



Czechia Report

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Sustainable Governance Indicators 2020

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Executive Summary

Since July 2018, Czechia has been governed by a minority coalition including Prime Minister Andrej Babiš's Movement of Dissatisfied Citizens (ANO) and the Social Democrats (ČSSD), backed by the Communists (KSCĚ). Accusations that Babiš engaged in the fraudulent misuse of EU funds and has perpetuated a conflict of interest by retaining effective control over his business and media interests have continued to polarize political life. The merging of business, media and political power in the hands of the prime minister, as well as the authoritarian inclinations shown by President Miloš Zeman, have triggered protests on larger scale than any seen in the country since the financial crisis. Unlike in the past, when protests were mostly concentrated in Prague and other larger cities, attracting primarily young and educated citizens, the protests organized in 2019 by the Million Moments for Democracy initiative attracted more than 260,000 citizens from around the country to Prague's Letna Park in June, and more than 300,000 in November 2019 on the eve of the 30th anniversary of the Velvet Revolution.

Despite the protests, public support for the prime minister and ANO has remained stable. Babiš has benefited from the country's economic stability and a number of popular government measures, but has also used his media power to give his government an appearance of efficiency while denigrating opponents. The Social Democrats – losing public support and members, and consumed by internal power struggles – have been unwilling to leave the government.

However, the dispute over the replacement of Minister of Culture Antonín Staněk laid bare the prime minister's significant weaknesses vis-à-vis the president and the Communist Party, upon whose support the government depends. As Zeman has remained popular among ANO voters and has good contacts with the Communists, Babiš has refrained from entering into direct conflict with Zeman, who has increasingly transgressed his constitutional competencies.

In line with the trend in the euro area, which is the destination for a large share of Czechia's exports, economic growth slowed in 2019. Unemployment rates remain historically low, and the shortage of skilled labor is the biggest barrier to business investment. Wages have been increasing, though the average level

remains substantially behind that of Western Europe, and the government has increased minimum wages and pensions. According to public-opinion polls, a large proportion of citizens are satisfied with their economic situation.

EU structural funds, the incoming volume of which may be significantly reduced after 2020, have supported a considerable share of recent public investment. The recent increases in R&D investment have led to the creation of new capacities without a clear concept of how their use would be financed, and the R&D conducted has yet to yield results in terms of innovation and technological advances. The country continues to struggle with problems associated with social exclusion, as nearly one-tenth of the adult population faces personal bankruptcy due to the inability to keep up debt repayments. Moreover, while the number of migrant workers has increased significantly without causing much concern, Czech society remains opposed to the integration of refugees.

Internationally, the Babiš government has aligned itself with other East-Central European leaders (especially Poland and Hungary) to push against changes in the allocation of the EU budget for the next funding period (2021 – 2027). The primary issues of contention for the East-Central European countries are the potential decrease in overall funding, increased levels of oversight, and the connection between the rule of law and funding allocations.

Citation:

Bernhard, M., P. Guasti, P., L. Bušítková (2019): Czech protesters are trying to defend democracy, 30 years after the Velvet Revolution. Can they succeed? in: Washington Post, July 16 (<https://www.washingtonpost.com/politics/2019/07/16/czech-protesters-are-trying-defend-democracy-years-after-velvet-revolution-can-they-succeed/>).

Bušítková, L., P. Guasti (2019): The State as a Firm: Understanding the Autocratic Roots of Technocratic Populism, in: East European Politics and Societies 33(2): 302-330.

Key Challenges

Czechia is grappling with a combination of low levels of public trust and high political polarization. Citizens do not trust established political parties, and the membership base of major political parties has shrunk significantly over the past three years. On both the left and the right, established political parties are increasingly facing two kinds of anti-establishment challengers – populist and pro-democratic. The fragmentation along multiple dividing lines in the parliament undermines the ability to reach a broader policy consensus. The competition between political blocs creates the impression that “a permanent election campaign” is underway, impairs politicians’ ability to reach fact-

driven policy decisions, and further alienates citizens, who see politicians as unresponsive and uncooperative. This coincides with the ongoing need to make decisions with long-term significance in order to address looming challenges related to economic and social development.

Without structural change and innovation, Czechia remains vulnerable to economic downturns and the disruptions caused by new technologies such as automation and artificial intelligence (AI). The long-term sustainability of economic growth remains uncertain, especially given the country's strong reliance on EU structural funds (for which a significant decline is expected for the 2021 – 2027 period) and the automotive industry as the primary sources of economic growth. Notwithstanding the increase in the minimum wage, a significant share of the country's low-income workers are unable to lead a dignified life or maintain standard housing. Increasingly, work in the lowest-income sectors is performed by labor migrants (especially from Ukraine). The majority of society mostly ignores their presence. As a response, the country ought to develop an integration environment that focuses on attracting and retaining high-skilled migrants (while seeking to stem the ongoing brain drain to other EU countries).

Improving wage levels and social conditions also depends on improving the country's overall level of economic development. A shift from low-wage to higher added-value activities will depend on the creation of conditions conducive to domestic innovation, and which encourage foreign direct investment in R&D and other higher-wage activities. While public spending on R&D did increase for a time, total R&D spending remains below the average EU level. Moreover, the volume of funding available for applied R&D has not been matched by equivalent expenditures by recipients (domestic firms and foreign investors), and has not produced innovative output. Application of the results of research in the economic sphere also depends on the provision of support to innovative enterprises, which are currently poorly developed and to a great extent, reliant on EU funding. Creating a strong research and innovation base also depends on attracting and retaining high-skilled personnel with adequate pay levels, a reduction in the bureaucratic burdens faced by researchers, flexibility, and the provision of services that support a satisfactory work-life balance.

The country's educational system needs investment to attract and retain top graduates that will replace the aging population of teachers. The Czech educational system needs to be more forward-looking and significantly increase resources for the development of a highly skilled labor force. It should also increase resources for lifelong learning, including by retraining people likely to lose their jobs due to technologies such as automation or AI,

or due to the fact that multinational firms are relocating to lower-wage countries. Mid-career tertiary-education programs should be made a part of lifelong learning. Access to childhood education and after-school programs should be significantly expanded and made more flexible to enable parents, particularly single mothers, to combine childcare and work, and thus avoid being pushed into a reliance on welfare benefits.

Enabling a harmonious work-life balance and creating a more welcoming atmosphere for immigrants will be essential to address negative demographic trends effectively. Without this change, Czechia's aging population will pose a challenge for the pension and health systems. An open discussion is needed to reach some degree of consensus on how to finance higher pension spending and higher healthcare costs.

The country's commitment to environmental policies has been lukewarm at best. The scientific consensus on human-induced climate change continues to be disputed by some political figures, including President Zeman. This prevents the adoption of effective policies, especially concerning the now increasingly common droughts. Support for water management, energy efficiency and renewable energy programs ought to be significantly increased to prevent the adverse effects of climate change.

Internationally, Czechia could play a more active role within the EU, NATO and other international organizations, notably on issues of economic integration, global financial stability, measures to counter climate change and humanitarian help to refugees and other victims of conflicts. Within the EU, Czechia needs to be even more proactive in fostering multipolar coalitions and look beyond regional alliances. Regarding defense, the country ought to be more active within NATO. It must also increase its cyber-defense capabilities to prevent current and future foreign inference. Military spending should focus not only on weapon purchases but also on developing cyber-defense capabilities. Synergetic effects between applied R&D, ICT and defense ought to be significantly strengthened.

Party Polarization

The Czech party system is subject to extreme instability. Following the 2017 elections, fully 69% of the new parliament's members represented parties that had had no representation before 2013. New parties and politicians have emerged in part by exploiting the low level of trust in politicians with longer records. Fragmentation within the parliament increased further in 2019 when a

new splinter party, Tricolor (Trikolora), emerged from the Civic Democratic Party bringing the total number of parties with representation to 10. Party instability reflects popular concerns over a wide range of issues, including the failure to establish an inclusive political system and perceived failures to improve social conditions for pensioners and many others who face unrepayable personal debts. Most specifically, distrust is engendered by a sense of disgust for the nepotism and corruption in political life, and for some of the population, by fears generated by the alleged threats posed by immigration and a loss of national sovereignty to the EU. The instability and fragmentation within the Czech party system have made it difficult to reach compromises on solutions to pressing issues. The same is true of the polarization around the personality of Prime Minister Andrej Babiš. Credible accusations that Babiš had engaged in fraud, paired with calls to bring him to trial, hampered the formation of a government after the 2017 parliamentary elections, and subsequently prompted large-scale protests in the summer and fall of 2019, when a respective 230,000 and 300,000 citizens took part in demonstrations organized by the Million Moments for Democracy initiative. However, overall support for the prime minister's party, ANO, has remained stable at about 30%. This support reflects his control over much of the media, as well as government decisions to increase pensions and the minimum wage, and make public transport nearly free for pensioners and students. The polarization does not prevent policymakers from reaching agreement on some issues. But it does make it more challenging to reach consensus either within the government or across the political spectrum on long-term policy issues that require complex discussion and agreement. (Score: 4)

