

Policy Statement of the Government of the Czech Republic

Preamble

The Government of the Czech Republic, appointed by the President on 10 July 2013, was formed in accordance with the constitutional architecture of the Czech Republic as a direct response to the resignation of Petr Nečas's Cabinet following a scandal unprecedented in the history of our country. Never before has military intelligence – one of the armed forces safeguarding our country – been abused. The scandal not only tarnished the Czech Republic's reputation abroad, especially among our allies, but also fundamentally weakened public trust in our state and its key institutions.

The media refer to the Government under my leadership as a government of experts or a caretaker government. Critics point their fingers at supposed political or personal ties. I categorically deny this. The Government has been conceived as non-political and non-partisan, consisting of crisis managers for each ministry. We are determined to do all we can to overcome the current social and economic crisis. Of that there can be no doubt.

Starting with the fourth quarter of 2011, the Czech Republic's economic performance has waned for six consecutive quarters, and will continue to diminish. The "government of fiscal responsibility" has thus left in its wake the fastest increase in national debt in the country's modern history. This is also a time of deep political crisis. The "anti-corruption government" clearly failed to stem the diversion of public money into private pockets. All this has resulted, among other things, in a general crisis of confidence and accountability, which is weakening performance and the quality of governance in the country.

In response, our Government will strive – in the period up to the regular or early parliamentary elections – to restore trust and accountability, as without these government institutions cannot fully perform the tasks required of them.

We are determined to establish elementary mechanisms that will encourage respect for the public interest of the people of the Czech Republic whatever the circumstances. This is our number-one priority. We believe that respect for the rule of law and public decency is essential if we are to keep to this resolution. All state and public institutions need to cooperate here.

The Czech Republic is a full member of the EU and NATO. It is high time we started patching up our reputation within these groups of allies so that we can stand tall again as a trusted and respected member of the international community. In this light, we want to see these concepts – and their declared values – regain their true meaning.

We offer assistance to everyone who cares about the fate of our country. This Government's core tenets are professionalism, humility, tolerance and courage.

At most, there will be just under 10 months until the regular term of the Chamber of Deputies comes to an end. With this in mind, our Government will concentrate only on decisions that are on the front burner or urgently need to be taken in this short period. Such decisions are hardly few and far between. The vast majority were prepared by the outgoing government and it is in all our logical interests to maintain the necessary decision-making continuity – naturally with changes, many larger than others, reflecting our own policies.

A lot of these decisions will influence the way our country develops, even in the long term. Therefore, as we prepare them, we must carefully and conscientiously consider their implications both for the public and for the national economy. In this sense, we are not just here to keep the government ticking over. We are a fully-fledged executive unit that wields all relevant powers and, obviously, will be held to account.

Policy objectives

We are contemplating the following prime objectives for the various ministries:

Foreign policy and the European Union

The Czech Republic's active role in ensuring the safety and prosperity of our country and its firm anchoring in the Euro-Atlantic area remains at the core of our foreign policy. In relation to the European Union, the Government will support action aimed at deeper integration and strengthening the European Union's political and economic weight in the world.

Government priorities include the completion of negotiations on legislation related to the agreement on the EU multiannual financial framework for 2014-2020 and the creation of conditions for the effective and transparent use of EU funds, including preparations for the new programming period. The Government will also actively promote the completion of the EU internal market and the development of external trade policy as a means to enhance growth and competitiveness and increase employment.

In current negotiations on the stabilization of the economic and monetary union, which is also a primary concern of the Czech Republic, the Government will encourage steps to intensify the coordination of economic and fiscal policy. The Government will also support the stabilization and restoration of confidence in the European financial sector.

The Czech Republic will be an active NATO member. It will foster relations with its neighbours and promote Visegrad cooperation as a conduit for common interests in EU decision-making bodies. The Czech Republic, as an active member of the United Nations, will back the efficient operation and use of mechanisms by international organizations and institutions.

As far as it is able, the Czech Government will seek the widest possible cooperation on global issues, whether in tackling climate change, combating terrorism or promoting human rights. In its foreign and European policy, the Government will hold internal political dialogue with both chambers of the Czech Parliament and with the President.

The Government recognizes the importance of economic diplomacy in strengthening the international competitiveness of the Czech economy. It will focus on exploiting the network of embassies and specialized government agencies in other countries so that they are much more proactive in promoting Czech companies abroad and providing assistance for those entering new markets, especially in China, Russia, Brazil, India and other countries with high economic potential. To further improve the way foreign development assistance is managed, the Government will encourage the broader involvement of the private sector in the implementation of development projects.

