

**Coalition Agreement  
on the Formation of a Coalition of Budgetary Accountability, the Rule of Law and the  
Fight against Corruption**

**Policy Section**

**10 April 2012**

## **Coalition Agreement**

### **Preamble**

Further to their mandate from the citizens of the Czech Republic, expressed in elections to the Chamber of Deputies of the Parliament of the Czech Republic on 28 and 29 May 2010, the Civic Democratic Party (ODS), TOP 09 and Public Affairs (VV) entered into negotiations on the formation of a majority coalition government.

On the basis of a consensus reached in those coalition negotiations, the ODS, TOP 09 and VV decided to form a coalition of budgetary accountability, the rule of law and the fight against corruption.

The Coalition will undertake the fundamental reform of public finances in order to halt the indebtedness of Czech citizens, and will reform the pension system and health care. It will rigorously pursue a course of fundamental action to combat corruption and bureaucracy. The Coalition considers other priorities to be the promotion of the business sector, which alone produces long-term sustainable jobs, and the more precise targeting of the social protection system so that abuse thereof does not waste resources intended for the truly needy.

The Coalition will honour the principles of parliamentary democracy and fully serve the interests of our country and the needs of its people. The state exists to serve the citizens, not vice versa.

In the implementation of Czech foreign policy and in addressing the long-term social, economic and welfare problems of our country, the Coalition will seek a consensus with the democratic opposition in the Parliament of the Czech Republic. In key issues, it will heed the advice and recommendations of professionals.

In witness of their intention to form a coalition government, the chairmen of the parties hereto affix their signatures to the end of this document.

### **Public budgets, compulsory expenditure, social protection and pension system**

As politicians take the decisions on taxes and public funds, they should also be held directly liable for the way they are managed. The Government will therefore push through a constitutional law on budgetary discipline and accountability – a financial constitution forging safeguards and applying the brakes to profligate budgetary policy.

The Government will set up a national budget council to audit budget expenditure frameworks and proposals affecting the budget. It will not be possible to discuss legislative proposals until the council has published its observations. It will not be possible to submit for a second reading any draft legislation that results in higher spending than that envisaged in the draft in the first reading.

Assuming the economy will grow, by 2016 we will achieve balanced public budgets; by 2013, the government deficit will be no more than 3% of GDP.

The Government, aware of the threat posed by future trends in public finances, will make spending cuts. One of the measures will be to reduce the payroll in government departments and in organizations funded fully or partly from the public purse by a tenth, excluding teaching salaries, which will increase. The Government places the responsibility for deciding whether to make these savings by cutting salaries, layoffs, or a combination of the two, in the hands of each minister. Further, the Government undertakes to redirect the system for the

appraisal of the work done by public-sector employees towards greater motivation and better rewards for more capable, more industrious employees.

The Government will also reduce the overall level of remaining operating costs by a tenth. The debt service resources indicated in the outlook drawn up by the Ministry of Finance will be reduced by four billion.

We will reduce the salaries of parliamentarians in the Chamber of Deputies and other constitutional officials by another 5%. It is not acceptable for these persons, in a time of crisis, to remain the only group immune to pay cuts. At the same time, the allowances constituting a part of parliamentarians' income will be subject to taxation.

The Government will abolish the posts of the Minister for European Affairs and the Minister for Human Rights and Minorities, and the chairman of the Government Legislative Council will no longer be a minister.

From this year, we will reduce political parties' per-mandate allowance by 5%, including the current allowances already paid. From 2012, the per-mandate allowance will be reduced overall by 10%, and from 2014 the per-vote allowance will be reduced by the same proportion. Further, as of the date of publication of the amended law, the political parties' operating allowance will be reduced by a fifth.

We will trim certain types of social benefits in a socially sensitive manner. The sickness insurance compensation rate will be maintained at 2010 levels, i.e. 60% over two months of illness (it will not be increased to 69%).

At the same time, the payment of sickness benefits by the employer will be extended from the current 3+7 days (waiting period + number of days covered by the employer) to 3+12, which will apply for three years before the 2010 level (3+7) is restored.

We will abolish the social allowance without replacement. The birth allowance will be payable only for the firstborn child and only to families with an income of less than 2.4 times the subsistence level. The parental allowance for four years' parental leave will be reduced so that it is as favourable as that for two years' parental leave.

We will tax the armed forces' service allowance as part of personal income tax. The housing allowance will be reduced by 36%, or less, but so that the reduction in the allowance and the related income tax amounts to 36%.

The level-one care allowance will be reduced to CZK 800 per month, equivalent to the actual cost of caring for these people. In other respects the system in place in 2010 will remain unchanged. At all levels of dependency, the benefit will be subject to a solemn declaration by the applicant that he or she cannot make ends meet without that benefit.

In the General Treasury Administration budget heading, from next year we will reduce the amount of funding by one tenth, with the exception of building saving schemes (which are addressed separately) and the following items: health insurance contributions, contributions to the EU budget, spending on commitments under international agreements concerning the receipt of assistance from the EU budget, and payments to international financial institutions, which are expected to develop independently.

We will halve the government subsidization of building saving schemes for all existing and new contracts. Under new contracts, we will restrict the use of funds to housing.

The Government will continue the Single Collection Point project, where taxpayers will pay a single sum, calculated from a single assessment base, indicated on a single form. The Government will seek to accelerate work on this project so that it is completed by the end of its tenure.

The Single Collection Point project will also unify the tax base for all direct taxpayer contributions. Nevertheless, the Government commits that this step will not be to the detriment of the self-employed.

The Government will respect the Bezděk Committee's conclusions on the reform of the pension system, including its financing. The Government will build on the Committee's conclusions to the fullest extent possible while minimizing the impact on vulnerable population groups.

Pensions will be index-linked at a reduced rate, but the nominal amount of pensions will not be frozen.

All proceeds from privatization and state company dividends will be channelled into pension system reform. These funds will be tied to a special account of state financial assets.

Seniors who receive a pension and also have income in excess of three times the average wage will have to tax that income.

The Government is committed to making the tax system simpler and more transparent. One of the steps will be the realignment of inheritance and gift tax under income tax. This will save on administrative costs for both the state and taxpayers.

With regard to income tax, we will abolish most of the existing tax exemptions, with the exception of support for science and research, families with children, responsibility towards the weak and the needy, housing and responsibility for one's own education and old age.

The Government will conduct an analysis of a possible tax amnesty on budget revenue based on experience in countries where it has been implemented.

We will eliminate degressivity above social and healthcare contribution ceilings as of 1 January 2013.

The Government will introduce higher taxation on lotteries and all gambling and will remove exemptions in this field. The revenues of firms engaged in business in this sector will be taxed at a uniform rate of 20%. This tax will be revenue of the central government budget. We will reinforce the regulatory powers of municipalities in this area.

In the fight against tax evasion, we will lengthen the period available for the re-assessment of tax from the current three years to five years.

We will conduct a comprehensive reform of the Labour Code. In this respect, we will shorten the notice period and grade severance pay according to the number of years an employee has worked for the employer.

We will expand the range of childcare by means of conditions conducive (tax allowances) to the establishment of corporate and other non-state mini-nurseries, and by introducing the registered trade of childcare and babysitting.

The Government will grant social insurance relief of CZK 7,200 per year for each part-time worker who is a parent with children under 6 years old, is disabled, or is a carer for a

disabled person. We will also make work by agreement more advantageous, we will make fixed-term contracts less stringent, we will make working hours more flexible and we will support alternative employment models.

The Government will support the construction of starter housing for young families in the form of the faster depreciation of price-limited compact flats intended as rental housing. As such, we will increase the mobility of the workforce.

The payment of social benefits will be strictly contingent on arrangements by beneficiaries to ensure proper school attendance by their children.

Unemployment benefit will depend on the activity of the beneficiary. Similarly, tangible need benefits will be graded on the basis of activity by the beneficiary.

The Government is committed to improving the system of care for vulnerable children. One step will be to provide greater incentives to increase the number of foster families, for example, by way of their professionalization.

We will clamp down on those who default on rent or fines. If these people are on welfare, such debt will be deducted directly from their benefits. We will expand and simplify the application of the concept of “special recipient”, allowing for part of a debtor’s benefits to be paid directly to creditors.

Municipalities will continue to be able to carry out on-the-spot investigations at households receiving support and to verify the veracity of claims by beneficiaries. Municipalities will be able to keep funds from withdrawn or lost benefits, but only for use as emergency social assistance for the needy.

The Government will promote the more widespread use of non-cash forms of social benefits (vouchers, electronic cards), currently used for tangible need benefits, to include other benefits where this is necessary to protect the interests of children. The Government will also address the possibility of the misuse of benefits, e.g. the spending thereof on gambling or alcohol.

The Government will promote the development of home care for the elderly. In this respect, it will provide tax credits for family members who provide home care for seniors who are highly dependent on their care. Carers will be able to claim tax credit at the same amount as that applicable to the care of children.

The Government will also reduce benefits for the unemployed who terminate their employment voluntarily.

The Government will propose the repeal of provisions on “concurrent employment” [a form of employment where workers can remain registered job-seekers] in the Employment Act because it has been abused. At the same time, the Government will promote the employer’s duty to report the commencement of an employee’s employment one day before the employment start date.