Citation:

Guasti, P. (2020): Swerving toward deconsolidation? Democratic Consolidation and Civil Society in the Czech Republic, in: A. Lorenz, H. Formánková (eds), *Czech Democracy in Crisis*. Cham: Palgrave Macmillan, 29-64.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 6

The economic policies of successive Czech governments over the past 20 years have focused on achieving broad macroeconomic stability and attracting inward investment by multinational manufacturing companies drawn by wage levels about half the level of those in richer Western European neighbors. This strategy has ensured growth in most years; however, these growth rates have gradually slowed, in line with the trend in the euro area, the destination for a significant share of Czech exports. After strong GDP growth in 2017 (4.6%), growth slowed to 2.9% in 2018, with a forecast of 2.5% for 2019. Stagnating motor-vehicle exports, previously the main driver of growth, contributed in large part to the slower export growth. Thanks to rising pay levels, partly due to the pressure of low unemployment rates, growth has increasingly been supported by domestic demand. Wages were expected to rise faster than labor productivity in 2019 for the fourth year in a row. One serious long-term economic problem remains the character of the country's integration into global value chains. According to a study by Deloitte, the share of domestic value-added in total exports is an average of 61%, one of the lowest such shares worldwide, reflecting an economy based on the assembly of goods from imported parts and materials. More than 60% of Czech exports come from foreign companies. Compared to the preceding Sobotka government, the Babiš government has done less to drive advancement of the Czech economy by strengthening R&I.

Citation:

Deloitte (2019): Made in World. Analýza českého zahraničního obchodu a pozice v globálních hodnotových řetězcích. Prague.

Labor Markets

Labor Market
Policy
Score: 7

The labor market situation in Czechia is stable. Employment rates are high, and the unemployment rate has been the EU's lowest for some time. However, the government has done little to address the substantial differences in unemployment rates both with regard to regions and worker skill levels, or the growing labor shortages reported across the economy. The “lack of staff with the right skills” is identified as a barrier to investment by 95% of firms, the highest such figure for any EU member state. This in part reflects weaknesses in the education system, and in part the pay levels for highly skilled workers, which remain unattractive by international standards. Filling low-skilled jobs is less of a problem, thanks to foreign workers. In 2004, such individuals accounted for less than 4% of total employment; by mid-2019, this figure had grown to 13.2%. The tight labor market, the relatively strong economic performance, and government commitments to low-paid and public sector employees are all factors driving wage increases in the private and public sector. The most substantial minimum-wage increase since 1991 took place in January 2019, to CZK 13,500 (€28, about 3.2% of the average wage); however, this is still low relative to the EU average. Another important factor driving wage increases has been the increasingly aggressive bargaining approach pursued by trade unions, exemplified by the “end to cheap labor” initiative led by the Czech-Moravian Confederation of Trade Unions. Since 2015, representatives of trade unionists from across the country have held autumn meetings to support collective-bargaining wage demands.

Citation:

European Investment Bank (2018), EIB Investment Report 2018/2019: Retooling Europe's economy. Brussels (http://www.eib.org/attachments/efs/economic_investment_report_2018_en.pdf).

Taxes

Tax Policy
Score: 7

Tax policy ensures the availability of adequate financial resources for spending commitments, but little action is being taken on measures relating to equity, competitiveness or environmental sustainability. The tax burden in Czechia – that is, the ratio of revenues to GDP – was 34.9% in 2017, which was above the OECD average (34.2%), but below the EU average. Labor taxation for employees remains higher than the EU average due to higher social security contributions, a subject of frequent criticism by the business sector. However, this is evidently not a barrier to employment. The largest share of government revenues in Czechia derives from the value-added tax (VAT), with a base rate of 21% and two reduced rates of 15% and 10%, providing an element of progressivity. In 2018 and 2019, the state managed to

recover taxes more effectively than in the previous period; as a consequence, total state revenues from taxes (excluding social security contributions) increased by 7% in 2018. The introduction of electronic sales records, despite opposition from many businesses, has contributed to this. A flat income-tax rate still nominally applies, albeit with an income threshold that ensures some degree of progressivity. The Babiš government proposed a major reform of the income tax in 2019, with the aim of enshrining progressivity, but this was postponed until 2021. The introduction of a higher rate on high incomes was also not enforced. Businesses can apply tax deductions to research and development, but have not yet fully exploited this option, due to the ambiguous interpretation of the law by the tax authorities and the complex administrative process. Promised changes to the tax code to support a new innovation strategy have yet to be implemented. The Czech cabinet has promised the EU Commission that it would work to reduce greenhouse-gas emissions, and in September 2019 started to prepare a tax on the use of coal and gas, but no legal regulation on this issue had been adopted as of the end of the review period. According to the Ministry of the Environment, the introduction of a carbon tax will be left up to a future government.

Citation:

European Commission (2020): Country Report Czechia 2020. SWD(2020) 50s final. Brussels, 17-18 (<https://ec.europa.eu/info/sites/info/files/2020-european-semester-country-report-czechia-en.pdf>).

Budgets

Budgetary Policy
Score: 7

Improved economic performance has enabled the Czech government to retain its objective of reducing the general government budget deficit, and thereby limit the growth in public debt, while also allowing some expansion of domestic demand. While the central government has posted small deficits, the general government budget has shown a surplus since 2016. Public debt fell from 34.7% of GDP in 2017 to 32.7% in 2018, and was expected to decline further to 31.3% in 2019. Despite the slowing economic growth, the government met its fiscal targets in 2019. Lower-than-budgeted investments and better-than-expected EU fund flows helped make up for a slight tax shortfall. In order to limit the central-government budget deficit in 2020, the government has postponed planned tax cuts. The 2020 budget was adopted only with the help of President Zeman, who convinced the Communists to support it.

After years of controversy, the government won approval for the Act on Fiscal Responsibility in January 2017. This act set debt limits for all tiers of government, introduced a central-government expenditure ceiling and created an independent Czech Fiscal Council (Národní Rozpočtová Rada, ÚNRR).

This latter body has since published annual reports on the long-term sustainability of Czech public finances, as well as quarterly assessments of the country's fiscal developments. In 2019, it criticized the government for its costly pension reform, for one-time changes in VAT payments and for basing the 2020 budgets on tax reforms that had not yet been adopted. The council has also highlighted the fiscal risks associated with the aging of the population. Responding to the draft 2019 and 2020 budgets, the council criticized the small envisaged central-government deficits for being pro-cyclical, and called for policies that would provide more fiscal flexibility in hard times. In April 2019, Czechia eventually acceded to the European Fiscal Compact, being the last EU member to do so.

Research, Innovation and Infrastructure

R&I Policy
Score: 5

The Babiš government has continued the previous government's verbal commitment to aim for the EU target of an R&D spending level equivalent to 2.5% of GDP. However, actual spending remains below 2% of GDP, and even this has always been dependent on EU support, which can be expected to decline. Five foreign-owned companies and the automotive sector (which includes vehicle production businesses) accounted for 50% of total research in the business sector. Foreign and domestic businesses alike benefit from indirect subsidization, as 100% of R&D expenditure is supposed to be exempt from taxation. However, many smaller enterprises complain that this exemption has not been honored in practice. Various reports have highlighted R&D weaknesses, suggesting a low rate of effectiveness for much of what has been spent. Problems include the perception that the government lacks a strategy in this area; the failure to attract and retain young, qualified researchers, who take advantage of the EU's free movement of people to find better-paid work in other countries; and the low employment level among women (who accounted for just 23% of researchers in 2017), which suggests that this population's potential is not being fully utilized, and which may be a negative consequence of the lack of services supporting the work-life balance. Research groups often exhibit little change, with the same people staying together throughout their careers, and thus failing to benefit from experience acquired elsewhere. New research centers have frequently failed to make significant international contacts, and are often ignored by (largely foreign-owned) manufacturing companies that rely on research centers in their home countries. In 2019, the government adopted the "Innovation Strategy of Czechia 2019 – 2030. The Country for the Future." Despite broad-based participation in this strategy's formulation, only a small number of Czech-owned companies were consulted, reflecting the absence of larger Czech companies with a record of innovation. The document was largely composed of well-meaning generalizations.

Citation:

Council for Research, Development and Innovation (2019): Innovation Strategy of the Czech Republic 2019-2030. Prague (<https://www.vyzkum.cz/FrontAktualita.aspx?aktualita=867990>).

Stabilizing
Global Financial
System
Score: 5

Global Financial System

Czechia is not a significant player in international financial affairs. Its main banks are foreign-owned, and their independent international involvement is limited. The country has participated in some attempts to improve the regulation and supervision of financial markets, but has not shown much initiative. It has declined to introduce the euro, and has not sought to join the EU banking union.