Economic and fiscal policy, utilization of EU funds

One of the Government's pivotal tasks is to fuel the restoration of economic growth and combat rising unemployment. This must be essentially and primarily achieved by harnessing those investment opportunities which the state is in a position to influence positively. All available sources of investment in public administration and state-controlled enterprises will be swiftly identified so that they can support the progress of the Czech economy as soon as possible.

The Government is committed to keeping the general government deficit below 3% of GDP as this will draw a close to the European Commission's excessive deficit procedure against the Czech Republic. In the preparation of the 2014 central government budget, the Government will draw on the draft medium-term budgetary frameworks prepared by the previous government, although we plan to increase investments in education, science, research, transport infrastructure and other growth-enhancing measures. As we put the central government budget together, we are prepared to seriously consider views voiced by the representatives of employers, trade unions and local governments.

The Government will pay special attention to the progress, effectiveness and outcome of EU fund use under the cohesion policy. This is because 2013, in terms of drawing on EU funds, is particularly challenging due to the concurrence of the n+3 and n+2 rules. The Government will do its utmost to make efficient use of resources contributing to economic growth.

The Government is alarmed by the current situation regarding the use of these funds. There is a real danger here that tens of billions of crowns in essentially investments alone will be lost unless the whole process of drawing on funds is significantly improved. Mindful of this, the Government will pay special attention to this area by regularly monitoring developments in the utilization of funds and taking the necessary steps. First and foremost, it will demand coherent accountability for financial management and rigorous auditing – to comply with the plans for each operational programme.

The Government will secure funding from the EU Solidarity Fund to help clean up the damage caused by flooding.

By the end of 2013, the Government will prepare simpler rules for the use of EU structural and investment funds over the next seven years, a Partnership Agreement, programmes and guidelines.

The Government attaches great importance to the management of state ownership interests in companies and wants to increase the supervision of such management by the ministries responsible. Therefore, it will insist on management by qualified professionals. It will demand regular monitoring of the way these companies are managed.

Another of our priorities is undoubtedly the fight against tax evasion. Here, we will make sure that the activities and cooperation of all organizations under the Ministry of Finance are more efficient and that there is collaboration with law enforcement agencies.

The Government will prepare a bill on cash registers with a fiscal memory, which are even being demanded by business associations. We believe this action is as an important step in clamping down on tax evasion and providing a level playing field for competition.

We also stand ready to support parliamentary bills on asset declarations and, if necessary, to draw up our own government bill.

The Czech Republic will actively participate in international cooperation to crack down on tax havens, and will continue to conclude agreements on the exchange of information on tax matters. The Government will submit an amendment to the Excise Tax Act relating to the establishment of a register of lubricating oils and rules on securing tax in order to minimize tax evasion.

In the collection of taxes and other public levies, we will take the steps necessary to simplify administration, in particular by increasing the computerization of tax proceedings, including tax documents.

In the financial market, the Government's main priority is to complete the legislative process of changes to building society savings schemes, cooperative banking, insurance brokerage and foreign exchange activities.

We will support processes to continuously improve the financial literacy of the population. We will set our sights on far tighter regulation of "financial services" offered to the public by a host of non-bank entities providing loans over the telephone, etc., which often exploit the hardship of members of the public. In this regard, the Government will also tackle usury.

We will introduce the comprehensive regulation of gambling in line with the principles of the EU internal market. We will try to push through the establishment of a central technical system for the state supervision of gambling and, especially, for the effective inspection of tax compliance by gambling operators. We will support an amendment to the Lottery Act allowing municipalities to regulate technical gaming equipment under their jurisdiction more effectively. We expect these measures to mitigate the adverse impacts that gambling has on society.

The Government understands that it is in our national interest to cultivate effective industry capable of innovation and success in the global market. This is a very brief rundown of **the Government's industrial policy**. We do not disguise the fact that in the near future we will evidently have to face up to wide-ranging implications (especially job losses) of the unrelenting economic crisis in industry, with life in certain regions being particularly hard hit. The Government is ready to deal with such situations resolutely and earnestly.

We will concentrate on increasing the Czech Republic's competitiveness, mainly by pursuing a fitting energy policy, promoting applied research, development and innovation, boosting technical subjects in schools, improving the business environment and export opportunities for domestic firms, and, ultimately, investing in crucial transport infrastructure.

We will complete the approval of the State Energy Policy and State Mineral Policy updates in order to guarantee the long-term stability of energy supplies and prices.