To ensure the stable, predictable funding of the life and development of municipalities, the Coalition will propose a new law on the budgetary specification of taxes. It will submit the bill after exhaustive discussions with local government representatives from the Union of Towns and Municipalities, the Rural Regeneration Association, the Association of Local Governments, and other bodies. The starting point will be a careful analysis of the costs of state administration in municipalities of all levels. The Coalition will also discuss factors not yet taken into account when determining a municipality’s portion of shared taxes, such as the

existence of a school, the elevation above sea-level, or any negative environmental effects. The Coalition is also interested in increasing the financial incentives for municipal assemblies to promote a favourable business environment in their municipality.

The aim is to reach a stable long-term agreement where municipal revenues are statutorily determined in such a way as to reduce the current discrimination between per capita income among the “poorest” and “richest” municipalities and to mirror the situation in the developed countries of the European Union.

The revenue base of municipalities will be reinforced at the expense of the national subsidy programmes which have so far been used to fund development projects centrally, and hence inefficiently. In terms of expenditure, it will then be possible mobilize financial resources through the methodical simplification or cancellation of costly administrative agendas.

We will complete the establishment of the Treasury and the implementation of accounting reforms in public administration, which will help make financial flows more transparent and the public finance decision-making processes more effective. Any expenditure in excess of one million crowns will be published on the Internet. This will ensure that government spending is transparent and subject to public scrutiny.

We will merge regulatory bodies in network industries. The aim of regulation is to increase competition in these sectors.

Government purchases exceeding a certain limit will be made centrally. This will reduce administration and lower prices as a result of the stronger negotiating position. We are also keen to introduce the standard purchasing of materials and services for all authorities exclusively through online auctions. We will also make greater use of shared services.

## Health care

In view of the fact that the Coalition regards health care as one of its major programme priorities, it will not allow the quality and availability of health care for citizens of the Czech Republic to deteriorate. Furthermore, the Coalition will push for changes facilitating the modernization and further development of the healthcare system based on long-term financial sustainability. The Coalition aims to provide citizens of the Czech Republic with affordable, quality health care rooted in a principle of genuine solidarity.

The Coalition has agreed on the basic conditions to fulfil these goals, such as the preservation and modernization of public health insurance, increased resources by the legal influx of private resources, a transparent legal environment, equal competition among healthcare providers and health insurance companies as an effective tool for curbing corruption, equal access to care covered by public health insurance, genuine solidarity between the healthy and the sick, and a clear specification of the role played by the state.

The Coalition will continue a public debate on the reform of the Czech health care by setting up an expert committee, to which other parliamentary political parties will be invited.

We will define the entitlement to (i.e. the scope of) care covered by public health insurance based on medical criteria and as far as public health insurance has sufficient capacity. Any medical establishment that has a contract for the provision and payment of health care with a health insurance company must always offer the patient's "entitlement", i.e. health care fully covered by public health insurance. We will define the temporal and geographic (local) availability of health care and require the insurer to arrange such availability for the insured. Patients will pay for that part of health care which is not covered by public health insurance, i.e. which is not part of the "entitlement".

We will introduce transparent waiting lists for various types of health care.

The emergency medical service will be a nationwide uniform service defined by a separate law addressing its operations, organization and funding principles, the availability of its services and its status within the health system and the Integrated Rescue System.

We support prevention, and therefore we will enable health insurers to positively motivate their clients to participate in preventive care. We will continue to try to prevent addiction, including smoking and the protection of non-smokers.

We will promptly categorize medical devices. Medical devices will be covered by public health insurance on a principle of references, i.e. "same effect – same cover".

We will introduce generic prescriptions and substitution for drugs covered fully or partially by public health insurance. Each reference group must include at least one available drug which is fully covered, i.e. not subject to additional charge. We want insurance companies to play a greater role and have more responsibility in decisions on insurance cover for medicines and medical devices.

We will create the legal environment needed to convert teaching hospitals (faculty hospitals) into university hospitals with hard budgetary constraints. We will proceed likewise with other medical facilities in state ownership.

At its facilities and healthcare providers, the state will arrange for electronic auctions and central purchasing.

We will complete the reform of postgraduate and lifelong education. The undergraduate training of health workers cannot be financed from public health insurance. These costs will be covered by the Education Ministry. Postgraduate education will be entrusted to universities specializing in medicine. Lifelong learning will be organized by chambers, professional companies and universities. Postgraduate and lifelong learning will be provided by entities duly accredited by the Ministry of Health. The state will financially support postgraduate education in a way where the funds are channelled both to the student and the employer.

We will strengthen the supervision and control of health insurance companies, their management and the provision of their clients' entitlements. We will set clear, transparent and effective conditions under which contracts are to be concluded between insurers and healthcare providers. We will strengthen quality control and the safety of health care and medical facilities. We will complete the transformation of institutions protecting and promoting public health.

We will promote stronger patient rights. We will promote the computerization of health care as a means to increase the transparency and efficiency of the healthcare systems, to reduce corruption and to improve public health and awareness of the utilization and quality of care.

We will introduce principles of transparent public tendering in the purchase of care (services) by health insurance companies.

We will initiate mergers of the departmental insurance companies of the Ministry of the Interior and the Ministry of Defence. We will harmonize the conditions for the functioning of all health insurance companies by law so as to allow for potential further transparent mergers of other health insurance companies.

We will ensure the fairer, more criterial reallocation of health insurance contributions.

Together with experts, we will define health and social (long-term) care, and we will propose appropriate means of financing. We will promote long-term home care, and field and outpatient services tailored to the needs of the patient as an alternative to long-term inpatient care. We will ensure the development of palliative and hospice care.

We will abolish or modify the index-related salaries in health care so that, among other things, the amount of remuneration paid to health professionals on completion of postgraduate training is not blocked and greater incentive pay can be offered.

We will reinforce the skills of paramedical staff.

We will modify regulatory fees by replacing the regulatory fee per item on a prescription with a regulatory fee per prescription and by withdrawing the coverage of cheap drugs from public health insurance. The Coalition will strengthen the competence and responsibility of primary care and increase regulation for visits to outpatient specialists without a referral. We will adjust regulatory fees for hospitalization to reflect the actual cost of "hotel services" in relation to their quality, which will be at least CZK 100 per day of hospitalization. We will continuously evaluate the social risks and impacts on different population groups.

The Coalition will push for all new laws relating to healthcare reform to enter into force on 1 January 2013.



## **Foreign policy, European Union, defence**

### ***FOREIGN POLICY***

The Coalition of the ODS, TOP 09 and VV undertakes that the Government of the Czech Republic will promote a foreign policy based on continuity and broad consensus. Its main goal in coming years will be to consolidate the reputation of the Czech Republic in the world. With this in mind, we will pursue the further development of mutual relations and cooperation with neighbouring countries (countries directly bordering with the Czech Republic and other countries in Central Europe) in all areas of common interest.

We will strive to fulfil obligations arising from the Czech Republic's membership of international organizations. For allies in NATO and the European Union, we must be an understandable and reliable partner. However, all of our contributions and votes in these institutions must be weighed against the benefits for residents of the Czech Republic and the country as a whole.

We will maintain and deepen transatlantic ties and expand cooperation with the United States in other areas. The Coalition Government is committed to building on cooperation in science and research and promoting the further development of scientific and technological cooperation projects.

We will seek to promote human rights as an integral element of the post-revolutionary development of the Czech Republic's foreign policy. The Coalition Government will continue this long-standing tradition.

We will support the liberalization of world trade as a means of improving growth in the global economy. We also regard the removal of tariff barriers and other restrictions on international trade as the most effective way of developing cooperation. However, the opening of the market must be bilateral.

We want to implement a consistent and effective pro-export government policy, focusing on dynamically developing countries and markets while taking into account the Czech Republic's security interests, and to strengthen public diplomacy as a useful tool for open discussion on key foreign policy issues at home as well as an effective means of presenting the Czech Republic abroad.

We will strive to reform and rationalize the institutional structure of the Czech Republic's foreign agencies in order to reduce the duplication of processes and increase the efficiency of public funds expended. These agencies must respect the basic avenues of government foreign policy. The final form will emerge from a broad discussion among political representatives and the professional community.

The Coalition Government will continue to increase the Czech Republic's external energy security, in particular by diversifying the source countries of energy resources and transmission routes to reduce Czech dependence on any one country. The main project in this area will be support for the construction of the Nabucco pipeline and other projects for the north-south interconnection of energy networks.

The Coalition parties are committed to a unified European energy policy.

### ***THE EUROPEAN UNION***

The Czech Republic will promote a self-confident, active and readable policy.

In the Neighbourhood Policy and external relations, we support the further enlargement of the EU, provided that the existing admission criteria are retained. From a regional perspective, priorities are South-eastern Europe and the states of the Eastern Partnership.

During discussions on the new EU fiscal period for the 2014–2020 period, we will promote keeping the EU budget at 1.0% of EU GDP. Other important objectives will be the equalization of conditions for farmers from old and new Member States and support for the development of competitiveness and efficiency in the agricultural sector. We are opposed to the covert agricultural aid of certain EU countries, whose aid and pro-export policies are damaging to Czech producers. For this fiscal period, we will promote a reduction in EU spending on the Common Agricultural Policy. For more efficient utilization of EU subsidies, we will push for a radical reduction in the number of operational programmes.

