate them in designing school curricula in order to allow pupils to expand their knowledge to include another related field through professional qualification. At the same time the educational fields of Informatics and ICT were updated in the general education component of the FEP for secondary vocational education (see the sub-chapter Digital Education above). The updating of this area fulfils the measures of the *Digital Education Strategy 2020*. The

area of Economic Education was also adjusted, with the updated standard of Financial Literacy being taken into account.

The updated FEPs will be issued by 30 June 2020 and schools will be obliged to adjust their curricula and commence education no later than 1 September 2022 starting with the 1st year.

In the first half of 2020 the individual systematic project Modernisation of Vocational Education funded by OP RDE will be completed. One of the activities of the project is interconnecting professional qualifications from the National Qualifications Framework with the specific (qualification) part of the School Curricula with the aim of greater relevance to employer needs. As part of the project support was also created for schools in implementing the module system for producing school curricula via an information system with model-created modules.

2020 will also see an amendment to Government Order No. 211/2010 Coll., on the set of fields for primary, secondary and higher vocational education, as amended, to include related fields of education with a *maturita* exam in category L and with an apprenticeship certificate in category H, which will allow an apprenticeship certificate to be acquired in year three and a *maturita* exam in year four. This concerns 29 related fields of education that are needed on the labour market.

Higher education

In 2020 the *Strategic Plan for Higher Education for the Period 2021+* will be approved, focusing on six priority objectives: developing skills for the 21st century; flexible forms of education; quality doctoral studies; utilising capacities in the field of research and development (R&D); strengthening the strategic management of universities; reducing administrative burden. At the same time a *Programme for Supporting Strategic Management of Universities 2021–2025* was declared for strengthening the aspects of contract financing and the significance of strategic decisions for running of universities. Implementation of the *Methodology 2017+* adapted for the university segment will take place in 2020 through self-evaluation and assessment via international panels.

A **draft amendment to the Higher Education Act** will be submitted containing modification to the functioning of providers of foreign education. The amendment also reacts to the needs of students by modifying transfers between programmes of study, expanding the categories of students who have a right to a social scholarship and introducing the obligation to carry out measures for students with special needs. The amendment will also lead to lesser administrative burden and support internationalisation.

Further education

Development continues on the NQF, the register of professional qualifications that exist on the Czech labour market. In 2020 attention will be focused under the *Upskilling CZ* project on supporting the network of authorised NQF entities that have the right to organise and conduct exams on the relevant professional qualifications, in particular professional qualifications that lead to what is called complete professional qualification at the level of⁴⁴ 3 a 4, or which conduct exams on professional qualifications comprising the development of digital skills. At the same time, support and development will continue on the NQF as a tool allowing flexible acquisition of qualifications or

⁴⁴ *European Qualifications Framework.*

allowing a degree of education to be reached. In 2019, 317 professional qualifications were approved, 250 updated and revised, and 67 new professional qualifications added. Over 23 000 people successfully completed a professional qualification exam.

3.3 Productivity: investment, business environment and public administration

3.3.1 Investment policy

Financial instruments

Two initiatives launched by the MIT in recent years in cooperation with the European Investment Fund (EIF) to support venture capital and private equity investment are successfully functioning in the Czech Republic – the OP EIC Fund of Funds and the Central European Fund of Funds. The **OP EIC Fund of Funds** invests funds into the development of Czech start-ups through selected financial brokers (private funds). The allocation of the OP EIC Fund of Funds is EUR 40 million from the OP EIC and EUR 10 million from EIF funds, with financial brokers supposed to obtain further funding of at least EUR 10 million for the individual funds from private sources. Also continuing in 2020 is investment activity in innovative enterprises; by the end of 2023, more than 80 companies should have been supported in the accelerator and seed phase. The project **Central European Fund of Funds (CEFoF)** is a regional EIF project focused on investments in developing companies in the expansion phase. The Czech contribution to the CEFoF totals EUR 8 million paid from state budget funds. The individual selected funds acquire further investment resources from private investors and the EIF. Over the course of 2018 and 2019 the CEFoF selected a total of seven investment funds, of those three are established in the Czech Republic and invest primarily in Czech companies. Investments will continue to take place in 2020.

Two pilot projects are prepared for launch in 2020 as part of capital and quasi-capital financing support: the **IPO⁴⁵ Fund** and **Brownfields Fund of Funds**, both in cooperation with the Czecho-Moravian Guarantee and Development Investment Bank – a newly founded subsidiary of the CMGDB – and with support from OP EIC. The **IPO Fund** will focus on support for IPOs of eligible companies on alternative trading platforms. The IPO Fund will have funds of as much as EUR 13 million for small and medium enterprises (SMEs) that are vying for capital in the form of share offers. The **Brownfields Fund of Funds** is to support investment activity in regenerating major brownfields with the goal of transforming them into modern business infrastructure appropriate for SMEs to do business in. This financial instrument will have EUR 20 million available for projects in the Ostrava conurbation.

Via the CMGDB the Czech Republic is also involved in the activities of the **European Fund for Strategic Investments (EFSI)**, which provides what are called counter-guarantees, allowing it to support a greater number of projects than with the existing resources of the CMGDB and the MIT. In 2020, a volume of CZK 3 billion of new guarantees is planned to be provided for SMEs through the national programme GUARANTEE 2015 to 2023. In total it is expected that thanks to EFSI five thousand business projects will be supported with a total amount of CZK 15 billion. Also serving to support SMEs is the VADIUM 2018 to 2023 Programme and the Inostart Programme.

SMEs can also make use of support provided through the **EXPANSION** programme, which has an allocation of CZK 10.8 billion under OP EIC. Under the Expansion programme SMEs can apply for interest-free loans, or CMGDB guarantees for commercial loans. Entrepreneurs are supported with

⁴⁵ Short for *Initial Public Offering*.

advantageous loans in the programme **Energy Savings**, under which SMEs (as well as large enterprises) can apply for support for projects that lead to a reduction in the energy demands of the business sector.

The following support instruments have been prepared to support businesses whose economic activities are limited as a result of the coronavirus and associated preventive measures against the spread of COVID-19.

The **COVID I Loan** programme provides support in the form of advantageous loans of CZK 500 000 to 15 million with a zero interest rate. The loans are provided for up to 90% of eligible expenditures, with a maturity of two years and deferral of payment for up to 12 months. The loan can be used for instance to procure small tangible or intangible property, to acquire and finance supplies or other operating costs and expenditures. No fees are associated with arrangement and provision of the loan, nor with potential early repayment. The programme is realised via the CMGDB and has so far been covered from MIT resources, or rather the revalued resources of OP EIC totalling CZK 0.5 billion. The programme is intended for self-employed persons and SMEs for the whole of the Czech Republic, including the City of Prague.

Due to the limited MIT resources in the COVID I Loan programme, an expansion of the loan scheme is being prepared in the **EXPANSION** programme with the same parameters as the COVID I Loan programme. It is expected that funds of CZK 5 billion will be allocated from ESIF resources. It will not be possible to support entrepreneurs from the City of Prague in this programme.

The **COVID II** programme is a guarantee programme launched under the **EXPANSION** programme, with assistance realised in the form of portfolio guarantees provided by the CMGDB for operating loans from commercial banks with interest rates subsidisation. The amount of the guaranteed loan is up to CZK 15 million and the minimum loan amount is CZK 10 000 with a guarantee period of 3 years. The applicant may use the guaranteed loan to cover operating costs, employee wages, rent of premises, etc. The financial contribution for interest is paid from the part of the guaranteed loan drawn for eligible expenditures of the project and has several categories – a loan of up to CZK 500 000: 30% and max. CZK 150 000; from CZK 500 000 to 1 million: 20% and max. CZK 250 000; from CZK 1 million to 15 million: 15% and max. 1 million. The expected allocation amount from the ESIF should total 5 billion. The programme is designed for self-employed persons and SMEs outside of the City of Prague.

The aim of these new measures is primarily to facilitate access to operating funding for companies whose economic activities have been restricted as a result of the coronavirus infection and associated protective measures.

Since 2017, a financial instrument to support reducing environmental risks has been running under the OP Environment (OP Env) via advantageous loans, optionally supplemented with a subsidy. The goal is to increase the safety of environmentally high-risk operations and reduce emissions of pollutants. An allocation of CZK 480 million has been set aside for advantageous loans from European structural and investment funds (ESIF), with CZK 160 million earmarked for subsidies from SEF funds. In 2019 Prague City Hall launched a financial instrument INFIN under OP PGP, into which it has so far transferred CZK 50 million. In cooperation with the CMGDB it supports innovative enterprises within Prague through preferential loans.

In 2019 the MLSA commenced cooperation with the CMGDB and transferred CZK 100 million into a social enterprise FI. Advantageous loans and counselling target small and medium social enterprises. During 2020 the SHDF programme Insulation will be launched. Preferential loans financed from IROP are intended for energy modernisation of residential buildings. CZK 600 million has been set aside from the programme.

National Development Bank

With Czech Government Resolution No. 741 of 14 October, the government tasked the MIT, in cooperation with the MF, MoRD and MAg, with preparing an analysis of legislation related to the topic of the plan for an Act on the National Development Bank of the Czech Republic as part of the **Project for Transformation of the CMGDB into a National Development Bank of the Czech Republic**. The goal of the analysis is to assess the legal regulations that apply to the given issue and provide recommendations concerning the need to modify the existing legal framework and prepare an act on the national development bank, including a proposal for the next steps. With the shift in deadline to the end of the year, a joint text of the MIT, MoRD and MF is being drafted.

National Development Fund

As part of preparations for the National Development Fund, the state and selected commercial banks have joined forces and together are **preparing this fund to acquire CNB accreditation**. This fund aims to support public-private partnership (PPP) projects and credit-funded projects that bring additional capital for financing projects and at the same time it should contribute to the pressure to create projects non-grant-funded projects. The main priorities of the National Development Fund are healthcare, science and education, transport and social housing and senior housing.

Amendment to the Building Act

The government amendment to Act No. 416/2009 Coll. under discussion will mean substantial changes to the **Building Act** as well. For example, there is what is called the "fiction of a consenting binding opinion", which in practice means that if the authority concerned does not state an opinion by the stipulated deadline, it is taken that it has issued a consenting binding opinion without further conditions. Also a subject of the proposed changes is an adjustment to the deadline for issuing binding opinions and also their subsequent possible review.

Recodification of public construction law

Comprehensive recodification of public construction law is a government priority. Among other things, the recodification foresees **organisational changes in building authorities**, the aim of which is to accelerate and streamline performance of the construction agenda in the Czech Republic. In justified cases, it is also expected that the number of bodies concerned will be reduced and selected agendas of bodies concerned will be integrated into the decision-making of building offices, though it is necessary to clearly define the public interest, establish the substantive powers of the concerned authorities and set up an effective mechanism for cooperation. Another aim is to further accelerate permit proceedings, with a proposal to combine the existing permit processes into a one set of proceedings. Last but not least, the recodification envisages revision of a number of substantive legal regulations governing general requirements for construction and documentation. The goal of this revision is to **consolidate the substantive requirements for construction** into (if possible) a single legal regulation that will be valid for the whole of the Czech Republic.

The government approved the plan for the new Building Act on 24 June 2019. The changes it is to bring about are in many ways groundbreaking. The itemised wording of the new Building Act and related amending act have been prepared in cooperation with the Czech Chamber of Commerce and working groups set up by the MoRD over the course of June through November 2019. The ICP took place from 25 November 2019 to 23 December 2019. The resulting form of the draft itemised wording and the recodification of the Building Act will depend on the results of dealing with the comments procedure with all the affected ministries, and thus could still change significantly. It is expected that the new Building Act could become valid in spring of 2021 and gradually enter into force by 1 July 2023.

National Investment Plan

In the period from July 2018 to November 2019, repeated communication took place with individual public investors (representatives of municipalities, cities, regions, ministries) with the goal of assembling significant investment suggestions. At the same time the basic principles on which the National Investment Plan (NIP) are to be based were formulated. **The first version of the NIP was submitted to the government for discussion 16 December 2019** – it is a document which, in its first section, contains a summary of the principles and assumptions on which the NIP is based.

The MoRD was tasked with further updating and prioritising the NIP. In connection with this task and following up on the government's programme statement, the MoRD is preparing organisational auspices for the whole agenda around the NIP, in the form of the planned establishing of the State Expertise Office. The NIP will contain strategic investment projects. Part of the work with investment ideas will be identifying strategic projects; an important aspect in assessing an investment project is compliance with the prepared Economic Strategy of the Czech Republic. Right now the MoRD is preparing the methodological groundwork for producing the NIP and for subsequent prioritisation and selection of a suitable financial instrument for funding the selected strategic investment projects.

Capital Market Development Concept

In March 2019 the government approved a **Concept for Development of the Capital Market in the Czech Republic 2019–2023**, the primary objective of which is to create a long-term strategy for developing the capital market in the Czech Republic and thereby help increase the competitiveness of the Czech economy. The concept is based in part on the World Bank recommendations which were part of its report on the capital market in the Czech Republic published in October 2017. In March 2020 a proposal for a law putting certain measures from the Concept into practice entered comments proceedings. These included realisation of a long-term investment account or for instance measures to strengthen the corporate bond market or support "business angel" investors. The concept also contains a number of measures of a negative nature that the MF is gradually implementing or taking part in.

3.3.2 Research, development and innovation

The national strategic framework for removing the barriers to developing a fully-functional innovation system is set out in the **Innovation Strategy of the Czech Republic 2019–2030** from February 2019 (IS 2019+). This is a strategic framework plan that defines government policy for research, development and innovation, and it should help the Czech Republic to join the most innovative countries in Europe during the next twelve years. It consists of nine interconnected pillars

with starting points and fundamental strategic objectives, together with the instruments to achieve them. The essence of IS 2019+ is the intersection of the departmental policies and strategies that define the state's concrete objectives in fields such as digitalisation, its smart specialisation strategy, infrastructure, intellectual property protection, etc. The individual pillars then present a set of measures for the specific field, with key and cross-cutting instruments that apply across multiple pillars.

In December 2019 **the government approved a system for managing and coordinating IS 2019+**, based on specific measures for each of the pillars. The system outlines the schedules for implementing the pillars, and it also includes a summary of projects realised to date. The document also establishes the dividing of powers between the two main actors in IS 2019+, with the Research, Development and Innovation Council (R&D Council) covering management and strategy and the Ministry of Industry and Trade covering the executive and coordinating role. The projects being implemented include reducing the administrative burden for the support system for research, development and innovation, i.e. debureaucratisation (a working group has been set up under the leadership of the Vice-Chairperson of the R&D Council and is discussing the necessary measures); The Country For The Future programme, which focuses on innovative high-tech startups (Ministry of Industry and Trade); implementing the National Artificial Intelligence Strategy (Ministry of Industry and Trade); an amendment to the regulations on tax deductions for R&D (Ministry of Finance); the digitalisation of the construction sector, with the objective of digitising building plans – a recodification of construction law is being prepared (Ministry of Regional Development), and other projects implemented by the Ministry of Education, Youth and Sports, the Ministry of Transport, the Industrial Property Office, etc.

The National Research, Development and Innovation Policy sets out a strategic framework for all aspects of research, development and innovation in the Czech Republic. Measures under the updated National Research, Development and Innovation Policy for 2019–2020 began being implemented in 2019. In parallel with this, a **new National Policy has been prepared for the period 2021+**, and under IS 2019+ it is one of the instruments for achieving the objectives for the “Financing and evaluation of research and development” pillar. It also responds to global risks and threats in the 21st century through a proposed new measure aimed at supporting specific research programmes with relevance to the scope of the threats impacting society as a whole.

One of the key implementation instruments under the Innovation Strategy of the Czech Republic 2019–2030 and the National Research, Development and Innovation Policy is the National Research and Innovation Strategy for Smart Specialisation of the Czech Republic 2014–2020 (National RIS3 Strategy). This strategy document ensures the effective channelling of funding (European, national, regional and private) into priority sectors to make full use of the Czech Republic's knowledge potential. The National RIS3 Strategy sets out a framework and a process to profile these sectors (especially the entrepreneurial discovery process – EDP), removing the main barriers to their development and creating tools to support them. In collaboration with other departments, the Ministry of Industry and Trade is working on a revised National RIS3 Strategy for the 2021–2027 programming period. Work is underway to update the analytical and proposal sections of the National RIS3 Strategy, and the outputs of this work are being discussed with experts and representatives from the research, development and innovation (R&D&I) sphere. Work is also in progress to update regional RIS3 strategies. During 2020 the draft National RIS3 Strategy will be discussed with partners, and before the end of the year it will be submitted to the Czech

Government for discussion in order to satisfy the key precondition for drawing from EU funds for R&D&I.

The legislative framework is set out in Act No 130/2002 on public funding of research, experimental development and innovations, amending certain acts (the Research, Experimental Development and Innovation Aid Act), as amended. **An extensive amendment of the act is currently under preparation**, and it should primarily introduce support for innovations and new instruments other than subsidies to fund research, development and innovation in order to simplify and improve the flexibility of the aid system, as well as enshrining the role of the representation of applied research, etc.

One of the main tools for managing the R&D&I system is Methodology 17+, approved by the government in February 2017, which concerns modifying the system for evaluating research organisations by switching from a quantity-based system to one that evaluates the quality and impact of research and development results. Methodology 17+ was developed for all evaluation modules in the universities sector. Implementation of the first comprehensive evaluation began in the fall of 2019 and will end in 2021.

Total expenditure on R&D in the Czech Republic came to CZK 102.8 billion in 2018, representing 1.93% of GDP. This long-term increase in spending was primarily due to the sustained growth of business spending.

In January 2020 the government discussed an *Analysis of the State of Research, Development and Innovation in the Czech Republic and International Benchmarking in 2018*. The analysis revealed that almost 60% of spending on research and development is covered by businesses, and that business spending on research and development rose to 1.12% GDP. The long-term increase in total spending on research and development in the Czech Republic in the period 2009–2018 was therefore primarily due to a sustained increase in business spending. The principal objective for business spending on research, development and innovation is to create the conditions **for business spending to be approximately 1.5% of GDP from 2024 onwards**, i.e. rising to CZK c. 90 billion. This increase in business spending to 1.5% of GDP should be aided by a measure to simplify support through tax deductions, introduced in 2019 thanks to cooperation between the General Financial Directorate, the Ministry of Finance, the Union of Industry and Transport of the Czech Republic and the R&D Council. Domestic public funding in 2018 totalled CZK 35 billion. We can also trace a gradual increase in international public funding to CZK 6.6 billion. For the next few years a further increase in international public funding can be expected due to drawing from ESIF.

Concerning the agenda for **supporting large research infrastructures from public funding** in the Czech Republic, the government will take the necessary steps to open the next round of their international peer review, which will take place in 2021. This evaluation aims to engage independent expertise so that the government can take an informed political decision on supporting large research infrastructures from public finance in the Czech Republic under the forthcoming 2023–2029 multiannual financial framework. The methodology for this international peer review of large research infrastructures will reflect examples of best practice in the evaluation of research infrastructures by the European Strategy Forum on Research Infrastructures (ESFRI).

Significant support for research and development is provided under the Operational Programme Research, Development and Education, coordinated by the Ministry of Education, Youth and Sports.

Its objectives are for Czech research to meet the highest international standards, to improve cooperation in research, to enhance the infrastructure for educating future researchers, to develop human resources for research and development, and to improve strategic management at national and regional level.