The Government will put an end to any further inefficient renewable energy aid and promote changes to stop hikes in the subsidization of renewable sources.

The Government will bolster the research and innovation potential of companies by means of new EU-funded operational programmes and an R&D allocation from the central government

budget designed to instil greater motivation to transform first-class ideas into marketable goods and services. We will support joint projects between the academic community and business and promote the rapid application of the results in practice. Companies will be offered tax breaks to commission targeted research from universities.

The Government will implement the Czech Republic's Export Strategy for 2012–2020, along with all programmes geared towards Czech industry's enhanced export performance.

The Government will place a greater emphasis on protecting Czech consumers and manufacturers from imports of low-quality end-products, semi-finished products and raw materials, and on protecting consumers from the unfair practices of retailers and service providers.

Agriculture, the environment, transport and the regions

The Government will prioritize the prompt clean-up of flood damage to agricultural buildings, waterworks and water infrastructure by drawing on national and EU funds.

Under the reformed Common Agricultural Policy, the Government will seek to introduce measures supporting the agri-foodstuff sector, encompassing traditional agricultural and food production. The Government will promote the efficient use of all available financial instruments and resources to increase the prosperity of Czech agriculture, with an emphasis on the development of livestock production. We will make every effort to exhaust EU funds from the 2007–2013 financial period and secure financial instruments for the coming programming period.

The Government will encourage all activities safeguarding the production of quality food and, in particular, increasing the share of regional food on the market, including fresh foods of proven origin.

To establish a stable business environment in the agricultural sector, the Government will strive to eliminate the detrimental effects of climate change by implementing a framework programme to deal with damage in agriculture and the fisheries, and by setting up a Risk Fund for Farmers.

On the **environment**, the Government will seek rational nature and landscape protection and development. We will concentrate especially on systematically improving air quality, particularly in the most contaminated regions of the Czech Republic.

The Government will arrange for the fastest possible launch of the New Green Light to Savings scheme, including its longer-term financing. This is expected to entail, chiefly in the early stages, the use of some of the funds accumulated in the accounts of the state forestry enterprise Lesy ČR, s.p.

Achieving the highest degree of utilization of resources under the Operational Programme Environment in this programming period has been singled out as a priority. For the 2014-2020 period, this OP will be composed according to agreed priorities, and the paperwork for applicants will be made as simple as possible. We are keen to discuss this with all stakeholders.

We will continue to dispose of old environmental hazards as far as economic opportunities allow, and we will prepare specific draft waste legislation to respect the waste management hierarchy.

For the Government, **transport infrastructure** development is an important factor underpinning the Czech Republic's competitiveness, and investments in this area are viewed as an important anti-crisis measure. The Government will guarantee the national resources necessary to co-finance the construction of transport infrastructure with maximum utilization of EU funds in this and the next programming period.

The Government will pave the way for the renewal of transport infrastructure damaged by floods this year.

The Government will increase oversight of the activities of investor organizations under the Ministry of Transport so that funds for investment, repairs and maintenance are spent efficiently, effectively and transparently.

The Government will support the full use of the regulatory and fiscal functions of the toll system so that the interests of the Czech public take precedence and the resources generated by this system are maximized. These revenues can then be re-allocated to repairs, maintenance and, where appropriate, the development of transport infrastructure.

The Government will strive to establish conditions needed to make the Elbe navigable. The Government will also support a comprehensive feasibility study and SEA of the Danube–Oder waterway, and in doing so will solicit the necessary agreements on this work with neighbouring countries. The Government will arrange for this project to be eligible for financing from EU funds.

The Government will initiate a change in traffic administration agendas so that the system genuinely begins to serve the public.

The Government will make sure that the passenger rail transport continues to be liberalized under balanced conditions for those involved. The state's supervisory role and its capacity to guarantee transport services must be maintained.

The Government will stabilize the extent to which the state commissions long-distance passenger rail transport and its predictability over time. Respecting the provisions of the 2009 Memorandum, the Government will do the groundwork for the stabilization of commissions and regional rail passenger services by regional governments.

The Government considers it necessary to stabilize resources for the maintenance, repair and development of transport infrastructure in the long term, even without the inclusion of EU funds.

From a systemic viewpoint, the Government will introduce changes in the transport sector to motivate everyone involved to behave in a way that it is beneficial to the public (designers and builders will capitalize on cheaper construction, lorries on travel outside rush hours, etc.).

