



# Czechia Report

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## Sustainable Governance Indicators 2019

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## Executive Summary

The October 2017 parliamentary elections were the culmination of the meteoric rise of billionaire-turned-politician Andrej Babiš, who emerged victorious with almost 30% of the vote. However, accusations against him of fraud for misuse of EU funds and of conflict of interest for retaining effective control over his business and media interests have polarized political life and made it difficult for him to form a coalition government. In December 2017, he presented a minority ANO government including some non-party experts, but failed to win a parliamentary vote of confidence. On July 12, 2018 a minority coalition government of ANO and Social Democrats was backed by the Communists to ensure it passed a vote of confidence. Babiš was backed and helped by Miloš Zeman, who narrowly won re-election as president in January 2018. However, the precariousness of the government's public support was demonstrated again in October 2018 in municipal and Senate elections in which the coalition parties lost ground, leaving a majority of Senate seats in the hands of their opponents. There was a significant change in municipal elections in Prague where the ANO administration was defeated by the Pirate Party and independents.

In terms of its stated policies, the coalition has continued with the previous Social-Democrat-dominated Sobotka government's agenda with a focus on lowering the fiscal deficit, raising public sector salaries, increasing pensions and accelerating the drawing of EU funds. The Babiš government gives an appearance of efficiency because of the prime minister's control over much of the media, unashamedly used to promote his image and to denigrate opponents, and because of his personal control over his party and ministers. There are signs that the economy is starting to falter and that a budget deficit is on the horizon. Time will tell whether Prime Minister Babiš, who faces constant controversy and threats of prosecution over his past and present business activities, will be able to lead a successful government.

EU structural funds, which may not be extended beyond 2020, are behind much of public investment. The past increase in R&D investment 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 advance. A small increase in R&D spending, which has yet to return levels to where they were in 2015, has been due to the

activities of foreign multinational companies on which the Czech economy remains heavily dependent. The economy has continued to grow, and unemployment is at a historical low, far below the level of job vacancies. However, the country continues to struggle with problems associated with social exclusion as nearly one-tenth of the adult population faces personal bankruptcy driven by the inability to keep up debt repayments. And while the number of migrant workers increased significantly without causing much concern, Czech society remains opposed to the integration of refugees.

Internationally, Babiš seeks to present his government and himself as a reliable partner, taking a more pro-active role in bilateral and EU negotiations. Babiš pursues policy-based multipolar strategies that are aligned with Germany and France on fiscal policy, and with Italian Prime Minister Conte on migration policy. Czechia continues to accept some refugees under the Dublin II agreement, but cites security concerns as a reason for not meeting the relocation quota and calls for fairer EU refugee policy to help Italy.

Citation:

Bušťíková, L., P. Guasti, P. (2018): The State as a Firm: Understanding the Autocratic Roots of Technocratic Populism, in: *East European Politics and Societies* 33(2): 302-330.

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## Key Challenges

Czechia grapples with a combination of low levels of public trust and high political polarization. Citizens do not trust established political parties, and they are also quick to distrust new parties that arise with anti-establishment and anti-corruption platforms. 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 antagonizes citizens, who see politicians as unresponsive and uncooperative. This coincides with the need to make decisions with long-term significance in order to face challenges for economic and social development.

Without structural change and innovation, Czechia remains vulnerable to economic downturns, automation and AI. The long-term sustainability of economic growth remains problematic, especially with the strong reliance on EU structural funds and the automotive industry as the primary sources of economic growth. The persistence of lower wages means that a large part of low-income workers are unable to lead a dignified life and maintain standard housing. Wage growth, in particular in the low-income sectors, can be helped notably by government decisions to increase minimum wage levels.

Improved wages and social conditions depend also on improving the level of economic development. A shift from low-wage to higher added-value activities depends on creating conditions that are conducive to domestic innovation and which encourage foreign direct investment in R&D and other higher-wage activities. While public spending in R&D did increase for a time, total R&D spending remains below the average EU level. Moreover, the volume of funding for applied R&D is neither reflected in matching efforts of the recipients (domestic firms and foreign investors) nor met with innovative output. Application of the results of research in the economic sphere also depends on 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 minimalization of 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 in order 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, that is, the retraining of those likely to lose their job due to automation, AI or the fact that multinational firms are relocating to lower-wage countries. Mid-career tertiary education programs should be part of lifelong learning. Access to childhood education and afterschool programs should be significantly expanded and made more flexible in order to enable parents, particularly single mothers, to combine child care 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 is important in order to effectively address negative demographic trends. Without this change, Czechia's aging population will pose a challenge for the pension and health systems. Attempts by previous

governments to increase fees and the reliance on private providers have failed to win public trust. An open discussion is needed to reach some degree of consensus on how to finance higher pension spending, raise the pension age and cover higher health care costs .

Internationally, Czechia could play a more active role within the EU, NATO and other international organizations, notably on issues of economic integration, international 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 pro-active 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 in order 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