The **Technology Agency of the Czech Republic** is a major provider of state aid for R&D. It supports R&D projects aimed at excellent long-term cooperation (National Centres of Competence), international cooperation projects (DELTA 2), social sciences and humanities projects (ETA), projects promoting the inclusion of young researchers in R&D (ZETA) and projects aimed at commercialising research outputs in practice (GAMA 2). The Technology Agency is also the implementing agency for three departmental programmes: TREND (Ministry of Industry and Trade), ENVIRONMENT FOR LIFE (Ministry of the Environment) and TRANSPORT 2020+ (Ministry of Transport). For other departments the Technology Agency also operates the ISTA information system and undertakes work related to the evaluation process for the administration of these departments' research programmes (Ministry of Agriculture – the EARTH programme, Ministry of Interior – the IMPACT programme). Negotiations have begun with the Ministry of Defence, where the Technology Agency could be the implementing agency for a planned applied research programme. Furthermore, the Technology Agency is actively collaborating on the devising of the new RIS3 strategy, and in cooperation with other central government authorities it is involved with implementing the Innovation Strategy of the Czech Republic 2019–2030.

The Technology Agency is also part of ERA-NET cofunding projects under a framework programme (Horizon 2020) of the European Commission, for which there will be five international calls in 2020: Aquatic Pollutants, M-ERA.NET 2, CHIST-ERA IV, ERA-MIN and EuroNanoMed III. In these calls the Technology Agency will financially support Czech applicants. The Technology Agency also implements the EEA⁴⁶ and Norway Grants for research in the form of the KAPPA programme, aimed at international cooperation between Czech organisations and partners from Norway, Iceland and Liechtenstein. The first public tender under this programme was announced in November 2019, with February 2020 as the deadline. This year intensive cooperation will continue with the TAFTIE network of European innovation agencies, to which the Technology Agency belongs. In 2019 the Technology Agency also continued its participation in CSA projects funded under Horizon 2020, specifically the GEECCO (Gender Equality in Engineering through Communication and Commitment) project and NewHoRRizon (Excellence in science and innovation for Europe by adopting the concept of Responsible Research and Innovation).

Space activities

In view of the considerable significance of space activities for the national economy, the government is continuing its close cooperation with the European Space Agency and the European GNSS⁴⁷ Agency (GSA) in order to improve the technical level of Czech industry and its competitiveness. GSA is based in Prague, and **with effect from 2021 will be renamed the European Union Agency for the Space Programme (EUSPA)**, and its scope will be extended to include additional elements of the EU Space Programme. The Czech Republic will take steps to ensure the smooth transformation of the Agency, and will seek to increase its financing from EU funds.

⁴⁶ European Economic Area.

⁴⁷ Global navigation satellite system.

The *National Space Plan* is the strategy document for space activities. The government approved the new version for 2020–2025 on 14 October 2019. The new *National Space Plan* for 2020–2025 reflects developments in space activities in Europe and globally, together with the Czech space industry's new capacities, and it sets out priority areas and directions for the Czech space sector in 2020–2025.

Investing in space activities

The key instruments for implementing space activities in the Czech Republic are the **ESA programmes**, which allow Czech enterprises and academic institutions to directly participate in European space projects. More than 70 industrial enterprises and academic institutions from the Czech Republic are currently engaged in these programmes, and this has been reflected in an expansion of the Czech space industry. In connection with the new *National Space Plan*, and to ensure the further expansion of the space sector in the Czech Republic and establish the country as an important European partner for this sector, for subsequent years the government has approved **an increase in the Czech Republic's annual contributions to optional ESA programmes aligned with industrial objectives** from CZK 555 million to CZK 830 million.

The government has also approved the continuation of financing the *Framework Project implementing ESA's support of space-related activities in the Czech Republic* at the present level of CZK 375 million annually. The Framework Project enables Czech organisations to design technologies of a standard that can then effectively compete with technologically more advanced rivals in other countries. This substantially improves Czech organisations' chances of participating in large consortia, and subsequently in supply chains. The initiation and continuation of the Framework Project are part of the *National Space Plan*.

3.3.3 The business environment and the internal market

One of the most important priorities for the Czech Republic in the EU is the internal market. The Czech Republic has therefore been working for many years to deepen the internal market and remove persistent barriers (as covered in detail in the government document *Priorities in the Agenda for the EU Internal Market 2015–2020 – 2019 update*). The Czech Republic's long-term priority for the internal market is the completion of the free market in services, in collaboration with likeminded EU states. The importance of the internal market must be highlighted as much as possible to ensure this topic is again included among the top priorities for the Commission. The Czech Republic will implement measures in accordance with the *Long-term action plan for better implementation and enforcement of single market rules*. In this context there must be greater emphasis on the strengthening, application and prompt enforcement of the rules, which must be a commitment shared by the Commission and the EU Member States as part of efforts to remove barriers and make the EU internal market more efficient. The Czech Republic will continue to support the swift approval of the proposed notification directive, the adopting of which should improve the notification of regulations on services.

In 2020 the Czech Republic will continue to raise awareness among Czech entrepreneurs and citizens of their rights and opportunities on the EU internal market using the existing information tools, which include Points of Single Contact (PSCs), the Product Contact Point (ProCoP) and the SOLVIT network. An important reform initiative related to keeping the business sector well informed is the implementation of the regulation establishing a **Single Digital Gateway**. When fully functional this gateway will serve as a signpost from where citizens and entrepreneurs can find their way to the information, procedures and assistance services they need, including in foreign languages. Ultimately

the Single Digital Gateway will replace the electronic PSCs. The information component of the Single Digital Gateway will be launched at the end of 2020.

In 2020 the Ministry of Industry and Trade, in collaboration with business representatives, will continue holding regional seminars covering topics related to cross-border service provision and the posting of workers. These seminars have been welcomed and positively rated by entrepreneurs and cooperating partners.

In February 2020 the Ministry of Industry and Trade published the results of an online survey for entrepreneurs that mapped in detail barriers on the EU internal market. These results have been shared with relevant partners at national and EU level. The questionnaire attracted 140 responses, which revealed that barriers on the EU internal market are seen as more problematic for companies providing services than those offering goods. The greatest obstacles to providing services on the EU internal market include the conditions and administrative requirements related to posting workers and employing local workforces. Entrepreneurs also often encounter unpredictable conduct and communication from local authorities, and the administrative procedures related to cross-border service provision are slow/complicated/frequently amended. These barriers correspond to the barriers identified in the Commission Communication on barriers on the single market published in May 2017.

The business environment

Several partial measures to reduce the administrative burden on entrepreneurs have already been implemented across various aspects of business. The Ministry of Industry and Trade publishes current information on this agenda on its website each year.⁴⁸ Just seven measures remain to achieve the objective of implementing 40 measures to reduce the administrative burden by the end of 2020, so this objective should therefore be met. In the context of initiatives to reduce the administrative burden on entrepreneurs, it should be mentioned that in September 2019 the Ministry of Industry and Trade commenced the next stage of its **Ecoaudit** (collecting and processing proposals and suggestions from the business sector to reduce the administrative and financial burden related to the application of environmental protection regulations). At the end of 2019 verified proposals were passed to the Ministry of the Environment for further processing. In the course of 2020 the Ministry of the Environment will discuss new proposals with the Ministry of Industry and Trade and representatives of the business community. The final document, with new proposals for legislative and other measures and an overview of tasks implemented in previous phases of Ecoaudit, will be submitted to the government for approval by the end of 2020.

In collaboration with the Ministry of Finance and other departments, the Ministry of Industry and Trade has come up with ten principal measures to improve the business environment.⁴⁹

- **Support for family businesses**
 - Ministry of Industry and Trade, in collaboration with the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic (AMSP), has come up with a definition of a family business and a family trade. This definition was accepted by the government in a Government Resolution dated 13 May 2019.

⁴⁸ Available at: www.mpo.cz/AZ

⁴⁹ Entrepreneurs are kept up to date on the implementation of these measures via the website www.zivnostensky-balicek.cz

- Family businesses face a great challenge when their original owners retire and decide what to do with their businesses, i.e. how to leave them to the next generation. The Ministry of Industry and Trade has produced a publication on this matter.⁵⁰
- To better and more effectively target support for family businesses, in March 2020 the Ministry of Industry and Trade, in collaboration with business associations (AMSP and the Czech Chamber of Commerce) and the Czech-Moravian Guarantee and Development Bank (ČMZRB, a.s.) launched a system for the registration of family businesses.
- On the basis of a decision by the Ministry of Industry and Trade, on 1 January 2020 ČMZRB, a.s. announced two new special financial instruments to support family businesses (the Guarantee 2015–2023 programme and the EXPANSION programme).
- **Simpler startups** – By linking the Citizen Portal with the Commercial Register, trades can be registered and licence applications made, including registering for tax and deductions. In 2019 an electronic filing service was launched on the Citizen Portal, thereby implementing one of the important tasks in reducing the administrative burden.
- **Legislative amendments only two times a year** – An amendment of the Act on the Collection of Legislative Acts and International Treaties, introducing two dates on which all legal regulations come into force (1 January and 1 July), with some exceptions, was published in the Collection of Legislative Acts on 6 November 2019 and came into force on 31 December 2019.
- **No more tax exemptions** – The aim is to simplify the tax system in order to remove numerous controversial and unsystematic exemptions.
- **A single database for official forms** – All forms and related information have been updated on the BusinessInfo portal, including an audit of the current situation. In the next phase selected forms will be reworked as “smartforms” to prepare and facilitate complete electronic filings.
- **All obligations in one place** – On 1 January 2020 a new website for entrepreneurs was launched, www.businessinfo.cz. Also helping to achieve this objective is the Chamber of Commerce’s new information system for entrepreneurs (PES), where entrepreneurs can easily obtain an overview of their obligations with regard to the public administration.
- **Curtailing statistical surveys** – Thanks to cooperation between the Czech Statistical Office and the General Directorate of Customs, the threshold above which an entrepreneur is obliged to report statistical data to Intrastat has been raised from CZK 8 million to CZK 12 million p.a. This means that almost 1,700 entrepreneurs will no longer be obliged by law to report this data. The objective for the future is to further raise this limit to as much as CZK 20 million p.a.
- **Simpler taxes for small businesses** – It is planned to introduce a single lump-sum payment for traders with an annual turnover up to CZK 1 million. For taxpayers, communicating with the state will be simplified thanks to a straightforward and intuitive online interface for the tax office that the Ministry of Finance plans to launch in 2020 under the name My Taxes.

⁵⁰ Available free of charge in printed or electronic form at: www.mpo.cz/rodinnepodnikani

- **Compensation for enforcement costs** – As many as 900,000 citizens currently have problems with enforcement proceedings. If they are in employment, their employers incur considerable administrative and financial costs related to enforcement. It is therefore essential to either introduce a system for compensation to cover these costs, or substantially amend the relevant legislation.
- **A more accommodating building authority** – A trader or entrepreneur (builder) will be able to file an application, including documentation, electronically via the Construction Portal, and the builder will also be able to obtain all of the opinions required from the relevant authorities and owners of the public technical and transport infrastructure in the same way, i.e. electronically.

Support for small and medium-sized enterprises

The Czech Republic is working to provide targeted aid to SMEs, especially in three priority areas: creating a favourable business environment, improving SMEs' access to funding, and facilitating entrance to foreign markets. The emphasis is mainly on using funding from Operational Programme Enterprise and Innovation for Competitiveness (OP EIC), with a total allocation currently at CZK 103.1 billion, and on increasing the use of recoverable forms of supporting enterprise.

The Ministry of Industry and Trade will also work on further revisions to the current definition of SMEs, as this concerns very important changes for drawing state aid, EU funds and other forms allowing SMEs to access finance, with a scope that is interdepartmental. The Commission first issued notification of the planned revision of the definition in the summer of 2017, as part of an initial impact assessment, and it then started evaluating the implementation to date of the current definition (based on Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises), in collaboration with the Member States. This definition is also enshrined in Act No 47/2002 on support for small and medium-sized enterprises, in order to eliminate any difference that could interfere with economic competition, and to facilitate coordination between individual Community initiatives and domestic initiatives concerning SMEs.

SMEs also comprise approximately one third of all participants supported by the Technology Agency of the Czech Republic, and the financial aid for these SMEs accounts for a quarter of the total financial aid paid out by the Technology Agency. One important instrument to support SMEs is the **Ministry of Industry and Trade's TREND programme**, implemented by the Technology Agency. The programme's principal objective is to improve enterprises' international competitiveness by expanding their foreign markets, penetrating new markets and moving up global value chains. For 2020 the TREND programme plans to announce two public tenders under sub-programme 1 *Technology Leaders* and sub-programme 2 *Newcomers*.

The Ministry of Industry and Trade is currently coordinating the forthcoming **Operational Programme Technologies and Applications for Competitiveness (OP TAC)**, which as part of direct support for SMEs will be focused on research, development and innovation, the growth and competitiveness of SMEs and skills development, as well as the move to a low-carbon economy, clean mobility, more efficient resource management and the expansion of the digital infrastructure in the context of the overall digital transformation of the economy. An integral part of the programme will also be indirect support for SMEs in the form of consultancy or the provision of specialised services.

In 2020 the Ministry of Industry and Trade will complete its ***SME Support Strategy in the Czech Republic for 2021–2027***, which will be the key document for supporting small and medium-sized enterprises with key measures and initiatives to expand enterprise, which should help Czech SMEs withstand the many challenges of the digitalisation era, the increasing significance of services, climate and energy changes and major demographic changes that could reduce Czech SMEs' competitiveness. This framework document aims to configure an appropriate policy to support SMEs and create the conditions so that regulation does not impair Czech SMEs' global competitiveness, and so that the projections for technology, education and science become a way of bolstering the Czech Republic's international standing, drawing also on umbrella strategy documents such as the *Economic Strategy of the Czech Republic 2020–2030* and the *Innovation Strategy of the Czech Republic 2019–2030*. This strategy should also ensure synergies and complementarities within the individual support programmes at national and EU level.

3.3.4 Quality of public administration

Implementation of the Civil Service Act

As part of the ongoing implementation of the **Civil Service Act**, regulations have been issued relating to individual processes in the civil service. One of the regulations produced in this context is the Staff Regulation of the Deputy Minister of the Interior for the Civil Service No 4/2019 of 5 November 2019, which sets out the Framework Regulations for Training in Civil Service Offices, covering the rules for training civil servants and staff temporarily appointed to a service post in accordance with Sections 178 and 178a of the Civil Service Act. In connection with the ongoing implementation of the Civil Service Act, the Guidelines of the Deputy Minister of the Interior for the Civil Service No 2/2019, setting out the details of the changes to employment in the civil service, were also updated.

Related to the implementation of the Civil Service Act, an **Analysis of the Effectiveness of the Civil Service Act** was produced in the form of an ex post regulatory impact assessment (RIA), which evaluated the true impacts of the Civil Service Act several years after it came into force, looking at how far the Czech Republic had achieved the objectives and the fundamental principles of civil service legislation, inter alia as defined by the Commission.

Quality management in civil service offices

As part of introducing quality management in civil service offices, and on the basis of the government-approved *Methodology for Introducing Quality Management in Civil Service Offices* and the *Guidelines for Quality Management in Civil Service Offices*, specific measures continue to be introduced to improve the quality of civil service offices, with the Ministry of the Interior providing methodological support for implementing the Guidelines.

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

The *Strategic Framework for the Development of the Public Administration of the Czech Republic for 2014–2020* is the basic document setting out the development of the public administration and e-government up to the end of 2020. In 2019 specific objectives and measures were implemented, as specified in the Implementation Plans for the Strategic Framework.

The measures are aimed at greater transparency in the financing of the public administration; simplifying the public administration's territorial structure; improving strategic management in public administration institutions; introducing process modelling of agendas; reducing the regulatory burden and introducing quality methods; devising methods and a monitoring system to evaluate the performance of public administration in terms of its effectiveness, economy, efficiency and appropriateness; increasing the accessibility of public administration via e-government, and professionalisation and human resources development in the public administration.

In 2019 a new strategy document was produced, **Client-Oriented Public Administration 2030**, together with an *Action Plan for 2021–2023*. The document was submitted to the government for approval. An updated system for measuring and evaluating the public administration was also produced and will be submitted to the government for approval in the first half of 2020. The *Methodology for Determining Overheads for the Public Administration* was revised, and it should serve as a practical guide for preliminary evaluations of the costs of the public administration generated by newly-drafted legislation. The methodology will be submitted to the government for approval in the first half of 2020.

In June 2020 the *Annual Report on the State of the Public Administration in 2019* will be submitted to the government. It will describe the current state of the public administration and highlight selected pressing topics. In 2020 another round of a training programme for elected representatives of towns and municipalities will be held, *Representative Workshop III*. In connection with the completion of the legislative process for an act on the territorial administrative structure of the state, all relevant parties will be informed about the act's impacts. There are also plans to elaborate performance financing for additional agendas of the public administration that have been delegated. A tender will be opened to produce an **analysis of obsolete regulations**, and the use of *Easy-to-Read Methodology* will be developed at both levels of the public administration.

In January 2019 a government-approved update to the **Methodology for Creating Public Strategies** helped to improve the strategic environment. In 2020 the Methodology will be supplemented with graphic publications and other templates to facilitate its practical application. The project *Mapping Strategic Work in Public Administration Institutions and Proposals for Greater Effectiveness* generated a number of recommendations to improve strategic work, which will be examined in 2020. The **STRATeduka** training programme, completed in 2019, was accredited in March 2020 and is now available. The **Strategy Database**,⁵¹ an electronic instrument for strategic management and planning, will help with producing and evaluating strategic documents, and will offer a practical overview of them. The **ObcePRO** application⁵² provides methodological and technical support for municipalities when creating municipal development programmes.

Since 2018 the Ministry of the Interior has been implementing the project **Training Public Administration Employees and Promoting Activities in e-Government**. This project is aimed at increasing citizens' awareness of the existence of modern e-government tools, familiarisation with electronic public administration, understanding how individual tools work and providing assurance of their security.

⁵¹ Available at: <https://www.databaze-strategie.cz/>

⁵² Available at: <http://www.obcepro.cz/>

Strategic development of the public administration after 2020

The new strategy document for the public administration, *Client-Oriented Public Administration 2030*, envisages achieving by 2030 a public administration that is maximally client-oriented and will create the conditions for further improvements in the quality of life and prosperity of the Czech Republic and its inhabitants. This vision is set out in five strategic objectives based on achieving progress in specific aspects of how the public administration works. In the first three years these strategic objectives will be implemented under the Action Plan for 2021–2023.

One objective is to improve the coordination and management of public administration. If an analysis of best practice in other countries and an analysis of powers conclude that this is the best solution, a **new act on powers** will be drafted. In response to the high degree of fragmentation between regional self-government units, **cooperation between municipalities will be strengthened within municipalities with extended jurisdiction.**

Evidence-informed decision making will be reinforced, and a **systematic approach to creating innovations** will be introduced through new innovation laboratories. As part of this, motivational training programmes will be implemented, innovation actors will be networked, etc. There will also be better communication with the public, more citizen participation, and the expertise of elected representatives, officials in self-government units and civil servants will be further improved.

The strategy document will also include areas which have been continually improved in the Czech Republic. For instance, the Czech Republic continues to struggle with the quality of **strategic management and planning**. The strategy document will promote further development and the implementation of methods, tools, innovations for strategic work and overall improvement in the strategic management environment. The Strategy Database's functionality and modules will be extended.