II. Social Policies

Education

Education Policy
Score: 6

Educational outcomes in Czechia are good, graduates with a secondary-level education are quite employable and the employment premium to tertiary-level education is among the highest in the EU. However, the Czech education system faces challenges in terms of producing an adequately skilled labor force and ensuring equity among social groups. These two issues are in fact linked, as the low levels of educational attainment among some people implies a loss of potential. The shortage of qualified teachers has been identified as a key problem, which the government promised to begin addressing with a 15% pay increase in 2018. However, this was postponed, eventually to November 2019, and then reduced to a 10% increase, with teachers' resulting strike dismissed as showing them to be "ungrateful and unreasonable." While still relatively low from an international perspective, the school drop-out rate has continued to rise, with the national target of 5.5% for 2020 unlikely to be met. Socioeconomic inequalities in school outcomes are also rising. There are wide regional disparities, and educational inequalities are quite often passed through the generations. For example, only 18% of children whose parents did not obtain tertiary education obtain a tertiary degree themselves. Roma children continue to be marginalized, and are disproportionately educated in special schools (Roma children represent about one-third of the pupils; 10.3% of Roma children are educated in special schools, compared to 2% of overall children). Participation in early childhood education has increased, but some conservative political forces are opposing measures that would enable

enrollment for two-year olds, arguing for the “indispensability of maternal care.” Tertiary-education attainment rates continue to rise, but completion rates remain low. Financial support is limited, with only 1% of students receiving financial aid. The share of publicly funded Ph.D. fellowships is also below the EU average. The rate of absorption of EU funds within the education sector is excellent. However, implementation of some programs (e.g., digital literacy) has been delayed, mainly because school equipment is outdated, and many teachers lack relevant skills and training.

Social Inclusion

Social Inclusion
Policy
Score: 6

Due to a favorable employment picture and a still rather redistributive social policy, income inequality and poverty in Czechia remain among the lowest in the OECD and the European Union. However, the differences between regions and ethnic groups are relatively high, and have continued to increase. About half of the Roma population, which constitute an estimated 2% of the overall Czech population, suffer from social exclusion. A further pressing problem of social inclusion is the lack of affordable housing and the growing number of homeless people, with estimates of 200,000 not having their own home. A law on social housing in Czechia, requiring municipalities to provide adequate housing to those who lack it, was already under preparation during the Sobotka government (2013 – 2017). However, while the Babiš government has promised to address this issue, it has failed to do so. Another problem is the high number of people who cannot pay their personal debts. As of 2019, more than 700,000 people in Czechia faced legal obligations that extended to the confiscation of personal property and compulsory deductions from earnings due to their debts. Nearly a fifth of the population is affected. Some debtors have left the legal labor market due to these threats, which in turn reduces tax and social-insurance payments. A newly amended law, applicable from 1 July 2019, offers some relief for those with multiple court orders that they cannot be expected to honor.

Health

Health Policy
Score: 7

The healthcare system, based on universal compulsory insurance, ensures a wide range of choice for both providers and consumers of healthcare and provides a level of service which is high by international standards. Life expectancy slightly increased in the review period; however, there are regional differences. Czechia has long shown very low neonatal mortality rates. Czech healthcare has been financed primarily through a public health-insurance system. Public sources account for about 85% of healthcare financing in Czechia. The aging of the Czech population will have a significant impact on the growth of healthcare and social care costs in the coming years, placing the

current financing system under strain. In 2018, only minor healthcare policy changes were made. The year 2019 brought more significant changes, with the amendment of the Health Insurance Act. This entailed the biggest changes in 20 years in the system of reimbursement for the use of medical devices, to the benefit of patients. Spending on preventive health programs has increased, and health-insurance funds' coverage of dental care and home-based palliative care has improved.

Families

Family Policy
Score: 6

Parents' freedom to decide whether or not to work is limited by the quite limited provision of care for very young children, the availability of which declined significantly during the 1990s, and has shown only a little improvement more recently. The ability to reconcile parenting and labor-force participation is addressed by the Committee on the Reconciliation of Working, Private and Family Life, a body advising the Government Council for Gender Equality, but is limited in practice. The employment rate among women in Czechia is below the OECD average. This problem is especially difficult for women with children under three years of age. The rate of childcare availability for children up to two years of age is the OECD's third-lowest, and affordable after-school care offered by preschools and schools is insufficient. The number of single mothers has stabilized, but is still very high – around 48.5% of all children are born to unmarried parents. This places increased demands on childcare, especially preschool care. However, public support for alternative forms of childcare, most notably so-called children's groups, has expanded. Kindergarten attendance during the last year of preschool has been mandatory since 2017, putting additional pressure on preschool facilities. Czechia is the EU's second-worst performer in the European Union with regard to the range of nurseries and kindergartens available for children under three years of age. Differences in the regional availability of kindergartens persist. In May 2019, the government presented an updated version of the family policy, focusing on four fundamental objectives: 1) the well-being of the child, 2) equality between women and men, 3) the ability to reconcile work and family life, and 4) intergenerational solidarity. A government proposal that would increase the parental allowance has yet to go through the entire legislative process.

Pensions

Pension Policy
Score: 8

The Czech pension system has developed through gradual and partial reform of the pay-as-you-go system that existed before 1989. The pension system is currently in surplus and the medium-term sustainability gap associated with the aging population is relatively limited. While pensions have increased more

slowly than wages, pensioner poverty remains relatively low, partly reflecting the levels of pension afforded by the old system. In 2019, the average monthly old-age pension stood at CZK 13,319 (€512), an increase from 12,347 (€475) in 2018. However, there is a roughly 20% difference between the average pension for women and men. The official retirement age, which has been gradually increased since 1996, is still different for men and women. In the case of women, this age also depends on the number of children reared. In 2017, the ceiling for the maximum retirement age was set at 65 years.

The Babiš cabinet set pension reform as the first of its six main priorities in its government manifesto, emphasizing the need for a clearer separation between the public pension scheme and the regular state budget. In February 2019, led by the Ministry of Labor and Social Affairs, a new pension commission was established, bringing together representatives from each of the parliamentary political parties, the social partners, the academic community and other relevant interest groups and pro-retiree organizations. In October 2019, the commission reached agreement on a model that would separate the current public pension pillar into two components. One would be a solidarity pillar, paid from the budget. The second would be paid through contributions. While details yet have to be hammered out, the expectation is that the delineation of the two pillars would come with an increase in the share of tax financing. Currently, 80% of all pension spending is financed by contributions, while 20% of funding comes from the state budget. After some debate, the government decided in autumn 2019 to keep the current retirement age for the next five years. Pension growth in 2020 was set above the standard indexation formula, generating additional costs of 0.1% of GDP.

Integration

Integration Policy
Score: 4

Since Czechia's accession to the European Union in 2004, the number of foreigners holding permanent or temporary residence permits has increased threefold. As of the end of April 2019, this total stood at 571,214. Within this group, those with permanent residence permission slightly outnumber those with only temporary residence. Among the immigrant population, there are more males than females. The largest immigrant group consists of Ukrainians (135,000), followed by Slovaks (117,000), Vietnamese (61,000) and Russians (38,000). Those that come to work, especially if they originate from outside the EU, are often recruited in their home countries. Reports from the Labor Inspectorate confirm that many are paid less than Czech employees in comparable jobs, and their employment conditions often fail to comply with the law. Although Czechia is not located on one of the major routes used by refugees for coming to Western Europe, the European refugee crisis stirred an intense and highly polarized debate on migration and integration. The Czech

population is generally quite closed to foreigners, and this attitude has been slow to change. In opinion polls taken in July 2019, 63% of respondents stated that Czechia should not accept refugees from the countries affected by war, a five percentage point decline relative to the previous year. Less than a third of respondents – 31% (as compared 24% in 2018) – said the country should admit refugees until they could return to their country of origin. Only 2% of respondents stated that Czechia should accept the refugees and let them settle there. There are relatively few asylum applications; in 2018, a total of 1,702 were submitted, with 47 cases granted asylum, and 118 cases granted supplementary protection.

Safe Living

Internal Security
Policy
Score: 7

Crime figures in Czechia are unremarkable. The police have recorded a drop in crime rates for the fifth consecutive year, and more than half of all cases are cleared up. Citizens feel secure, and mostly indicate satisfaction with the performance of the police. Levels of trust in the police and the army are high. In September 2019, 69% of citizens indicated that they trusted the police, the highest such level since the mid-1990s. However, regional differences in crime activities are increasing, and there are tensions in regions featuring a relatively high concentration of marginalized groups.

Global Inequalities

Global Social
Policy
Score: 7

Czechia is not a significant player in the international development and devotes a relatively low share of GDP to development aid. However, it has pursued a relatively coherent strategy of development cooperation with a clear focus on countries where its own experience of transition can be helpful. While the Ministry of Foreign Affairs is the primary coordinator of bilateral and multilateral development cooperation, a large number of private, public and non-governmental actors are also extensively involved in the selection of program countries and the identification of priority sectors, as well as in on-the-ground activities in partner countries. Bilateral development cooperation focuses primarily on priority partner countries selected by Czechia based on internationally recognized principles. For the 2018 – 2023 period, cooperation programs focus on six top-priority countries (Bosnia and Herzegovina, Ethiopia, Georgia, Cambodia, Moldova, and Zambia). In addition to geographic priorities, Czechia also sets thematic priorities for its foreign development cooperation, namely agriculture and rural development, sustainable management of natural resources, economic transformation and growth, inclusive social development, and sound democratic governance.