In Czechia, the party system is subject to extreme instability. This makes it difficult to reach compromise on solutions to pressing issues and thus serves as a major barrier to constructive engagement among politicians in the country. Since 2017, this dynamic has culminated in a form of polarization that has made it practically impossible to form a government without the dominant party being regarded with suspicion by most everyone across the political spectrum. The 2017 parliamentary elections led to a parliament in which 69% of its members represented parties that had had no representation before 2013. New parties and politicians have emerged while exploiting the low level of trust in politicians with longer records. This development reflects 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 nepotism and corruption in political life and, for some of the population, by fears that are generated by alleged threats of immigration and a loss of sovereignty to the EU. Polarization is most marked around the personality of Prime Minister Babiš and credible accusations that he should be put on trial for fraud. These accusations hampered the formation of a government after the 2017 parliamentary elections. Eventually, a coalition could be formed in July 2018 with participation from the Social Democrats – who hoped to further their

social agenda – and passive support from the Communist party. The former, however, remain very much junior partners as they are aware that Babiš could switch and rely on support from the far-right Freedom and Direct Democracy (Svoboda a prima demokracie, SPD). This instability of the party-political system does not prevent policymakers from reaching agreement on some issues – there is broad opposition to accepting EU immigration policies – but it does make it more difficult to reach a consensus both within the government and across the political spectrum on long-term policy issues that require complex discussion and agreement. The result of the 2018 municipal elections in the capital Prague indicated again the instability of party politics. Neither the Communists nor the Social Democrats crossed the threshold for any representation. The Movement of Dissatisfied Citizens (ANO) finished fifth, having previously occupied the position of mayor, and a new municipal government was formed between the Pirate party and new political subjects rooted in civil society. (Score: 4)

Citation:

Guasti, P. (2018). Swerving toward deconsolidation? in: A. Lorenz, H. Formánková (Hrsg.), *Das politische System Tschechiens*. Wiesbaden: Springer VS, 39-62.

# Policy Performance

## I. Economic Policies

### Economy

Economic Policy  
Score: 7

The Czech economy has been among the fastest growing in Europe, with real GDP up by more than 4.3% in 2017 relative to 2016. However, growth slowed to about 2.9% in 2018. Stagnating motor vehicle exports, previously the main driver of growth, account in large part for the slower export growth. There may have been an effect from a higher exchange rate, following the decision in 2017 to abandon the commitment to a lower rate, but this remains to be proven. Consumer spending has continued to increase, thanks to pay increases across the economy, partly stimulated by an 11% increase in the minimum wage in January 2018, higher public sector pay, especially in education and public administration, and effectively zero interest rates on consumer credit. These pay increases marked a continuation of the previous Social Democratic government's support for higher wages government and led to a return to slight budget deficit in the first half of 2018.

The competitiveness of the Czech economy is based on low wages, and the country acts more as a subcontractor than end-producer. This means economic stakeholders in the Czech economy lose out on the added-value of sales to the end customer and the profits associated with spare parts supply, service, training and future innovations. More than 60% of Czech exports belong to foreign companies; as a supplier of manufacturing services, the country is poorly connected to the world of innovation. The Czech Chamber of Commerce emphasizes the need introduce an appropriate tax policy that would compel foreign-owned companies to reinvest their profits in the country and thereby strengthen the competitiveness of Czech products. The Sobotka government sought to increase investment in education, R&D and the development of an environment for innovative activities within the domestic economy. In practice, however, improvements in these areas remain inadequate and have depended on EU funding.

## Labor Markets

Labor Market  
Policy  
Score: 7

The labor market situation in Czechia has improved considerably since 2014, but broadly stabilized after 2017 and has seen little change in 2018. The unemployment rate was the lowest in the EU in 2018 and the lowest in Czechia since 1998. However, the government has done little to address the substantial differences in unemployment with regard to regions and qualifications and the growing labor shortages reported across the economy. In 2018, the number of vacancies reached almost three times the number of active job seekers. The shortage of skilled labor is a major constraint on the manufacturing industry, discouraging inward investors from moving more demanding activities into Czechia. Complex regulations complicate the employment of foreigners from outside the EU, the European Economic Area and Switzerland.

The growing labor shortages, along with more aggressive bargaining practices from trade unions, has helped drive wage increases to a level only slightly below that of 2017, reaching 8.5% in nominal terms for the first three quarters of 2018. However, the biggest stimulus for higher wages has been government decisions over minimum wages and public sector pay, with the biggest increase being 13.2% in education, billed as indicating a recognition of the importance of that sector for economic performance.

## Taxes

Tax Policy  
Score: 7

Compared with other OECD countries, the Czech tax-to-GDP ratio is low. While revenues have been sufficient to generate a small fiscal surplus ever since 2016, it will be challenging to ensure sustained financial support for areas such as education, R&D, and environmental protection after 2020, when EU structural funding terminates. The Czech tax system broadly ensures horizontal equity. One exception is the blanket tax allowance given to the self-employed to cover operating expenditure with no checks on what is actually spent. This leads to a lower tax rate on the self-employed rather than employed and an incentive to convert employment contracts into contracts for individual services. While revenues from direct taxes are low and there is nominally a flat personal income tax, a degree of vertical equity is achieved by a tax allowance on personal income taxes, a solidarity surcharge on higher incomes and some differences in VAT rates. Tax rates for enterprises are modest, but tax compliance costs relatively high. The Babiš government proposed a major reform of the income tax in 2018, but eventually postponed it until 2021 because of the resulting reduction in tax revenues.



## Budgets

Budgetary Policy  
Score: 7

Improved economic performance enabled the Czech government to retain its objective of broadly balanced budgets and reduced public debt while allowing some expansion of domestic demand. For the first time since 1994, and despite original plans for a deficit, Czechia ran a fiscal surplus in 2016. Largely due to the strong showing of tax revenues, the general government fiscal surplus further increased in 2017 and was stabilized at about 1.5% of GDP in 2018. Public debt has fallen from 44.9% of GDP in 2013 to 34.7% in 2017 and continued to decline in 2018, remaining among the lowest in the EU and well below the debt limits of 55% and 60% of GDP as defined in the 2017 fiscal responsibility law.