In further talks on the closer coordination of economic policy, we will ensure the consistent application of the principles of subsidiarity and proportionality. The approval of national budgets must remain in the exclusive competence of the national parliaments of Member States, any penalties for violations of the Stability and Growth Pact must be applicable to all Member States without discrimination and must be enforceable.

The Coalition Government of the Czech Republic will seek to continue the liberalization of services in the EU and to remove remaining barriers to the free movement of persons, goods, services and capital. We express our support of structural reforms, an improved business and investment climate, a reduced administrative burden, increased labour market flexibility and the elimination of unnecessary European regulation. In this respect, the Czech Republic will support proposals aimed at the better and more effective functioning of the internal market.

The Coalition parties will press for ratification of Protocol No 30 (the Czech Exemption) in conjunction with the ratification of the next accession agreement. In case of fundamental institutional changes within the European Union requiring the amendment of primary law, the transfer of further powers from the Czech Republic to the EU will be subject to a referendum.

With regard to the changes brought about by the Lisbon Treaty, the Coalition Government is committed to the acceleration of procedures for the adoption of the Czech Republic's positions, including the involvement of the European committees of both Chambers of Parliament, and to increasing the political control of these positions in daily decision-making. The preparation of coordinated positions for meetings of the European Council and the strategic European agenda will be the responsibility of the Prime Minister, who has the necessary administrative apparatus cooperating with the Ministry of Foreign Affairs at his disposal at the Office of the Government. The status of this apparatus will be addressed in the Competence Act. The Government is committed to professionally qualified and linguistically proficient representation at all levels of Union negotiations. The Government will abolish the post of Minister for European Affairs.

## ***DEFENCE***

The Coalition will implement defence policy in close interdepartmental cooperation so that the Czech Army's defence capacity meets the requirements of national security interests both in the Czech Republic and beyond, in close cooperation with NATO allies. The Czech Republic's NATO membership constitutes an essential pillar of its security and defence policy.

The Coalition will support the further development of the European Union's defence capabilities, particularly as part of EU civil crisis management capacity.

In addition to building defence capacity, the Ministry of Defence will place a stress on the completion and optimization of the Czech Republic's Integrated Rescue System, with maximum emphasis on protecting the lives and health of the population and property in case of natural disaster or technological accident.

In the context of the above objectives, and following approval of the new NATO Strategic Concept by heads of state and government at the Lisbon Summit in autumn this year, the Coalition will amend the system of national strategic documents – the Security Strategy of the Czech Republic – and will subsequently develop a new Defence Strategy of the Czech Republic.

The Ministry of Defence will accelerate work on the adoption of a new service law (the Act on the Service of Professional Soldiers), which will create conditions for the stabilization of personnel in the armed forces, codify the conditions for their career prospects and create conditions for adequate social security.

The Ministry of Defence, in accordance with the current construction requirements of the armed forces and with regard to source opportunities, will optimize the organizational structure of the Ministry of Defence and the system for the command and control of the armed forces at all levels. The resulting structures and systems, in terms of their essential scope and functionality, will be consistent with the requirements arising from our NATO membership and generally binding legislation of the Czech Republic, and must be proportionate to the current size of the Czech Army.

Structural changes in the Czech Army must be geared towards national military policy ambitions, particularly with regard to their actually envisaged scope and method predicted for the deployment of forces. The Ministry of Defence will ensure a gradual increase in deployable forces in line with obligations stemming from NATO membership.

The Coalition respects the fact that, as a member of NATO and the EU, the Czech Republic must bear an appropriate share of responsibility for the fulfilment of decisions taken collectively. In this regard, the Ministry of Defence will develop, and the Czech Government will subsequently propose to the Czech Parliament for approval, plans for the deployment of the Czech Army's forces and resources in foreign operations and missions to a scope and extent corresponding to the Czech Republic's due share in those common activities. These proposals will be submitted for a period of two to three years.

The Coalition, with the knowledge that the Czech Republic has only one set of military forces and resources, will seek the closest possible cooperation between NATO and the EU in the management of military operations and civilian missions and in the building of the necessary military capabilities. The Coalition will promote a complementary approach to the building of the military capabilities of both organizations, while ensuring maximum effectiveness in the spending of national and collective resources, the harmonization of their efforts and, in particular, the elimination of duplication.

The Ministry of Defence will complete the restructuring and supplementation of the Czech Army with personnel and a comprehensive system for their preparation, training and education in order to increase the quality of human resources in general and to deploy well equipped and trained compact, mostly organic units to foreign operations and missions, complemented, depending on the nature of the tasks to be performed, by the deployment of specialized teams.

The Coalition will not allow the slightest flagging of our intention to honour our allied commitments, particularly with regard to the Czech Republic's participation in NATO operations.

The Ministry of Defence will make the medium-term plan of necessary acquisitions of armaments and rearmaments in particular more precise and more viable so that all expenditure in this regard is effective, predictable and controllable. The Coalition is committed to enabling the Ministry of Defence to make direct purchases without intermediaries.

The Ministry of Defence will periodically submit to the competent committee of the Chamber of Deputies of the Czech Parliament summary information on public procurement on the same expanded scale as this requirement has currently been set for the Czech Government (Government Resolution No 158/2010).

The Coalition will responsibly and seriously approach the safeguarding of the defence and security interests of the Czech Republic as a Member State of NATO with continuous pressure to eliminate any inefficient spending, and will seek to reconcile expenditure and actual needs in this area.

For the 2011 financial year, the Coalition has agreed to reduce the budget heading of the Ministry of Defence by CZK 2.1 billion; by 31 December 2010, a detailed analysis of the Ministry's spending patterns will be conducted in order to identify further savings for the 2012–2014 period.

The Coalition, recognizing the increasing interpenetration of internal and external security risks, will implement the defence policy in close interdepartmental cooperation between the competent Ministries and other central administrative authorities.

## **Law, justice, public administration, bureaucracy and corruption**

### ***CORRUPTION***

We will submit a law on lobbying aimed at enhancing the transparency of the relationship between politicians and officials on the one hand and bodies specializing in lobbying on the other. This law will include definitions of lobbying, lobbying contact and lobbyists and the mandatory registration of lobbyists. The register of lobbyists will be accessible on the Internet, and penalties will be set for failure to comply with the conditions laid down by the law.

We will submit an amendment to the Constitution and an amendment to the Supreme Audit Office Act permitting checks on the handling of the assets of local governments and other public bodies. We will propose a method for monitoring the handling of the assets of legal entities controlled by the state or local authorities. The Government will carry out periodic checks, once a year, on the implementation of corrective measures resulting from SAO audit findings.

We will propose the establishment of a central register of notifications under the Conflict of Interest Act in order to facilitate public access to this information through the Data Box Information System on a form to be published by the Ministry of the Interior on the Internet.

We propose establishing the obligation for public authorities to draw up and publish their own code of ethics.

We will push for state officials appointed to the boards of companies in which the state has a shareholding to be selected according to their expertise, and for their remuneration for work in such bodies to be published. We will prepare an amendment to legislation so that local government officials appointed to the boards of companies in which the local government has a shareholding to be selected according to their expertise, and for their remuneration for work in such bodies to be published.

We will refine the concept of cooperating defendant (crown witness) under Section 178a of the Rules of Criminal Procedure and related provisions so that, particularly in serious cases of organized crime, complete impunity can be arranged in exceptional circumstances.

We will use the concept of reliability tests under Section 107 of the Police Act to set similar tests for other persons working for public authorities.

We will arrange for the publication of a guide for those who encounter a corrupt offer and are interested in cooperating in the detection of such crime with law enforcement agencies, including the protection of the notifier.

We will submit an amendment to the Criminal Code tightening the penalties for corruption among officials (disqualification, forfeiture of property).

We will introduce mandatory corruption impact assessments (CIA) as part of bills or amendments placed in the legislative process. We will conduct this assessment retroactively for selected laws.

Each year, we will review legislation with a regulatory or bureaucratic burden or with a corruption risk with a view to repealing or modifying such legislation in order to reduce that risk or burden.

We will submit, for public comment, a proposal to incorporate the right of citizens and companies to protection against bureaucracy and corruption.

We will arrange, by way of a Government resolution, for the publication of Government voting, by name, on matters where the Government takes decisions on the management of state property or on public procurement, subsidies, grants or other aid from the national budget, with the exception of matters to be discussed within the scope of the Act on the Protection of Classified Information. After adopting this resolution, the Government will immediately call on regional and municipal councils to accept a similar procedure.

After discussion with the Association of Regions of the Czech Republic, the Union of Towns and Municipalities of the Czech Republic, and the Association of Local Governments, we will present amendments to the relevant laws so that voting by regional and municipal councils is published, by name, in matters concerning the management of local government property or public procurement, subsidies, grants or other aid from the local government budget, with the exception of matters to be discussed within the scope of the Act on the Protection of Classified Information.