In 2019, Czechia launched a new development aid program aimed at promoting investment by Czech companies in developing countries. Moreover, the budget for humanitarian aid, which complements the long-term programs, was increased by 20% compared to 2018.

Citation:

Ministry of Foreign Affairs (2018): Development Cooperation Strategy of the Czech Republic 2018-2030. Prague (http://www.czechaid.cz/wp-content/uploads/2016/09/CZ_Development_Cooperation_Strategy_2018_2030.pdf).

III. Environmental Policies

Environment

Environmental
Policy
Score: 5

The main priorities of the State Environmental Policy of Czechia 2012 – 2020 are the sustainable use of resources, climate and air protection, nature and landscape protection, and a safe environment. However, environmental policy goals lack ambition, and national leadership and environmental concerns are not adequately integrated across most sectors. The European Union is the key actor in environmental policy. In addition to providing financial resources, the European Commission drives the agenda-setting process and exercises oversight. Its 2019 Environmental Implementation Review for Czechia identified a number of weak points, including failures in areas such as efforts to reduce fossil-fuel based heating, a task for which EU funding is available.

Water management, an issue identified as a priority by the Babiš government, follows the general pattern, earning criticism for the government's lack of commitment on issues including storm-water management, water retention in agriculture and urban wastewater treatment. These policy areas require coordination between a number of agencies, with problems magnified by human activity, especially in agriculture.

Poor air quality, particularly in North Moravia and North Bohemia, has made addressing pollution a high-priority issue. The problem is primarily a result of energy policy and the country's heavy dependence on fossil fuels.

Efforts to improve energy efficiency and expand the use of renewable energy sources are critical with regard to addressing climate change. With regard to the first of these, a lack of political leadership and a fragmentation of implementation responsibility among several public authorities has hindered improvement. Although funds are available for many energy-efficiency

improvement measures, public awareness of these opportunities is minimal, and there is only modest interest in drawing the funds. The legal and institutional framework for renewable energy projects is not yet complete, and domestic energy generation faces technical, legal and bureaucratic hurdles. There are also disagreements over the desirability of reducing the use of coal, partly due to arguments about strengthening raw-materials security, and partly due to some regions' economic dependence on coal mining. Skepticism about the sources of climate change, including from leading political figures, also contributes to this foot-dragging. The National Energy and Climate Plan, which includes an overview of investment needs for the 2021 – 2030 period, had not yet been adopted as of the time of writing, but the draft integrated National Energy and Climate Plan (NECP) was submitted to the European Commission in early 2019. It received a mixed response, mainly because of its low ambitions particularly in areas such as renewables and energy efficiency. The proposed plans remain unspecific and rather abstract (which is a strategic choice to provide room for maneuver). And while the country is on track to meet the targets, the plan does not realize the country's full potential given the positive economic environment.

In the area of biodiversity, the first strategy produced by the Ministry for the Environment was adopted in 2005, shortly after accession to the EU. This included objectives and indicators for monitoring results, but no allocation of specific tasks. An updated strategy produced in 2015 (Ministerstvo životního prostředí 2016) lamented the low public awareness of the issue of biodiversity, particularly as the overall situation was continuing to deteriorate due largely to agriculture and transport activities; indeed, this meant that the issue could not be addressed by the Ministry of the Environment alone. The Nature Conservation Agency for Czechia (Agentura ochrany přírody a krajiny ČR) actively monitors the country's biodiversity, and also administers various categories of protected territory, which cover 16% of the country's area. Nearly all were designated before 1990, but there was a 6% increase in their area between 2005 and 2018. Maintenance and development in this area has been helped by the use of EU funds.

Citation:

European Commission (2019): Assessment of the draft National Energy and Climate Plan of Czechia. Accompanying the document Commission Recommendation on the draft integrated National Energy and Climate Plan of Czechia covering the period 2021-2030. C(2019) 4403 final. Brussels (https://ec.europa.eu/energy/sites/ener/files/documents/cz_swd_en.pdf).

European Commission (2019): Environmental Implementation Review 2019. Country Report Czech Republic. SWD(2019) 119final. Brussels.

OECD (2018): Environmental Performance Review Czech Republic 2018. Paris (<http://www.oecd.org/environment/czech-republic-2018-9789264300958-en.htm>).

Global Environmental Protection

Global
Environmental
Policy
Score: 5

Environmental policy in Czechia is shaped to a large degree by the country's obligations to implement EU legislation. In its government manifesto, the Babiš government reiterated its commitment to the tasks and objectives of the Paris Agreement. Over time, however, Czechia has moved from being a passive recipient of EU and international agendas to playing an active role in blocking the EU's establishment of more ambitious environmental goals. Together with other East-Central European member states (Estonia, Poland, and Hungary), Czechia is not ready to wean itself off coal. The country also does the least amount possible to fulfill EU obligations, and is not very effective when doing so.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 10

Electoral registration procedures are fair and transparent. To establish a political party, three citizens aged 18 or over need to submit the new party's statutes to authorities, backed by 1,000 signatures. The 1991 law on political parties and movements establishes conditions to exclude parties lacking democratically elected organs or that aim to remove the democratic foundations of the state, restrict the freedoms of other parties, or threaten morality and public order. There are occasional calls to ban the Communist party, but no legal steps have been taken, and there is no consensus that such measures are necessary. A total of 39 political groupings took part in the elections to the European Parliament in May 2019, and no conflicts over the registration of candidates occurred.

Media Access
Score: 6

Since 2012, the president of Czechia has been elected by citizens in a direct election. Any citizen with the right to vote who has reached 40 years of age is eligible to run for election for a maximum of two consecutive five-year terms.

The electoral law guarantees parties access to state radio and television, with a total of 14 hours set aside for all parties to express their views with equal allocation irrespective of the party's size or previous electoral performance. Thus, all parties do have access to the public media, although presentations are often tedious and unlikely to hold viewers' and listeners' attention. Space is also provided by municipalities for billboards, and political advertisements are carried in newspapers. There is a distinct coverage bias toward the larger parties, due to more significant resources and a perception of importance. Moreover, coverage by private media is less balanced than that of public media.

Voting and
Registration
Rights
Score: 9

All adult citizens, including convicted prisoners, can participate in national elections, and voter registration is relatively straightforward. EU citizens who are permanent residents of Czechia can participate in municipal and European elections. As of 2018, EU citizens who are temporary residents of Czechia can also participate in municipal elections. However, while special provisions for a mobile ballot box facilitate voting for the disabled and seriously ill, there is no general ability to vote by mail. Czech citizens residing abroad can vote at

Czech embassies and consulates. For them, participation in elections is complicated by having to meet a special deadline for registration and the fact that there are only a limited number of embassies and consulates.

Party Financing
Score: 7

The rules for party and campaign financing and their enforcement have been a major political issue for some time. In April 2015, the Ministry of Interior eventually submitted an amendment to the law on political parties to parliament. The proposal was based on the Group of States against Corruption of the Council of Europe (GRECO) recommendations to Czechia issued in 2011 and came into force in January 2017. The law introduced financial limits for party financing and electoral campaigns, the mandatory establishment of transparent accounts, and greater revenue regulation of political parties and movements.

When the Office for the Oversight of the Political Parties and Political Movements (Úřad pro dohled nad hospodařením politických stran a politických hnutí, ÚHHPSH), the independent regulatory authority in charge of monitoring party and campaign finance, scrutinized the campaign for the 2019 European Parliament elections, it found that only half of the participating parties and movements had met the deadlines for publishing the required reports regarding their founding. The other half, including one parliamentary group, failed to release this report on the internet. In November 2019, the ÚHHPSH identified repeated misconduct and noncompliance on the part of 39 political parties and movements. It recommended suspending the activity of 35 parties and the dissolution of four parties (whose activities had already been suspended).

Popular Decision-
Making
Score: 5

In Czechia, there is no legal framework for referendums at the national level. On the municipal and regional level, referendums exist and are held on issues such as mining, the construction of nuclear fuel/waste plants, stricter regulations on lotteries and gaming, and the use of public space and municipal property. Initially, a minimum participation of at least 25% of registered voters was stipulated (298/1992 Col.), which was later increased to 50% (22/2004 Col.) and finally was settled at 35% of registered voters (169/2008 Col.) being required to ensure the validity of a referendum. Several local referendums were held at the same time as the 2019 European Parliament elections. The introduction of referendums at the national level was an important issue in the 2017 election campaign and is likely to remain on the political agenda. It is advocated most clearly by Okamura's radical-right Party of Freedom and Direct Democracy (SPD) and by the Communists, who set it as a condition for their silent support for the Babiš government, with ANO also indicating support. Other parties have some reservations concerning how far results

should be binding and whether a referendum should also cover membership in international bodies (EU and NATO). Disputes over details mean that no proposal for the necessary constitutional amendment has as yet been presented.