After years of controversy, the government won approval for the Act on Fiscal Responsibility in January 2017. This act sets debt limits for all tiers of government, introduces a central government expenditure ceiling and created an independent Fiscal Council (Národní Rozpočtová Rada, ÚNRR). However, the appointment of the latter's members progressed slowly, so that it started its work only in 2018. The Council has criticized the small central government deficit envisaged in the 2019 budget for being pro-cyclical and has called for leveraging the current economic prosperity to create fiscal leeway for hard times.

## Research, Innovation and Infrastructure

R&I Policy  
Score: 5

In its last year in office, the Sobotka government committed to expanding government spending on R&D, aiming to reach the EU target for total R&D spending of 2.5% of GDP in 2020. The Babiš government has continued the verbal commitment to R&D. However, past high levels of total spending were heavily dependent on support from EU funds, raising the total to 1.9% of GDP for the 2013-15 period, with a strong emphasis on investment in new facilities that were yet to show benefits in actual research output. There was a small revival in government spending in 2017, bringing total R&D spending back to 1.8% of GDP, which is still below the EU average of 2.0%. The revival in the total reflects a shift in structure with business enterprises increasing their contribution to 57% of the total (against 49% in 2010). 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 should be exempt from taxation. Many smaller enterprises complain that this has not happened in practice.

Weaknesses in the R&D area include a perceived lack of government strategy, a failure to attract and retain young, qualified researchers – who benefit from the free movement of people within the EU to find better-paid work in other countries – and a low level of employment for women (23% of researchers in 2017) which suggests a loss of potential and could be a negative effect of poor services to support a work-life balance. Research groups often show little mobility, with the same people staying together throughout their careers and not bringing benefits from experience elsewhere. As a result of these problems, the capacity to take advantage of increased funding opportunities has been limited. Several new programs established by the Technological Agency (TA ČR) – new competence centers aimed at fostering both research excellence and the application of research results - were unable to redistribute all funds. Similarly, the Grant Agency of Czechia was unable to successfully distribute a significant part of the increased funding.

### Global Financial System

Stabilizing  
Global Financial  
System  
Score: 5

Czechia is not a significant player in international financial affairs. Its main banks are foreign-owned, and their independent international involvement is very limited. The country also did not participate in reforming the international financial system, preferring to see itself as a follower of initiatives developed elsewhere. While the Sobotka government made a turn from the euroskeptic policy of previous governments toward a more mainstream view of EU economic policy, neither the Ministry of Finance nor the Czech National Bank have come out in favor of accession to the EU Banking Union. The Babiš government has removed joining the euro zone from the agenda.

## II. Social Policies

### Education

Education Policy  
Score: 6

Public expenditure on education relative to GDP has increased since the economic crisis and is slightly above the EU average. While the educational mobility of children with a non-academic background is limited, educational outcomes and the employability of graduates with a secondary education are good. One problem, however, is the low tertiary education attainment rate. While it continues to rise, the 32% national target won't be met until 2020. The early school-leaving rate remains among the lowest in the EU, but regional disparities are significant and the rate has been increasing steadily since 2010. It currently exceeds the 5.5% national target for 2020. A

particularly vulnerable group are Roma. Around 25% of Roma children are educated in “special schools” (populated almost exclusively by Roma), before being placed in so-called practical schools with lower learning standards.

The new Babiš government has continued the policies of the Sobotka government and has increased teachers’ wages. However, the low salaries of Czech teachers and school heads remain an issue and have fostered the feminization and aging workforce of the education sector. Low salaries in tertiary education have made it difficult to recruit and retain high-quality staff.

In the period under review, the absorption of EU funds in education improved. The 2018 targets of the operational program on research, development and education were already met at the beginning of November. These targets included achieving an increase in high-profile scientific publications, improving the mobility of scientists, deepening educator training, and increasing the number of school assistants and afterschool activities.

### 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, a growing proportion of the population are affected by the harsh legal process for punishing individuals who default on debt repayments. Under a law introduced in 2001, a court can order tough repayment requirements including confiscation of property, with a few exceptions such as wedding rings, which is then sold off to reduce the debt. The numbers required to comply with orders from a court grew by 3.4% in 2017, reaching 863,000 individuals. There are also substantial differences between regions and ethnic groups that have not been eliminated despite the fact that they have been recognized by at least parts of past governments. The Ministry of Labor and Social Affairs investigated areas of social exclusion in 2014-2015 and found 606 such areas with 95,000-115,000 inhabitants. These areas of social exclusion are defined as ones of any population size in which more than 20% of inhabitants live in inadequate conditions. In these areas, about 75% of residents are low-skilled, and the unemployment rate is 80%-85%. Half of the Roma residing in Czechia live in social exclusion. No subsequent monitoring has been undertaken on that scale since 2014-2015. 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 and which has been debated for many years, was under preparation during the period of the

Sobotka government and has been promised again for 2020 by the Babiš government with the possibility that construction work could soon begin.

## Health

Health Policy  
Score: 7

Czechia spends slightly less on health care than the more advanced European countries. Relative to GDP, public health care spending has fallen in recent years, down from 7.1% in 2013 to 6.2% in 2016, the last year for which full data are available. The health care system, based on universal compulsory insurance, ensures a wide range of choice for both providers and consumers of health care 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. Public health insurance in Czechia is provided through seven health insurance companies, the largest being the General Health Insurance Company (Všeobecná zdravotní pojišťovna). Indicators of inpatient and outpatient care utilization point to unnecessary consumption of goods and services, and inefficiencies persist in the allocation of resources in the hospital sector.

In 2018, there have been only minor changes in health care. The spending on preventive health programs has increased, the coverage of dental care and home-based palliative care by health insurance funds improved. These improvements have in part been financed by a rise in the health care contributions for state-insured persons (children, pensioners, unemployed or mothers on maternity leave).