### ***PUBLIC PROCUREMENT, SUBSIDIES, GRANTS, ASSETS***

We will propose an amendment to the Public Procurement Act enshrining the following principles in particular: only entities sufficiently demonstrating their full ownership structure and/or control structure will be allowed to participate in public procurement. All information on public contracts must be recorded and archived in electronic form so that it can be published on the Internet, including tender documents, contracts and addenda thereto, the invoices issued, the name of the contracting authority and committee members. Contractual arrangements under the Public Procurement Act will not be subject to commercial confidentiality. We will reduce the thresholds for compulsory public procurement to CZK 1 million and CZK 3 million, respectively. The composition of selection committees will be determined by lot. We will prevent entities violating the law from participating in public procurement. We will avoid restrictive qualification requirements.

In the implementation of public procurement, preference will be given to electronic instruments, especially electronic marketplaces and electronic auctions; contracts which are not awarded in this way this will be subject to other electronic means, such as the Data Box Information System.

We will approve a Government resolution under which the Government and government agencies commit to central purchasing for selected commodities, goods and services in accordance with the Public Procurement Act (central procurement). At the same time, the Government will recommend that other contracting authorities, especially local and regional authorities, accede to the central purchasing of such selected commodities. A limit on supplies by a tenderer will be proposed as a qualification or evaluation criterion for participation in the public procurement of individual commodities.

We will submit amendments to laws promoting maximum transparency in the management of state and local government assets and in all expenditure from public funds. Based on these changes, by 30 June 2011 the Central Address will be modified so that all information relating to the sale and lease of state and local government assets and all information about the public contracts of contracting authorities is published in a single place. Amendments will be made to laws that require the publication of data at the Central Address for all contracting authorities and public authorities.

We will submit an amendment to laws concerning subsidies and grants from the national budget, where the same principles as those for public procurement will be set, in particular

the following: applicants for a subsidy or grant will be required to disclose all information about their ownership or control (organizational) structure and the persons acting on their behalf. All information on subsidy and grant procedure, including contractual documentation, will be published at the Central Address. We will propose similar arrangements for subsidies, grants and donations from local government budgets in order to minimize the administrative burden on the entities concerned.

### ***INTERNAL SECURITY, THE POLICE AND THE IRS***

We will analyse the current situation in the reform of the Czech Police Force in connection with the state of the national budget and, by reference to the budget results, we will complete the reform of the Czech Police Force geared towards a quality and efficient service to the public.

We will submit an amendment to the Act on the General Inspectorate of Security Forces to ensure independent reviews of the activities of the security forces.

We will ensure that a centre is set up at the Section for the Detection of Corruption and Financial Crime to specialize in the search and seizure of the proceeds of crime. We will also ensure that, at all levels of the Czech Police Force, the positions of specialists in financial crime are occupied by those trained in this field. Furthermore, we will ensure that, at all levels of the Czech Police Force, the restitutive approach to punishing offenders is reinforced with the aim of seizing property derived from criminal activity or the property of offenders so that it can be used in particular to satisfy the legitimate claims of crime victims and to provide compensation for damage.

In view of the inefficient parallel exercise of certain powers in the field of public policy between the Czech Police Force and municipal police forces, we will conduct a detailed legal, economic (budgetary), procedural and security analysis of the possibility of adjusting their mutual relationship and establishing a body called the "Metropolitan Police". In accordance with the Act on the Czech Police Force, we will draw up the specimen draft of a coordination agreement between the Czech Police Force and municipalities allowing the representatives of municipalities, within a limited range, to set tasks for the patrol and traffic units of the Czech Police Force and monitor their performance.

Where the budget of the Czech Police Force allows, we will continue upgrading the basic police departments and police equipment with modern technology, including an increase in the number of mobile police stations. Prior to each purchase of, in particular, equipment and outfits, we will verify their value and suitability for the needs of the Czech Police Force.

As far as the budget of the Czech Police Force allows, we will strive for the further specialist training of police officers and reinforce the incentive component of their pay to reflect the quality of work done.

We will enhance the cooperation and facilities of the basic components of the Integrated Rescue System, including greater cooperation with the Czech Army with a view to minimizing the impact of emergencies on the lives and property of citizens (floods, accidents) and the effective spending of public funds. We will continue to systematically equip volunteer fire brigade units to achieve their greater participation in emergency responses.

We will propose a more efficient system for the financial co-liability of guilty parties for disposal and recovery work in emergencies.

We will continue to promote a responsible immigration policy based on a balance of successful integration and necessary immigration. We will introduce staffing and technical

measures to prevent corruption and unnecessary bureaucracy in immigration (visa) practices. We will push for tighter regulation of the activities of “intermediary” agencies in the employment of foreign nationals in order to increase the accountability of those agencies over the course of a foreign national’s stay and work in the Czech Republic, including abuse of their position in the labour market.

We will support a project for electronic criminal proceedings in cooperation with the Ministry of Justice and the further development of other information systems within the Czech Police Force so as to obtain greater transparency in the Czech Police Force’s procedures, and to enhance the efficiency of and speed up such procedures.

Within the Czech Police Force, conditions will be created for the secure and auditable sharing of data in the fight against serious economic crime, financial crime and corruption, including analytical information, in order to ensure greater cooperation between national police departments and other Czech Police Force departments.

We will submit special comprehensive legislation on the activities of non-state security services, in order to define, in particular, the range of services provided by these entities (e.g. guarding, detective work, technical and security operations), establish licensing conditions, establish internal and external control mechanisms for their activities and the resources which they use for their activities on the basis of authorization, and set the conditions of professional competence for employment at those entities.

We will submit a proposal for the transformation of the Alien Police in order to complete the transfer of residence matters to the Ministry of the Interior (rendering the residence agenda a civil matter) and find savings in the Czech Police Force’s budget (e.g. by shedding redundant jobs).

We will submit an amendment to the Act on the Service of Members of the Security Forces with a view to establishing a “non-competition clause” preventing selected members of security forces from using the information they have gained and the contacts they have made for the benefit of non-state entities for a specified period upon termination of their service. We will consult the specific form of the non-competition clause with representatives of police unions.

We will submit an amendment to the Act on the Service of Members of the Security Forces with a view to introducing the principles for the appointment of officials to specific positions for a fixed period or for the rotation of selected officials, thus forming conditions reducing the risk of corruption, unifying the practices of security forces and building managerial skills and competencies, as far as the national budget allows.

We will reinforce prevention in the fight against crime, in particular extremism, drug crime, juvenile crime, and crimes against children, focusing on the coordination of the responsible authorities and the timely provision of information about risky situations.

## **JUDICIARY**

Using resources from the European funds, we will continue the computerization of the judiciary, especially in the use of data boxes and their related applications and systems.

We will propose an increase in the remuneration of administrative staff as far as the budget allows and based on savings from suspending further judicial appointments.

We will reinforce the training of judges, senior court officials, assistants and administrative staff, with a focus on the use of information and communication technologies.



We will conduct a detailed analysis of court agendas in order to strengthen the principle of mediation in the resolving of legal disputes, reduce unnecessary court administration and, in certain cases, remove the decision-making powers of the courts, e.g. by transferring such powers to another state or non-state body or entity. We will also propose an amendment to the rules on the use of arbitration clauses.

We will increase the supervision of the Ministry of Justice in relation to the disciplinary culpability of judges and will propose measures to enable the faster and more thorough hearing of the disciplinary culpability of judges.

For future judges, we will make the judicial examinations more stringent and introduce a mandatory three years' experience in other fields of law, plus a two-year training period, prior to their appointment. We will reinforce the principle of the lifelong education of judges.

We will propose amendments to legislation paving the way for the creation of material and technical conditions for the further employment of inmates serving time.

We will submit amendments to legislation facilitating the establishment of specialized tribunals and specialized prosecution services, especially in the fight against corruption and serious financial crime, so that these cases are placed in the hands of experienced and specially trained judges and prosecutors.

We will submit an amendment to the Rules of Civil Procedure introducing time limits for certain types of proceedings so as to avoid unnecessary delays in such proceedings while maintaining the equality of the parties to legal disputes.

We will analyse court fees and, on the basis of the results, will present a modification to court fees reflecting the type of case being heard, while respecting the need to ensure non-discriminatory access to court services by citizens and companies.

We will submit a draft amendment to the Act on the Public Prosecutor's Office and other appropriate legislation that will adjust the status not only of the Attorney General, with a view to consolidating his independence and responsibility for the exercise of the powers vested in him, but also of the entire prosecution system. This change would enshrine, in particular, the method for the appointment and removal of the Attorney General (the possibility of holding office for a fixed term) and prosecutors, the method for the exercise of supervisory powers by superiors, the method and form of imposing mandatory instructions, and the method for the allocation of cases, or the possibility of extending powers to a particular case by senior prosecutors.

We will analyse the effectiveness of the organization of the judiciary and the four-tier judicial system, and will propose possibilities for simplification. We will examine the effectiveness of the competence of judges' councils as bodies of judicial self-government, and consider how it could be reinforced.

## ***PUBLIC ADMINISTRATION AND eGOVERNMENT***

We will submit a draft general principle of a law on officials and other employees in public administration, replacing the current Civil Service Act and the Act on Local Government Officials, where the boundaries between politically occupied and clerically occupied positions in public administration will be clearly defined and the depoliticization, professionalization and stabilization of public administration will be secured. This general principle will be based on fixed-term appointments and the principle of managerial rotation, and will include the concept of state secretaries and the supreme ministerial executives. In the draft general principle of

this law, we also propose an increase in the accountability of state and local government employees for damage caused in the course of their duties, and we will propose that the same principles be applied to politicians.