Access to Information

Media Freedom
Score: 6

Czechia was long characterized by a high degree of media freedom, partially due to the independence of the public media, but also because foreign media owners did not exercise any visible influence over the content and coverage of the private media. However, the replacement of foreign owners by domestic oligarchs and the capture of much of the Czech media market by Andrej Babiš, who has served as prime minister since 2018, have reduced media freedom. Babiš has used his media power to support his political position and to denigrate opponents.

Prime Minister Babiš and President Zeman have repeatedly criticized the public media for their alleged bias. Concerns about the independence of the public media have also been raised by controversial nominations and appointments to the council supervising the Czech news agency (ČTK). Since 2016, members of parliament from the right-wing SPD and the Communist Party have sought to block parliamentary debate on the annual reports of Czech Public TV (Česká televize, ČT), with a view to opening the way to dismissal of the ČT Council, the oversight body that has the power to elect and dismiss the ČT director.

Citation:

Jiráček, J., B. Köpplová (2020): Advantages and Problems of a Liberal Democratic Media Model: Media and Politics in the Czech Republic, in: A. Lorenz, H. Formánková (eds), *Czech Democracy in Crisis*. Cham: Palgrave Macmillan, 157-178.

Media Pluralism
Score: 8

The private media market in Czechia has changed significantly in recent years. The most critical tendencies are the concentration of media ownership, the departure of several international owners, and the broadening of the scope of media holdings (print, online, radio and television). The rise of Andrej Babiš to power transformed the media landscape. Babiš's businesses dominate the daily print media, with an estimated 2.4 million readers, as well as the country's online media, with an estimated 3.4 million daily users.

More recently, however, the readership for a number of independent weekly publications and several new journalistic projects has grown. On 28 October 2018 (centenary of Czechia's establishment), following the example of Slovakia's Denik N (Journal N), a new daily was created with Slovakian advice and a combination of investor- and crowd-sourced funding. Key

journalists and staff own 23.5% of the shares. Most of the team are experienced journalists who had left media owned by MAFRA, Babiš's media conglomerate. In November 2019, Denik N was published in print five times a week, had more than 40,000 subscribers, and had become one of the digital-media landscape's dominant voices.

The tendency for foreign media owners to be crowded out is likely to continue. In October 2019, Central European Media Enterprises (CME), an international media and entertainment company, confirmed that it had entered into a definitive acquisition agreement with PPF Group. The transaction was valued at approximately \$2.1 billion, and included television stations in five countries of East-Central Europe (Bulgaria, Czechia, Romania, Slovakia and Slovenia). PPF is owned by Czech billionaire Petr Kellner, and the acquisition includes Nova, Czechia's most influential commercial television group. The acquisition is expected to be completed in mid-2020, but is still subject to regulatory approval.

Access to
Government
Information
Score: 8

The Czech constitution and the 1999 Law on Free Access to Information, substantially amended in 2006, provide for extensive access to government information. Public bodies have gradually learned what can and cannot be kept secret. Most ministries and larger public bodies now include a special section with the information provided upon request. The Babiš government has increased the visibility of the eKLEP (Electronic Library of Legislative Process). eKLEP allows the public to follow legal proposals from the point of creation to approval or rejection. All draft legislative documents are available and regularly updated. While central-government bodies are rather transparent, there are still difficulties in accessing government information within many municipalities. However, these bodies too can be taken to court if officials refuse to respond to requests for information. Some smaller municipalities have faced stiff financial penalties following failures to disclose information as requested. As a result, the actions of municipalities are becoming more transparent; for instance, municipal board meetings are being streamed online, and citizens are being allowed to participate in municipal activities in other interactive ways. Larger municipalities tend to be more open than their smaller counterparts.

An increasing number of NGO initiatives support better access to public administration information and the public's right to accessing it. These initiatives, together with the proactive approach of the Public Defender of Rights, the Czech ombudsman, have contributed to an improvement in the quality of online portals for public administration and thus have further improved access to government information. Under the Babiš government, the request for information on the distribution of EU funds and public contracts

has increased as a result of the concerted effort by civil society and the opposition, especially the Pirate Party.

Civil Rights and Political Liberties

Civil Rights
Score: 7

The government and administration of Czechia respect and protect its citizens' basic civil rights. As indicated by complaints lodged with the European Court of Human Rights and the Public Defender of Rights, Czechia's ombudsman, the main problem is the length of legal proceedings. The relatively high number of complaints compared to other East-Central European countries shows that Czech citizens are increasingly aware of their civil rights and have the financial, cultural and social resources to pursue these rights.

Political Liberties
Score: 9

Political liberties are respected by state institutions, and their observance is supervised by the courts. The presidential elections and the investiture of the Babiš government have triggered protests on a scale not seen in the country since the financial crisis. Unlike in the past, when protests were mostly concentrated in Prague and other larger cities, primarily attracting young and educated citizens, the protests organized in 2019 by the Million Moments for Democracy initiative attracted more than 260,000 citizens from all around the country to Prague's Letna Park in June, and more than 300,000 citizens in November 2019, on the eve of the 30th anniversary of the Velvet Revolution.

Social media (Facebook) play an important role in enabling the organization of protests. Along with civil society, the mobilizing capacity of extreme right groups has also increased but protests remain small and localized, expressing opposition to an alleged threat of Islamization, against the presence of ethnic minorities, immigration, gender equality and LGBT and reproductive rights. Police have intervened when journalists and members of ethnic minorities have suffered physical attack. Civil society protests, happenings and demonstrations significantly outnumber the events by of uncivil society.

Non-discrimination
Score: 6

The Czech legal system guarantees equality of access to work, education and social services before the law. The implementation of EU directives has underpinned such guarantees.

Compared to other developed countries, however, gender discrimination remains a relatively serious problems. The gap between the average wages of women and men has decreased slightly, to 21%, but this remains one of the highest rates in the EU. The representation of women in national-level political bodies has not changed significantly; only 22% of the parliament's members are women. Women's representation in other decision-making positions has

also remained comparatively weak. The World Economic Forum's 2020 Global Gender Gap Report ranked Czechia 78th out of 153 countries, primarily due to the challenges facing women in the areas of economic participation and political empowerment.

The discrimination against Roma people remains another grave issue. Approximately half of the Roma population (estimated at 240,000 individuals, or 2.2% of the population) lives in poverty and suffers from social exclusion. Most Roma live in the Ústí and Moravian-Silesian regions, which show the highest rates of social exclusion. The majority society continues to hold a negative perception of the Roma minority; public-opinion surveys show Roma as the Czech minority perceived as being the second-most unsympathetic, after Arabs. Roma are hampered within the labor market primarily by societal prejudices and discrimination, along with low average education and skills levels within this population. Poverty, high levels of indebtedness, societal prejudices, a lack of affordable housing and low incomes additionally hinder some Roma individuals' ability to access housing.

Citation:

Guasti, P., L. Bušířková (2020): In Europe's Closet: the rights of sexual minorities in the Czech Republic and Slovakia, in: East European Politics 36(2): 226-246.

World Economic Forum (2020): The Global Gender Gap Report 2020. Geneva (http://www3.weforum.org/docs/WEF_GGGR_2020.pdf).

Rule of Law

Legal Certainty
Score: 8

Executive actions are predictable and undertaken in accordance with the law. Problems arise because of the incompleteness or ambiguity of some laws with general declarations, notably the Charter of Fundamental Rights and Freedoms, requiring backing from detailed specific laws. However, points are gradually being clarified as case law builds up on freedom of information and general discrimination. Government bodies then learn to comply with established practices.

Judicial Review
Score: 8

Czech courts operate independently of the executive branch of government. The most active control over executive actions is exercised by the Constitutional Court and the Supreme Administrative Court. The Constitutional Court decision that attracted the most public attention during the period under review was the October 2019 invalidation of a controversial law taxing restitution payments to the churches; this had been initiated by the Communist Party (KSČM) as one of its preconditions for its support of the ANO-Social Democrat minority government. The appointment of Marie Benešová as justice minister in May 2019 has raised some concerns about the independence of the judiciary. She has clashed repeatedly with the Prosecutor

General, and her proposal to set new term limits for prosecutors has been perceived by the majority of the judiciary and most experts as an attempt at political interference with the courts.

Citation:

Pospíšil, I. (2020): Activist Constitutional Court as Utility Tool for Correcting Politics: Structure, Composition and Case law, in: A. Lorenz, H. Formánková (eds), *Czech Democracy in Crisis*. Cham: Palgrave Macmillan, 133-155.

Appointment of
Justices
Score: 8

The justices of the Constitutional Court, the Supreme Court and the Supreme Administrative Court are appointed by the Senate, the second chamber of the Czech parliament, on the basis of proposals made by the president. Within the Senate, no special majority requirement applies. The process of appointing judges is transparent and adequately covered by public media. The involvement of both the president and the Senate increases the likelihood of balance in judges' political views and other characteristics. President Zeman's proposals have continued to be uncontroversial.