## Families

Family Policy  
Score: 6

The reconciliation of parenting and labor force participation is addressed by Committee on the Reconciliation of Working, Private and Family Life, an advisory body of the Government Council for Gender Equality, but is limited in practice. The employment rate for women in Czechia is below the OECD average. This especially applies to women with children under three years of age. The main problem is the level of childcare provision which declined significantly during the 1990s and has improved only recently. While the enrollment rate in formal childcare for children three to five years of age is within the third quartile of OECD countries, childcare provision for children up to two years of age is the third lowest among OECD countries, and affordable after-hours care offered by pre-schools and schools is insufficient. The growing number of single mothers – in the first quarter of 2018, 49.6% of all children were born out of wedlock – has further increased the demand for childcare. However, public support for alternative forms of child care, most notably so-called children's groups, has expanded. Since 2017, attending

kindergarten in the last pre-school year is mandatory. Differences in the regional availability of kindergartens persist. The main legal change in the period under review has been the introduction of a right to one week of paternity leave within within six weeks of a child's birth.

### 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 March 2018, the average monthly old-age pension stood at CZK 12,347 (€175). The retirement age, which has been gradually increased since 1996, is still different for men and women. In the case of women, it also depends on the number of children reared. The automatic increase in the retirement age by two months per year in case of men and four (since 2018: six) months in case of women will stop when an age of 65 years for both men and women is reached. In 2018, not only old-age but also widowers and orphans' pensions were revalued. The Babiš government has refrained from introducing other changes, which is in line with the previous government's view that the proposed increases in pension age will ensure sustainability for the medium term. This can, and may need to be revised, in view of the aging population.

### Integration

Integration Policy  
Score: 4

Compared with other East-Central European countries, Czechia has experienced relatively high levels of immigration since EU accession, with the number continuing to slowly rise. From December 2017 to September 2018, the number of foreigners increased from 526,811 to 555,665 foreigners. The largest immigrant group consists of Ukrainians, followed by Vietnamese and Russians. Asylum applications are low, at 1,450 in 2017 with 29 asylum cases granted and 118 cases of supplementary protection for a predetermined period.

The central authority responsible for the area of asylum and migration in Czechia is the Ministry of the Interior. Within the Ministry, it is mainly the Department of Asylum and Migration Policy (DAMP) that is responsible for this area. The Ministry of Interior annually submits a report to the cabinet on the migration and integration of foreigners. Integration centers exist in all regions of Czechia. Some immigrant support has been provided over the years by municipal authorities and NGOs, with recent emphasis on language courses, social events and employment. However, the processing of residential

applications of immigrants remains slow, and the acquisition of Czech citizenship remains complicated. Many foreign workers are employed in the shadow economy or by temp agencies, offering temporary and often unstable work with pay levels significantly below those of Czech employees. Even with the current labor force shortage, there is no evidence of any improvement.

Although Czechia is not located on one of the major routes used by refugees for coming to Western Europe, the European refugee crisis has stirred a strong and highly polarized debate on migration and integration. According to opinion polls (October 2018), 68% of the respondents stated that Czechia should not accept refugees from the countries affected by the war, while 24% of respondents believes the country should admit refugees until they can return to their country of origin. Only a minimal share of the respondents (2%) stated that Czechia should accept the refugees and let them settle there.

Citation:

Hanzlová, R. (2018): Attitude of Czech Public to Accepting of Refugees – October 2018. Prague: Public Opinion Research Center (CVVM) (<https://cvvm.soc.cas.cz/en/press-releases/political/international-relations/4750-attitude-of-czech-public-to-accepting-of-refugees-october-2018>).

### Safe Living

Internal Security  
Policy  
Score: 7

Crime figures in Czechia are unremarkable. The police have been registering a drop in crime for the fourth consecutive year. In 2017, compared to the previous year, crime was down by 7.3%. However, there are increasing regional differences as well as tension in regions with a concentration of marginalized groups. Czech citizens feel secure and are largely satisfied with the performance of the police. Trust in the police and the army is high. In June 2018, about two-thirds of all citizens trusted the army and the police. In the case of the police, the level of trust has been the highest since the mid-1990s. In the period under study, three Czech soldiers fell in the course of duty during a mission in Afghanistan. Thousands of Czech citizens took part in the military funeral, recognizing the role of the Czech Army in global anti-terrorism efforts.

### Global Inequalities

Global Social  
Policy  
Score: 7

Czechia is not a major player in the international development and devotes a relatively low share of GDP to development aid. However, Czechia 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 main coordinator of bilateral and multilateral development cooperation, a large number of private, public and

non-governmental actors are 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. In addition to long-term programs, there is also humanitarian aid for current crisis areas. Bilateral foreign development cooperation primarily focuses on priority partner countries selected by Czechia on the basis of internationally recognized principles enshrined in the Strategy for Foreign Development Cooperation. The strategy for 2018-2023 sets six priority countries with a cooperation program (Bosnia and Herzegovina, Ethiopia, Georgia, Cambodia, Moldova, Zambia). Czechia has also adopted specific humanitarian, stabilization and development cooperation measures through special government resolutions with Afghanistan, Syria and Ukraine. In addition to geographic priorities, Czechia also sets thematic priorities for its foreign development cooperation. For the 2018-2030 period, the thematic priorities set are as follows: agriculture and rural development, sustainable management of natural resources, economic transformation and growth, inclusive social development, sound democratic governance.

