

SPRING 2020 REFORM BAROMETER – CZECH REPUBLIC

European Semester - Overall assessment of 2019 cycle

| | To what extent do you agree with these statements: | | Detailed comments |
|----|---|-------------------|--|
| 1. | The National Reform Programme submitted by your Government (April 2019) 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. National Reform Programme is cross-sectional document, it comprises all important directions of economic policy of Czech Rep. - due this multi-focusing is problematic to reflect all nuances of complex problems which faces economic entities in Czech Rep. We participated in the completion of this document, but not all our notes were reflected in required detail. |
| 2. | The Commission's country specific recommendations for your country are appropriate. | Yes, absolutely | CSR for the Czech Rep. reflects real situation of Czech economy and main challenges for economic policy. Similarly, to previous years, current 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 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. We add that Moody's rating agency upgraded its rating for the long-term debt of the Czech Republic to the excellent Aa3 with stable outlook. It means that the Czech Republic is a more trustworthy and more stable partner. |
| 3. | The Commission assessment of reform implementation the year before is appropriate. | To a large extent | We agree with statement, that there is no progress to increase long-term sustainability of pension system. There are no current fiscal sustainability risks thanks to economic growth in last years, but the pressure on public finance can be present in following years, when economic growth and lower tax revenues bring necessity to reduce some expenditure programs. We are afraid of motivation to increase tax burden with aim to ensure additional resources for government budget. Some steps were done in the area of implementation of acceleration of the construction of line structures. Some improvement brought amendments of tax incentives for R&D. |
| 4. | The Commission assessment of excessive imbalances (in-depth review) is appropriate. | Not at all | Czech Rep. has no specific country report focused on IDR, so there is no chapter "Overall Findings Regarding Imbalances, Risks and Adjustment Issues". |

Assessment of Country Specific recommendations 2019 in detail

| | | Q1: The recommendation is: | Q2: implementation on effort is: | Detailed comments |
|-------|--|----------------------------|----------------------------------|--|
| CSR 1 | Improve long-term fiscal sustainability of the pension and health-care systems. Adopt pending anti-corruption measures. | Important | Mixed | Demographical changes and overall transformation in the economy is bringing challenges and Czech government have to face these changes. Just now pension system balanced – there is situation of surplus in pensions system budget, if there will be decrease of economic growth, there can be threat of deficit. Government is in discussion about basic features of future shape of pension system. There will be discussion between Czech gov. and OECD. We don't see any significant progress in sustainability of Czech health system. |
| CSR 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. | Extremely important | Mixed | In the Czech rep. there is full employment now, this pressure at labour market has harmful consequences for hiring of new labour in Czech companies. Czech labour market must be more flexible, the government has to provide more services for women and families to allow higher engagement of member of families who are occupied by childcare at labour market. Fostering of technical skills and digital skills is really important, we are calling for coherency and effectivity of gov. programmes. We would like to mention that CSR2 was focused on fostering technical and digital skills and promoting the teaching profession by the pressure of business due to its significance for labour market. |

| | | Q1: The recommendation is: | Q2: implementation on effort is: | Detailed comments |
|-------|--|----------------------------|----------------------------------|--|
| CSR 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 support more quality-based competition in public procurement. Remove the barriers hampering the development of a fully functioning innovation ecosystem. | Extremely important | Mixed | CSR 3 comprises long-term problem areas. From our point of view focusing on transport in the framework of investment-related economic policy is really significant. There are some steps in reduction of the administrative burden in the field of investment. It is necessary to modernize national R&D&I policy, national digital infrastructure development plan and relevant legislation. We assume lower growth rate of the Czech economy during year 2020 - removing of barriers will be really helpful to retain economic conditions. |

Reform Progress in your Member State in 2019

How would you assess reform progress in 2019, for the following broad areas:

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

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2020 Reform Barometer?

During years of economic growth there were some achievements, but we are on the threshold of potentially lower economic growth, worse conditions at international markets, decreasing export and lower tax revenue. Reforms steps will be more difficult to implement, conditions for this implementation will be more complex.

Reform priorities for 2020

| | 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 do not see any positive changes for doing business in Czech Rep. – we are emphasizing current lack improvements to government. We see only effort to realize some changes in a less harmful form. | Yes |
| Priority 2 | Labour market mismatch and labour mobility | 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. To continue in attracting workers from third countries to overcome the labour market shortages. | 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. The Czech Rep. accepted the Law on the right to digital services. | Yes |
| Priority 4 | 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. We emphasize the importance of starting the procurement process for nuclear power plants. | Yes |
| Priority 5 | --- | --- | --- |