As far as public budgets allow, including the possible use of Structural Funds, we will continue the modernization and computerization of public administration in order to bring it closer to citizens and to increase the transparency and efficiency of processes in public administration. In particular, we will continue to expand the functionality of universal public administration contact points (CzechPOINTs), so “paper” versions of statements provided by public administration can be obtained and all submissions to public authorities can be made to the fullest possible extent here. We will continue to expand the features and improve the user-friendliness of data boxes.

We will submit a “Government Strategy for the Further Computerization of Selected Agendas in Public Administration”.

Drawing on European funds, we will complete the project of Basic Public Administration Registries, including the introduction of electronic identity cards facilitating the unambiguous identification of persons and, in connection with the introduction of the system of basic registries, limiting the misuse of personal identification numbers.

We will complete procedural audits of selected agendas at public authorities, which will identify risks of corruption and unnecessary bureaucracy.

We will begin preparing the project of electronic elections so that it can be tested in the 2012 election year and fully implemented as of the elections to the Chamber of Deputies in 2014.

We will submit draft amendments to the Infractions Act, creating conditions for the emergence of an infraction registry/registries as a public administration information system in response to the system of basic public administration registries to ensure more efficient hearings and subsequent enforcement of penalties for infractions; the aim will be to tighten responsibility for recidivism, including possible criminal liability for selected types of infractions.

We will submit a draft amendment to the Administrative Charges Act which will more closely reflect the cost to public authorities of conducting proceedings, while respecting the need to guarantee non-discriminatory access to state services for all citizens and companies.

We will submit a proposal for necessary legislation and will begin implementing the project for an electronic Collection of Laws, which, with a state guarantee, will publish valid and effective law in the Czech Republic for users of legislation in electronic form without any barriers. We will also submit the necessary legislation and begin implementing the project of an electronic system for the preparation, creation and consultation of legislation (eLegislation), including the electronic processing of RIA and CIA assessments as an integral part of the legislative process.

We will submit a bill on control in public administration which will integrate the control process at public authorities so as to avoid duplication and confusion in the exercise of supervision and control in public administration. As part of this draft legislation, we will conduct an analysis of checks and supervision carried out at local government authorities in the 2006–2010 period, with a proposal of specific action aimed at the clear division of responsibilities between the Supreme Audit Office, the Ministry of Finance and other supervisory bodies in public administration.

## **LEGISLATION**

We will submit an amendment to the Rules of Criminal Procedure (the “Muzzle Act”) to enable the provision of information in cases where the public interest outweighs the private interest.

We will submit a bill on the administrative and criminal liability of legal entities, which is a precondition for ratification of the Convention against Corruption.

We will submit a new Civil Code.

We will submit a new law on private international law.

We will submit a new law on companies and cooperatives.

We will submit a law on free legal aid.

We will submit an amendment to the Rules of Criminal Procedure and other legislation to reinforce the standing of victims of crime, and we will consolidate the restitutive role of criminal proceedings (the protection of the rights of victims).

We will increase the supervision of enforcement officers, experts and interpreters through amendments to relevant legislation.

We will submit an amendment to the Constitution and other legislation to introduce direct presidential elections.

In order to create conditions for the direct election of mayors in small municipalities in the 2014 elections, we will conduct a thorough analysis and arrange for an international comparative study on the possibility of introducing the direct election of mayors and governors.

We will submit an amendment to the Constitution and an amendment to the Rules of Procedure of the Chamber of Deputies and the Senate, in which we will propose a restriction on the immunity of parliamentary deputies and senators. We will submit a law adjusting the legislative process so that, in particular, all those presenting legislation, including parliamentary deputies and senators, are required to prepare a Regulatory Impact Assessment (RIA) and Corruption Impact Assessment (CIA) for each bill or for each amendment, including a ban on the submission of “limpets” (provisions attached to one law which amend another unrelated law).

We will submit an amendment to the Rules of Procedure of the Chamber of Deputies which will facilitate the submission of amendments at second reading only by a committee, a group of parliamentary deputies or a parliamentary deputy after the amendment has been discussed by the competent committee.

We will submit a draft Electoral Code, which will include all existing laws governing elections in the Czech Republic.

We will submit an amendment to the Constitution and related legislation which will establish the constructive vote of no confidence in the government, i.e. the principle that confidence in the government may be withdrawn during a term of office only after support has been gained for a new prime minister in the Chamber of Deputies.

We will submit an amendment to the Constitution (a financial constitution) and the associated Act on Budgetary Discipline.

We will submit new Rules of Criminal Procedure in relation to the newly adopted Criminal Code.

We will submit a draft amendment to legislation on privacy and the rights of citizens which clarifies the rules and permits a higher degree of protection against the unauthorized and uncontrolled acquisition of video, audio, and genetic records of citizens, to ensure that records and data thus collected are not misused.

We will submit and publish the Government's plan legislation for a four-year period, which will be updated each year.

We will submit a draft Constitutional Act on the conditions for declaring and holding a referendum in accordance with Article 2 of the Constitution of the Czech Republic; this legislation will lay down the following principles in particular: if at least 250,000 citizens petition for a referendum on a particular issue, the Government will be required to submit a draft Constitutional Act on the specific proposed issue to the Chamber of Deputies within 90 days of receipt of the petition by the Government. A list of issues on which a referendum cannot be held will be drawn up (e.g. including the essential foundations and requirements of the democratic rule of law, issues related to human rights and freedoms, national security issues, the national budget, financial and tax laws, the acquisition and loss of citizenship, elections, personnel issues, and cases where the issue in question is decided in special administrative or judicial proceedings).

We will submit a proposal to clarify the conditions for the coverage of parliamentary expenses, including a change to expense entitlements.

We will take legislative action to make political party funding more transparent.

We will consider the possibility of introducing limits on spending in election campaigns.

## **Education, science, research, culture**

### ***YOUTH AND REGIONAL EDUCATION POLICY***

The education of citizens is essential to the development of a democratic society. In the absence of a sound educational structure, long-term favourable developments in the standard and quality of life are unimaginable. With this in mind, the Government aims to provide education that will encourage natural human curiosity at all levels and in all its forms.

The Ministry of Education, Youth and Sports will be subjected to an in-depth audit aimed at identifying savings in its management. At the MoEYS, a personnel audit and an audit of the organizations it subsidizes (organizations partly funded from the public purse) will be conducted. Based on the personnel audit, the Government will significantly reduce the number of employees at the Ministry and the organizations it subsidizes.

By amending the relevant legislation, the Government will reduce the excessive bureaucracy required of schools.

The Government, while respecting budgetary capacity, demographic developments, and the age and gender structure of teaching staff, will create conditions and instruments (e.g. a "recruitment allowance") as a long-term guarantee that young qualified teachers will work at schools at all levels of education. To this end, in 2011 and in subsequent years the Government will increase the Ministry's budget by CZK 2.1 billion.

In 2012, the Government will increase salary funding by a further CZK 4 billion, after which it will maintain and freeze this increase until 2015 in parallel with public administration in general, where salaries will be frozen for three years. This step will be partly offset the discriminatory ratio between the salaries of teachers and other professionals paid out of the budget.

As part of legislative funding, the Government will support the existence of schools in small villages. The goal is to ensure the availability of preschool and primary education.

By amending mandatory curriculum documents, the Government arrange for English to be taught from the third grade of primary school.

The Government will make an urgent decision by the start of the 2010/2011 school year on whether to introduce a common section of the school-leaving examination (maturita) in that school year. The Government will assess how to proceed based on the outcome of this general test. The Government will also audit preparation of the maturita project, including a check on spending.

The Government will introduce the regular monitoring of learning results in lower secondary education. The Government will also stimulate the transparent publication of results achieved by schools which are needed to compare them, with an emphasis on differences at the entry stage (the differing previous education of the pupil intake) for optimal comparability of the education provided.

The Government, in cooperation with employers, will support the development of vocational "trainee" education and the completion thereof by way of a uniform final examination.

Financial flows between the Ministry and educational providers will be clarified.

The Government will pay particular attention to institutional care facilities and centres for diagnosis and their funding in light of the increased support of prevention programmes.

The Government will support the development of alternatives to family care at the stage of pre-primary education, specifically the expansion of company nurseries, alternative preschool facilities in the form of parent and family centres, as well as the concept of “neighbourhood babysitting” (for children up to 6 years old).

A new law on education will be prepared, under which the Government will regulate teaching staff activities and include a new definition of teachers as a professional group, with a summary of qualification requirements, and a system for professional growth or lifelong learning of teachers.

The Government will prepare reduce the term of office of the head teachers of primary and secondary schools to 6 years. It will also strengthen the role of school councils in the governance of schools, which will include giving them a say in the appointment and removal of head teachers.

We will support a rise in the number of school psychologists in primary and secondary schools to improve efforts to combat socio-pathological phenomena and in order to improve the quality of socio-pedagogical diagnosis. We will also support the development of care for children with specific needs, and the teaching of core competencies (e.g. financial and computer literacy) and languages will be reinforced.

The Government will also initiate a debate on increased responsibility of parents for the education of their children, especially in relation to the school; it will also consider the possibility of codifying a contract between the family and the school on the behaviour of children in order to ensure the better enforcement of parents’ responsibilities in the education of their children.