### III. Environmental Policies

#### Environment

Environmental  
Policy  
Score: 6

Czechia continues to battle both a historical legacy of environmental damage and other ongoing environmental issues. There has been a long-term trend of decline in emissions of acidifying substances, ozone precursors, primary particles, secondary particulate precursors, greenhouse gas emissions from the manufacturing industry. Surface and groundwater pollution has also diminished over time.

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 safe environment. The focus of the new Babiš government is on water management (measures against drought and efforts for water retention, wastewater management, water infrastructure ownership, reconstruction, and maintenance); waste management (strengthening strategic raw material security and self-sufficiency, by recycling discount for municipalities and individual citizens); protection of agricultural land; air quality (particularly in Moravian-Silesian and Ústí Regions), where air quality remains low; support for low-emission vehicles in public and private transport; accelerating the shift away from fossil fuels by households; biodiversity (possibly extension of areas of environmental protection, including forest areas). These priorities follow the 2016 National Action Plan on Adaptation to

Climate Change and a climate protection strategy for the period until 2030 with a long-term outlook until 2050 and the evaluation by the EU in 2017, which pointed to a mixed performance in the implementation effectiveness of environmental policies. It remains to be seen how these priorities will be implemented, not least in view of the imminent reduction in EU funding. The government plans to expand the nuclear power plant Dukovany in order to decrease the reliance on non-renewable (fossil) fuels, but this has also met with suspicion from EU and NATO allies over the possible involvement of Russia and China. In October 2018, Prime Minister Babiš assured U.S. Defense Minister Mattis that the enlargement of Dukovany is in a planning stage and no negotiations are taking place with either Russia or China.

### Global Environmental Protection

Global  
Environmental  
Policy  
Score: 5

Environmental policy in Czechia is significantly shaped by the country's obligations to implement EU legislation. In June 2016, together with other EU countries, Czechia agreed to a 20% greenhouse gas reduction target by 2020 (baseline is 1990). This is in line with Agenda 2020. Czechia remains a passive recipient of EU and international agendas. Together with other East-Central European member states, Czechia has opposed more ambitious goals. In its government manifesto, the Babiš government has reiterated its commitment to the tasks and objectives of the Paris Agreement.



## 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. As of November 2018, there were 232 active political parties and political movements. In the 2018 municipal elections, 82% of the 216,501 candidates had no party affiliation (mostly independents, but also non-partisans running on party lists). 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.

Media Access  
Score: 6

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. The 2018 presidential elections included televised debates. A final debate on the state TV had the highest rating of all four debates (2.6 million viewers) and statements by the candidates were fact-checked in real time. In October 2018, the Council for Radio and TV broadcasting gave a positive evaluation of debates held on the private broadcaster Prima televize and state

Voting and  
Registration  
Rights  
Score: 9

TV, but was critical of TV Barrandov for exercising favoritism toward President Zeman, the incumbent. The Council issued a warning to TV Barrandov that any repetition of such activity would result in a high fine. The Czech Syndicate of Journalists, a professional organization, criticized both the TV Nova and TV Barrandov debates as biased in favor of the incumbent.

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. No cases of vote-buying were reported in the 2018 municipal, Senate or presidential elections.

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. President Zeman named the first president of the new Office for the Oversight of the Political Parties and Political Movements (Úřad pro dohled nad hospodařením politických stran a politických hnutí, ÚHHPSH), an independent regulatory authority for monitoring and oversight of party and campaign finance. The first campaign scrutinized by the ÚHHPSH was the October 2017 parliamentary elections; its first annual report (for 2017) was published in 2018. The report found 123 cases of misdemeanors, most of them of minor importance. The ÚHHPSH imposed 26 administrative penalties totaling CZK 181,000 (€7,000). Fines were set below the statutory rates because of the novelty of the provisions and their “educational function.” In March 2018, investigative journalists unearthed that Okamura’s radical-right Party of Freedom and Direct Democracy (SPD) had violated the law by the illegal use of an online shop and compulsory purchases of party merchandise by party members.

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. In the period under review, no regional referendum took place, but there were 13 local referendums. 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 has traditionally been characterized by a high degree of media freedom, partly because of the independence of public media but also because prevalent foreign ownership did not exercise any visible influence over the content and coverage of private media. The capture of much of the Czech media market by Andrej Babiš, and the use of that media power to support his political position and denigrate that of any alternatives, has further stimulated the development of online media, supported by subscription and crowdsourcing. Many established journalists including investigative and award-winning journalists left Babiš's MAFRA group and other dailies to start online media and blended media (online and monthly print). This ensures the continuation of some degree of media independence, but the viability of such projects is contingent on the trust of the readers and viable business model (online adds, or strong backer). Following action by Transparency International, a court action was started against Babiš in November 2018 for conflict of interest by maintaining effective control over of his business, despite their nominal transfer to a trust.

Citation:

Jiráček, J., B. Köpplová (2018): Vorzüge und Probleme eines liberal-demokratischen Medienmodells: Medien und Politik in der Tschechischen Republik, in: A. Lorenz, H. Formánková (Hrsg.), Das politische System Tschechiens. Wiesbaden: Springer VS, 245-265.

Media Pluralism  
Score: 7

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 – both on the journalistic side (supply) and the readers (demand). Babiš's businesses dominate the daily print media, with an estimated 2.4 million readers, and also the online media, with an estimated 3.4 million daily users. However, readership of independent weekly publications and a number of new journalistic projects has grown. On October 28, 2018 (centenary of the establishment of Czechia) and following the example of the Slovak Denik N (Journal N), a new daily (which will be available in print in 2019) was created using the Slovak know-how and combining investor- and crowd-sourced funding. Key journalists and staff own 23.5% of the shares. Most of the staff are experienced journalists, who left the MAFRA owned media. The crowd-funding campaign raised CZK 7 million (€270,000) and 5,500 digital subscribers. To ensure independent operation and a long-term viability, 25,000 regular subscribers are needed. Among the online media 2018 also brought the launch of Seznam TV, a major internet platform and email provider ventured into online media content including investigative journalism. During the first six months of its existence, the investigative journalists of Seznam TV found irregularities in party finance, lobbying and in November 2018 revealed potentially damning evidence on corruption in Babiš's business activities.

