

**SPRING 2019 REFORM BAROMETER – CZECH REPUBLIC**

**European Semester - Overall assessment of 2018 cycle**

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (March 2018) is appropriate.	To a large extent	SP (Confederation of Industry of the Czech Rep.) as a social partner was adequately involved into the preparation process. The Reform Programme reacts on crucial problems identified already in the country report. Czech government has reflected recommendations submitted by both social partners, however not all of them have been sufficiently incorporated. New in the process was the duty of the relevant ministries to properly explain why our comments were not or only partly address in the document. In any case SP calls always for a short, clear and manageable document.
2.	The Commission's country specific recommendations for your country are appropriate.	Yes, absolutely	Because of a very good and systematic cooperation and consultation with the EC's office in Prague the country reports are becoming more fit to the socio-economic situation in the country identifying positives and risks. Generally speaking the last country report was optimistic concerning the economic growth followed by the good functioning labour market and very low unemployment rate. On the other hand, the NRP showed a risk of the labour market shortages and consequences for the companies and their further development and competitiveness. SP has observed successful effort of increasing tax revenue, which is accompanied with problems in field of tax administration (harmful increase in area of tax administration). SP agree that compliance costs have increased slightly in Czech Rep. How commission remarks (despite reduction in hours to comply with the tax code compared to the past) the Czech Republic is still at the higher end of the scale (so we agree that tax regulation have moved up the list of concerns as problematic areas for doing business). Czech government have to focus on using electronic technologies in public administration, because there is still considerable scope for removing administrative barriers in this field. SP emphasize that we can expect further growth of public wages and this growth will push on government expenditure even in future time of economic slowdown. The specific recommendations in case of construction permits are also appropriate. After four years of government's effort, there is still not a significant speed-up.



	<b>To what extent do you agree with these statements:</b>		<b>Detailed comments</b>
3.	The Commission assessment of reform implementation the year before is appropriate.	Yes, absolutely	Remark to the problem of fiscal sustainability: Limited progress in the field of ensure the long-term sustainability of public finances in view of the ageing population is difficult to evaluate – decrease in long-term sustainability is caused by increasing indexation of pensions, which help to increase real pensions with respect to wage growth and inflation. Anyway, our confederation emphasized during negotiation with Czech Government necessity to have a stable and long-term source for financing of pension system. SP agree with other evaluation of progress in the field of inefficient practices in public procurement, in building permits and reducing administrative burden on business, improving the quality of R&D etc.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	Not at all	Czech Rep. has no specific country report (no IDRs for Czech Rep.). Czech Rep. is only mentioned in overall evaluation (2018 European Semestr: Communication on Country Reports). The Report states (p. 8): "All Member States except Poland and the Czech Republic, pending parliamentary endorsement of members in the latter, have in place independent fiscal councils." - it's not accurate - Czech Rep. already introduced independent fiscal council and this council is already operating.

**Assessment of Country Specific recommendations 2018 in detail**

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Improve the long-term fiscal sustainability, in particular of the pension system. Address weaknesses in public procurement practices, notably by enabling more quality-based competition and by implementing anti-corruption measures.	Important	Satisfactory	Demographical changes and overall transformation in the economy will bring challenges and Czech government have to face these changes. Just now pension system balanced – there is situation of surplus in pensions system budget, we evaluate fiscal situation positively (there is an increase of tax revenue/social contributions due to economic growth). There are some threats: there will be growth of wages and these pressures on expenditures and increasing labour costs can negatively influence government budget in next years. This Commission recommendation comprises mention of public procurement and we confirm problems in this field. Without effective amendments the situation in this area will represent significant barrier of growth in construction industry and in Czech economy.



		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 2	<p>Reduce the administrative burden on investment, including by speeding up permit procedures for infrastructure work. Remove the bottlenecks hampering research, development and innovation, in particular by increasing the innovation capacity of domestic firms. Strengthen the capacity of the education system to deliver quality inclusive education, including by promoting the teaching profession. Foster the employment of women, the low-skilled and disabled people, including by improving the effectiveness of active labour market policies.</p>	Extremely important	Mixed	<p>All these recommendations are important – successful implementation will be essential for the further reform process. There are some steps in reduction of the administrative burden. SP agrees with the assessment of R&amp;D&amp;I, particularly concerning the innovation capacity of the domestic firms, tax incentives should be a real tool for how to make investment in R&amp;D&amp;I more attractive. It is necessary to modernize national R&amp;D&amp;I policy and relevant legislation. SP of course welcomes that the "education" is accented by the EC, but too big focus only on quality and inclusive of education doesn't reflect real needs of employers to reach skills fit for the labour market. To foster disciplines missing on the labour market, learning at the work place (introducing dual system elements). Support for the teacher YES - but too late. The teachers are already missing in STEM disciplines.</p> <p>SP agree as well with better focus on the groups far from the labour market - women, disabled people - and to ensure more child and long-care facilities.</p> <p>This will have pressure on ALMP and PES, assistance, individual approach etc. SP agree that the effectiveness of ALMP has to be increase, but noting that some steps have been already done.</p>



## Reform Progress in your Member State in 2018

How would you assess reform progress in 2018, for the following broad areas:

<b>Taxation and Public Finances</b>	Mixed
<b>Business environment (regulation/access to markets)</b>	Mixed
<b>Labour market</b>	Satisfactory
<b>Innovation and skills</b>	Mixed
<b>Access to finance and Financial stability</b>	Satisfactory

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2019 Reform Barometer?

Necessary are reforms of improvements in some areas, where are still weaknesses. We see any significant progress in improvement of business environment, entrepreneurs have to face new regulation and new obligations. We are cooperating with ministries and with government in some cases on positive changes and amendments (in the field of new legislation, public support of R&D, some of changes in rules of labour market and education).



**Reform priorities for 2019**

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Business Environment - Regulatory barriers to entrepreneurship	Our confederation still not see any positive changes for doing business in Czech Rep. – we are emphasizing current lack improvements to government. Government is promising some changes (digital tax portal with new functionalities and applications). For future we expect slowdown in economic growth, government will face lower tax revenue probably, it will be helpful to strengthen business environment by some positive changes which make doing business easier.	yes
Priority 2	Labour market mismatch and labour mobility	In the country report EC rightly said that labour market indicators set new records (peak values) but at the same time signal limits to future growth. With an increasing level of employment approaching 80 % and really low unemployment rate, the country is facing a tightened labour market and increased labour shortages. The mismatch between offered skills and need of the companies is still a big challenge for Czech Rep. There is scope for increasing female labour market participation, which is still hampered by the lack of affordable childcare (despite the recently increased number of childcare facilities). Concerning the education system SP see the priority in the further development of the dual system and making education outcomes more fit to the labour market.	yes
Priority 3	ICT	Government should ensure the obligation to create digitally-friendly legislation through clearly defined binding rules. Creating innovation friendly environment for the creation, development and testing of new technologies (AI, IoT, blockchain and DLT) and digital services. The Government must also continue to implement measures leading to the development of eGovernment.	yes



	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
<b>Priority 4</b>	R&D and Innovation	Government support of R&D through tax deduction must be easier for use by the business sector. Amendment is with help of our confederation now in Czech Parliament (now waiting for approval).	yes
<b>Priority 5</b>	Public investment	High importance has transport infrastructure (based on realizable schedule of building of infrastructure), energy infrastructure and telecommunication infrastructure. Necessary is proper legislation and un-prohibitive system of construction permits.	yes