Corruption
Prevention
Score: 4

Successive governments have emphasized a commitment to fighting corruption, but in fact have done little of substance to address the issue. Two significant changes were implemented in 2017, with amendments passed to the law on party finances and the law on conflicts of interest. Despite this apparent progress, the merging of business, political, and media power in the hands of Prime Minister Babiš represents an escalation of past corruption to a new level. The main issue concerns the use of EU funds, intended for SME support, to finance a business that was temporarily detached from his conglomerate but returned to his control after the subsidy had been received. It later emerged that nominal ownership had simply been transferred to members of his family, but police investigations reached no definite conclusions.

Despite demands from the opposition for his resignation and public demonstrations in Prague and other cities, Babiš has been emboldened by the sympathetic treatment he has received from the media outlets he controls. In March 2019, he appointed Marie Benešová, a friend of President Zeman, as minister of justice, triggering significant protests across the country. The move was seen as an attempt to curtail the independence of the judiciary. In September 2019, Prague prosecutor Jaroslav Saroch decided to drop the case and thus avoid charging the prime minister and his family on fraud charges, but was overruled by Prosecutor General Pavel Zeman in December 2019.

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 5

There is no central body coordinating strategic planning in Czechia; however, several strategic frameworks exist. A medium-term perspective is provided by the government's policy manifesto, which is presented to the Chamber of Deputies for a vote of confidence. In April 2017, the government approved the Czechia 2030 strategic framework, which sets long-term priorities for the development of the country. The document, which built on the 2010 Strategic Framework for Sustainable Development, sets out the direction of development for the next decade in order to help the country achieve development which is socially, economically and environmentally sustainable and to improve the quality of life for the Czech population in all regions.

Expert Advice
Score: 5

In Czechia, there are several permanent or temporary advisory bodies, as well as several public research institutions that are closely linked to individual ministries or the Government Office, and which partly depend on state funding. Within the cabinet, there is a unit consisting of consultants and advisers to the prime minister, whose task is to evaluate the substantive content of legislative materials and to prepare a strategic agenda for the government. Under Prime Minister Babiš, the number of official external advisers has fallen sharply to only 11. The scope of their input into policymaking is unclear.

Interministerial Coordination

GO Expertise
Score: 5

The Government Office is relatively small and has little sectoral policy expertise. To partially compensate for this weakness, it also uses the services of consultants on the basis of commercial contracts.

Line Ministries
Score: 6

The legislative plan of the government divides tasks among the ministries and other central bodies of the state administration and sets deadlines for the submission of bills to the cabinet. The line ministry has to involve and take

comments from, a range of institutions, including the Government Office and the Government Legislative Council. This consultation process primarily focuses on technical issues and the harmonization of legal norms.

Cabinet
Committees
Score: 5

The Czech government routinely establishes advisory and working bodies made up of members of the cabinet, ministry officials and other experts to support its activities. Such entities may be given permanent or temporary status according to the issue under consideration. In addition, there are a number of advisory bodies, commissions and councils that are managed by individual ministries and which deal with issues related to the ministries' portfolios. In 2019, there were 17 permanent committees at the government level, four fewer than in 2018. Among the most important were the National Security Council, the Government Legislative Council, the Committee for the European Union, the Government Council for Human Rights, and the Research and Development Council. The committees discuss and approve policy documents, thereby filtering out issues and saving time in cabinet meetings. However, they do so in an ad hoc fashion, and are not systematically involved in the preparation of cabinet meetings.

Ministerial
Bureaucracy
Score: 5

As part of the interministerial coordination process, some coordination among line ministry civil servants takes place. Senior ministry officials are generally a crucial link in collecting and discussing comments on proposed legislation. The definition of their roles and responsibilities was improved through the civil service law, which went into effect at the beginning of 2015 and regulates the legal status of state employees in administrative offices and represents a significant step toward establishing a stable and professional public administration. However, the form in which the civil service law is implemented has not yet led to a complete depoliticization of the public administration, and it remains difficult to attract highly qualified workers into public service.

Informal
Coordination
Score: 6

Informal coordination mechanisms have featured prominently in Czech political culture. Like its predecessor, the Babiš government depends on a coalition agreement, which includes agreements on policies as well as coordination mechanisms. Fundamental issues are addressed at the level of the chairmen of the coalition parties or the coalition council. The coalition council consists of the chairpersons of the coalition parties and a maximum of three other representatives of the respective coalition parties. Coordination mechanisms at the level of parliamentary and senatorial clubs are also important. Moreover, the coalition partners also maintain expert commissions consisting of members and party supporters. Because the Babiš government relies on support from the Communist Party (KSČM), it must also take the

latter's reactions into account even though it is not a formal coalition partner. President Zeman is often personally engaged in negotiating Communist support for governmental policies. In fall 2019, the president also personally appeared in the Chamber of Deputies to elicit support for the 2020 budget.

Digitalization for
Interministerial
Coordination
Score: 5

Digitalization of the state administration features as one of the priorities identified in the Babiš government manifesto. Some progress has been made with regard to enabling electronic communication between citizens and the authorities. In 2018, the government approved the Digital Czech Republic program, which aims at advancing the digitalization of the public administration, including the use of digital technologies in communications between ministries. The implementation plans for the program were elaborated in 2019. However, state funding for the project has remained insufficient, which means that the country's digitalization efforts continue to lag behind those in other EU countries. Digital technologies have not taken a leading role in interministerial coordination.

Evidence-based Instruments

RIA Application
Score: 7

According to the government legislative rules and partly based on the implementation of EU law, regulatory impact assessments (RIA) are in principle applied to all generally binding regulations prepared by the ministries and other central administrative authorities. There is a standard RIA methodology, which has been refined over time. RIA reports are submitted by the ministries to the RIA Unit at the Office of the Government for formal review, and then to the independent RIA Board for more extensive scrutiny. The RIA Unit also provides methodological guidance and organizes workshops and seminars for civil servants who prepare impact assessments. Under the Babiš government, the reliance on and the quality of RIAs have weakened somewhat. According to the annual reports of the RIA commission, the number of well-prepared laws fell from 53 in 2014 to just 11 in 2018, in both cases representing about half of the total number submitted. The parliamentary opposition has been critical of the relatively high proportion of draft laws that are not subject to RIA.

Quality of RIA
Process
Score: 9

Consultation with stakeholders is an essential part of the RIA process. In principle, all those who are affected by new legislation can express their views in advance. The parties concerned may include, among others, public authorities, professional organizations, non-governmental organizations or business entities. Czechia is one of the few countries featuring an independent RIA Board. In place since 2011, this board consists of 16 external experts, and is chaired by an environmental economist. In 2018, it met 13 times. Affiliated

with the Government Legislative Council, it a) coordinates and methodically manages the RIA process; b) processes the material documents for the working commission; and c) on the basis of an opinion of the working committee, if available, drafts the draft opinion of the Legislative Council of the Government or the Chairman of the Legislative Council of the Government for the RIA area.

Sustainability
Check
Score: 6

Sustainability checks are an integral part of every RIA assessment but are not very comprehensive. The checklist requires a response to the question of whether there are effects on social, economic and environmental issues and for an indication of what those effects are. A set of 2016 amendments to the RIA guidelines specified how to assess or quantify these effects. Criteria are refined by the relevant ministries on an ongoing basis. The process of assessing the impact of regulation does not replace political decision-making; rather, it creates the preconditions for better decision-making.

Quality of Ex
Post Evaluation
Score: 6

Ex post evaluations are a regular part of the RIA process. However, they are usually carried out internally by individual departments and, save for measures financed with EU funds, have not been done in a systematic fashion so far. With the goal of changing this situation, the Government Office presented a comprehensive proposal in mid-2018 for improving the quality of ex post evaluations. An interdepartmental working group is currently drafting new formal guidelines for ex post evaluations that would make findings public and render the whole process more transparent.

Societal Consultation

Public
Consultation
Score: 6

The policy process in Czechia is relatively open. In the course of the legislative process, a broad spectrum of social and economic actors is consulted. The digital publication of laws and regulations has improved public access to information. The primary formal means of consultation is a tripartite council that includes representatives from the government, trade unions and employers' organizations. This is an arena for consultation on economic and social policy measures, and the council members are also automatically consulted during the process of preparing legislation. While the Babiš government has placed less emphasis on consultation with societal actors than did its predecessor, new forms of dialogue with non-governmental organizations and citizens during the process of preparing important decisions have been adopted at the sectoral, regional and local level. In 2019, the number of cities engaging in participatory budgeting processes increased from 38 to 53.

Policy Communication

Coherent
Communication
Score: 5

Under Prime Minister Babiš, government communication has become less cacophonous than under the previous Sobotka government. However, rather than any coordination proper, the streamlining of government communication reflects the fact that the ANO ministers and ANO's coalition partner, the Social Democratic party, defer strongly to Babiš. Struggling for survival, Social Democrats have mostly fallen into step with the government. The MAFRA-owned media (Babiš's media conglomerate) have created scandal around every instance in which Social Democratic ministers have dared to issue public statements contradicting the official government line. ANO ministers perceived as unreliable, such as former Minister of Culture Antonín Staněk, have been replaced.