The e-Collection and e-Legislation project

The implementation of the e-Collection and e-Legislation project is continuing successfully. The project is aimed at modernising the legislative process and improving the accessibility and coherence of the law. Regarding the relevant legislation, it now remains to incorporate the electronic legislative process into the Senate's Rules of Procedure; this is tied to a proposed amendment to the Constitution of the Czech Republic currently under discussion.

It is anticipated that both systems will be fully launched on 1 January 2022, when the Act on the Collection of Legislative Acts and International Treaties comes into force. Pilot operation of the system is planned from September 2020 onwards.

In conjunction with this project, an electronic information system for the Collection of Legal Regulations of Regional Self-Government Units and Selected Public Authorities will also be set up. This information system, whose founding is currently under discussion in the Chamber of Deputies, should then be integrated into e-Collection.

Public procurement

The **Public Procurement Act** and its implementing legislation, which came into force on 1 October 2016, substantially reduced the overall administrative burden for public procurement and offered

greater flexibility for contracting authorities and contractors, in line with the procurement directives. The public procurement coordinator is providing users of the Public Procurement Act and the general public with large-scale methodological support, training and consultation on the awarding of public contracts. In its Country Report Czechia 2020, the Commission itself reports that the legal framework for public procurement is improving, noting the forthcoming amendment of the Public Procurement Act as well as training activities to improve the professionalism of the procurement process at municipal level. The amendment of the Public Procurement Act is currently under discussion, addressing the Commission's minor reservations regarding the transposition of the European procurement directives. To provide methodological support for the Public Procurement Act, the act's coordinator has set up a contact e-mail address and an infoline for anyone to query the awarding of public contracts.

The Public Procurement Act's coordinator regularly holds events as part of a **Training Programme** to improve users' expertise in public procurement in the context of the rights and duties of contracting authorities, contractors and control authorities. In 2019 the programme organised almost 60 training events with 2,130 attendees. Beyond this Training Programme, the Eurocentres organised a training campaign throughout the Czech Republic called *EU Subsidies and PUBLIC PROCUREMENT*, a series of specialised seminars for hospitals as contracting authorities, and *Public Procurement Day*, a block of lectures aimed at specific institutions in the field of public procurement. In 2019 a training module was launched for public procurement controllers and the staff of the Centre for Regional Development. The frequency of such events, their subject matter and participant numbers should be similar in 2020.

Implementation of the Strategy for Electronic Public Procurement for 2016–2020

In line with EU Council recommendations, the Czech Republic has continued implementing measures to improve the transparency and efficiency of public procurement. In January 2016 the government approved its *Strategy for Electronic Public Procurement for 2016–2020, Evaluation of the Efficiency of its Operation and a Proposal for the Use of Public Administration Electronic Marketplaces, and a Proposal for the Mandatory Use of a National Electronic Instrument*.

Measures under implementation in 2020 include monitoring best practice for electronic public procurement in other countries, with an assessment of the potential implementation of the best solutions in Czech legislation; information events aimed at introducing electronic public procurement; consultancy for contracting authorities and contractors; reviews and the drafting of methodologies for the Public Procurement Act and its implementing legislation in view of the substantial increase in contracting authorities' duties, and creating a new system for publicising information.

Measures to optimise the functioning of the individual modules of the national public procurement infrastructure are in various stages of progress (e.g. merging the Public Procurement Bulletin and the Public Procurement Information System), as is the implementation of measures related to electronic public procurement based on the development of national and European projects for electronic public administration (e.g. ensuring that electronic instruments are in compliance with the European eIDAS Regulation and the Directive on electronic invoicing in public procurement).

The fight against corruption

The basic institutional arrangements and substance of the government's anti-corruption policy, coordinated by the Ministry of Justice, are set out in the **Government Anti-Corruption Strategy 2018–2022**. Related to this Strategy are one-year anti-corruption action plans with specific anti-corruption measures and clear arrangements for coordinating their implementation.

On 9 December 2019 the government approved the **Anti-Corruption Action Plan for 2020**. Part of the Action Plan are measures to implement 5MLD⁵³ in the form of a bill on records of true owners and an amendment of the Act on selected measures against legitimisation of proceeds of crime and financing of terrorism. The Action Plan also includes measures concerning public procurement, both legislative (an amendment to the Public Procurement Act) and non-legislative in the form of methodologies and training. In addition to the government-approved **bill on free access to information**, a transposition amendment for the act will now be submitted. Important anti-corruption legislative measures where the legislative process is continuing from previous years include the government-approved bill on lobbying and a proposal to extend the powers of the Supreme Audit Office, as well as a bill on the protection of whistle-blowers which should be submitted to the government in September 2020. Last but not least, the Action Plan looks at the amendment of the Courts and Judges Act, and a bill on the public prosecutor's office, yet to be discussed by the government, that implements some of the recommendations made to the Czech Republic by the GRECO group.

Regulatory Impact Assessment (RIA)

The Czech Republic has long struggled with an increasing quantity of regulations and their worsening coherence. Regulatory Impact Assessment is an internationally recognised instrument to improve the quality of legislation. However, in practice RIA is treated formally and the review of the effectiveness of regulation (ex post RIA) is all but forgotten. In 2020 the Office of the Government (specifically the Government Legislative Council) plans to **submit to the government a proposal for the uniform application of ex post RIA** with the aim of introducing the uniform and systematic processing of reviews. Interdepartmental consultation took place in February 2020. The planned measures require an amendment of the General Principles for Regulatory Impact Assessment and the Government Legislative Council's Statute. The coordinator will provide assistance with methodology and coordination for the producers of ex post RIA in the form of a manual and training.

3.3.5 Digital agenda and e-government

Country Report Czechia 2020

In this year's Report on the Czech Republic, the Commission remarks that although digital public services are becoming increasingly available, the number of e-government users is only growing slowly, and use of eID cards is low. However, the use of digital services by the public is improving each year as more online services become available (in March there were over 130 such services), and there is a growing range of other means of online access. The implementation of user-friendly and efficient online services for citizens and corporations will continue in line with the Information Strategy of the Czech Republic. A national catalogue and search engine for public administration services is being prepared and will be published on the Public Administration Portal, while the individual components will be published on the websites of the individual authorities. **Under Act**

⁵³ Fifth Money Laundering Directive.

No 12/2020 on the right to digital services, the government will draw up a timetable and methodology for the gradual digitalisation over the next four years of operations listed in the catalogue of services that are not yet provided as digital services or executed as digital acts, and whose nature does not rule this out.

Digital Czechia

The Digital Czechia programme⁵⁴ is a set of strategies to put in place the conditions for the Czech Republic's long-term prosperity in the digital revolution. Digital Czechia covers three main pillars (individual strategies) that comprise a logical whole with a large number of internal links, but in a structure that reflects their targeting to different beneficiaries, as well as differences due to the current legislation: 1. *Czechia in a Digital Europe (CDE)*, 2. *Information Strategy of the Czech Republic (ISCR)*, 3. *Strategy for a Digital Economy and Society (DES)*.

The aforementioned resolution also instructed the Minister of the Interior to submit **updated implementation plans** to the government. Work on updating the plans is currently underway. From September 2019 to 31 January 2020 a catalogue of objectives was open for all concerned ministries and authorities to edit. Once the objectives had been amended and confirmed by the coordinators, they were used to produce implementation plans for 2020, including the anticipated financial allocation. Given the need to align the updated implementation plans with their funding under the proposed budget for 2021, and in view of the state of emergency due to the COVID-19 epidemic, the time limit for submitting these materials to the government has been extended to 31 May 2020.

The first pillar, *Czechia in a Digital Europe*, is primarily aimed at ensuring the effective promoting of the Czech Republic's position when negotiating European legislation and other EU initiatives for a digital economy and society. According to the implementation plans approved by the government in April 2019, the CDE strategy has two main objectives: meeting institutional needs for the effective coordination and financing of the strategy's implementation, and ensuring effective communication on current topics and opportunities in the EU's digital agenda.

CDE implementation plans: the Office of the Government's **Committee for the Digital Single Market in Europe** plays an important role in achieving these objectives. Its members help to formulate the Czech position on current EU legislative and other initiatives. As part of this pillar there is also a large quantity of communication directed at the EU and at Czech citizens to reinforce the Czech Republic's image as a digitalisation-oriented country that promotes innovative solutions. Workshops on the data economy were held in 2019, together with a round table and public consultation on the Digital Europe programme, and seminars on current issues in the digital economy were organised in the regional Eurocentres. The forthcoming updating of the implementation plan will set out individual objectives and add a third key objective that will reflect the new Commission's priorities for the digital agenda.

The second pillar of Digital Czechia is the *Information Strategy of the Czech Republic*, the fundamental document setting out the Czech Republic's objectives for public administration information systems and the principles for purchasing, creating, managing and operating such information systems in the Czech Republic up to 2023.

⁵⁴ The Digital Czechia programme was approved in Resolution No 629 of 3 October 2018.

Implementing this strategy requires cooperation between central government authorities and city and municipal authorities on the digitalisation of state administration agendas and the delegated performance of state administration, as well as cooperation on the work of city and municipal authorities.

The Ministry of the Interior has published several strategy documents relating to the ISCR: *ICT management methods of public administration in the Czech Republic*, an *e-Government Glossary*, the *National Architectural Framework* and the *National Architectural Plan*.⁵⁵ All of these documents, and the information and obligations they contain, are aimed at more efficient (but not necessarily lower) spending on state IT, and at better access to e-government services for the state administration, local administrations and above all the public administration's clients: citizens, legal entities and foreign nationals.

Electronic identification

Act No 250/2017 on electronic identification set a two-year transition period, during which when people access online services that are part of policy implementation, or for which identity checks are required by law, their identity can be verified using electronic identification systems (and by extension electronic identification means) other than those that satisfy the requirements of the Electronic Identification Act.

According to this act, with effect from 1 July 2020 access to such online services should only be **via a qualified electronic identification system** or electronic identification means issued by qualified administrators (identity providers) that are connected to the National Identification and Authentication Point (NIA). The exception are special cases for which specific legislation explicitly lays down an alternative method for natural persons to prove their identity for a specific agenda or service. By the end of the transition period, public authorities should have created and connected their online services/portals that require identity checks to the NIA.

The state currently has two electronic identification systems offering the following electronic identification means:

- **ID card with an activated chip issued after 1 July 2018.**
- **User account (name, password, SMS).**

In January 2020 the company První certifikační autorita, a.s. received accreditation to operate a qualified electronic identification system, and it will issue a means with high-level assurance. The portfolio of electronic identification means issued by qualified private-sector administrators (identity providers) should gradually be extended, and this is also related to the Banking Identity project (<https://bankovni-identita.cz/>).

Concerning the availability of online services connected to the NIA, citizens can currently (by using e.g. the new electronic ID cards) remotely access over 130 public administration services, some of which require a data box.⁵⁶ New services are gradually being added.

⁵⁵ Available at: <https://archi.gov.cz>

⁵⁶ A list of the services that can be accessed is available at: <https://info.eidentita.cz/sep/>

Work is continuing on an electronic identification system using a secure application for smartphones. This will supplement the existing electronic identification means, i.e. ID cards with chips and user accounts.

Citizen Portal

Citizen Portal is the transactional part of the Public Administration Portal and is only available after logging in with a guaranteed identity. In March 2020 it offered over 130 services, e.g. archiving data messages, including the option of making submissions; a simple payment interface; displaying and managing data from public administration information systems; document storage; optional notifications via push messages, e-mail or text message, and new services from connected central, regional and municipal authorities. There is also the option of receiving additional statements, extracts, etc. from Citizen Portal without owning a data box, as well as a structured list of links to forms available on other portals. Citizen Portal has approximately 50,000 registered users and attracts three to four thousand hits a week.

Work on Citizen Portal is ongoing. **The Digital Czechia strategy envisages its development will continue until at least 2024**, and the new Right to Digital Services Act⁵⁷ (see below) similarly includes the portal's further development. The Ministry of the Interior has also developed a design system that is gradually being adopted by other authorities for use with their websites or applications.

Integrated Foreigners Agenda System

As part of the Digital Czechia strategy, and in line with plans for the digitalisation of the public administration, the Czech Republic intends to digitalise residence for foreign nationals. To this end a feasibility study of the new Integrated Foreigners Agenda System will be completed in 2020. The study is financed by the Commission and implemented under the Structural Reform Support Programme. Besides a comprehensive analysis, the project's output will be the architectural design for an information system, which will serve as the basis for tendering and subsequently implementing a new information system for foreign nationals that will make the state administration more efficient while providing new digital services for the public, specifically foreign nationals (including EU citizens). The information system should be installed by 2025. The Ministry of the Interior is also working on a project to develop an Information Portal for Foreigners, using artificial intelligence and an intuitive interface to improve the quality and availability of information provided to foreign nationals and facilitate their access to information, thereby also facilitating their integration as such. The information portal should be developed before the end of 2021. The Information Portal for Foreigners should then serve as the interface for the aforementioned Integrated Foreigners Agenda System.

Strategy for the Development of the Infrastructure for Spatial Information in the Czech Republic up to 2020

The Strategy for the Development of the Infrastructure for Spatial Information in the Czech Republic up to 2020 (GeoInfoStrategy) was approved in Resolution of the Government of the Czech Republic No 815 of 8 October 2014. It sets out the key principles for the development of the public administration and e-government with regard to spatial information.

⁵⁷ Act No 12/2020 on the right to digital services, amending certain acts.

The development of the **National Spatial Information Infrastructure** (NSII) affects almost all aspects of the public administration, cutting across the jurisdictions of its individual departments and levels. The interdepartmental character of the GeoInfoStrategy means that when formulating objectives, account must be taken of the different legal, procedural, institutional and financial conditions under which the public administration operates in various fields. In this context the objectives formulated by the GeoInfoStrategy are the basic principles shared by the public administration for the requisite development of the NSII, and the strategy therefore functions as a strategic framework.

GeoInfoStrategy Action Plan

The implementation of the GeoInfoStrategy has been guided by the **Action Plan for the Strategy for the Development of the Infrastructure for Spatial Information in the Czech Republic up to 2020** (GeoInfoStrategy AP), coordinated by the Working Committee for Spatial Information.

The updating of the GeoInfoStrategy AP in 2017 (under Government Resolution No 12 of 9 January 2017) instructed the Minister of the Interior and the Chairperson of the Government Council for Information Society to coordinate the implementation of the updated GeoInfoStrategy AP, submit information on its implementation by 31 July 2018 and 2020, and **submit a summary of the implementation of the GeoInfoStrategy AP to the government by 31 July 2021**.

Government Resolution No 815 instructed the Minister of the Interior to produce a **draft Strategy for the Development of the Infrastructure for Spatial Information in the Czech Republic after 2020**, in consultation with the President of the Czech Office for Surveying, Mapping and Cadastre and the Ministers of Defence, the Environment, Transport, Agriculture, Finance and Regional Development, and submit it to the government by 31 December 2021.

Accessibility of the websites and mobile applications of public sector bodies

On 9 April 2019 **Act No 99/2019 on the accessibility of the websites and mobile applications of public sector bodies** came into force, transposing Directive (EU) 2016/2102 of the European Parliament and of the Council of 26 October 2016 on the accessibility of the websites and mobile applications of public sector bodies.

On the basis of this Act, **Guidelines on the Accessibility of Websites and Mobile Applications** were produced, setting out the general accessibility requirements for websites and mobile applications, including the requirements of the harmonised norm on accessibility. Applying the accessibility rules as set out in the Guidelines requires expertise in the creation and administration of websites and mobile applications.

Since 1 January 2020 the Ministry of the Interior has conducted checks of whether bodies are complying with the law. These checks are carried out in accordance with the control plan for the period in question.

Full electronic submission

An important priority for the development of e-government in the Czech Republic is ensuring **full electronic submission**, aimed at enhancing user convenience, improving the quality of services provided by public administration bodies, increasing the speed and continuity of paperwork, and boosting the use of e-government among citizens. In 2020 key methodological documents,

recommendations and standards will be completed (at the legislative, motivational, procedural and technical levels), contributing to the smoother implementation and homogeneity of the strategy for full electronic submission in the Czech Republic's public administration.

The Public Administration Portal and the Data Box Information System

The Public Administration Portal is a tool to ensure the quality of services in the provision of reliable and guaranteed information, and together with the Data Box Information System (DBIS) it simplifies communication with the authorities for Czech citizens and foreign nationals. Further expansion of the DBIS is planned for 2020, e.g. **setting up data boxes after logging in with an eID card**, introducing logging in electronically from assurance level "substantial" upwards (as required by the Electronic Identification Act), the option of transferring the same DBIS user's identity to the NIA using an electronic **Mobile Key**, supporting users logging into the NIA with the Mobile Key application, introducing the electronic delivery of access data to natural persons' data boxes, and preparations to **set up boxes for legal translators, interpreters and expert witnesses** (with effect from 2021). For the future, it is planned to allow the Public Administration Portal's users to work interactively with documents and forms online.

The Right to Digital Services Act

In March 2019 a private member's bill was submitted on **the right to digital services**. The bill was passed and came into force on 1 February 2020 as Act No 12/2020 on the right to digital services, amending certain acts. Some of the act's provisions will only come into force on 1 February 2022.

The act's principal objective is to fundamentally strengthen natural and legal persons' rights (as clients of the public authorities in the position of service users) to the electronic provision of the public authorities' services, i.e. as digital services. Act No 12/2020 on the right to digital services covers users' rights to the provision of digital services by the public administration, the right to undertake digital acts in relations with public authorities, the creating of a catalogue of services, the right to the official verification of electronic signatures, the right to share data, the right to certification of digital acts, and the right for a right, obligation or legal fact to be recorded in a register of rights and obligations.

In essence the main benefits of the new legislation will be the greater penetration of digital services among citizens, the much more efficient sharing of data between individual public authorities, and last but not least the mapping of the services provided by public authorities and the ways in which they are delivered.

The act's implementation will be spread out over the next two years so that the state, as the administrator of the most important public administration information systems, and the regional self-government units will have adequate time for the necessary technical, organisational and staffing arrangements, as well as planning financing.

The third pillar of Digital Czechia, the *Strategy for a **Digital Economy and Society*** (DES), sets out eight key objectives in accordance with the implementation plans approved by the government in April 2019. These plans have approximately 100 targets to be met in line with the strategy's timetable.

Amendment of the Banking Act

Act No 21/1992 on banks has been amended by Act No 49/2020, and banks will now be permitted to provide identification services as a business activity with effect from 1 January 2021.

The Banking Identity project is aimed primarily at allowing bank clients, and by extension the clients of branches of foreign banks, to use their login credentials for internet banking to also access online services provided by the public administration and other third parties.

The amendment of Act No 21/1992 also allows banking identification means to be used outside the qualified electronic identification system (i.e. outside communication with the National Identification and Authentication Point under the Electronic Identification Act) for the purposes of authentication for services provided by third parties and the public administration, where these services' providers do not come under the categories of central government authorities or regional self-government units.

Under Act No 111/2009 on base registries, banks and branches of foreign banks are now also permitted to access the Czech Republic's base registries containing up-to-date information on their clients. Access to these registries would then help banks and branches of foreign banks to effectively comply with their obligations concerning identity checks, in line with Act No 253/2008 on selected measures against the legitimisation of proceeds of crime and financing of terrorism.