Citation:

Cichowlas, O., A. Foxall (2015): Now the Czechs have an oligarch problem, too, in: Foreign Policy.com (<http://foreignpolicy.com/2015/04/10/now-the-czechs-have-an-oligarch-problem-too-andrej-babiš/>).

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 information provided upon request. The overall transparency improved significantly.

However, there are still difficulties in access within many municipalities, mainly due to their lack of capacity. Still, municipalities can also be taken to court if officials refuse to respond to requests for information. Some smaller municipalities have faced stiff financial penalties following a failure to disclose information as requested. As a result, the actions of municipalities are becoming more transparent, through streaming municipal board meetings online and allowing citizens to participate in municipal activities in other interactive ways.

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 pro-active approach of the ombudsman's office,

have contributed to an improvement in the quality of online portals for public administration and thus have further improved access to government information. One example of important new initiatives is the “Right to Information” program started in 2017 by the NGO Open Society (Otevřena Společnost) and co-funded by the Ministry of Interior. It has praised some public offices for openness and criticized, among others, the Chamber of Deputies and the Office of the President. 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 complaints lodged with the European Court of Human Rights and the Office of the Public Defender of Rights (ombudsman) have indicated, 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 triggered large-scale protests, not seen in the country since the financial crisis. Protests are mostly concentrated in Prague and other larger cities and mostly attract young and educated citizens. Social media (Facebook) play an important role in mobilizing and 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 relatively high. Differences in average wages of women and men are

still around 22%, which is one of the highest rates in the EU regarding this indicator. The representation of women in politics at the national level has not changed significantly; in the Chamber of Deputies of the Parliament, only 22% are women. Women's representation in decision-making positions remains low, as well as in government, business, justice and diplomacy. With women accounting for 9% of public and private leadership positions, Czechia remains at par with both global and European averages. The World Economic Forum's 2018 Global Gender Gap Report ranked Czechia 82th out of 149 countries due primarily to challenges facing women in the areas of economic participation and political empowerment (ranking 87th in these two categories). In fall 2018, the ratification of the Istanbul Agreement was vocally opposed by conservative circles and the Catholic church. The critics presented the Istanbul agreement and anti-discrimination charter of the Council of Europe (which entered in force in 2014, but which Czechia along with several other CEE countries and the UK has not ratified yet) as a "diffusion of gender ideology and a threat to traditional gender roles."

The discrimination against Roma remains another grave issue. The ratio of Roma pupils in so-called special schools that serve individuals with learning disabilities is about 25%, significantly higher than the actual proportion of Roma living in Czechia. Such tracking means that many Roma children have a reduced chance of moving on to higher education and better work opportunities. As low-income Roma families have moved out of cities into rural areas in response to rising housing prices, territorial segregation has increased. The governmental response included a plan to move 6,000 low-income (mainly Roma) families from temporary housing into permanent housing by 2020; implementation has yet to begin. The discrimination of the Roma in some segments of society is echoed by several prominent politicians and their parties. In 2017 this was the case of Okamura's party of Direct Democracy and his 2018 statements included the denial of holocaust against the Czech Roma minority in Lety Concentration Camp during World War II. President Miloš Zeman has a long track record of anti-Roma statements, attacking them as welfare parasites. An off-the-cuff remark in October 2018 provoked criticism by the media and the opposition. In a social media campaign that went viral, members of the Roma community posted pictures from their workplace on social media entitled "Mr. President, I work."

Citation:

World Economic Forum (2018): The Global Gender Gap Report 2018. Geneva (<https://www.weforum.org/reports/the-global-gender-gap-report-2018>).

## 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. In the period under study, no major controversial cases were decided by the Constitutional Court. The Supreme Administrative Court rejected several minor complaints regarding the Senate and municipal elections. Some included minor administrative mishaps others, for example, by Andrej Babiš's ANO, questioned the number of invalid votes in the first round of 2018 Senate elections in one electoral district (Rokycany). The Court rejected the ANO complaint as well as the other six complaints and confirmed the validity of the elections.

Citation:

Pospíšil, I. (2018): Ein aktivistisches Verfassungsgericht als Korrektiv der Politik: Struktur, Besetzung und Rechtsprechung, in: A. Lorenz, H. Formánková (Hrsg.), Das politische System Tschechiens. Wiesbaden: Springer VS, 131-152.

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: 5

In Czechia, corruption has remained widespread. Subsequent governments have emphasized their commitment to fight corruption but have done little to adequately address the issue. Two significant changes were implemented in 2017: amendments to the law on party finance and law on conflict 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 most public controversy concerns the use of EU funds, intended for SME support, to finance a business temporarily separated from his conglomerate which was then returned to his control after the subsidy

had been received. It emerged that nominal ownership had only been transferred to his family members, but police investigations reached no clear conclusions. A key barrier was that adult children, the temporary owners, were reportedly unfit to face a court owing to psychiatric problems. In November 2018 journalists from the relatively new online channel Seznam TV published an interview with Andrej Babiš's son Andrej Babiš jr who reported that he was willing to be interviewed by police but had been kidnapped by people working for his father and taken to Crimea from which he later escaped. Subsequently, Babiš gave a press conference denouncing the media on an "attempted coup" and informing the public that both of his adult children are mentally ill. Despite demands from the opposition for his resignation and public demonstrations in Prague and other cities, he was emboldened by the sympathetic treatment he received from the media outlets he controlled and thus remained in power, thanks to continuing support from Social Democrat coalition partners who feared that he would survive by creating a new coalition with Okamura's party. Further problems await him through action precipitated by Transparency International that challenge his control over media companies while an active politician, and by a possible action from the European Commission following a reported opinion that all subsidies for his businesses should be returned in view of conflict of interest as he was both a government minister and effectively a business owner, despite nominally putting ownership of his businesses into a trust fund.