Implementation

Government
Effectiveness
Score: 5

The effectiveness of the (second) Babiš government has suffered from the lack of a parliamentary majority. Nevertheless, the government has been able to implement its program in cases involving policies (such as wage increases) not requiring broader consultation, and which were close to the aims of its Social Democrat coalition partners and refrained from major reforms. Similarly, the promise of cheap transport for young people and pensioners was implemented quickly. However, policy implementation has proved more challenging as the economy has slowed, as demonstrated by the reduction in the promised pay increase for teachers. The state budget for 2020, which included a deficit of CZK 40 billion (€1.56 billion), passed in October 2019 with the support of the Communist Party. In an unusual step, the president personally appeared in the parliament to press members to support the budget. The opposition criticized both the deficit and the lack of support for investment.

Ministerial
Compliance
Score: 7

In the past, Czech governments have tried to ensure ministerial compliance mainly through the use of well-defined government programs and coalition agreements. Differences between individual ministers and the government took the form of disagreements between parties, played out by threats of resignation, and were resolved through coalition negotiations. The Social Democrats' poor showing in the 2017 parliamentary elections has made them less assertive in the coalition. To secure ministerial compliance, Prime Minister Babiš has capitalized on his uncontested role as ANO leader and has made heavy use of naming and shaming in the media, especially in publications and outlets that he controls. Several ministers in his first government were seen as potential rivals, and did not make it into the second

cabinet. The compliance of the Social Democrats has been secured mostly by using the threat of early elections.

Monitoring
Ministries
Score: 5

In Czechia, the government office formally monitors the activities of the line ministries. However, the fact that Czech governments have tended to be coalition governments has strongly limited the actual monitoring of ministries. When Andrej Babiš became Minister of Finance in 2014, he developed an online system called Supervizor that is designed to collect and publish data on the financial management of ministries and authorities. However, the system has been used for monitoring the ANO ministries only.

Monitoring
Agencies,
Bureaucracies
Score: 5

The delegations of responsibility away from the government is limited in Czechia. Agencies take diverse organizational forms and are monitored in different ways. Most of them enjoy little autonomy and are monitored relatively tightly. In many cases, both the government and parliament are directly involved in supervision. The oversight of financial management and spending improved with the introduction of the Supervizor program, which increased transparency but does not include all line ministries or state agencies.

Task Funding
Score: 7

The regional tier within the Czech system of governance retains importance following a process of consolidation of various administrative functions. The budgetary allocation of taxes, tax autonomy, and financial decentralization have enabled regional governments to exhibit independence in fulfilling governing duties and managing necessary infrastructure. European structural funds constitute an important resource for regional development, though this will change significantly as of 2020 and involve a decrease in spending. All negotiations over regional budgets remain complicated by opposing political majorities on the central, regional and municipal level.

Constitutional
Discretion
Score: 7

The discretion of local and regional governments over exactly how resources should be spent does not face formal limitations. Effective discretion is limited by budget limitations, but money can be transferred between uses. More significantly, regional governments are effectively constrained by the need to meet the standards set for key services, notably education, which limits the scope for transferring funds between uses. Irregularities in public procurement, against which NGOs campaigned, have been somewhat addressed due to EU pressure and strong oversight with respect to EU structural funding.

National
Standards
Score: 6

A department within the Ministry of the Interior is responsible for overseeing subnational self-government. Its concern is compliance with existing laws and not the assessment of efficiency; laws cover such issues as regular financial accounting, the fair conduct of elections, the avoidance of conflict of interest, compliance with rules on the disposal of waste materials, and freedom of information. Its annual reports show regular monitoring of all levels of self-government, as well as substantial efforts to inform councils of existing legal constraints. The number of breaches of the law, following consultation and

advice from the ministry, continues to decline. However, a gap still exists between national and EU standards; there remains a strong tradition of non-implementation.

Effective
Regulatory
Enforcement
Score: 5

In the post-1990 environment, the accumulation of wealth and business power was facilitated first by lax regulatory environments, and later by political favors and contacts with politicians. Prime Minister Andrej Babiš exemplifies this phenomenon at national level, having built his business empire by starting with capital of unclear origins. Once established, state and EU subsidies ensured that Andrej Babiš did not remain just another entrepreneur selling fertilizers and fuel additives. Instead, thanks to the state, he is one of the richest men in Europe, with a business empire worth \$4 billion. In 2019, the media reported that in the absence of state subsidies, the Babiš business empire would be operating in the red.

Adaptability

Domestic
Adaptability
Score: 5

Since the mid-1990s, government activities have adapted to, and are strongly influenced by, the EU's legislative framework. The main structures of government and methods of functioning have improved over time. The disjuncture between domestic structures and EU provisions and requirements was demonstrated by recurrent issues accompanying the use of EU structural funds on the national and regional level, but this has significantly improved over the last several years. In general, control over the use of EU funds further improved under the Sobotka and Babiš governments. However, the sustainability of EU-funded infrastructures and measures will remain a crucial issue, especially after 2020, when the current funding period concludes. In some areas, such as R&D, the government has a medium-term strategy for financial sustainability, in other areas, such as environmental protection and regional development, such a strategy is not yet in place.

International
Coordination
Score: 4

For a long time, the Czech government acted not as a leader but as a reliable partner to the international community. *Vis-à-vis* the European Union, this changed over the refugee crisis. However, the Czech position, while opposing EU quotas for relocation of refugees, was not as firm as that of Hungary and Poland, and the government has sought to achieve some acceptance at the European level. It has aligned instead with the Italian Prime Minister Conte on the refugee issue than with Hungary and Poland. Czechia (unlike Poland and Hungary) continues to accept some refugees and contributes funding to humanitarian aid outside Europe (Turkey, Syria). There is no political will to implement the euro or to engage in debates over the reforms of the EU reform and its further development.

Organizational Reform

Self-monitoring
Score: 4

There is no systematic monitoring of the institutional arrangements of governing. Governments must issue annual reports and a final report at the end of their term in office, as Prime Minister Sobotka did in November 2017. However, these reports tend to focus on policies rather than institutions and are normally self-congratulatory. Also, there are sporadic audits within particular ministries. The Supervisor monitoring program introduced after ANO entered government in 2014 and applied to all ANO-controlled ministries has focused on spending rather than on the institutional arrangements of governing.

Institutional
Reform
Score: 6

Under the second Babiš government, the institutional arrangements of governing have remained mostly unchanged. Prime Minister Babiš has cultivated his technocratic image by making several career civil servants ministers. He has sought to increase the strategic capacity of his government primarily by exploiting his strong position as ANO leader. In the period under review, however, the prime minister's position weakened vis-à-vis President Zeman, who has involved himself to an unprecedented degree in many aspects of governing in which he has no more than questionable constitutional authority. This has included the choice of ministers and the negotiation of support for government policies aligned with his preferences in the Chamber of Deputies (reaching out in particular to the Communists). The prime minister has not entered into direct conflict with the president, who remains popular among ANO voters.

II. Executive Accountability

Citizens' Participatory Competence

Political
Knowledge
Score: 6

With the increasing accessibility of online information, information on government policies is increasingly available to all Czech citizens. The growing diversity of the media landscape, as well as the Pirate Party's success in the 2017 elections, has increased pressure for transparency and enhanced citizens' ability to come to informed decisions. However, media sources are themselves polarized between those presenting simplistic views and/or broad support for Prime Minister Babiš and those providing a more balanced approach or even demonstrating open opposition to Babiš. The political polarization reflected in the media landscape has deepened societal divisions. Furthermore, Babiš's populist rhetoric tends to obfuscate the motives, effects

and implications of policies. According to surveys, about 50% of the Czech population has a general interest in politics, a figure that has remained more or less stable over the last 10 years. However, citizens show distinctly more interest in domestic political affairs (58% of respondents) than in world political affairs (41%) or in the EU (38%).

Open
Government
Score: 7

The 2016 amendment to the Access to Information Act defined the term “open data” and led to the creation of a National Open Data Catalogue (Národní katalog otevřených dat, NKOD) and a central open data portal (<https://opendata.gov.cz>). Access to government information became a significant issue in the 2017 parliamentary elections and the 2018 municipal elections, largely thanks to the Pirate Party. Due to this effect, coming on top of long-standing pressure by NGOs, information provision has improved. While more information is thus made available to citizens than has been the case in the past, it is not always provided in a user-friendly fashion, and citizens seeking information are often forced to jump through numerous administrative loops.

Legislative Actors’ Resources

Parliamentary
Resources
Score: 9

In Czechia, members of parliament can draw on a set of resources for monitoring government activity. In addition to their basic salary, members of parliament receive additional pay for their membership in parliamentary committees, commissions and other duties. They also have a budget for assistance and expertise. Parliamentary committees have an office staff of two to three persons and a secretary, and both a parliamentary library and a Parliamentary Institute are available to members. The latter serves as a research center providing information and training for members of both chambers. The research is provided on demand (to deputies and senators) and the institute also publishes regular reports on subjects of interest to the body.

Obtaining
Documents
Score: 10

As specified in the rules of procedure of the Chamber of Deputies, Czech parliamentary committees may ask for almost all government documents. Governments usually respect committee requests and tend to deliver the documents on time.