Carrying out the DES implementation plans

The **National Strategy for Artificial Intelligence in the Czech Republic** was approved in Government Resolution No 314 of 6 May 2019, implementing the objectives of the Innovation Strategy of the Czech Republic 2019–2030 and the Digital Economy and Society strategy. The implementation of the Innovation Strategy is the responsibility not just of the government, but also of the Union of Industry and Transport of the Czech Republic, which represents employers. Artificial intelligence (AI) covers programs and algorithms that allow decision making to be automated thanks to machine learning using large quantities of data, and such programs and algorithms therefore have the potential to replace human resources, especially for routine work. The use of AI is the first step to promoting the creation of an innovation economy in the Czech Republic. The strategy's key objective is setting up a Centre of Excellence for AI in the Czech Republic, which would bring together top scientists from this country and abroad. Building one of the European centres of excellence can potentially bring the Czech Republic prestige, attract new investors and scientists, and guarantee funding from the EU budget, especially from Community programmes such as *Digital Europe*. The first step towards **building a European centre of excellence** is the participation of top-level teams from the Czech Republic in the *Horizon 2020* programme (ICT-048 *Towards a vibrant European network of AI excellence centres*). By the close of the call on 14 November 2019 two projects had been submitted on behalf of the Czech Republic (ETERNITIS and AIZEN).

The DES strategy covers **Digital Innovation Hubs** in the Czech Republic. In line with the Digital Europe programme, the strategy envisages the building of an international network of Digital Innovation Hubs, which will be non-profit organisations or non-profit coordinated groups of organisations with expert capacities, together with public administration bodies and education institutions. By disseminating knowledge and skills, these hubs will seek to promote the digital transformation of society, especially in small and medium-sized enterprises.

Digitalisation of planning permission and spatial planning

The solution proposed for the digitalisation of planning permission and spatial planning will consist of individual functional units (public administration information systems) that can also operate independently. The system as a whole, made up of the individual components, will be designed so that it can be modified in line with new legislative requirements and users' needs. The individual systems will begin competing this year so that they can be brought into service by 1 July 2023.

This year the legislation implementing Act No 47/2020 will be prepared, and for information systems to compete it is essential that a feasibility study be carried out for all information systems.

The digitalisation of planning permission and spatial planning (DPP) will introduce a framework with the following central information systems, which feature in the amended Construction Act:

- Integration platform for the digitalisation of planning permission
- Information system for spatial and planning procedures
- Information system for electronic documentation
- Information system for spatial planning and the management of spatial plans (National Geoportal for Spatial Planning)

Following on from the implementation of these DPP projects:

- Any additional technical equipment (hardware) required will be supplied to building authorities and spatial planning authorities;
- In connection with the forthcoming overall recodification of planning permission, a central information system for planning will be set up in line with Section 21 of the new Construction Act.

For builders, DPP will make it easier to obtain documentation before proceedings begin. It will ensure that an electronic administrative file with all documents is kept, as well as simplifying submission by means of interactive forms, allowing information on the status of proceedings to be accessed, and facilitating the management of project documentation in standard formats (pdf, dwg and BIM) for construction projects so that this documentation can be further used. It will also give authorised persons access to this structured data so that they can use more advanced functions (e.g. for combining data on spatial planning, data on the terrain and infrastructure, and data on buildings and proceedings in order to make the processes of planning, siting and permitting buildings more efficient). Implementing DPP will also allow documentation (project and spatial planning documentation and the relevant opinions) to be shared to speed up the process and provide greater transparency when it is examined by the spatial planning authority, and for the authorities concerned to comment on it.

Digital technical maps

A precondition for implementing DPP is the introduction of digital technical maps (DTMs) with full and up-to-date information on all transport and technical infrastructure for the entire Czech Republic. Although the majority of towns and regions, and some municipalities, have already introduced technical maps, their full use, especially for planning, permitting and siting buildings, is hindered by the fact that they are not standardised, are not available for the entire Czech Republic, the data sources are scattered, there is no single point for accessing data, and the data is not

complete or up-to-date. The Ministry of Regional Development, in collaboration with the Czech Office for Surveying, Mapping and Cadastre, the Ministry of Industry and Trade, the Ministry of the Interior, the Prague Institute of Planning and Development and other partners, has therefore produced a strategy for creating DTMs. The legislation required was passed with Act No 47/2020, which instructs all regions to maintain DTMs and sets out the responsibilities of transport and technical infrastructure administrators when relaying data to update DTMs.

In March 2020 OP EIC announced a call with subsidies to create DTMs. In 2020 the regions, in collaboration with their municipalities, will produce feasibility studies and submit projects for the introduction of DTMs in all regions. These DTMs will then be implemented in 2021–2023.

Once the DTMs have been created, information from them will be used by all parties in planning permission and spatial planning, including citizens, entrepreneurs, planners, public administration bodies and infrastructure owners. Data from DTMs will also improve the coordination of construction work and the sharing of the physical infrastructure in the sense of Act No 194/2017 on measures to reduce the costs of deploying high-speed electronic communications networks, which will bring forward the completion of high-speed internet coverage for the entire Czech Republic.

The proposed DPP will create an information system in which builders, planners and the authorities will have a single portal to access information on the status of proceedings, maps, project documentation and other documents required for planning, siting and permitting construction.

Mapping future skills

In 2019–2022 the Ministry of Labour and Social Affairs is coordinating the **Mapping Future Skills project** as part of systemic measures for determining the labour market's requirements (Skills 4.0). The project seeks to set up mechanisms that will allow the advance identification of new skills that will be in demand on the labour market, and assign them to existing or new professions and qualifications. In 2020 the methods for mapping future skills will be analysed, using the experience of other countries, and sectors will be chosen, methodologies developed and expert communication platforms set out, i.e. ten sectoral and cross-cutting working groups to form a foundation for mapping future skills.

To ensure workforce qualifications are in place to meet the consequences of the fourth industrial revolution, the **development of digital skills** is also highly important. This will have an overall positive impact on improving Czech citizens' skills and qualifications. In the final year of implementing the *Digital Literacy Strategy in the Czech Republic for 2015–2020*, concrete measures will continue to be applied to extend digital skills in the following fields: employment, competitiveness, social inclusion, family support, public sector electronic services, support for the education system, and digital learning.

3.3.6 The regional dimension

In 2020 the **Action Plan for the Czech Republic's Regional Development Strategy 2021–2022** will be submitted to the government. The Action Plan will implement the *Regional Development Strategy for the Czech Republic 2021+* and the *Rural Development Strategy* (i.e. two key strategy papers approved by the government in 2019 and 2020 respectively). Attention will be paid to regional inequalities at the level of regions and municipalities with extended powers (see the districts at social and economic risk defined in the *Regional Development Strategy for the Czech Republic 2021+*). In 2020 the **Strategic Framework for Economic Restructuring of the Ústí, Moravian-Silesian and Karlovy Vary**

Regions (RE:START) will be updated as the key document for the development of these three regions, and the fourth integrated Action Plan implementing this strategy will be submitted to the government. In connection with support for structurally affected regions, a method will be identified to implement the Just Transition Fund, primarily through just transition planning at the regional level, which should largely be based on the aforementioned strategy papers.

In relation to European funds, in 2020 the document ***The Regional Dimension in Operational Programmes 2021+*** will be submitted to the government. It will seek to define in which specific OP objectives/activities the application of instruments is expected (e.g. Integrated Territorial Investment – ITI, Community Led Local Development – CLLD, regional action plans) and the forms the regional dimension may take (e.g. specific calls and bonuses). Work to prepare ITI and CLLD strategies will commence in 2020.

Tourism

The Czech Republic's ***Tourism Development Strategy 2021–2030*** will be completed in the first half of 2020.⁵⁸ The COVID-19 pandemic and the related safety measures have resulted in an unprecedented slump in the tourism industry, and it has therefore been decided to draw up an **extraordinary action plan to support the tourism industry for 2020–2022**. The plan will include anti-crisis measures to stabilise the sector and restart it in the individual phases of recovery. The action plan will also include long-term measures and activities such as the implementation of a Tourism Satellite Account. The extraordinary action plan should be submitted by 30 June 2020. On 1 November 2020 an amendment of Act No 159/1999 will come into force,⁵⁹ which will govern the terms for providing tourist guide services. Two further proposals related to tourism are currently passing through the legislative process. The first is a government proposal to amend Act No 159/1999 by introducing an obligation for internet platforms to share data on service providers with the control authorities (Sněmovní tisk No 814). The other is a government proposal for selected measures to ameliorate the impacts of COVID-19 on the tourism sector (Sněmovní tisk No 820), focusing on the relevant aspects of relations between customers and travel agents.

⁵⁸ It was originally planned to submit the strategy to the government by 30 June 2020, but a new time limit has been set for 30 September 2020 in view of the need for the strategy to include measures to revive the tourism industry in the wake of the pandemic.

⁵⁹ Act No 117/2020 amending Act No 159/1999 on certain business conditions and activities in the field of tourism, as amended.

3.4 Sustainability: the environment, transport and energy

3.4.1 Climate change, the environment and agriculture

Climate change

The implementation of the *Climate Protection Policy of the Czech Republic* will continue in 2020. Work will also begin on an evaluation of the policy, which will be submitted to the government by the end of 2021. An update to the policy, based on the evaluation, will then be submitted to the government by the end of 2023. In line with the aim of making the EU climate-neutral by 2050, as approved by the European Council in December 2019, concrete scenarios will be elaborated in 2020, with an appraisal of the costs and potential of possible measures to **achieve climate neutrality in the Czech Republic by 2050**, including possibly raising the target for 2030. In 2020 discussion will be completed on the **level of support under the Modernisation Fund**, which will be the fundamental instrument for financing the development of renewable resources, energy efficiency and measures to reduce greenhouse gas emissions from 2021 onwards. There will also be discussion on **configuring the new Just Transition Fund** and preparing support to achieve the energy and climate objectives for the new 2021–2027 programming period.

Climate protection and adapting to climate change

In 2020 implementation will continue for the *National Action Plan on Adaptation to Climate Change*⁶⁰ (NAP Adaptation), which is the document implementing the *Strategy on Adaptation to Climate Change in the Czech Republic*.⁶¹ These two documents set out the national framework for measures to adapt to climate change, with the aim of reducing the risks and negative impacts of climate change in the Czech Republic.

The adaptation measures are financed from EU funds: OP Environment, the Rural Development Programme, the LIFE programme, etc., and from national programmes such as Support for the Renewal of the Natural Functions of the Landscape, the Landscape Conservation Programme and the National Programme Environment. In January 2020 an **evaluation of the implementation of NAP Adaptation** was submitted to the government, reporting that of a total of 350 tasks under NAP Adaptation, 70% were under implementation or had been fully implemented, 19% had been partially implemented and 11% had not been implemented. Measures aimed at retaining water in the landscape and in towns and cities have been successfully introduced.

In view of the increasingly evident impacts of climate change and the greater quantity of knowledge and data available, in 2019 the Ministry of the Environment started work on updating the *Strategy on Adaptation to Climate Change in the Czech Republic* and NAP Adaptation. These two updated documents will be submitted to the government in 2020. An evaluation of the implementation of NAP Adaptation, together with an assessment of the Czech Republic's vulnerability to climate change and an updated comprehensive study of the impacts, vulnerabilities and risks associated with climate change in the Czech Republic, will form the basis for updating these two strategy documents.

⁶⁰ Approved in Government Resolution No 34 of 16 January 2017.

⁶¹ Approved in Government Resolution No 861 of 26 October 2015.

Modernisation Fund

Act No 383/2012 on the conditions for trading greenhouse gas emission allowances has been amended by Act No 1/2020 in line with Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading.

These changes established the **Modernisation Fund** as a new source of funding primarily for reducing greenhouse gas emissions, improving energy efficiency and using renewable energy sources. The Modernisation Fund's finances will be managed by the State Environmental Fund. The total amount of funding depends on market prices for emission allowances and is estimated at CZK 130 billion for the period 2021–2030. Funding should be available from 2021 onwards; 2020 will see preparations for the implementation structure and focus, which is planned to complement the relevant operational programmes financed from EU funds (Cohesion Fund, European Regional Development Fund, Just Transition Fund) and other programmes financed by auctioning greenhouse gas emission allowances (the follow-on programme for the New Green Savings Programme). Part of funding under the Modernisation Fund is earmarked for operators of electricity generation installations to facilitate the modernisation, diversification and decarbonisation of the energy sector. Projects for regions affected by the decline in coal mining will also be prioritised.

Czech companies will also be able to submit projects for the **Innovation Fund**, which will be financed from sales of emission allowances in 2020–2030 with an estimated value of approximately EUR 10 billion. The Innovation Fund will support innovative low-carbon technologies and processes in energy intensive sectors, as well as innovative renewable energy generation, carbon capture and storage/utilisation (CCS and CCU) and innovative energy storage projects. The Commission should announce the first call for project proposals in 2020.

New Green Savings

The New Green Savings Programme aims to reduce the energy intensity of buildings and help cut CO₂ emissions. The Ministry of the Environment is working to increase the level of interest in support under this programme and thereby reduce the energy used to heat buildings, as well as increasing the proportion of energy from renewable energy sources (RES). Interest in this subsidy programme has been boosted by simplifying and streamlining the administration process for applicants and extending the portfolio of measures supported to include the sub-programmes *Adaptation and Mitigation Measures* and *Providing Financial Guarantees*. The current programming period is now coming to a close and a follow-on programme for 2021–2030 is being prepared.

Waste management

The Ministry of the Environment **drafted a new bill on waste**, a bill on expired products and an amendment to the Packaging Act in view of the need to transpose the revised waste management directives issued as part of the circular economy package. These bills were approved by the government on 9 December 2019 and will be discussed in parliament in 2020. The implementing legislation for the new laws is also under preparation, together with an update to the *Waste Management Plan for the Czech Republic for 2015–2024*.

Work is continuing on **drafting a Strategic Framework for a Circular Economy in the Czech Republic – Circular Czechia 2040**. The strategic framework will seek to analyse the present situation, define the Czech Republic's priorities for a circular economy, formulate individual objectives for these

priorities and define the measures and instruments the Czech Republic should use to achieve them. In October 2019 a project was launched to prepare a circular economy strategy for the Czech Republic, financed from the EU's Structural Reform Support Programme, and the OECD is also involved in producing this strategic framework. The strategy should be adopted at the start of 2021.

Air quality

The strategic framework for managing air quality in the Czech Republic is primarily set out in the *National Programme for Reducing Emissions in the Czech Republic* and the *better air quality programmes* drawn up for the individual zones and agglomerations in the Czech Republic where pollution limits have been exceeded. Both types of documents are based on Act No 201/2012 on clean air, as amended, in line with the requirements of European legislation.

The *National Programme for Reducing Emissions in the Czech Republic* was updated in 2019,⁶² and the time limit for implementing the programme's measures was extended to 2030. The better air quality programmes, which were issued in mid-2016, are currently being updated, a process that should be completed in mid-2020. The analytical part of updating the better air quality programmes has been completed (with analyses of pollutants, emissions and air pollution), with an evaluation of how air quality has improved under the present measures. Work is now continuing on proposals for new measures. The new better air quality programmes are based on the previous programmes and take into account any developments in air quality and the anticipated impact of measures to improve it in the timeframe 2020+.

As part of replacing obsolete solid-fuel combustion units in households as part of OP Environment (what are known as the boiler subsidies), three calls have now been announced for regions, which then redistribute funding directly to individual households. The first two calls resulted in approximately 60,000 obsolete boilers being replaced, and the third call should result in a further 30,000 replacements. In total approximately CZK 10 billion will be drawn, resulting in a substantial reduction in emissions.

Reducing flood risks and the impacts of drought

Further reducing the risk of flooding, especially in areas with a significant flood risk, presents a challenge to the Czech Republic, which intends to continue to apply the principles and objectives under the approved flood risk management plans and support general measures that do not involve construction as well as natural and technical anti-flood measures. Simultaneously the first planning cycle for 2015–2021 is underway, in line with the Floods Directive (2007/60/EC). In 2021 updated plans will be approved to manage flood risks for the period 2021–2027.

Concerning drought and its impacts, work continues on implementing recommended measures under the *Drought Impacts Protection Policy for the Czech Republic*. The status of the measures implemented is included in the annual Position Report on progress in implementing the Drought Impacts Protection Policy.⁶³ The Czech Republic particularly supports measures aimed at retaining water in the landscape, building new reservoirs, connecting water supply networks, building and renovating ponds, wetlands and other water bodies, irrigation systems, planting greenery, revitalising watercourses, etc.

⁶² Government Resolution No 917 of 16 December 2019

⁶³ Available at: www.suchovkrajine.cz

In December 2019 the compromise wording of the *Regulation of the European Parliament and of the Council on minimum requirements for water reuse* for irrigation was approved, and will come into force on the twentieth day after it is announced in the *Official Journal of the European Union*. It will apply for a period of three years from the day it comes into force. The regulation is binding in full and is directly applicable in all Member States, and there is therefore no need for the Member States to transpose it in national legislation.

Agricultural policy

Discussions on the future form of the Common Agricultural Policy (CAP) will continue in 2020 at national level and within EU institutions. EU negotiations are aimed at achieving progress/agreement on the new form of the CAP as soon as possible, which to a considerable extent also depends on progress in talks on budgetary matters. At present the optimistic scenario is that agreement on the new form of the CAP could be achieved by the end of 2020, although 2022 is also quite possible. In view of delays in these talks, work is also continuing on preparations for the transition period, which the Czech Republic believes must cover at least two years in order to ensure a smooth transition between the current and the new programming periods, although so far the Commission has only proposed a one-year transition period. The Czech Republic is working on the corresponding programming framework – *CAP Strategic Plan for 2021–2027*, which should be submitted to the Czech government for information in mid-2020 and to the Commission by the end of 2020.

The CAP is one of the Czech Republic's main priority areas, and it should remain a powerful common, but modernised and simplified policy that will still be able to achieve its objectives and confront new challenges. For the Czech Republic, the key topics to be negotiated are ensuring adequate sources of funding, trying to promote a voluntary principle in questions of capping and applying the definition of genuine/active farmers, seeking to maintain or increase the current financial envelope for sensitive commodities, and simplification by way of removing the obligation to plan outputs and financial indicators at intervention level on an annual basis. Talks should continue in 2020 on organising and funding an important element of the new CAP, a modified system for greening the support provided. The European Commission proposes that the new “green architecture” system should reflect more ambitious environmental objectives. Measures under this system to tackle environmental degradation and climate change should be focused on results. The Czech Republic supports and implements a number of environmental objectives aimed at improving water retention in the landscape, improving the soil status and preventing soil erosion, but the new green architecture cannot be allowed to jeopardise the competitiveness of the agricultural sector, and it must ensure economic stability for agricultural enterprises with the aim of greater food sovereignty, with an emphasis on livestock production and sensitive commodities.

Support under the CAP for 2014–2020 is still drawn from the European Agricultural Guarantee Fund (direct payments) and the European Agricultural Fund for Rural Development (the Rural Development Programme for 2014–2020). Applications for direct payments and certain measures under the Rural Development Programme (RDP) are made with a single application. In 2020 the time limit for filing a single application has been put back to June 15. Under direct payments, farmers can apply for a single payment for area and greening, a payment for young farmers, and support for sensitive commodities. Approximately CZK 22 billion has been earmarked for this support in 2020.