The Government's **regional policy** will fuel the recovery of areas affected by floods in May and June 2013. To make inroads here, we will submit a Recovery Strategy for the regions

concerned and allocate the necessary funds for grant schemes intended for the repair and reconstruction of property owned by non-state entities, including measures to maximize recovery by the end of this year.

In its cross-border cooperation, the Government will make sure that European Territorial Cooperation programmes under the current programming period are properly implemented. In the next programming period, the Government will maximize the potential of cross-border cooperation in the development of the regions and will ensure that the new operational programmes are properly prepared.

In tourism, the Government will organize measures under the Concept of the State Tourism Policy for 2014-2020, and will oversee the preparation of the draft explanatory memorandum to the Act on the Promotion of Tourism.

In the **housing sector**, the Government will consider closely how to stimulate the creation of rental housing and social housing, including housing for seniors. The Government will draw up implementing regulations for the new Civil Code, propose a shorter tied-in period for rental apartments built with the assistance of the Ministry of Regional Development, adopt a social housing strategy and consolidate the resources available under the PANEL programme.

The Government will support the production of municipal land-use plans and land-use studies aimed at addressing problems common to multiple municipalities, and at improving resilience to natural hazards.

Social affairs and health

The Government views the fight against rising unemployment as its number-one challenge. It believes that a fundamental solution – albeit a long-term one extending beyond the timeframe of this Government – lies in the resumption of economic growth, which can generate new and permanent jobs. The Government is ready to support job creation and mitigate the effects of rising unemployment in crisis-hit regions.

The Government regards the renewal of intensive, informal dialogue with social partners in the tripartite as essential, and looks forward to its partners' constructive approach to urgent problems in reinstating economic growth.

We recognize that our primary task is to restore public confidence in the social security, health and pension systems, respecting the preservation of the conditions necessary for all layers of the population – especially the most socially disadvantaged families with children, the elderly and persons with disabilities – to enjoy a dignified life.

The Government is in favour of completing the existing social security and employment legislative procedure, including the abolition of social-system cards.

The Government has already decided to increase the minimum wage as of 1 August 2013.

Taking account of developments in the economic crisis, the Government will propose channelling more funds into the active employment policy in the 2014 central government budget. Consequently, we believe our primary employment mission is to rapidly stabilize and increase the efficiency of the Labour Office of the Czech Republic, and above all to safeguard

the reliable operation of information systems for non-insurance social benefits, which has recently been significantly weakened.

We will join forces with local authorities and NGOs to tackle the way social services are provided and funded, including palliative care in hospices. The Government will continue to prepare new legislation on long-term care.

Maintaining the current quality and financial stability of the Czech health sector is a fundamental priority for us. The Government will propose the payment indexation for state insurance contributors and the purchase of debts owed to health insurers to improve their liquidity. We will improve conditions for the reimbursement of care costs to health care providers, particularly in the inpatient sector. Further advances in payment mechanisms and the completion of the revised Medical Procedure Tariff will be contributory factors here.

Another priority will be the efficient use of the maximum amount of EU funding for the health sector. The Government will continue to restructure care based on patient needs and reflecting trends in medicine. Mindful of the aging population, we will also draw up a concept of long-term care and improve the coordination of health and social services.

The Government will complete the legislative process for amendments to laws that are currently being prepared, and in particular will push through the law on medical devices now being drawn up. The Government will formulate a draft amendment to the Health Insurance Act encompassing more expensive care options and the regulatory fee charged to patients for hospitalization. The Government will support the amendment to this law – now under preparation – relating to cross-border healthcare, which will bring national law into line with the Czech Republic's EU membership commitments. We will advocate the implementation of a Hygiene Service and Primary Prevention Concept.

The Ministry of Health will lay the groundwork for these steps following a proper debate with professional bodies, trade unions, professional societies and patient organizations.

Education, science, research, culture

For the Government, **education, research and development** are the cornerstone of the country's competitiveness and its internal and moral stability. Therefore, as a matter of priority we will support scientific and technical education, which we believe are important for technical innovation, research and development – the footing for a powerful and efficient economy. To this end, we also need to systematically develop language skills to unlock the broadest range of information sources.

In technical education, the Government will develop mechanisms for effective cooperation between schools and employers. We will place an emphasis on vocational training and greater employer incentives, including tax concessions.

The Czech Republic has built numerous scientific research infrastructures by drawing on EU structural funds. The Government will ensure that the funding to operate them is spent efficiently and that these centres achieve the results expected of them.