# Governance

## I. Executive Capacity

### Strategic Capacity

Strategic  
Planning  
Score: 5

While the institutional infrastructure for strategic planning in Czechia remains relatively weak, a number of strategic frameworks exist, partly resulting from EU pressure. In April 2017, the government approved the strategic framework Czechia 2030, setting 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. However, it has played a limited role in guiding the planning activities of the different ministries, and Prime Minister Babiš has paid little reference to the strategic framework so far. 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 addition, the government prepares action plans for individual policy fields in cooperation with interest groups and academic and other experts.

Expert Advice  
Score: 6

In Czechia, there are several permanent or temporary advisory bodies and a number of public research institutions that are closely linked to certain ministries and the Government Office and 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, but there are still respected scientists, former ministers and representatives of the business sphere among them. As with the previous Sobotka government, however, their actual role and impact are not very transparent.

### 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

There are about 21 committees whose activities are organized by the Government Office. In addition, there are a further 15 working and advisory bodies managed by individual ministries. Depending on the set of issues they are tasked to address, some are established on a temporary basis while others are permanent. The most important permanent committees include the Council for National Security, Legislative Committee, Committee for the European Union and the Research and Development Council. The committees discuss and approve policy documents, thereby filtering out issues and saving time in cabinet meetings, but 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 clear de-politicization of public administration, and it remains difficult to attract highly qualified workers into public service. In line with its technocratic appeal, the Babiš government has elevated several respected public servants into ministerial positions.

Informal  
Coordination  
Score: 6

Informal coordination mechanisms have featured prominently in Czech political culture. The Sobotka and the Babiš government alike have rested on coalition agreements which have included agreements on policies as well as coordination rules. Fundamental issues are addressed at the level of the chairmen of the coalition parties or the coalition council. The most important body is the coalition council. It 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

Digitalization for  
Interministerial  
Coordination  
Score: 5

senatorial clubs are also important. Coalition parties also have their expert commissions. The expert commissions of the individual coalition parties communicate among themselves primarily while preparing legislative proposals. Because the Babiš government relies on support from the Communist Party (KSČM), it must also take the latter's reactions into account.

Digitalization features as one of the priorities in the manifesto of the Babiš government. However, progress has been relatively slow. As the Supreme Audit Office (NKÚ) has drawn attention to several times, digital technologies have been purchased and developed without a thorough needs analysis and in a highly fragmented manner. Moreover, the isolated character of the existing systems has complicated data sharing between public bodies. As for interministerial coordination, digital technologies have played only a limited role.

#### Evidence-based Instruments

RIA Application  
Score: 8

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. By 2016 RIAs were applied to 67% of government legislation. Constitutional amendments and transpositions of EU law that do not go beyond EU requirements are exempt from RIA, and the government can exempt further legislation upon recommendation by the Working Committee of the Legislative Council for RIA, an interministerial body or the chairman of the Government Legislative Council. There is a common RIA methodology, which has been refined over time. The committee checks the completeness and accuracy of the impact assessment of the legislative proposals submitted to the government in accordance with government-approved guidelines for 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 has been one of the few countries featuring an independent RIA. Since 2011, quality control has rested with the RIA Board, an independent commission affiliated with the Government Legislative Council. This body 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. The Board has increased in size to 17 members with 11 meetings during 2017.

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. The 2016 amendments to the RIA guidelines have specified how to assess or quantify these effects. Criteria are continuously refined. The process of assessing the impact of regulation does not replace political decision-making, it only creates the preconditions for the cultivation of decision-making.

Quality of Ex  
Post Evaluation  
Score: 6

Ex post evaluations are a regular part of the RIA process. Save for measures financed with EU funds, however, they have not been carried out in a systematic fashion so far. In order to address this problem, the Government Office presented in mid-2018 a comprehensive proposal for improving the quality of ex post evaluations.

### 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 main formal means of consultation is a tripartite council including 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 the consultation with societal actors than its predecessor, new forms of dialog with non-governmental organizations and citizens in preparing important decisions have been taken up in the sectoral, regional and local levels. Several municipalities have introduced participatory budgeting in order to improve citizens' involvement.

### Policy Communication

Coherent  
Communication  
Score: 5

The Sobotka government largely failed to coordinate communication among different ministries, especially across the party lines. Coalition partners, especially ČSSD and ANO were more than willing to express their different preferences and priorities, sharing these through the media. Under Prime Minister Babiš, government communication has become less cacophonous. However, the streamlining of government communication reflects a bowing to Babiš by both the ANO ministers and the Social Democrat coalition partner rather than any coordination among equals.

## Implementation

Government  
Effectiveness  
Score: 5

The effectiveness of the first Babiš government suffered from the lack of a parliamentary majority. The program of the second Babiš government, published on June 27, 2018, is mostly a continuation of the previous government priorities, with some popular measures added that cater to ANO voters. The government has been able to implement the program in cases involving simple-to-implement policies not requiring broader consultation and which were close to the aims of its Social Democrat coalition partners. The promise of cheap transport for young people and pensioners was implemented quickly. It remains to be seen whether more complex programmatic points which require broader public consultation and consensus will prove as easy to implement. It also remains to be seen whether promises on social policy and on continued pay increases for workers in education will prove compatible with promises for reductions in direct taxes.