The provision of direct payments, certain payments under the RDP and support for the restructuring and conversion of vineyards is conditional on compliance with the terms for maintaining the Good

Agricultural and Environmental Conditions of soil and adhering to the Statutory Management Requirements under cross-compliance. With effect from 1 January 2021 Good Agricultural and Environmental Conditions (GAEC) 7d will apply to all arable land, and the conditions for an exemption for uncultivated margins in blocks of land larger than 40 hectares will be amended.

In connection with the ending of the programming period, under the RDP no more applications have been accepted for inclusion in a five-year commitment for agroenvironmental and climate measures and organic farming measures. In 2020 it will only be possible (with the exception of the submeasure for planting grass on arable land) to enter into **shorter follow-on commitments** lasting two years in order to bridge the CAP transition period for multiyear commitments, as well as Natura 2000 for agricultural land, payments with areas with natural or other special restrictions, good living conditions for livestock, forestry-environmental and climate services, and woodland protection. Applications for measures to plant woodland will continue to be accepted until the end of November 2020.

So far eight rounds of accepting applications have been opened, in which support has been provided for investments into agricultural, food and forestry enterprises, and for cooperation projects. The ninth round of accepting applications for project measures will take place in the spring, with support for education and information projects and cooperation in **short supply chains**. The tenth round for investments into agricultural enterprises and processing and marketing agricultural products will be held in the summer. The eleventh round is planned for the autumn, with measures aimed at projects of the following type: education and information projects; investments into non-agricultural activities; young farmer startups; promoting agrotourism; forestry infrastructure; woodland management techniques and technologies; technical equipment for wood processing plants; investments to protect woody plants that improve and reinforce the soil; converting replacement woody plants; regenerating woodland after disasters.

Concerning the implementation of European regulations, over the next few months the national regulations will be amended. With respect to the Directive of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain, an **amendment of Act No 395/2009 on significant market power** has been submitted to the legislative process. The amendment will raise the limit for the annual turnover of a buyer with significant market power from CZK 5 billion to CZK 7 billion; it will set out the key details of contracts between suppliers and buyers; it will extend the list of prohibited practices for buyers, and it will amend the powers of the Office for the Protection of Competition. Besides the partial transposition of the Directive, the bill also aims to tackle the problem of dual-quality foodstuffs.

An amendment to Act No 110/1997 on food and tobacco products has also been submitted to the legislative process. The amendment will cover the **new regulations for official controls**. Besides the adaptation of the Regulation (EU) on official controls, the amendment will also prohibit dual-quality foodstuffs, clarify the term "Czech foodstuff", and set out the conditions for voluntary package labelling for producers and the State Printing Works of Securities, which is the only body in the Czech Republic issuing identifiers for tobacco products.

Also under preparation are amendments of Act No 219/2003 the marketing of seeds and planting material and Act No 156/1998 on fertilisers. The amendment of the former act will extend the regulations for certain institutions such as propagating material for hops, where there is a need to

respond to problems in practical application. It will also refine the options for control and supervision of the process of producing and marketing propagating material, and tighten certain conditions and procedures for registration. The amendment to the Fertilisers Act will mainly implement the first phase of adopting the new EU fertiliser regulations. Work is also underway on issuing or amending the implementing regulations for both acts. The two acts should come into force in the second or third quarter of 2020.

For livestock production, two amendments have been prepared for the Veterinary Act No 166/1999 and the related implementing regulations, in response to the updated EU regulations.

An amendment to Act No 97/1996 on the protection of hops has also been prepared. It will reflect the updated requirements for keeping records of hop gardens, especially their particulars, and the powers of the Central Institute for Supervising and Testing in Agriculture. The amendment to the act should come into force in the first half of 2021.

For fruit and vegetables, an amendment to Government Regulation No 318/2008, implementing certain measures for the common organisation of the market for fruit and vegetables, should be passed this year. The amendment will regulate the administration of applications for support by fruit and vegetable producers in line with EU regulations. The amendment should come into force in the third quarter of 2020.

The Czech government has also approved an **amendment of Act No 242/2000 on organic farming**, which will amend certain provisions in line with the Regulation (EU) on the production and labelling of organic products. The amendment will also adopt the Regulation (EU) on official controls, as well as changes based on practical experience in the organic farming sector.

For more effective protection of agricultural land and achieving land degradation neutrality (LDN), a working group will be set up by the end of 2020 to produce the *Agricultural Land Protection Policy in the Czech Republic*.

3.4.2 Transport infrastructure

Despite some progress in the quality and functionality of the Czech transport infrastructure, due in part to EU structural policy, the transport network has yet to reach the same standard as the “old” Member States (the EU 15). The key challenges are completing the backbone transport infrastructure and connecting the remaining regions and the main industrial centres to the primary Czech and European routes. The government has stated that this is one of the fundamental preconditions for sustainable economic growth and a more competitive Czech economy, but recent changes, e.g. during the drafting of the Construction Act, may present problems. A positive factor is that since *Transport Sector Strategies – Phase 2* was approved in 2013, the funding necessary (according to this strategy document) for the maintenance and functioning of the existing infrastructure has been adhered to each year. However, the building of new transport infrastructure is still slower than required.

The Act on accelerating the construction of transport and other infrastructures

Act No 416/2009 on accelerating the construction of transport, water and energy infrastructure and the electronic communications infrastructure, as amended, was most recently amended in 2018 by Act No 169/2018, the majority of whose provisions came into force on 31 August 2018 and the

remainder on 1 August 2019. This amendment should bring a fundamental improvement in **property law aspects of construction planning**.

A further **amendment of the act** (coordinated by the Ministry of Transport, the Ministry of Industry and Trade and the Ministry of Regional Development) has now been approved by the government and is being considered in the Chamber of Deputies. The amendment seeks to permit transport construction in joint proceedings with a lower level of detail in the documentation, removing the need to issue separate administrative acts as required by the Nature and Landscape Conservation Act.⁶⁴ These administrative acts would be replaced with a **single binding opinion**, which when planning the transport infrastructure would avoid the multiple administrative challenges to linked decisions relating to building the transport infrastructure, as is currently the case. The bill also simplifies the administrative aspects of building railway crossings.

Effective strategic planning and its implementation

The annual planning process for construction, and the aligning of the related key investment projects for the transport infrastructure with the state budget and the budget of the State Fund for Transport Infrastructure, are covered in the strategic documents *Transport Policy of the Czech Republic for 2014–2020* with an outlook to 2050 and the *Transport Sector Strategies*. The **new Transport Policy of the Czech Republic for 2021–2027** is currently being drafted and should be submitted to the government by the end of the year. These principal strategic documents are supplemented by strategies for implementing and funding their individual aspects.

One of the key long-term priorities is the development of the transport infrastructure, which includes the use of PPP to allow the ministry to optimise cash flow and accelerate the construction and quality of the transport infrastructure. In 2020 it is anticipated that an agreement will be concluded for a **PPP pilot project** to complete the missing section of the **D4 motorway** and ensure its long-term operation.

Other on-going priorities are harmonising conditions on the transport market, the expansion of rail and water transport, improving the quality of road transport, supporting multimodal transport systems, stabilising the funding of public transport, and creating an infrastructure for alternative fuels (CNG, LNG, hydrogen and electricity). In this context there is a subsidy programme to support the construction of charging stations and hydrogen/LNG refuelling stations. In 2018–2019 the programme was used to support 375 fast-charging stations, more than 600 standard charging stations, 13 LNG refuelling stations and 4 hydrogen refuelling stations. The implementation of these priorities will continue in 2020, when it is expected that an **update to the National Action Plan for Clean Mobility** (NAP CM) will be adopted.

This document sets out the objectives for developing the alternative fuels infrastructure up to 2030. According to the updated NAP CM, by 2025 the Czech Republic plans to have 15 hydrogen refuelling stations and 6,200 – 11,000 charging points, and by 2030 there should be 80 hydrogen refuelling stations and 19,000 – 35,000⁶⁵ charging points. The updated NAP CM also envisages an infrastructure with approximately 350 – 400 public CNG refuelling stations and 30 LNG refuelling stations by 2030. In view of the Czech Republic's international climate commitments and the gradual tightening of the limits for CO₂ emissions from private cars and light and heavy utility vehicles, the expansion of clean

⁶⁴ Act No 114/1992 on the conservation of nature and landscape, as amended.

⁶⁵ This reflects two scenarios for the development of electromobility in the Czech Republic – the number of charging points will depend on the number of electric vehicles in the Czech Republic in the years in question (220,000 – 500,000 by 2030).

mobility must be a priority, and financial allocations must be increased, binding targets must be set, and the construction of the charging infrastructure in the Czech Republic must be speeded up.

Regarding **urban mobility**, in 2019 all towns and cities with populations of more than 50,000 people produced sustainable urban mobility plans (SUMP) or the simplified version, sustainable urban mobility frameworks (SUMF, which according to the *Methodology for Preparing Sustainable Urban Mobility Plans in the Czech Republic* is the first stage in a sustainable urban mobility plan). Support for urban projects promoting sustainable mobility will continue in line with these plans.

Priority projects for infrastructure building

The current priorities for the **rail infrastructure** are completing the rail transit corridors, including railway nodes (by 2025) and modernising further tracks on the comprehensive Trans-European Transport Network (TEN-T). However, it is also crucial to modernise tracks outside TEN-T that connect major industrial zones, as well as tracks that are important for suburban transport. Further priorities are introducing ETCS⁶⁶ safety systems and switching to 25 kV AC at 50 Hz electrification.

In 2020 a feasibility study should be completed for the Prague – Ústí nad Labem – Dresden **high-speed railway line**,⁶⁷ as well as another feasibility study for the Prague – Brno – Břeclav high-speed line. In 2019 work began on a feasibility study for the Brno – Přerov – Ostrava line, and a feasibility study for the Prague – Wrocław line should begin in 2020 in collaboration with the Polish side.

In 2018 **pilot sections of high-speed lines** were selected for an accelerated project preparation regime. These sections were Prague Běchovice – Poříčany, Brno – Vranovice and Přerov – Ostrava, and additional pilot sections added in 2019 were Prague – Lovosice/Litoměřice, Ústí nad Labem – German border, Poříčany – Světlá nad Sázavou and Velká Bíteš – Brno. For the Prague Běchovice – Poříčany pilot section, a selection procedure was held to produce documentation for planning permission. French technical standards from SNCF were adopted for the preparation of the high-speed lines, and Správa železnic worked with SNCF to produce a planning manual covering the documentation needed for planning permission. This cooperation should continue in future years and will possibly be extended to include the other countries in the Visegrád Group (V4).

Work on building these pilot sections should start in 2025–2028 at the earliest, and greater attention must therefore be paid to developing the conventional rail network. With the connecting of a high-speed railway line to the Prague railway node, there is a need to ensure the node has adequate capacity for trains from such lines, as the existing capacity cannot even meet present demand for passenger and freight transport. Work on a feasibility study for the modernisation of the Prague railway node should begin in 2020. Similarly there should be a high-speed railway line connecting the Brno railway node, and work to modernise the Brno node should begin in 2028. When making preparations for these high-speed lines it will first be necessary to stabilise the planning documentation, which is now underway in the pilot sections in particular.

Road transport construction projects currently underway include two sections of the D6 motorway and one section of the D48 motorway, which will be brought into service at the end of 2020. Specifically this concerns the building of the D6 Řevničov bypass and D6 Nové Strašecí – Řevničov, and the D48 Rybí – Rychaltice interchange. In 2020 work is continuing on the České Budějovice

⁶⁶ European Train Control System.

⁶⁷ In connection with the Prague – Ústí nad Labem – Dresden feasibility study, intensive international cooperation is underway on the cross-border section, and a technical study has been produced for the option of connecting Václav Havel Airport to the high-speed line.

motorway bypass on the D3, three additional sections of motorway on the D6, three more sections on the D48, and a section connecting the D56 motorway to the D48. Construction work will continue for the first two sections on the new D35 motorway between Hradec Králové and Mohelnice and two motorway sections on the D11 from Hradec Králové to Jaroměř. Work on the D55 and D7 is also continuing. Project preparation is underway for all future sections of the planned motorway network. The motorway network (as planned at present) should be completed by 2030.

The building of bypasses for class I roads is continuing in line with traffic needs and the state of these projects' preparedness. In 2020 four new bypasses will be brought into service, and a further five bypasses are under construction. Great attention will also be paid to improving the legislative conditions for the transport sector and developing **intelligent transport systems (ITS)**, which are also a way of optimising the use of the transport infrastructure's capacity. Cooperative intelligent transport systems (C-ITS) will also be developed; they are based on communication (two-way data exchange) on the current traffic situation⁶⁸ between vehicles themselves and between vehicles and installations in the road infrastructure.

To develop the **waterway network**, a project is currently underway to increase the parameters of the Vltava waterway, co-financed by the Connecting Europe Facility. The main objective is to improve the navigability of the Elbe. In 2019 a feasibility study was completed for a Danube-Oder-Elbe canal. Preparations for the north-south Danube-Oder connection should be monitored further. The prospect of connecting the industrial Moravian-Silesian Region to the Oder waterway currently being built and the Szczecin-Świnoujście seaport via the Kožle-Ostrava pilot section looks particularly promising.

The **ITS Implementation Plan** (and its updates) covers the preparation and status of almost one hundred projects (project proposals) for ITS, many of them concerning developing the basic ITS infrastructure or modernising traffic information centres. The perspectives for future development are summarised in the current Action Plan for the Development of Intelligent Transport Systems (ITS) in the Czech Republic up to 2020 (with an outlook to 2050) and the related ITS Implementation Plan, which is updated annually.

For **rail transport** there was further development of the Traffic Control Centres in Přerov and Prague, the second phase of the Control and Analysis Centre for Traffic Control, and the extending of the railway line part of the system for automatic train operation on Správa železnic lines. In 2019 ETCS was brought into trial operation on corridor I in the section Kolín – Břeclav in the Austria/Slovakia border region, and the construction of ETCS Petrovice u Karviné – Ostrava – Přerov – Břeclav was completed on corridor II and should begin trial operation in 2020.

For **inland waterways** there was a project proposal to provide two-way voice communication between vessels and the River Information Services centre for selected waterways, as well remote control for locks, etc.

In 2019 the **implementation of the C-Roads Czech Republic project** continued, focused on trialling in real road traffic a new technology that has yet to be tested or implemented on a large scale. This technology offers ordinary drivers a new way of staying informed of the traffic situation in front of, behind and around their vehicles. Pilot operation will be completed in 2020 and will be followed by the gradual introduction of the technology.

⁶⁸ Especially situations that might endanger another road user or cause a traffic accident.

Autonomous mobility

In view of the Czech economy's reliance on the automobile industry, it is desirable to implement measures facilitating the **development of automated and autonomous mobility**. The key measures in this field are contained in the strategy paper *Vision for the Development of Autonomous Mobility* and the related *Autonomous Driving Action Plan*. Other priority areas are defined in the Memorandum on the Future of the Automobile Industry in the Czech Republic and the related Action Plan. Specific priority projects are:

- an analysis of the regulatory environment, identifying any changes needed for automated vehicles to operate;
- creating a catalogue of testing areas for autonomous vehicles;
- developing a polygon for the research, development and testing of vehicles with data links and automated vehicles in the Czech Republic (if recommended by an opportunities study).

Government Resolution No 720 of 11 October 2017 on the *Vision for the Development of Autonomous Mobility* instructed the Ministry of Transport to produce an *Autonomous Driving Action Plan* and submit it to the government. The Action Plan defined the key elements of autonomous mobility, presented individual perspectives for autonomous mobility and identified the main areas that need to be developed. The Action Plan is directly related to the Vision for the Development of Autonomous Mobility, elaborating the Vision's themes in more detail. The Autonomous Driving Action Plan has been submitted to the government.

These issues are also part of broader plans to support the development of the automobile industry in the Czech Republic, as individual members of the government declared on 16 February 2017 at a government colloquium in Mladá Boleslav. On 25 September 2017 the government and the Automobile Industry Association signed a key document on the outlook for the Czech automobile industry, the Memorandum on the Future of the Automobile Industry. In addition to the Memorandum, in Resolution No 686 of 25 September 2017 the government approved the *Action Plan for the Future of the Automobile Industry – the Czech Automobile Industry 2025*. The Memorandum's central themes are electromobility, autonomous driving and digitalisation. These are important to ensure the competitiveness of the automobile industry and long-term employment, and for the successful and sustainable development of the Czech Republic as a traditional manufacturer of automobiles, specifically road vehicles. The Action Plan proposed a total of 25 measures that mainly concern incentives and infrastructure for low-emission and zero-emission vehicles, standardisation and regulatory aspects of automated driving, high-speed internet, digital and mobile services, education, and research and development for the automobile industry. The **Action Plan for the Future of the Automobile Industry will be updated** in 2020.

3.4.3 Energy and raw materials

Amending the tariff system

The aim is to amend the tariff system so that the distribution of payments to cover the costs of energy networks efficiently and effectively reflects the technological changes underway in the energy sector and applies the principle of the equitable allocation of costs with respect to their causes. To

this end the allocation of networks' fixed and variable costs will have to be reassessed so that the tariff system adequately reflects their character. It is also important to provide sufficient motivation for network users to make energy savings and manage their consumption diagrams with regard to the networks' technical capacity, which will also avoid excessive requirements for investments into reinforcing the networks.

Energy efficiency

Regarding **legislation**, an amendment to Act No 406/2000 on energy management, as amended, has been passed that governs the obligation to conduct energy audits and seeks to increase the qualifications for energy specialists and improve the services they provide. In line with EU law, the amendment also adopts the regulation on the energy labelling requirements for products.

Concerning support for implementing energy saving measures under the operational programmes, especially the Integrated Regional Operational Programme (IROP) and the Operational Programme Enterprise and Innovation for Competitiveness (OP EIC), **the funding provided has been increased** in response to greater interest in the form of a higher number of applications following the removal of the main barriers to drawing.

To activate the energy services market by involving third parties in improving the economy's energy efficiency, the wording of the **voluntary agreements** has been decided in consultation with external parties. The first voluntary agreements should be signed in 2020.

Concerning **buildings**, the renovation rate, i.e. the annual percentage of the building stock renovated, is around 1.4% according to current findings, which is at the upper limit of the average range for the EU.⁶⁹ In 2020 work will be completed on the **Long-Term Strategy for Renovating Buildings**, produced as required by Directive (EU) 2018/844, amending Directive 2010/31/EU on the energy intensity of buildings.

The implementation of the **ENERG programme** continues. The programme provides interest-free loans to finance energy-saving projects for companies operating in Prague. The **third call for applications** was announced on 1 January 2020. The **EFEKT programme** has long provided support for investments and non-investment measures. In 2020 preparations will be made to launch the **State Programme to Support Energy Savings for 2022–2026**, known as the EFEKT III programme. Reducing energy intensity is also part of the comprehensive **renovation of apartment buildings** under the national *Panel 2013+* programme.

Support for R&D&I in the energy sector is available under the **THETA programme** provided by the Technology Agency of the Czech Republic, which is aimed at implementing the vision for the transformation and modernisation of the energy sector in the medium and long term by supporting projects to modernise it, including research into energy strategies and the public interest. The programme is implemented over 2018–2025 and total expenditure from the state budget is CZK 4 billion. The fourth public tender for the programme should be announced in October 2020.