The Government will respect the autonomy of all levels of education and the related responsibility of the universities themselves – as well as the regions and municipalities as the

founders of schools – for their results. We will stand alongside the founders in demanding better quality education.

The Government will prepare a new law to promote physical activity, which will also include a new system to finance sport as an important civic activity. The aim is to make sport more readily available to the general public, especially young people. The Government will also sponsor top-level sport and national teams and representatives.

In **culture and the arts**, the Government will draw up a balanced method to fund culture in 2014 so that the public services expected in this area are structured with the required quality and volume.

We will stabilize the State Fund for Cinematography and finalize the amendment to the Copyright Act. The Government will financially support monument owners in cleaning up the damage caused to monuments by the floods in 2013.

Defence, internal security, public administration and justice

The transatlantic alliance remains the cornerstone of national defence and security. The Government endorses the development of the EU's Common Security and Defence Policy. We will apply ourselves to the further expansion of the Czech Army's defence capabilities. Where appropriate, we will support the army's rightful involvement in the international crisis-management operations of NATO, the EU and the UN.

The Government will push ahead with the necessary changes to military legislation. The priority is to pass an amendment to the Act on Professional Soldiers.

The Government will continue to implement measures under the White Paper on Defence to internally reorganize the Ministry of Defence and strengthen its effectiveness, including the optimization of military districts.

The Government stands ready to complete negotiations on the use of Gripens by the Czech Army in the period after 2015. We will also look into the future of helicopters and transport aircraft.

The Government respects the commitment not to lower national defence spending below the current level (relative to GDP).

We will prepare a mandate for the deployment of Czech Army forces to foreign missions in 2015 and 2016 and submit it to Parliament for approval.

We are keen to advocate, at all EU levels, the reform of the concept and financing of EU Battlegroups and the establishment of a truly level playing field for defence and security companies from Member States on the European market.

As far as the budget allows, the Government aims in particular to strengthen the front-line services of the **Czech Police and Fire Brigade** by increasing the number of police officers and fire-fighters. The goal is to improve the Czech Republic's internal security.

The Government will not tolerate any racial, ethnic, class or social intolerance and hatred of any kind. The Government will also pay special attention to analyses of what causes radicalization. Strong and consistent action against all forms of extremism and the prosecution of attempts by supporters of anti-democratic ideologies to break the law has been identified by the Government as one of its major tasks.

We will focus on monitoring security threats, such as organized crime, terrorism, and tax and cyber crime. There will be an emphasis on drug issues, particularly in border areas, and on the rigorous seizure of proceeds of crime.

The Government will continue to prepare, implement and develop key IT projects that are in line with the principles of e-Government. The Government aims to reduce the financial costs and time demands placed on the public and businesses when they are in contact with state administration, especially by streamlining electronic communications within state administration.

Recognizing the need to adopt the Officials Act as an EU requirement for drawing on EU funds, the Government will push for progress in the process of approving draft legislation on civil servants, as submitted by the previous government.

The development and enforcement of **justice and the law** is a core function of the state and a government priority.

The Government will do everything possible to ensure that re-codified private law comes into effect as of 1 January 2014. The Government will advocate the approval of accompanying legislation and will continue the project to train public-sector employees and inform the public of the new private law.

The Government will continue humanization and streamlining of the prison service. It will back a reduction in the types of prison for convicted prisoners from four to two, as this will create more opportunity for the permanent employment and rehabilitation of convicts, all with a greater emphasis on the payment of compensation to victims and the state. We would like to continue striking a better balance between criminal repression and prevention by introducing efficient electronic monitoring of convicted persons.

As fighting crime, and corruption in particular, is a government priority, we will suggest deeper, bolder changes to the Bill on the State Prosecutor's Office to strengthen its independence and separation from the executive branch while increasing the state prosecutor's office accountability for the powers assigned to it. The Government will submit an amendment to the Criminal Code to simplify and speed up the criminal process.

The Government will submit an amendment to the Act on Courts and Judges establishing career paths for judicial employees. Judge candidates should have at least five years' experience, and should previously have been trainee judges and undergone a mandatory selection process.

The Government will improve the long-term underfunded state of the judiciary by launching several investment projects covering, at a minimum, the disrepair of the repeatedly flooded Regional Court in Ústí nad Labem and the construction of new buildings for the Supreme Court and the Supreme State Prosecutor's Office in Brno.

Ladies and gentlemen of the Chamber of Deputies,

On behalf of the Government, which today solicits your confidence, I guarantee that the Government and I will do everything in our power to fulfil our duties.

Thank you for your attention.