Summoning
Ministers
Score: 10

Ministers and the top personnel of major state institutions are obliged to attend committee meetings and answer questions when asked. According to the rules, ministers are also required to present draft bills to appropriate committees. If the ministers send officials below the rank of deputy minister, committees may, and often do, refuse to discuss a legislative proposal. If the Chamber of Deputies believes that there has been serious misconduct and a minister’s explanation is regarded as insufficient, it may establish a parliamentary inquiry committee.

Summoning
Experts
Score: 10

In Czechia, parliamentary committees and subcommittees may summon experts, and often do so.

Task Area
Congruence
Score: 9

The parliamentary rules of procedure do not prescribe a particular distribution of subject areas among committees. Instead, distribution is based on custom, tradition and ad hoc decisions by the Chamber of Deputies and its organizing committee. In the current term, there are 14 ministries and 18 parliamentary committees. Fourteen of the 18 parliamentary committees “shadow” governmental ministries. Four additional committees fulfill specific parliamentary roles (organization, mandate and immunity, petitions, control and European affairs). However, there is not an exact match between the task areas of parliamentary committees and ministries. The Economic Committee covers the agendas of two ministries, the Ministry of Industry and Trade and the Ministry of Transportation. The Committee for European Affairs is dedicated to EU affairs and to the oversight of EU legislation, part of the agenda of the Ministry of Foreign Affairs and of the Legislative Council, and cooperates with the European Parliament and the parliaments of other EU member states. The fact that there is not an exact match between the portfolio of ministries and parliamentary committees has not infringed on parliamentary oversight. If necessary, parliamentary committees (with the exception of the Mandate and Immunity Committee and the Electoral Committee) may establish an unlimited number of subcommittees. In the period under review, there were 60 subcommittees in the Chamber of Deputies. The number of subcommittees per committee varied from one to seven; the average number was 3.75.

Media

Media Reporting
Score: 6

The main TV and radio stations provide daily news programs and some more in-depth discussion and analysis programs on a weekly basis. However, much of the commentary is superficial, and debates are usually structured to represent the views of the main political parties. The quality of information on government decisions has improved with the digitalization process. Czech TV established CT24, a channel dedicated to news, which also broadcasts online and offers a continual analysis of domestic and international events.

In the second and third quarters of 2019, approximately 46% of the population between the ages of 12 and 79 were readers of at least one of the national-level daily newspapers (two percentage points less than in the same period in 2018). The print media is dominated by Prime Minister Babiš’s MAFRA group, which typically praises ANO ministers and criticizes Social Democrat

ministers and the opposition. However, the growing diversity of the online and blended media sphere (i.e., combined online and print media) has increased the availability of investigative journalism and in-depth analysis. Citizens are increasingly concerned and willing to support independent journalism. Online media often engage experts, members of parliament and stakeholders in in-depth debates. Social media play an essential role in increasing the visibility of policy issues.

Parties and Interest Associations

Intra-party
Decision-Making
Score: 4

The 2017 parliamentary elections transformed the Czech political landscape. On both what could broadly be understood as the left and the right, established political parties were challenged by populists and anti-establishment forces. Babiš's anti-establishment and populist Movement of Dissatisfied Citizens (ANO), emerged as the strongest party (29.6% of the votes), attracting many voters of the Social Democrats (ČSSD) and Communists (KSCĚ) (7.8%). The Pirate party (10.8%) drew young, educated left-leaning anti-establishment voters. On the right, the field is also fragmented, with the established Civic Democrats (Občanská demokratická strana, ODS, back up to 11.3%) alongside the conservative Christian Democrats (5.8%) and TOP09 (Tradice Odpovědnost Prosperita 09, TOP09, 5.3%) all having suffered losses, while the radical-right Freedom and Direct Democracy (Svoboda a prima demokracie, SPD; new subject formed by Tomio Okamura, after disbanding his scandal-ridden Dawn of Direct Democracy, 10.6%) entered parliament.

The traditional parties had developed formal structures and means of participation in electing their leaders and voting at congresses on policies. In practice, active involvement by members was limited. This internal democracy was extended by the Social Democrats with their first-ever internal ballot of members over whether or not to join a coalition with ANO. The internal organization of the Pirate party is the most systematically inclusive as it enables both members and sympathizers to engage in agenda-setting and other activities, the majority of which take place online. The internal decision-making of the ANO party is the polar-opposite. The party is hierarchically organized, and its founder and leader, Andrej Babiš and a small group of his allies, dominate the decision-making process. The internal organization of SPD is even more restrictive, as the party leader Tomio Okamura controls both the decision-making and party finance in ways that involve intimidation and – according to investigative journalists – even extortion.

Citation:

Kmenta, J. (2017): Boss Babiš. Nymburk: JKM – Jaroslav Kmenta.

Association
Competence
(Employers &
Unions)
Score: 7

The main employers' unions and trade unions both have considerable resources and expertise with which to develop coherent policies. Trade unions have a significant competence with regard to labor relations and economic policy more generally; they can lobby ministries and parliament and influence government directly through tripartite consultation structures. In the aftermath of the economic crisis, the generational change and new European patterns of conduct by trade unions contributed to their growing public support. Employers also have access to considerable resources, but have a different agenda, favoring a less regulated labor market and lower business taxes. To strengthen their position, the trade unions align their position with European legislation.

Association
Competence
(Others)
Score: 7

Interest associations have grown considerably in Czechia since 1990. As of 2019, there were over 130,000 autonomous, self-organized groups, associations, foundations and organizations registered in the country, although not all of them were active. Over the last decade, a number of new NGOs have emerged with a focus on areas such as corruption, city planning, LGBT rights, food safety and participatory budgeting on the local level. Many of these have the resources and expertise to formulate relevant policy proposals.

The Prague 2018 municipal elections saw a host of new political issues emerging from NGOs successfully enter the municipal government: radical improvements in transport infrastructure, spending on education, safety, dignity and inclusiveness, effective and transparent governance. The group "Prague for itself" (Praha sobe) was able to draw the support of voters (16.54%) by clearly identifying these problems, proposing concrete policy solutions, and making clear that implementation will consider the benefits and costs of these policies for everyone. They emphasized the need to carry these policies out by experts while including citizens.

Independent Supervisory Bodies

Audit Office
Score: 8

The Supreme Audit Office (Nejvyšší kontrolní úřad, SAO) audits the financial management of state entities and of financial resources received from abroad. It expresses an opinion on the state's final financial accounting statement, and oversees implementation of the state budget. The SAO is not authorized to audit the finances of municipalities, towns or regions, or to audit companies cofinanced by the state or lower-level governments. The functioning of the SAO is regulated by the constitution; the body's president and vice-president are appointed for terms of nine years by the county's president, based on proposals made by the Chamber of Deputies. The Chamber of Deputies further elects the members of the SAO upon nomination by the president of the SAO. In 2018, the Chamber of Deputies' Control Committee discussed 17 SAO audit reports. The government considered 31

audits. In its annual report for 2018, the SAO summarized its findings from inspections and assessed the state's progress with regard to selected policies and their management. It also drew a comparison between Czechia and foreign countries. In its report, the SAO indicated specific areas in which Czechia's public sector has not been able to respond adequately to the dynamic transformations and challenges facing society. For instance, it highlighted the areas of digitalization, the simplification of tax obligations, energy savings, social housing and transportation. Although the state invests significant resources in these areas, its return on these investments has not been as substantial as expected.

Ombuds Office
Score: 9

The Office of the Public Defender of Rights serves as a vital protector of civil rights. It delivers quarterly reports and annual reports on its activities to the Chamber of Deputies, including recommendations on where laws could be changed and report on not fulfilled recommendations. The office also annually evaluates the extent to which these recommendations were followed. It produces detailed reports on cases it investigates, indicating when laws have been transgressed to the extent that the damaged parties have a solid basis for seeking redress. In the last quarter of 2018 and the first three quarters of 2019, the office received about 7,947 complaints, of which 5,563 (70%) were within the Defender's mandate. A total of 5,533 complaints were settled. Among its various tasks, the Defender monitors efforts to repatriate asylum-seekers.

Data Protection
Authority
Score: 8

Data protection responsibilities rest with the Office for Personal Data Protection (Úřad pro ochranu osobních údajů, ÚOOÚ), an independent body established under a law passed in 2000. It is tasked with supervising the observance of the legal obligations laid down for processing personal data; maintaining the register of notified data processing operations; dealing with initiatives and complaints from citizens concerning any breach of the law; and advising the government on issues relating to personal data protection. The president of the republic appoints the president of the office, with candidates being nominated by the president of the Senate, the upper house of parliament. The office regularly publishes an annual report on its website detailing its activities. Its effectiveness is limited by its relatively small budget and relatively small staff. In 2019, the Personal Data Processing Act 2019, the country's second data protection act, sought to implement the EU's GDPR. As a result, the scope of the ÚOOÚ's activities has widened. In October 2019, the ÚOOÚ proposed the introduction of a General Impact Assessment on Personal Data Protection (DPIA). This proposal was posted on its website for public discussion.

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