Under OP Environment 2014–2020, **energy efficiency measures** are supported under Priority Axis 5 – Energy Savings. As at 28 January 2020 a total of 1,843 projects worth approximately CZK 6.8 billion from EU funding had been approved under Specific Objective 5.1 – Reducing the energy intensity of

⁶⁹ In the European Green Deal, the Commission states that the renovation rate for the EU is in the range 0.4–1.2%.

public buildings and increasing the use of renewable energy sources (RES). For Specific Objective 5.2 – Achieving a high energy standard for new public buildings, 22 applications had so far been approved for implementation, requiring CZK 584 million from EU funding. As the allocation for this aspect of support had been exceeded, the option of support for passive new buildings was then made available under Specific Objective 5.1. Under the call for the new Specific Objective 5.3 covering buildings for central government institutions, by 3 February 2020 a total of 32 projects had been submitted requiring CZK 443 million from EU funding. In March 2020 the final call was announced for Specific Objective 5.1, and the final call for Specific Objective 5.3 should be announced in July 2020.

Renewable energy sources

The Czech Republic continues to implement the May 2015 *State Energy Policy*, which supports the objectives for RES and energy efficiency, aimed at ensuring they account for at least 18% of electricity generation.

Long-term stable and sustainable conditions for supporting energy from RES are set out in the *National Action Plan for Energy from Renewable Energy Sources*, for which an update was approved in January 2016. The National Action Plan envisages renewable energy accounting for 15.3% of gross final energy consumption in 2020, and for 10% of gross final consumption in transport.

There is great unused potential for renewable sources in the decentralisation of electricity generation, e.g. in home power plants or using these systems for street lighting or public buildings.

Further developments in RES will be set out in the *National Energy and Climate Plan*, produced in accordance with the Regulation of the European Parliament and of the Council on the Governance of the Energy Union, which was adopted as part of the Winter Package. The plan was approved by the government on 13 January 2020 and sent to the Commission. It contains objectives and policies for all five dimensions of the Energy Union for 2021–2030, with an outlook to 2050. The key part of the national plan sets out the Czech Republic's contribution to EU climate and energy objectives concerning reducing emissions, increasing the proportion of RES and improving energy efficiency. The plan is based on the two principal strategy papers, the *State Energy Policy* adopted in 2015 and the *Climate Protection Policy of the Czech Republic* adopted in 2017. The national plan's structure and particulars are in compliance with the aforementioned regulation.

For RES, a Europe-wide objective for renewable sources accounting for 32% of gross final energy consumption by 2030 was approved. The revised wording of Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources also includes requirements for individual objectives in the heating and cooling sector and the transport sector. The Czech Republic proposes contributing to the European objective for 2030 at a level of 22%, an increase of 9 percentage points on the Czech Republic's domestic objective of 13% for 2020, while in the heating and cooling sector it proposes an annual increase of 1%. For transport the mandatory objective for all member states is 14%.

Coal Commission

The **Coal Commission** was established by Government Resolution No 565 of 30 July 2019. The commission is chaired by the Minister of Industry and Trade and the Minister of the Environment. It has nineteen members, representing key government departments and offices, trades unions,

industry/business associations, non-profit organisations, regions, the Chamber of Deputies and academia. The Coal Commission's scope is defined as follows: i) assess future brown coal needs, evaluating individual large combustion plants in the form of a comprehensive analysis; ii) analyse the options for moving away from the use of coal in combustion plants in the future. To implement these tasks the Coal Commission has set up three working groups, covering: i) drawing up a timetable for winding down the use of coal, in the overall context of the Czech Republic's energy mix and climate protection; ii) setting the parameters for the potential winding down of combustion plants, with the related legislative aspects; iii) identifying the social and economic impacts.

Minerals and secondary raw materials

The **transition to a circular economy** for industrial manufacturing is realistic as long as resources are used sustainably. This can be achieved by reducing the material intensity of manufacturing and replacing primary natural resources with secondary raw materials. The new tasks set out in the *Secondary Raw Materials Policy of the Czech Republic for 2019–2022* should help raise the indicator⁷⁰ monitoring the transition from a linear economy to a circular one from the present 7.6% for the Czech Republic to the EU average of 11.7%, and subsequently higher still. This measure can also contribute to the country's raw materials security.

⁷⁰ The indicator for the cyclical use of materials is defined at the European level as the circular material use (CMU) rate. EU Member States send data to EUROSTAT to calculate the indicator, which monitors the transition to a circular economy in secondary raw materials – <https://ec.europa.eu/eurostat/web/circular-economy/indicators/monitoring-framework>.

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

Table 1: Overview of meeting quantitative targets under the Europe 2020 strategy (source: Czech Statistical Office , Eurostat)

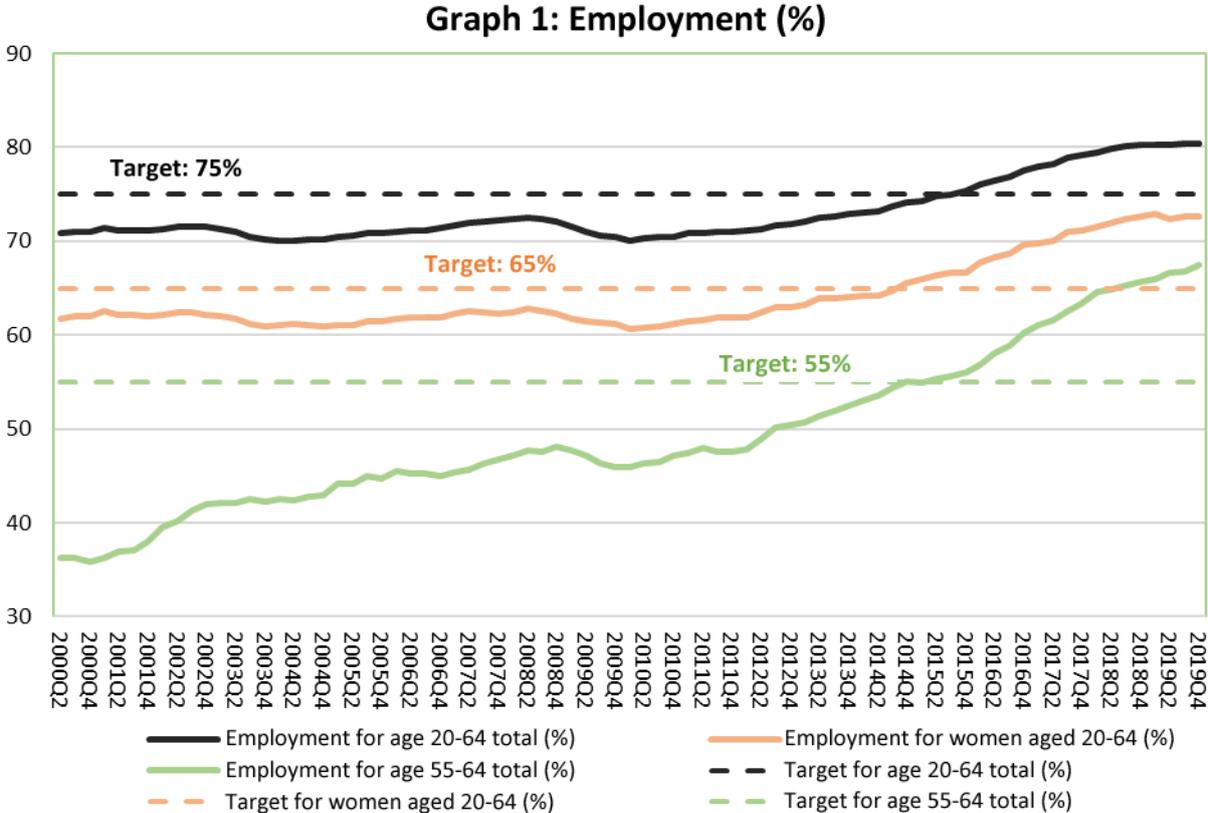
Field	National target	Benchmark value (benchmark year)	Current state of fulfilment (as at)
1. Employment	Increasing the total employment rate for people aged 20–64 to 75%	70.4% (2010)	80.4% (Q4 2019)
	Increasing the employment rate for women (aged 20–64) to 65%	60.9% (2010)	72.7% (Q4 2019)
	Increasing the employment rate for older people (aged 55–64) to 55%	46.5% (2010)	67.4% (Q4 2019)
	Reducing the unemployment rate for young people (aged 15–24) by one third from the 2010 level	18.3% (2010)	5.4% (Q4 2019)
	Reducing the unemployment rate for people with low qualifications (ISCED level 0–2) by one quarter from the 2010 level	25% (2010)	10.2% (Q4 2019)
2. Poverty and social exclusion	Reducing the number of people at risk from poverty or material deprivation, or living in households with a very low work intensity, by 100,000 from the 2008 level	c. 1,566,000 (2008)	c. 1,264,200 (2018)
3. Education	Reducing the number of people leaving education prematurely to 5.5%	4.9% (2010)	6.7% (2019)
	Achieving at least 32% of the population aged 30–34 with tertiary education	20.4% (2010)	35.1% (2019)
4. Research, development and innovation	Achieving public expenditure on science, research, development and innovation at a level of 1% of GDP	0.65% (2010)	0.78% (2018)
5. Climate and energy policy	Reducing greenhouse gas emissions – maximum admissible increase outside the EU emissions trading system 9%	0.0% (2005)	+3.6% (2018) ⁷¹
	Increasing the proportion of renewable energy sources in gross final energy consumption (13%) and transport (10%)	6% (2005) 0.5% (2005)	15.15% (2018) 6.52% (2018)
	Increasing energy efficiency – the domestic target for energy efficiency, i.e. reducing final energy consumption to a maximum of 25.3 million tonnes of oil equivalent by 2020	- (2014)	25.32 Mtoe (2018)

⁷¹ Provisional data. The true increase will probably be lower.

4.1 Employment

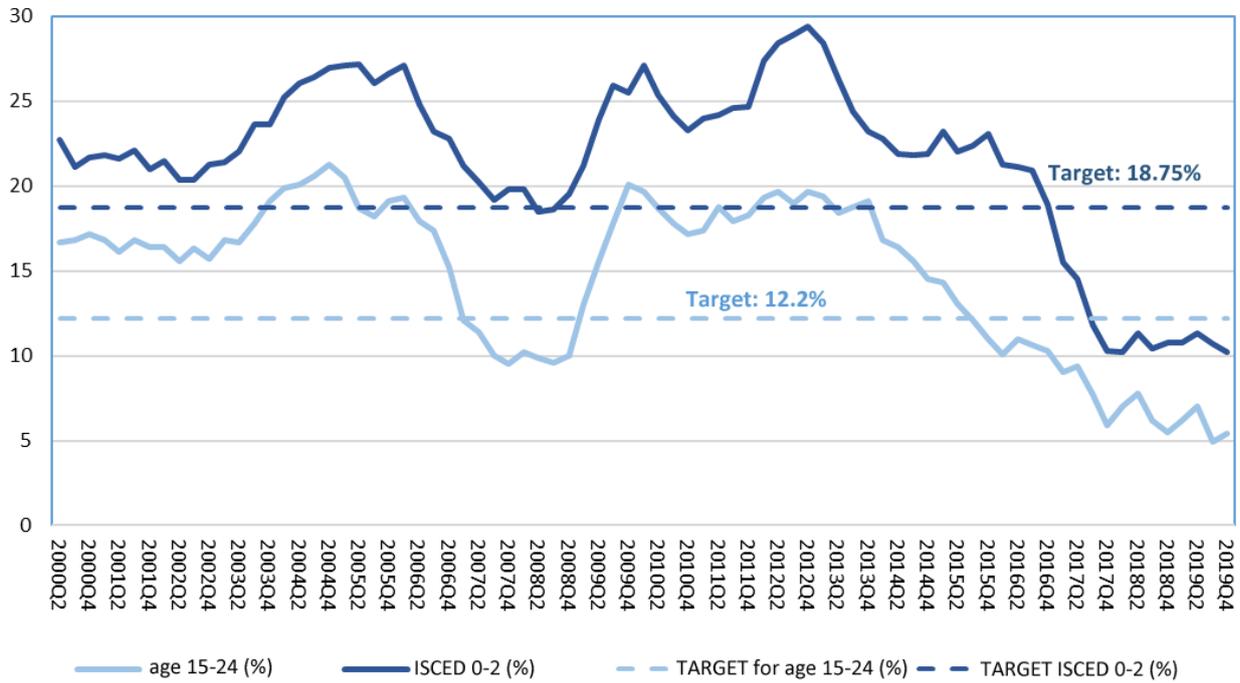
All targets for employment policy had been met by the 1st quarter of 2017, and since then the target values set have been met. The national target to increase the employment rate in the 20–64 age group to 75% was achieved in the 3rd quarter of 2015, and in the 4th quarter of 2019 this indicator reached 80.4% (the fourth highest in EU Member States). There was also a modest year-on-year increase of 0.1 percentage points. The employment rate for women aged 20–64 was 72.7% in the 4th quarter of 2019 (the twelfth highest in EU Member States), almost 8 percentage points higher than the national target, which was reached at the end of 2014. The employment rate for women has not changed year-on-year. A more marked increase was achieved for older people, when the employment rate in the 55–64 age range rose 1.7 percentage points year-on-year in the final quarter of 2019 to 67.4% (the eighth highest in the EU Member States). In this instance the target value was exceeded by more than 12 percentage points; it had already been reached by 2015.

The national target for reducing the unemployment rate for young people aged 15–24 was met in the 3rd quarter of 2015. In the 4th quarter of 2019 the unemployment rate for young people was 5.4% (the lowest in EU Member States), with a year-on-year reduction of 0.1 percentage points, exceeding the national target by almost 7 percentage points. The most challenging national target, reducing unemployment for people with low qualifications (ISCED level 0–2), i.e. people with only primary education, was achieved in the 1st quarter of 2017. In the 4th quarter of 2019 the unemployment rate for people with low qualifications was 10.2% (the thirteenth highest in EU Member States), with a year-on-year reduction of 0.6 percentage points. The target has been exceeded by more than 8 percentage points.



Source: Eurostat

Graph 2: Unemployment (%)



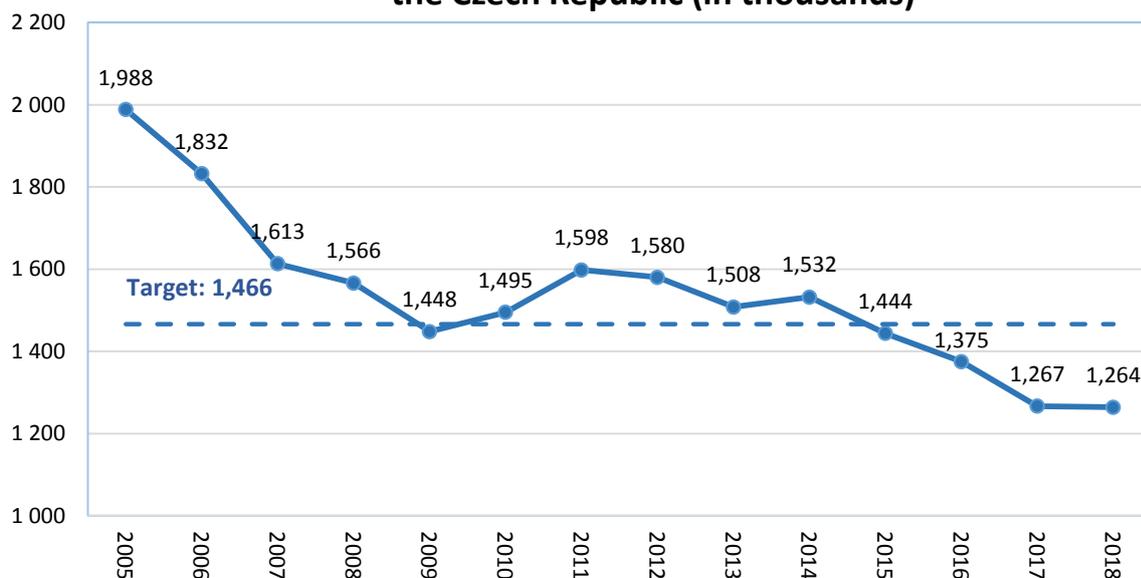
Source: Eurostat

4.2 Poverty and social exclusion

In view of the trends for poverty and social exclusion, it appears quite realistic that the Czech Republic will meet its target under the Europe 2020 strategy (reducing the number of people at risk of poverty or social exclusion by 100,000). In 2018 the number of people at risk of poverty or material deprivation, or living in households with a very low work intensity (approximately 1,264,000 people), was lower by c. 302,000 than in 2008 (approximately 1,566,000 people).

In 2018 the number of people at risk of poverty or social exclusion was the lowest of all EU countries (12.2% of the population), and the target has been met since 2015. In 2018 approximately 3,000 fewer people were at risk of poverty or social exclusion than in 2017.

Graph 3: People at risk of poverty or social exclusion in the Czech Republic (in thousands)



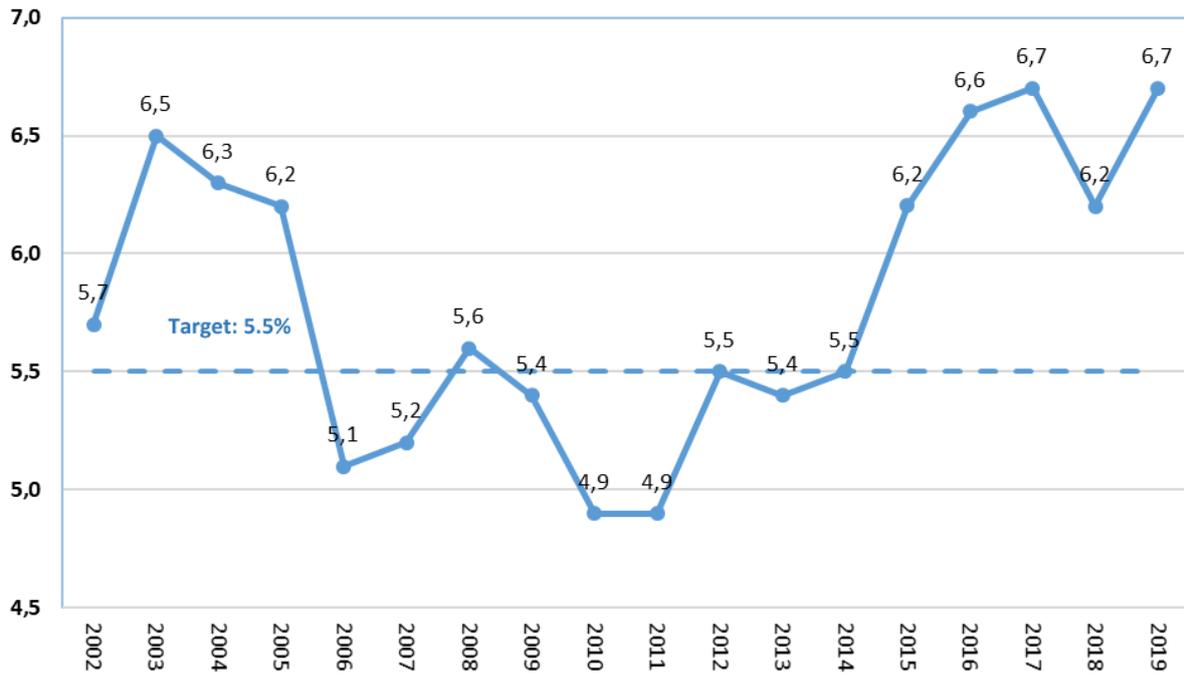
Source: Eurostat

4.3 Education

In 2006–2014 the percentage of people leaving education prematurely remained at or below the value set as the national target for 2020 (5.5%), other than a single deviation in 2008. However, in 2015–2017 this indicator rose significantly and has persistently exceeded the target. Between 2017 and 2019 the percentage of people aged 18–24 who had only completed primary education and were no longer in education was between 6.2% and 6.7%. In comparison with other EU Member States, the value for this indicator in the Czech Republic was the eighth lowest.