Ministerial  
Compliance  
Score: 7

In the past, governments have tried to ensure ministerial compliance largely 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 results in the 2017 parliamentary elections has weakened their assertiveness in the coalition. In order 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 those controlled by himself. A number of ministers of his first government who were seen as potential opponents, did not make it into the second cabinet. This applied to Minister of Foreign Affairs Martin Stropnický, Minister of Defense Karla Šlechtová and Minister of Justice Robert Pelikán.

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 Supervisor 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, the 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

The accumulation of wealth and business power has been significantly facilitated from 1990 onwards first by lax regulatory environments and subsequently by political favors and contacts with politicians. Prime Minister Andrej Babiš exemplifies the phenomenon at national level, building his

business empire from a starting 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. The European Anti-Fraud Office (OLAF)'s preliminary report on EU subsidy fraud that was leaked in October 2017 before the parliamentary elections found that Andrej Babiš had defrauded EU subsidies and the Czech state, thus confirming the Czech police's earlier claim.

### 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 of 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 European level and has aligned himself rather 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 its reform and 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 two Babiš governments, the institutional arrangements of governing have remained largely unchanged. Prime Minister Babiš has cultivated his technocratic image by making several career civil servants ministers, but he has sought to increase the strategic capacity of his government primarily by using his strong position as ANO leader.

## 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. Growing diversity of the media landscape and the Pirate party's success in the 2017 elections 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 an apparent anti-Babiš resistance. The political polarization reflected in the media landscape deepens 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 been more or less stable level over the last ten years.

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 Catalog (Národní katalog otevřených dat, NKOD) and a central open data portal (<https://opendata.gov.cz>). The access to government information became a major issue in the parliamentary elections in 2017 and the municipal elections in 2018, largely because of the Pirate party's campaign. While more information is made available to citizens than has been 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 there is a parliamentary library and a parliamentary institute. The latter serves as a scientific center providing information and training for members of both chambers of parliament.

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. During the period under review, one such committee was set up.

Summoning  
Experts  
Score: 10  
Task Area  
Congruence  
Score: 9

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

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 may establish subcommittees and their number is not limited. In the period under review, there were 60 subcommittees in the Chamber of Deputies. The number of subcommittees per committee varied from zero to seven; the average number was 3.33.

## Media

Media Reporting  
Score: 6

The main TV and radio stations provide daily news programs and some deeper 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 continual analysis of domestic and international events. The 2018 presidential campaign showed more balanced reporting from state tv channels, while most private outlets were deemed to be imbalanced in their reporting by the Council for Television and Radio Broadcasting. The Council also noted that in some cases, these private outlets used populist rhetoric and demonstrated a clear bias in favor of the president. 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. The ownership structure of the new media includes non-profit, crowdsourcing and paid content. Citizens are increasingly concerned and willing to support independent journalism. The circulation of quality weeklies, which provide in-depth analysis, increased between 2017 and 2018 by an average of 10%. Online media often engage experts, members of parliament and stakeholders in in-depth debates. Social media play an important 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 party), emerged as the strongest party (29.6% of the votes), attracting many voters of the Social Democrats (7.3%) and Communists (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 April 2017, there are over 129,947 autonomous, self-organized groups, associations, foundations and organizations registered in the country, although not all of them are active. In the last decade, new NGOs emerged focusing on areas such as corruption, city planning, LGBT rights, food safety and participatory budgeting on the local level. Many of them 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 (Česká republika Nejvyšší kontrolní úřad, NKÚ) is an independent agency which audits the management and performance of state property, institutions and the national budget. In doing so, it has also paid special attention to examining the financial resources provided to Czechia from the EU budget. The functioning of the NKÚ is regulated by the constitution, whereby the president and vice-president of the NKÚ are appointed for the period of nine years by the president of Czechia, based on proposals from the lower house of parliament. In addition, the NKÚ prepares at the request of the Chamber of Deputies, the government and individual ministries, comments and opinions on proposed legal regulations, especially those concerning the budget, accounting, statistics, auditing, tax and inspection activities. On the basis of the identified shortcomings, the NKÚ regularly analyzes the weaknesses of the budgetary process and formulates recommendations. In 2017, the Audit Committee of the Chamber of Deputies of the Parliament of Czechia discussed 12 audit conclusions. The government considered 28 audits and implemented 220 NKÚ recommendations.

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 2017 and the first three quarters of 2018, the office received about 8,254 complaints, of which 68.6% were within the defender's mandate. Most complaints were related to social security, followed by construction permits and spatial planning, the prison system, the police and the army, the rights of children, youths and families. A new issue has been the application of the EU's General Data Protection Regulation.

Data Protection  
Authority  
Score: 8

Data protection rests with the Office for Personal Data Protection (Úřad pro ochranu osobních údajů, ÚOOÚ), an independent body set up under a law passed in 2000 to supervise the observance of the legal obligations laid down for processing personal data; to maintain the register of notified data processing operations; to deal with initiatives and complaints from citizens concerning any breach of the law; and to provide consultancy in personal data protection. The president of the republic appoints the president of the office at

the proposal of the president of the upper house of parliament (Senate). The scope of the ÚOOÚ's activities has widened in the context of the adopted European legislation on the protection of personal data. In the period under review, the implementation of the EU's General Data Protection Regulation featured prominently on the agenda of the ÚOOÚ. In 2017, the ÚOOÚ received 1,684 infringement complaints.

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