The Government will place a greater emphasis on the practical employability of school-leavers and will enhance the prestige of trainee education programmes as such, whether by promotion and awareness, or by supporting broader opportunities for the financial remuneration of trainees’ work by employers.

A change in education funding will ensure equality of support in the provision of public educational services.

### ***TERTIARY EDUCATION***

The Government recognizes the essential importance of tertiary education for the competitiveness of the Czech Republic. In the absence of a sound educational structure and improvements in the quality of education, long-term favourable developments in the standard and quality of life are unimaginable. The Government will do everything in its power to make colleges and universities knowledge triangle centres (education, research, innovation), which are now the only way forward if the Czech Republic is to succeed in the face of global competition. Higher education must become a driving force for the transition from an investment-driven economy to an innovation-driven economy. In this respect, the Government must reform the tertiary education system.

It is necessary to increase the diversification of the tertiary education system so that the quality of higher education is enhanced and so that the profiles of graduates of different types of schools meet the diverse needs of employers and ensure greater flexibility in the labour market. The Government will implement this plan, for example, by means of stringent checks on compliance with accreditation conditions, research support, and university profiling.

We will create conditions for the integration and rationalization of the university structure into a form reflecting the size of our country and the projected long-term trend in the number of university students, and contributing to the efficient allocation of expenditure on tertiary education.

In the system for the management of public universities, the Government will reinforce their own accountability for results achieved in research, education and economic management.

The Government will support the creation of centres of excellence at research universities and public research institutions, and will create conditions for the cultivation of top-class centres of doctoral studies. We will create mechanisms for the effective mobility and cooperation of researchers and doctoral students between Czech and foreign universities.

The Government will establish an effective system of financial assistance for students which will be based on basic study grants for all students, adequate social scholarships for students from low-income families and disabled students, corporate scholarships, education saving schemes, student loans and specific arrangements for the occasional employment of students.

The Government will support the introduction of soft study loans to cover indirect costs associated with studying (food, accommodation) in order to prevent discrimination against socially disadvantaged university applicants.

The Government will develop funding mechanisms to reinforce the financial stability of public universities while making their budgets more contingent on the quality of education provided, the employability of graduates, and the results of research and development.

The Government will introduce a concept for university students to participate financially in the cost of their studies by means of "enrolment fees", part of which will be channelled into the grant fund, to be introduced as of the 2012/2013 academic year.

This measure aims to strengthen the budgets of universities and enable them to provide students with superior service, encourage the greater accountability of students and universities, and, not least, contribute to the improved quality of higher education by increasing competition among universities in the longer term.

The Government will take measures aimed at increasing the prestige of bachelor programmes and their practical applicability in the labour market. The Government considers it important to differentiate bachelor programmes in terms of function and content from higher levels of academic education more clearly, and therefore a greater emphasis will be placed on compliance with strict accreditation conditions.

The Government will accelerate the utilization of resources earmarked for education and research under the operational programmes of EU funds. In setting the rules on the distribution of resources from the Structural Funds which are earmarked for the development of science, research and education, the Government will seek to ensure that, in the future, projects can be implemented without geographic restrictions, even in those localities which, in the current programming period, are not classified as sites permitted for project realization. The Government will simultaneously seek to ensure that science and research institutions which, for geographical reasons, have had limited opportunity to draw on financial assistance from the Structural Funds for capital development receive alternative means of support which would at least partially compensate for the existing constraints and inequality in access to funds intended for infrastructure development and distributed under the thematic operational programmes managed by the Ministry of Education.

To reduce the administrative and organizational burden placed on academic staff, the Government will help the management of universities and public scientific research institutions to implement professional techniques for the management of financial flows, human resources, marketing, and technology transfer by applying incentive instruments in the form of EU funds.

The Government will facilitate cooperation between educational and research institutions and entities from the private sector. The Government will encourage greater international excellence in research and will also provide incentives for participation in international projects, including the coverage of co-financing and bridging loan guarantees for relevant projects undertaken by public universities and public research institutions.

The Minister will analyse efficiency in the utilization of resources from EU operational funds within the Ministry of Education.

### ***RESEARCH AND DEVELOPMENT POLICY***

The Government will introduce a system for evaluation of research and development centres, which will replace the existing institutional funding with results in the Register of Information on Results (RIR) by means of a combination of quantitative and qualitative assessment with the significant involvement of foreign experts.

The Government will introduce bonuses, in the form of additional institutional funds, for centres which demonstrably cooperate with the application sphere.

The Government will provide tax advantages for R&D cooperation between universities, RDI institutions and the business sector.

The Government will focus the support of research from public resources on profiled priorities and cross-cutting themes. The Government will make support for corporate research and development contingent on cooperation between the public and private sector in set priority themes.

### ***SPORT***

The Government views sport as a vital tool in developing and improving the health and physical and mental condition of children, young people and adults. It is also aware of the socio-economic and cultural role played by sport in Czech society. The Government is committed to creating a system for the support and appreciation of volunteers involved in sport.

The Government is determined to promote activities, organizations and facilities that will increase the availability of sport and physical education for the general public. The Government does so in the conviction that the promotion of sport must not be limited to support for the gifted and for professional teams, but should primarily make sports and physical activities more readily available to the general population.

The Government considers it a priority to promote and develop sport among young people both en masse and for talented individuals. Therefore, the Government will place an emphasis on the promotion of a system of follow-up care for talented young people in the form of sports training centres for juniors and centres of sporting excellence. Likewise, the system of medical care for talented young which, through preventive check-ups, can avoid health threats among young talented and first-rate athletes, deserves support.



The Government will support the more efficient utilization of EU funds for sports, including with a specific emphasis on the project for the European Year of Volunteering (2011).

The Government will consider adopting a new law on sport.

By transforming the current system of state aid, the Government is keen to set up a grant agency for the promotion of sport so that financial and institutional support is transparent and as efficient as possible. The Government will prepare a model for the funding of sport aid based on four pillars: state aid, public aid, private sources and sports organizations' own resources.

The Government will provide more rigorous support for a system of multi-source funding in sport.

Under a new law on lotteries, the Government will increase the budgets of municipalities to include a portion of lottery proceeds intended to encourage more sporting and cultural activities among young people.

## **CULTURE**

Culture is a defining element of our national identity. Funds invested in culture are an investment in the quality of life of our citizens and societal development, thus supporting the growth of free space for the cultural activities of citizens, associations and the non-profit sector. Culture is not just about spending. More than two thirds of foreign tourists visit the Czech Republic to see our culture and monuments. The economic opportunities offered by culture must be exploited right now, at a time of economic crisis.

The Government will apply modern grant tools so that interested parties are more motivated to co-finance cultural activities. It will submit exact rules for the granting of subsidies for clearly defined projects aimed at providing a public service in culture. Transparent spending and continuous evaluations of the effectiveness of such spending will be an essential prerequisite for the further funding of Czech cultural programmes.

The Government will continue to support the presentation of Czech culture abroad. It will support creative projects, including traditional folk culture. It will ensure the availability of foreign art to the Czech public, especially by promoting international cultural projects. The Government will strive to improve the position of Czech cinema in the world and to make the Czech Republic more attractive for domestic and foreign producers. The Government will submit an amendment to the Audio-visual Act.

Freedom of speech is one of the key freedoms guaranteeing the democratic structure of our society. Therefore, the Government will insist on a guarantee of maximum freedom of speech while recognizing its responsibility for the content of media messages, including those on the Internet.

The Government will initiate a debate on the transformation of the public service media councils and will promote changes in the election of public representatives to media councils, involving a significant proportion of nominations from the professional community.

The Government recognizes the historic and irreplaceable status of churches and religious societies as traditional institutions that are part of society. The Government aims to reach a settlement between the state and churches and religious societies as soon as possible so that certain injustices can be remedied and so that churches and religious societies can perform their functions independently of the state.

The Government will submit a new heritage law providing a simpler, yet effective, transparent, predictable and professionally guaranteed way to protect monuments, irrespective of their ownership. It will create favourable conditions for the use of cultural heritage so that it becomes a basis for the effective development of regions and municipalities.

## **Environment, agriculture and the countryside**

### ***ENVIRONMENT***

The Coalition views the environment as a place for life. Environmental protection, then, entails not only the protection of nature, but also requires pollution control in the production of energy and in industry, transport measures, and the promotion of environmentally friendly consumer behaviour.

The Coalition is committed to the idea of sustainable development, entailing the harmonious interaction of economic development, social justice and concern for the quality of life with care for nature and natural resources. It stresses the need to preserve current natural and cultural values at their present levels, even in these economically challenging circumstances. The Coalition views environmental measures not as a hindrance, but as an opportunity for economic development.

The biggest current environmental problem in the Czech Republic is air quality, particularly air pollution caused by small dust particles, which poses a risk to human health. For the Coalition, reducing this burden is a priority. It will therefore promote energy saving and efficient energy management in manufacturing, distribution and consumption, whether in terms of efficient modern production technology, effectively insulated buildings, the construction of low-energy buildings or efficient appliances. Increasing the energy efficiency of production and the efficient use of energy among consumers will reduce the consumption of energy resources and emissions of pollutants and greenhouse gas emissions, and is economically efficient. Efficient heat recovery methods are also important and will be promoted. The Coalition will promote environmentally clean energy production, i.e. nuclear energy and effective renewable sources, which can contribute significantly to the energy security of the Czech Republic by reducing energy dependence on foreign sources.