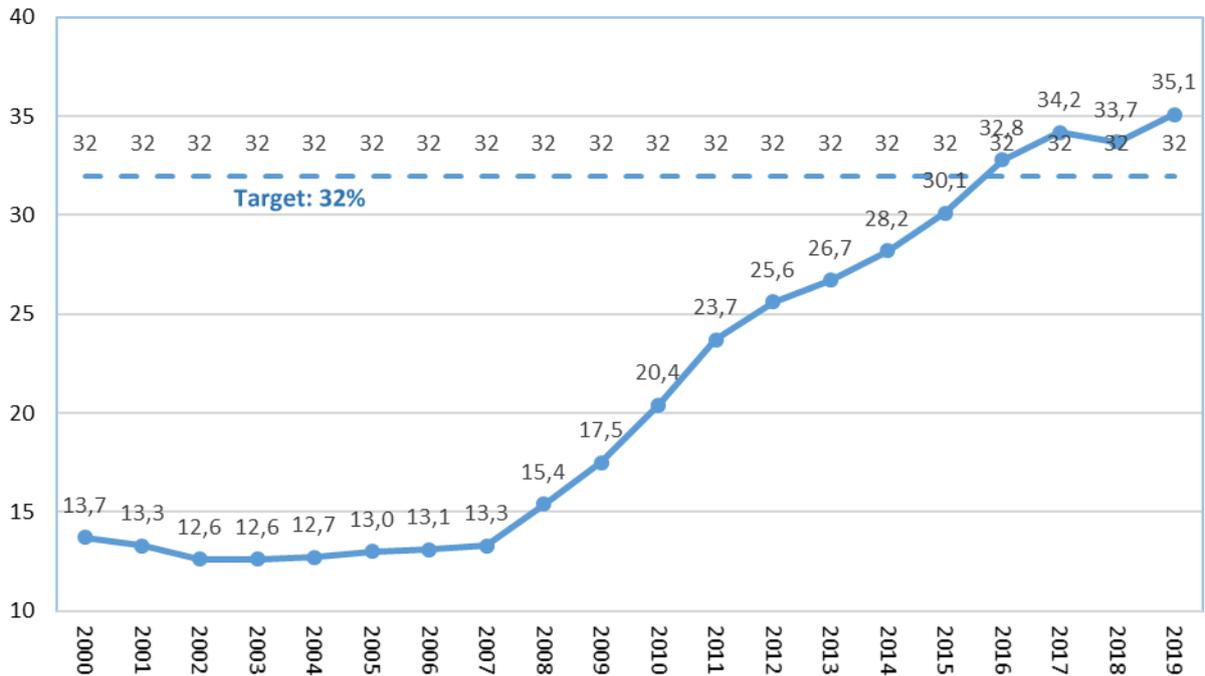
The indicator for the percentage of the population aged 30–34 with tertiary education reveals that the national target (32%) has been met since 2016, and the indicator continues to rise. In 2019 it was 35.1%. The target should therefore be met in 2020, as the data available also shows that more than 50% of people in the generations born after 1989 will go into the tertiary education system. However, in comparison with other EU Member States, the percentage of the population aged 30–34 with tertiary education was the sixth lowest.

Graph 4: People aged 18–24 with only primary education and no longer in education (%)



Source: Eurostat

Graph 5: People aged 30–34 with tertiary education (%)

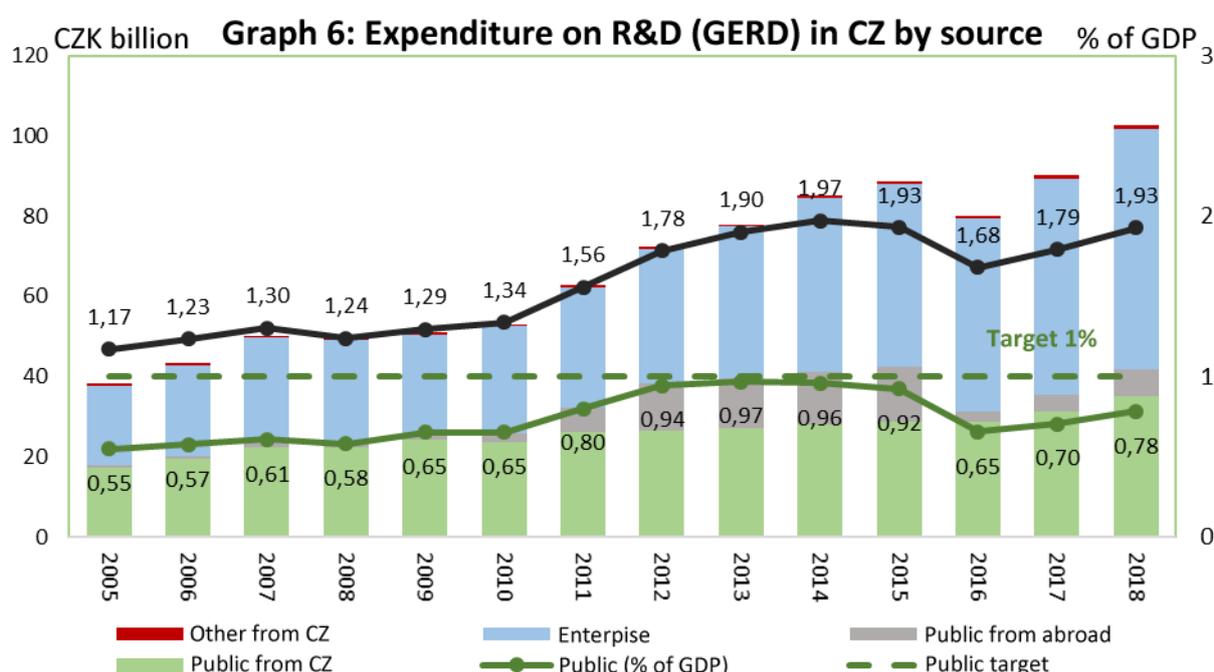


Source: Eurostat

4.4 Research, development and innovation

Total expenditure on R&D in the Czech Republic increased on average in 2005–2018, and in 2018 it exceeded CZK 100 billion for the first time. This long-term increase in total R&D spending was due primarily to expenditure by enterprise, which in 2018 amounted to almost CZK 60 billion. Another component of total expenditure that made a more modest contribution to this long-term increase in spending on R&D was public funding, which in 2018 first exceeded CZK 35 billion.

The Czech Republic came closest to achieving the national target (public expenditure on research, development and innovation at a level of 1% of GDP) in 2012–2015. The drop in total public expenditure on R&D in 2016 (both the absolute amount and relative to GDP) was due to a substantial reduction in public expenditure from outside the Czech Republic, which was related to the transition to the next ESIF programming period. Since then total public expenditure and public spending on R&D has risen again (including relative to GDP) and is gradually nearing the target.



Source: Czech Statistical Office

4.5 Climate and energy policy

Despite a certain increase in emissions in sectors that do not come under EU ETS⁷² (interim results up to 2018: + 3.6%), the Czech Republic should have no problem meeting the 9% target for the maximum increase in such emissions between 2005 and 2020. However, in comparison with other EU Member States, in 2018 the Czech Republic was in seventh place for the increase in emissions since 2005 outside EU ETS.

Regulation (EU) 2018/842 of the European Parliament and of the Council on binding annual greenhouse gas emission reductions by Member States in 2021–2030 sets the target for the Czech Republic to reduce greenhouse gas emissions outside EU ETS by 14% between 2005 and 2030. According to current projections for emissions, the 2030 target should be achieved if the policies and

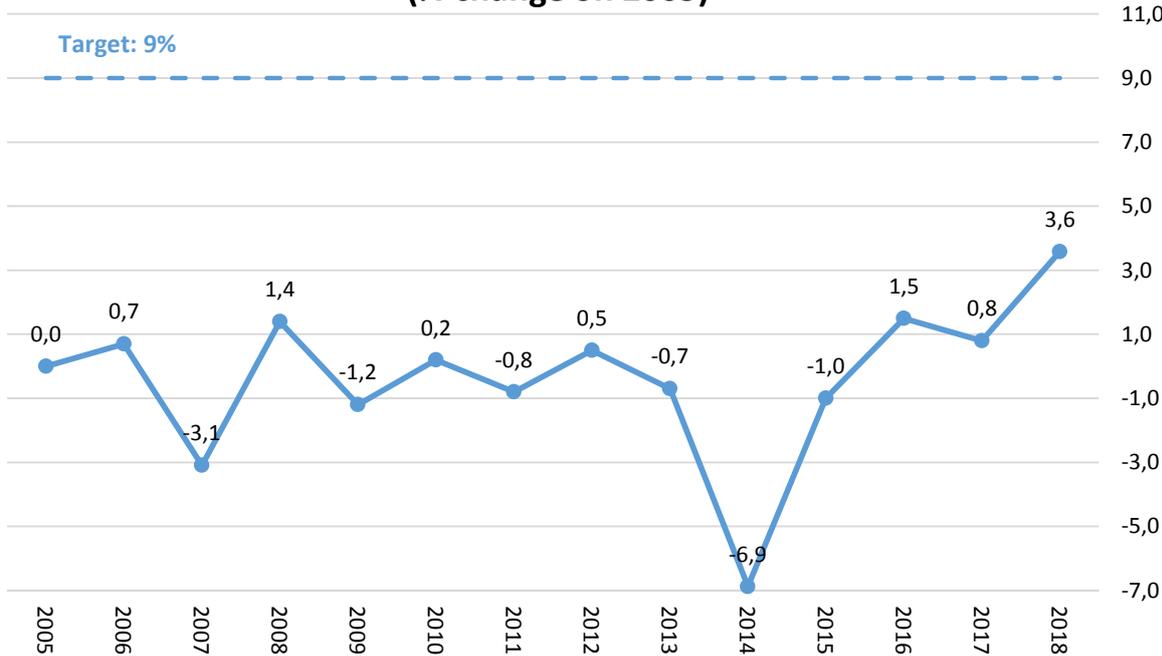
⁷² European Union Emissions Trading System.

measures already adopted are effectively implemented. For EU ETS the target for the EU as a whole is to reduce emissions by 21% by 2020 and by 43% by 2030 compared with the benchmark year 2005. Between 2017 and 2018 emissions from installations in EU ETS were reduced by approximately 62,000 tonnes CO₂ equivalent. Emissions from installations in EU ETS fell by 18.8% in the period 2005–2018.

In December 2019 the Czech Republic submitted to the Commission the final version of its *National Forestry Accounting Plan, including a proposed forest reference level, for the period 2021–2025*. In view of the current bark beetle crisis in the Czech Republic, the country will probably have difficulty meeting the target of net zero emissions in the land use, land use change and forestry (LULUCF) sector, which was set 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 2030 climate and energy framework

In response to Commission recommendations, in 2019 the Ministry of Industry and Trade, in collaboration with the Ministry of the Environment, produced a *National Energy and Climate Plan* in line with Regulation (EU) 2018/1999 of the European Parliament and of the Council on the Governance of the Energy Union. Following approval by the government, the final version was submitted to the Commission on 13 January 2020.

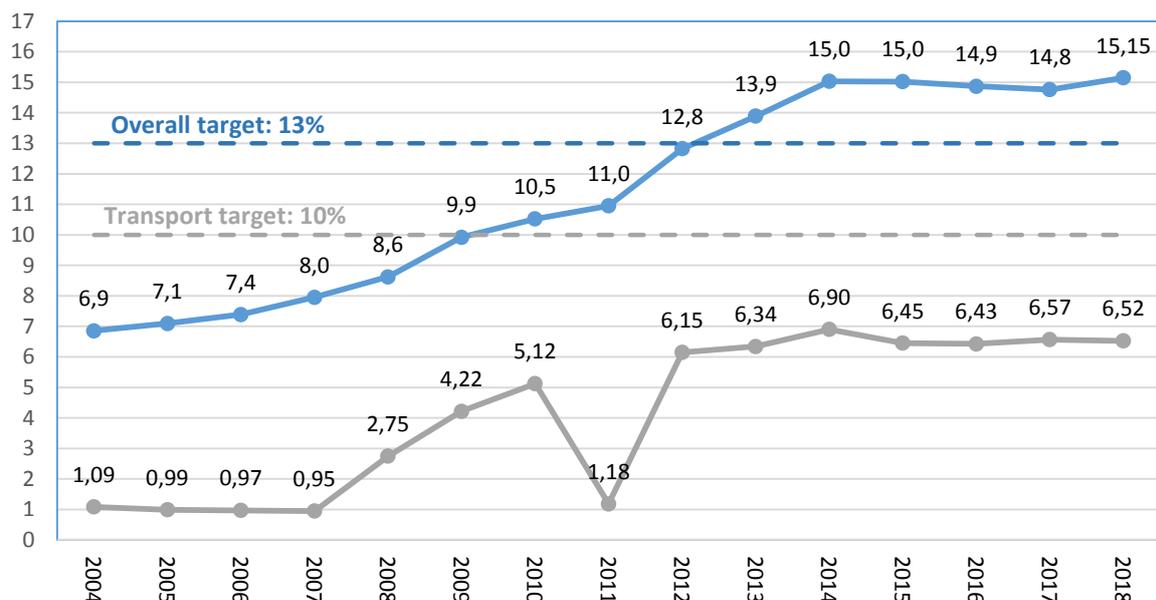
**Graph 7: Greenhouse gas emissions outside EU ETS
(% change on 2005)**



Source: Eurostat (note: data for 2018 is only provisional; the final figure will probably be lower)

Since 2013 the Czech Republic has also met the national target for 13% of gross final energy consumption from renewable energy sources (RES). In 2018 this figure rose to 15.15%, the eighteenth highest value among EU Member States. Over the last few years the Czech Republic has come no closer to meeting the 10% target for gross final energy consumption from RES in transport.

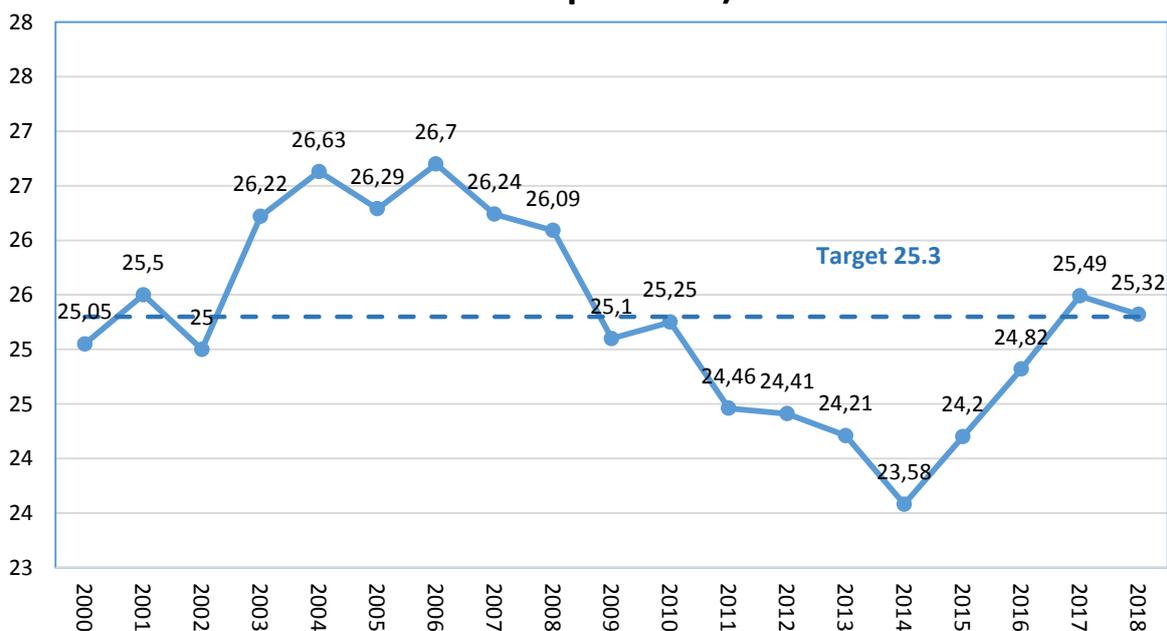
Graph 8: Gross final energy consumption from RES (%)



Source: Eurostat

The national target for final energy consumption of 25.3 million tonnes of oil equivalent by 2020 was met in the period 2009–2016. Following a deviation in 2017, in 2018 the Czech Republic again came close to meeting this target, with final energy consumption 25.32 million tonnes of oil equivalent. According to this indicator the Czech Republic ranks approximately in the middle for EU Member States.

Graph 9: Final energy consumption (in million tonnes of oil equivalent)



Source: Eurostat

5. Implementation of the Sustainable Development Goals

The Czech Republic has undertaken a pilot evaluation of the implementation of the Sustainable Development Goals (SDGs) and completed its initial evaluation report on the implementation of the 2030 Agenda for Sustainable Development in the Czech Republic. Basic information on the implementation of the individual SDGs is set out below.

In a global evaluation of the implementation of **SDG 1 *No Poverty***, the Czech Republic is doing well. A more detailed examination reveals that this success is fragile. In a situation with a large number of people living just above the poverty line, or if regional differences are taken into account, a relatively small change could substantially worsen this situation.

For **SDG 2 *Zero Hunger***, the population of the Czech Republic is not at risk of hunger or malnutrition due to food shortages; it is more a question of sustainable agriculture. Boosting productivity in agriculture is reaching its natural limits, and state aid in the form of direct payments is still primarily focused on the area under cultivation. The proportion of organic agriculture is only rising slowly. Agricultural production is vulnerable to climate change and weather events. The weather and intensive farming methods often result in soil degradation, and negatively affect biodiversity. While average prices for agricultural produce change little from one year to the next, there can be large differences for specific varieties of fruit and vegetables depending on seasonal changes and the weather. The Czech Republic is a net food importer, and this trend is rising. It supports international trade without barriers or subsidies, and is particularly active in lifting trade restrictions and eliminating dual-quality foodstuffs, dumping and various forms of market failure.

In implementing **SDG 3 *Good Health and Well-Being***, attention is paid mainly to the consequences of sickness, and rather less to causes and prevention. Although the healthcare system is reasonably stable and covers all basic medical services, public expenditure on prevention is only a fraction of total public spending on healthcare. The most frequent causes of death are non-communicable diseases (cardiovascular diseases, cancer, diabetes, chronic respiratory diseases). The problems with prevention in the Czech Republic are particularly apparent in lifestyles: excessive alcohol consumption, smoking and insufficient physical activity. The *Strategic Framework for Healthcare in the Czech Republic up to 2030*, which builds on the *Strategic Framework Czech Republic 2030*, also includes specific goal 1.2, aimed at primary and secondary prevention, improving both health literacy and people's responsibility for their own health. This specific goal is directed towards a functional system with legislative and methodological backing to promote health and health literacy and support programmes aimed at the prompt detection of serious illnesses in risk groups.