The Coalition will support the building of transport infrastructure which will remove transit traffic from town centres by means of bypasses, increase traffic flow and reduce air pollution. It will promote effective noise abatement measures to protect people from the adverse effects of transport, and will also support the expansion of the network of expressways, motorways and railways. In towns and villages, the Coalition will support the introduction of low emission zones, the use of all means to support environmentally friendly suburban and urban public transport, the establishment of park-and-ride schemes and cycle paths, and the maintenance of urban green areas.

In the field of waste management, we will seek to change the waste management hierarchy. The primary focus will be on waste prevention, followed by recycling and material and energy recovery. The aim is not to increase the financial burden on the population by means of proper waste management. The Coalition will also strive to ensure the appropriate material security of the Czech Republic.

We consider it necessary to dispose of old ecological hazards in a cost-effective manner, as far as the national budget and the current economic situation allow. The case of the environmental "super contract" will be handled in accordance with the law. The bids will be assessed in a responsible manner and a decision will be taken so that all the requirements of process transparency, economic expedience and ecological relevance (i.e. the guarantee that the area in question will be sufficiently cleaned up) are met.

We consider the aforementioned energy savings, the use of nuclear energy and efficient renewable sources to be important measures against climate change. We regard adaptation to climate change as a fundamental means of approaching the issue of such change. Other measures will cover the technical, natural-friendly action in the countryside so that the Czech

Republic and its population are prepared for sudden natural events, especially floods, droughts, lack of ground water, a generally a different water cycle in the landscape, soil erosion and other environmental risks.

The Coalition is ready to provide economic advantages for the introduction of environmentally-friendly technology and technology with low energy and material demands. We are keen to create pro-export measures to promote the application of these technologies in foreign markets. A long-term aim of the Czech Republic's efforts in international trade will be to eliminate tariff barriers only for products that are environmentally friendly; on the international stage, the coalition will back France's efforts to handicap trade in products that are not manufactured under ecologically similar conditions. The Coalition will promote the efficient use of mineral and secondary resources. The removal of old environmental damage – state commitments in privatization proceedings – must be cost effective.

The Coalition values public interest in environmental protection and nature conservation. It believes citizens must have the broadest possible access to environmental information, which is important to ensure maximum transparency in decision-making on changes in the milieu in which people live. We are ready to simplify the environmental impact assessments of projects in the EIA process in order to increase process efficiency and protect the rights of the local population.

The Coalition considers nature protection and biodiversity conservation to be a necessary condition for the wellbeing of the Czech Republic's inhabitants. The Coalition will seek to make effective use of conservation tools returning an adequate protective outcome. In environmental protection, including conservation, the Coalition prioritizes agreement over new regulation.

We will emphasize the preservation of the natural and cultural features of the Czech countryside. Land-use planning must be an instrument for the harmonious development of towns and villages and their integration into the landscape. The Coalition supports sound agricultural management and land use also for the cultivation of perennial energy crops, and we will promote prudent forest management based on plantations of mixed cultures resistant to pathogens and weather conditions.

The Coalition will strive for efficient environmental governance, a reduction in the administrative burden placed on citizens and businesses, and the computerization of state administration agendas.

The Coalition will prepare a state energy concept and new raw materials policy to ensure the adequate material and energy security of the Czech Republic and a balanced energy mix. In terms of environmental protection, we will aim for the lowest possible impact of mining and power generation and transmission on different components of the environment and on the protection of the Earth's climate system while expending reasonable means and applying the most efficient measures.

The Coalition will maintain the territorial limits of lignite mining and will seek their confirmation in legislation. An amendment to the Mining Act will be prepared which sets out the obligation to provide government authorities with documentation for the deduction of extractable mineral reserves, particularly coal, and removes the possibility of expropriation and other restrictions on the ownership rights of property owners in mining areas. An amendment to the Energy Act will be submitted which introduces authorization for new sources of electricity.

The Coalition will safeguard the effective protection of the air and public health from pollution due to traffic, industrial plants and the burning of unsuitable fuels in local heating systems. It will adopt a new law on air protection.

The Coalition supports quality care for nature and the landscape, including the balanced development of local economic, environmental and social interests. The Coalition aims to improve the ecological stability of the countryside, including support for the cultivation of forests with a natural species mix, increases in the natural retention capacity of the landscape, and biodiversity conservation.

A strategy of landscape care will be drawn up based on the European Landscape Convention, which will be implemented through relevant strategy documents.

The Coalition will prepare a new law on waste, drawn up with an emphasis on strict adherence to EU environmental and technical standards, competition principles and the principles of extended producer responsibility. The law will specifically define waste management priorities, with a preference for prevention, recycling and energy recovery rather than incineration and landfilling.

The Coalition will guarantee effective qualitative and quantitative soil protection. The Act on the Protection of Agricultural Land will be amended to increase the charges for the reclassification of agricultural land. The Coalition will adopt a new law on soil protection which ensures the protection of all land on the basis of both market and environmental values.

## ***AGRICULTURE AND FORESTRY***

The Coalition will reduce bureaucracy in this sector so as to reduce budgetary expenditures and so that citizens, businesses and farmers spend less time on paperwork.

The Coalition will find a solution to land records and will arrange for the settlement of the rights of owners and tenants. An integral part of this step is the completion of agricultural restitution. It considers a sine qua non of rural development to be access to agricultural land for legitimate owners and the privatization of the remaining land owned by the state. It will continue to support land consolidation and related investments in the countryside. In order to reduce the increasing removal of land from land holdings, the Coalition will introduce measures to protect them. In the construction of agricultural plants, priority will be given to the reconstruction of "rural brownfield sites".

We will not increase the gap between the quality of life in the countryside and in big cities. We will foster conditions for the creation of new jobs and for young and educated people to remain in rural areas. We will encourage local food production and the establishment of small food plants of a local nature. We will support the production of typical regional food specialities and their sale directly from the farm. We will support the development of services with the high added value of human labour, and will boost tourism and ecotourism.

The Coalition will introduce programmes for the construction of sewage treatment plants and sewerage systems in small villages, as well as for the further building of flood control measures, dry polders, etc. It will immediately begin preparations for the third stage of flood control measures. It will promote measures to improve the care of small watercourses. It will ensure that reparcelling takes place not only to settle property relations, but also to provide protection against climatic fluctuations (floods, droughts).

The Coalition will support the development of organic farming with respect to its role in preserving the features of the landscape, the increased retention capacity of the soil, and organic food production. It will reinforce measures to comply with environmental standards and standards for the considerate treatment of animals.

The Coalition will promote efficient and conservative methods of forest management. It will draw up new principles of state forestry policy which will be based on equal access to property, equal opportunities policy, competition and rational, non-bureaucratic state administration of forests. In doing so, it will ensure that there is a balance between the production and non-production functions of the forest. The Coalition will review existing policies and explore ways of handling state forests; it will explore the sale of the assets and the purchasing of the services of the state enterprise Lesy České republiky, s.p. It will promote a dynamic trading system that ensures a level playing field for all partners. The Coalition will ensure that forest owners enjoy conditions comparable to those in other EU countries, so that they are not burdened with unnecessary regulations and red tape.

The Coalition, as far as the budget allows, will seek to top up direct payments with a national supplement. It will focus on promoting the competitiveness of agriculture by supporting modernization, the non-productive functions of agriculture, and investment in innovation or research and development. A new Rural Development Programme will be prepared which aims to increase competitiveness and extends the range of subsidies available from the Support and Guarantee Farming and Forestry Fund (PGRLF) to include competition.

The Coalition will also promote farmers' competitiveness by rational checks on food safety, and will propose the merger of professionally competent inspection bodies in order to simplify administration and reduce the bureaucratic burden on businesses.

The Coalition will support a reduction in the bureaucratic apparatus at the Ministry of Agriculture with a view to cutting budget spending. Preparation will be made for the rationalization and integration of existing food safety inspection bodies and for the rationalization and integration of scientific research institutions involved in agricultural research.

The Coalition will find a solution to round off agricultural restitution, and will prepare a legislative procedure to make land accessible to owners and to settle the rights of landowners and tenants. The Coalition will support the accelerated sale of state land to the farmers who farm on it in order to achieve greater stability in the sector.

We will continue the transformation of the Land Fund of the Czech Republic; once its operations have been discontinued, we will transfer the rest of its agenda to the Land Office of the Czech Republic. A government draft amendment to the Act on Land Offices and the Land Fund will be submitted.

The Coalition will introduce programmes for the construction of sewage treatment plants (including biological ponds) and sewerage systems in small villages.

We will immediately begin preparations for the third stage of flood control measures, and we will promote measures to improve the care of small watercourses.

The Coalition will foster conditions for the creation of new jobs and for young and educated people to remain in the countryside.

We will evaluate the drawdown and use of funds from the Rural Development Programme and prepare a new Rural Development Programme for the period after 2013 which reflects these goals. The range of subsidies available from the Support and Guarantee Farming and Forestry Fund (PGRLF) will be extended to include this area.