For **SDG 4 *Quality Education***, the Czech Republic has no formal barriers to access quality education. However, despite the efforts it has made, it has been unable to eliminate barriers that are due to socioeconomic conditions or other forms of disadvantage. Positive factors are that primary and secondary education are free of charge and relatively accessible in the Czech Republic, the great majority of universities are public and free, and in recent years the availability of preschool care has also improved. Compared with the other OECD countries, the results achieved by students in the Czech Republic are more dependent on their socioeconomic background, and for postgraduate study there are also limitations relating to gender roles. There is room for improvement in the effectiveness and quality of education, and in the availability and take-up of life-long learning. In the workforce, digital skills remain limited.

For **SDG 5 Gender Equality**, inequality still powerfully impacts working lives for women of working age. Overall the Czech Republic has one of the highest figures for average income inequality in the EU (21.1%). In general women also face difficulties in professional growth and are more at risk of unemployment and income poverty. These and other similar disadvantages mean that women are altogether more vulnerable. Groups particularly at risk are mothers with small children and women aged over 65 and living alone. The representation of women in senior and decision-making positions in the public and private sectors is very low. However, the Czech Republic has achieved some success in reproductive health, and greater attention is now paid to violence against women.

The management of water resources has a legal framework, with mechanisms that allow the public, including water customers, to get involved. Drinking water is available and total water consumption is falling, which largely satisfies **SDG 6 Clean Water and Sanitation**. The situation is less favourable for sanitation and wastewater treatment, but here too the long-term trend is positive. Similarly the quality of water in watercourses has long been improving, although a large proportion of the Czech Republic's watercourses are still polluted. A weakness under SDG 6 is water reuse and poor water retention capacity in the countryside.

The Czech Republic is working to achieve **SDG 7 Affordable and Clean Energy** by diversifying the energy mix, trying to remain self-sufficient in energy, and developing an energy infrastructure that reflects the need for decentralisation. There has been a long-term reduction in the economy's energy intensity for creating GDP. Total energy consumption continues to rise, and given the likely future trend and the plan to move away from coal, the Czech Republic will probably become more dependent on imports. There is not a comprehensive system to support R&D&I for low-carbon technologies. Within the EU, the Czech Republic promotes the principle of technological neutrality and supports the expansion of nuclear energy as an emission-free source and a way of satisfying climate commitments. For this reason, the Czech Republic wants the Commission to recognise nuclear energy as an environmentally sustainable source (especially in the taxonomy for sustainable investments). Renewable energy sources are on the rise in the Czech Republic, thanks in part to favourable natural conditions, but their contribution to energy production and electricity has not risen in recent years. By 2015 the Czech Republic had satisfied its European RES commitments, but the targets for energy savings in buildings have not been implemented according to plan. The Czech energy market is substantially harmonised with the EU, and the Czech Republic promotes the application of smart distribution and transmission systems, reinforcing the system's security and decentralisation.

For **SDG 8 Decent Work and Economic Growth**, the Czech Republic has very good results for economic growth and the labour market, but attention should be paid to certain problems that could in future have a fundamental impact. Economic growth is primarily driven by domestic consumption and investments, and is dependent on traditional manufacturing and trade rather than modern and innovative sectors. The global market and foreign investment also significantly determine how the Czech Republic fares, while the current labour shortage is another limiting factor. The level of innovation in the Czech Republic is only average, and labour productivity is not improving satisfactorily. The energy intensity and material intensity of the economy are both falling, but still remain high. Nationally unemployment has long been very low, but the proportion of young women not in employment, education or training is rising. Active employment policy depends greatly on external financing and is not particularly effective for the long-term unemployed. The financial sector (especially banking, which dominates) in the Czech Republic is well developed, modern and has

affordable financial products. However, low average savings for households means that a significant section of society is at risk of falling into debt, with excess borrowing being a problem.

The Czech Republic is on target for **SDG 9 Industry, Innovation and Infrastructure**. While the transport infrastructure is very dense, it is also costly in terms of investments. The emission intensity of creating added value remains high. The Czech Republic is working intensively with research capacities in other countries on research and innovation for the Czech economy. The number of Czech researchers is rising, and in recent years the Czech research environment has been increasingly focused on business innovation. There is also targeted support for knowledge and technology transfers to development sectors. In the manufacturing industry, the production of cutting-edge technologies has not become a more significant factor in recent years. The Czech Republic has very good LTE mobile coverage, which is available to over 99% of the population. Small and medium-sized enterprises have relatively good access to finance, mainly from the traditional banking sector.

SDG 10 Reduced Inequalities is a cross-cutting goal that is evaluated in more detail in the other SDGs. Overall, wealth inequality should be highlighted, with income from capital greater than income from labour, although in recent years this disproportion has shrunk slightly. One positive development is efforts to eliminate structural inequalities and various forms of discrimination, e.g. social exclusion, gender inequality, inequality in education, and difficulties with inclusiveness for disabled children.

Under **SDG 11 Sustainable Cities and Communities**, the Czech Republic has a number of positive results as well as certain weaknesses. Cities, where the majority of the population lives, have a concentration of job opportunities, innovations, services and culture, but living in cities also has negative environmental impacts (air pollution, municipal waste, etc.). Affordable housing and road safety are long-term problems in the Czech Republic.

Satisfying **SDG 12 Responsible Consumption and Production** is a current challenge for the Czech Republic. Sustainable consumption and production are becoming more important, and are reflected in strategies and individual activities. However, environmentally responsible public procurement is only voluntary. There are very good results for food and packaging waste, thanks also to systematic support for information and education on sustainable behaviour and the obligation to donate safe food to food banks. The circular economy and sustainable tourism are long-term objectives and challenges for the Czech Republic. Steps are currently being taken to introduce or extend eco-modulation, smart waste management systems, ecodesign, etc. It is essential that new waste legislation is approved on schedule and that no major amendments are made during the legislative process. However, the trend for materials consumption indicators has worsened again in recent years: the percentage of raw materials recycled back into the economy is low, and the level of support for fossil fuels has not changed in the long term.

Globally the Czech Republic accounts for approximately 0.25% of greenhouse gas emissions, but within the EU the Czech economy has one of the highest levels of per capita emission intensity. Key factors here are the energy mix and industry's high percentage of GDP creation. The Czech Republic has been actively working towards **SDG 13 Climate Action** over the long term through its international commitments and commitments under EU legislation. From 1990 to 2018 emissions in the Czech Republic fell by almost 36%, and this covered the majority of sectors. There is room for improvement in transport and waste management. The insufficient capacities of the recycling industry play a role here, as does the fact that support for the circular economy has only just begun.

As a landlocked country, the Czech Republic has paid little attention to **SDG 14 *Life Below Water***, concerning the sustainable use of the oceans, seas and marine resources. However, it is working on other activities that have an impact on ocean acidification and watercourse pollution. The Czech Republic's diplomatic activities concerning SDG 14 are modest, being limited to observation, or it simply follows the EU consensus.

The protection of our ecosystems has not been sufficiently effective. For **SDG 15 *Life on Land*** there is pressure in the Czech Republic from human activity as well as climate change, which has contributed to drought, agricultural land degradation and greater risk of extreme erosion. It has also contributed to the exponential bark beetle crisis, which has been accompanied by the collapse of poorly sited woodland in particular. Despite long-term efforts and a modest gradual improvement in the variety of species in woodland, it does not reflect the recommended composition (which also takes into account the economic interests related to woodland use), let alone the natural composition. Although the standard instruments for nature conservation have been used, they have been unable to respond to the new trend of mass tourism. The Czech Republic has a prominent role in multilateral international cooperation (the Nagoya Protocol, CITES, FLEGT), and through know-how and financial aid under foreign development cooperation the Czech Republic seeks to operate in a number of less developed countries as well.

From the perspective of **SDG 16 *Peace, Justice and Strong Institutions***, the Czech Republic is a standard EU country thanks to its good safety levels and the structure of its institutions. Physical violence is only present to a limited extent, and violent incidents are falling. However, there are long-term weaknesses in the effectiveness of the administration of public affairs (departmentalism, the lack of a data-driven approach, and the low level of innovation when creating policy). In tax crime the Tax Cobra team has been operating successfully, and attention is also paid to tax havens and aggressive tax planning internationally and in other EU countries. While the public administration is actively combating corruption, public opinion on this matter is not especially optimistic, and the relevant international indices rank the Czech Republic below the EU average.

Although a lack of data makes it difficult to quantify **SDG 17 *Partnerships***, the Czech Republic has made successful progress in taxation, development investment and partnership for sustainable development. However, over the long term it has not adequately satisfied its commitment for the minimum level of official development aid. Nor have the necessary measures yet been implemented for the coherence of sustainable development policies. Many of the sub-goals are more global in nature, and although it is desirable for the Czech Republic to adopt additional measures and play a greater role in meeting them, the impacts are hard to quantify in terms of global indicators.

6. EU funds

6.1 Interlinkage of EU funds and Council of the EU recommendations

In 2019 the Czech Republic received a total of three recommendations from the Council of the EU:

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.*

Recommendation No 1

Of the EU funds, ESIF play a particularly important role for the Czech Republic. They have contributed to *introducing anti-corruption measures* with the support of projects under **OP Employment – Priority Axis 4: Efficient public administration** as a specific objective in the optimising of public administration processes and procedures, especially by strengthening the strategic management of organisations, improving the quality of their functioning and reducing the administrative burden, and as part of the professionalisation of the public administration by enhancing employees' knowledge and skills, developing policies and strategies for human resources, and implementing the Civil Service Act.

Recommendation No 2

OP Employment (Priority Axis 1: Supporting employment and workforce adaptability) finances activities to promote *equality between women and men* and the reconciliation of work and private life. Care facilities for children of preschool age (children's groups) have been established and funded, while short-term employment contracts and job-sharing have simplified integration and parents' returning to the labour market. Since 2016 the Ministry of Labour and Social Affairs has implemented a three-year project financed from OP Employment – Support for Implementation of Children's Groups. The project aims to effectively promote the establishing and functioning of children's groups, using standard and quality audits to increase the quality of care provided, and ensuring that proper information on children's groups is available. Since 2016 the ministry has also implemented a three-year systematic project under OP Employment, Support for Implementation of Child Care for Children Aged Six Months to Four Years in "Micro-Crèches" and pilot testing of the service. The project's output will verify the level of interest and the options for guaranteeing places in preschool facilities for children aged up to one year, and for proposing legislative and other arrangements for establishing and operating micro-crèches. The project also includes a review of the

standards for training people caring for the youngest children in order to improve the quality and professionalism of the service.

As part of reconciling work and private life, since 2017 the Ministry of Labour and Social Affairs has implemented a systematic project funded from OP Employment – *Coordination of measures to support reconciliation of work and private life at the regional level*, aimed at better coordinating national and regional family support policies via a network of regional counsellors and national and regional platforms. Under the project a methodology for creating family policy at regional and local level will be devised, and for each region there will be a proposal for family policy and the implementation of specific pro-family measures, taking a region's specific features into account.

Under **OP Employment Priority Axis 2 – Social inclusion and combating poverty**, activities to promote employment for disadvantaged groups have been funded. Municipalities, local action groups and non-profit organisations can apply for funding to implement projects in this field, e.g. under the OP Employment project *Systemic Assurance for Social Inclusion*, which concerned supporting analysis-based strategic planning for local social inclusion measures and implementing these measures using ESIF 2014–2020 through the *Coordinated Approach to Socially Excluded Localities*. This project should introduce comprehensive and synergic measures at local level, contributing to more effective social inclusion for people at risk of or affected by social exclusion in 110 municipalities, towns, cities or microregions in the Czech Republic.

For employment for disadvantage groups, aid is provided from other OP Employment projects such as *Developing the Social Services System*, *Developing and Promoting Quality Models for the Social Services System*, *Social Housing – Methodological and Information Support in the Field of Social Agendas* and *Supporting Social Entrepreneurship*.

Social entrepreneurship is also supported under a new OP Employment programme, **S-enterprise**, aimed at supporting small and medium-sized enterprises through preferential loans and consultancy. CZK 380 million has been allocated to this programme under OP Employment, which should support approximately 75 projects. This form of assistance allows social enterprises to access funding for their work as simply as possible, promoting their development and expansion. Social enterprises provide activities of benefit to local communities or society as a whole, and often provide employment for people whose potential is overlooked by traditional enterprises. Given the nature of this kind of entrepreneurship, these enterprises find it difficult to access traditional commercial financing.

To improve *the education system's capacity to provide quality and inclusive education*, **OP Research, Development and Education, Priority Axis 3 promotes Equal access to high-quality pre-school, primary and secondary education**, and **Priority Axis 2 promotes the Development of universities and human resources for research and development**. The *development of educators' professional knowledge* and skills is also financed under these two Priority Axes.

In this matter the Integrated Regional Operational Programme (IROP) supports investment into the infrastructure of schools and educational facilities, especially extending the capacities for pre-school education and specialised classrooms for primary, secondary and higher vocational schools to cover key skills, which include foreign language learning, working with *digital technologies*, and science and technology subjects.

Recommendation No 3 concerns a number of areas:

For *transport and its sustainability*, there is the construction and modernisation of the road and railway networks, when the Operational Programme Transport (OP T) is satisfying the n+3 rule a year in advance and would be capable of using more funding than what is available. The situation for building and modernising the infrastructure for urban public transport is improving, as is the public infrastructure for alternative fuels under OP T. IROP will make public transport more attractive e.g. by building terminals.

EU funds are contributing significantly to implementing the third recommendation by supporting investment policy in the *transition to a low-carbon economy and the transformation of the energy sector, including increasing energy efficiency* with regard to regional differences. This support is provided under OP Enterprise and Innovation for Competitiveness, OP Environment, IROP and OP Prague – Growth Pole. Energy efficiency in particular is a key area, where from a long-term perspective the timely preparation and implementation of projects is highly important, as is setting up progressive support tied to any savings made, using various sources of financing (subsidies, financial instruments, Energy Performance Contracting), extending absorption capacity, etc.

Using EU funds, the Czech Republic is making key changes in the legislative, institutional and systemic environment in order to speed up and make more effective the planning, permitting and siting of buildings, and thereby *reduce the administrative burden for investments*:

- 1) introducing digital technical maps (DTMs)⁷³
- 2) the digitalisation of planning permission and spatial planning (DPP)⁷⁴
- 3) the recodification of construction law,⁷⁵ including the introduction of standard building information modelling (BIM) and converting spatial plans to the new standard.

Support in the form of subsidies for developing the *digital infrastructure* was launched in 2019. DTMs will improve the sharing of the physical infrastructure and the coordinating of building work; DPP will make the building of data networks more efficient.

Regarding the recommendation to support quality-based competition, it should be said that substantial support is provided to the contracting authorities. As the coordinator for regulating public procurement, the Ministry of Regional Development takes account of this in its methodological, advisory and educational activities. Moreover, when awarding public contracts, a contracting authority can achieve a quality result in ways other than just evaluation, e.g. by defining appropriate conditions for tendering – i.e. quality can be achieved even when evaluating price bids.

OP Research, Development and Education (OP RDE), under **Priority Axes 1 Strengthening capacities for high-quality research** and **2 Development of universities and human resources for research and development**, has contributed significantly to *removing the barriers hindering the development of a fully functioning innovation ecosystem*, as has **OP Enterprise and Innovation for Competitiveness (OP EIC)** under **Priority Axis 1 Promotion of research and development for innovation**. OP RDE is supporting the building of the National Centre for Electronic Information Resources, and is

⁷³ See chapter 3.3.5 – Digital technical maps

⁷⁴ See chapter 3.3.5 – Digitalisation of planning permission and spatial planning

⁷⁵ See chapter 3.3.1 – Recodification of public construction law

implementing and managing the RIS3 strategy at national and regional level. OP EIC is also developing financial instruments to support innovative startups.⁷⁶

A *Partnership Agreement* and the individual *Operational Programmes* for 2021–2027 are being prepared in line with Government Resolution No 94 of 4 February 2019. In this process, maximum attention will be paid to the *Country Specific Recommendations for 2019*, including *Country Report Czech Republic 2019, Annex D*. The total allocation for the Czech Republic should be EUR 18.7 billion. Negotiations within the EU are continuing.

Particular attention will be paid to the Just Transition Mechanism,⁷⁷ taking into account *Country Report Czechia 2020, Annex D*, and the first pillar, the Just Transition Fund, will be a new component of cohesion policy and the Operational Programmes in the Czech Republic for the next programming period.

6.2 Interlinkage of EU funds and national targets under the Europe 2020 strategy

In all priority axes for programmes that have some connection with the national targets under the *Europe 2020* strategy, commitments resulting from the n+3 rule were again satisfied in 2019.

The five national targets for **employment** were met thanks primarily to OP Employment and OP Prague – Growth Pole, and in part also to the Rural Development Programme.

Here EU funds are directed at supporting employment and the employability of people who have various disadvantages on the labour market, and who experience difficulty finding work despite the current positive trend.

For employment, **poverty and social exclusion** there are interventions under OP Employment, IROP and OP Prague – Growth Pole, and in part the Rural Development Programme too, primarily for integrating groups at risk on the labour market, greater accessibility and capacity for social services, and support for care for children of preschool age.

The individual targets for **education** are gradually being met, particularly with support from OP RDE. Measures to reduce the number of people leaving education prematurely are also supported by IROP and OP Prague – Growth Pole. This primarily concerns coordinating activities to link up schools with social and family services in order to prevent failure at school and stop pupils leaving primary and secondary schools prematurely.

According to the latest figures from the Czech Statistical Office (2018), total expenditure on **research and development** rose by a record 14 percentage points to CZK 102.8 billion (1.93% of GDP); this was the first time this spending had exceeded one hundred billion CZK. Of this figure, public expenditure was CZK 41.7 billion, towards which EU funds contributed 16%. Following a steady increase in spending on R&D&I in 2008–2015 and a subsequent reduction in 2016 due to low drawing from EU funds at the start of the new programming period, drawing from EU funds rose again in 2017 and 2018. Spending on research in the business sector has a respectable long-term upwards trend, but spending by domestic enterprises is only rising at a significantly slower pace.

⁷⁶ See chapter 3.3.1 – Financial instruments

⁷⁷ See chapter 3.3.1 – Sustainable Europe Investment Plan

Support for climate and energy policy comes from national programmes and EU funds (especially OP EIC, OP Environment, OP Transport, IROP and the RDP).

The Czech Republic has a set emissions target for sectors outside EU ETS. EU funds support reducing greenhouse gas emissions, especially through projects under OP Environment to reduce the energy intensity of public buildings, and through IROP projects to increase the use of renewable energy sources and reduce energy intensity in the housing sector.

For renewable energy sources, the target for the proportion of RES in final energy consumption was exceeded, and achieving the Czech Republic's strategic objective for 2020 is realistic. In the past energy from RES came more from private funding, but now it is supported by EU funds (OP EIC, OP Environment, IROP). Energy from RES also contributes to energy consumption in transport, and these activities are partly supported from EU funds.

EU funds should account for approximately a third of the Czech Republic's total commitment for new energy savings in 2020. Of this support from EU funds, OP EIC accounts for around two thirds (savings in businesses) and the remainder is almost equally split between OP Environment (savings in public buildings) and IROP (savings in apartment buildings), while a small proportion is due to OP Prague – Growth Pole (savings in buildings and transport services in Prague). **Energy efficiency** activities are also supported with national funding (the New Green Savings Programme, EFEKT, National Programme Environment, etc.). Overall the Czech Republic has not met its target for energy savings, and measures have been adopted to improve this.