The Coalition will support local food production, the establishment of small food plants of a local nature, and the production of typical regional specialities, and will promote the sale of

food from these plants in local markets. It will support the development of services with the high added value of human labour, and will boost tourism, ecotourism and agri-tourism.

The existing marketing system must be rationalized, with a focus more on the promotion of local production and sales from local production plants and in local markets. A new Rural Development Programme will be prepared for the period after 2013 which reflects these goals. The range of subsidies available from the Support and Guarantee Farming and Forestry Fund (PGRLF) will be extended to include this area.

The Coalition will support the development of organic farming, promoting its role in preserving the features of the landscape, the increased retention capacity of the soil, and organic food production.

The Coalition supports the rigorous control of the good agricultural and environmental conditions, good agricultural practice, statutory management requirements and compliance with standards for the considerate treatment of animals.

Preparations will be made for a new law on organic farming and a new Rural Development Programme for the period after 2013 which reflects these goals, and the range of subsidies available from the Support and Guarantee Farming and Forestry Fund (PGRLF) will be extended to include this area. A report will be produced on the effectiveness and monitoring of compliance with good agricultural and environmental conditions and statutory management requirements.

The Coalition will promote efficient and conservative methods of forest management. It will draw up new principles of state forestry policy which will be based on equal access to property, equal opportunities policy, competition and rational, non-bureaucratic state administration of forests. In doing so, it will ensure that there is a balance between the production and non-production functions of the forest. The Coalition will review existing policies and explore ways of handling state forests; it will explore the sale of the assets and the purchasing of the services of the state enterprise Lesy České republiky, s.p. It will promote a dynamic trading system that ensures a level playing field for all partners.

The Coalition will ensure that forest owners enjoy conditions comparable to those in other EU countries, so that they are not burdened with unnecessary regulations and red tape. It will approve the principles of the state forestry policy on the basis of National Forestry Programme II, and will incorporate the state forestry policy and National Forestry Programme II into the appropriate legislation.

## **Business, business support, infrastructure development**

The state will create a fair business environment and consistently apply all powers of law enforcement. We will strengthen the protection of copyright and industrial rights. The long-term goal of the Czech Republic's efforts in international trade will be to eliminate tariff barriers, with the exception of the commitment to promote measures in the EU which are unfavourable to imports of products manufactured under conditions failing to respect environmental, health and labour standards.

We will restrict unnecessary bureaucracy. Every year, we will abolish or reduce the worst and most burdensome regulations.

### ***REGULATION AND TERMS OF PAYMENT***

We will take steps to relieve suppliers who are VAT payers and whose supplies of goods or services are not paid for a long time. In these cases, the VAT paid by the suppliers will be refunded. These steps are in line with current EU regulations; at the same time, we will take legislative measures to avoid the possibility of abuse. We will make efforts to change the VAT system within the EU so that VAT is paid only after payment of the invoice.

Invoices will be payable within 30 days. The state will lead the way by example. We will push for legislation ensuring that invoices billed to the public sector (the central government, regions and municipalities) are payable within 30 days, except for the utilization of European funds, where the maturity cannot be altered by the Czech Republic.

As a matter of urgency, we will complete the project of single collection points for taxes and contributions (social security and health insurance), which will reduce government costs and administration and save taxpayers' time and money. Checks will be carried out only by the tax office.

### ***SMALL ENTERPRISES AND TRADES***

We will simplify the administrative requirements for setting up a business. We will introduce a rule that officials must not ask applicants for confirmation from other public officials. By amending the relevant laws, we will apply this rule to all administrative proceedings.

When a trade is discontinued, the authorities will not be able demand further documents or confirmation from a natural person. Upon discontinuing a trade, the trader need not pay income tax in respect of invoices which are more than four years overdue.

### ***JOBS***

We will evaluate opportunities to amend the Labour Code in terms of the flexibility of labour relations and, in cooperation with social partners, we will suggest modifications to the Labour Code that will lead to greater incentives to employers to create new jobs.

We will support the unemployed who start their own business. Unemployed persons who start up in business as lone traders will be able to continue receiving full unemployment benefits for the entire support period. Lone traders will then return this support to the state in the form of increased income tax over the next five tax periods.

We will raise the maximum scope of employment on the basis of an "agreement on the performance of work" from 150 to 300 hours, while strengthening controls to prevent misuse of this concept.



The amount of severance pay will be tied to the number of years worked for the employer (up to one year – one month's salary as severance pay, up to two years of work – two months' salary as severance pay, over two years – three months' salary as severance pay).

We will relax the repeated conclusion and duration of fixed-term contracts for newly created jobs (for a five-year period).

We will introduce more flexible working time accounts and allow for the more flexible, unequal distribution of working hours. This will help companies make better use of working time in relation to their current quantity of orders.

## ***ENERGY***

The Coalition supports the construction of new units at Temelín Nuclear Power Plant and the upgrading of Dukovany Nuclear Power Plant as part of a balanced energy mix. The Coalition will continue the transparent procedure for identifying a site for the storage of nuclear waste. An Energy and Raw Material Policy will be approved.

We will make the operations of regulatory authorities more efficient and improve the coordination of their activities. We will consider the possibility of merging those regulatory authorities where, with regard to their scope of competence, this is possible and practical.

We will support the market environment in energy so that competition genuinely exists and everyone can choose their optimal supplier with the lowest possible administrative burden when changing provider.

We will promote the further deepening and expansion of activities of the Energy Exchange, which demonstrably reduced the previous enormously rapid growth in electricity prices.

We will reconsider the promotion of renewable energy sources in favour of environmentally and economically sustainable forms. In terms of reducing energy consumption, the state will lead by example; we will introduce standards for the energy performance of buildings owned by the central government, regions, towns and villages.

In order to diversify sources, we will reinforce the transmission system and encourage the construction of the Nabucco pipeline.

The Coalition will support the introduction of intelligent electricity networks and the appliances and sources operatively communicating with it. A proposal for the introduction of intelligent networks will be submitted.

The Coalition will consider raising the share of the bio-component in engine fuels and will proceed in a rational, environmentally and economically acceptable manner.

## ***TRANSPORT***

The Coalition will maintain the level of investment in transport infrastructure at the 2012 level. The Government will continue to support the extra-budgetary financing of transport infrastructure by means of PPPs, and the acquisition of additional resources as part of the transformation of the Roads and Motorways Directorate.

It will restrict legislative limits. To speed up the construction of transport infrastructure, the Coalition will make the rules more flexible, especially in the building approval process (with a view to reducing the enforcement of structures not connected with the infrastructure being built). Where legislatively possible, and where the result will not be more administration, the

Coalition will support the use of the principle of site leasing in for procurement procedure in order to speed up construction. The Coalition will ensure that the construction of transport infrastructure become cheaper, particularly through transparent public selection procedures, the amendment of standards, and where appropriate changes in the procurement procedure.

The Coalition will promote property settlement between the Czech Railways and the Railway Infrastructure Administration to create an integrated "responsive transport infrastructure". All public passenger rail services (long-distance and regional) will be subject to a transparent selection process.

The Coalition will commission a personnel audit and management audit of Czech Railways, including its subsidiaries, the Railway Infrastructure Administration and Czech Airlines in order to streamline operations and eliminate the imbalanced remuneration of staff.

We will delay the introduction of the electronic vignettes intended to replace motorway toll stickers for cars until a pan-European solution or distance-depending charging system is adopted.

We will continue, in cooperation with regions and municipalities, to analyse the possibility of extending tolls to lower-class roads for freight traffic. We will set clear criteria so that motorways are generally used as bypasses.

The Coalition will develop activities to improve road safety by introducing modern telematics, by improving and building infrastructure, by engaging in other communication activities, especially the education of children and young people.

Coalition will carefully evaluate the effectiveness of the points system in relation to road traffic, remove any excessive harshness in the law, increase penalties for offences related to driver aggressiveness and directly threatening the safety of road users, and will clarify rules which can be interpreted in more than one way.

In the field of water transport, we will consider the possibility of funding key construction projects designed to improve the navigability of the Labe (Elbe), in particular the Děčín and Přelouč berms (extending navigability to Pardubice), especially with the use of extra-budgetary resources.

The Coalition will support the development of Prague Airport as a central European air hub in coordination with the national carrier.

## ***PUBLIC PROCUREMENT***

Central purchasing and online auctions. Government purchases exceeding a certain limit will be made centrally. This will reduce administration and lead to lower prices as a result of the stronger negotiating position. We are also keen to introduce the standard purchasing of materials and services for all authorities exclusively through online auctions. Any expenditure in excess of one million crowns will be published on the Internet.

The histories of contracts, including the tender documents, the weights of the decision criteria, the course of the selection process, committee members, the contracts concluded, contractual performance, and billing, will be published on the Internet. Members of selection committees for large-scale contracts will be chosen by lot.

Companies bidding for public contracts will have to disclose all relevant information about themselves. Companies whose ownership structure is not known in advance and is not transparent will not be able to participate in these competitions. By amending the

Commercial Code, we will ensure that neither tenderers nor contracting authorities will be able to claim trade secrets.

### ***EXPORT SUPPORT***

We will expand credit guarantees granted to SMEs via Českomoravská záruční a rozvojová banka (Bohemian-Moravian Guarantee and Development Bank) and Česká exportní banka (Czech Export Bank). We will provide support from the national budget for Exportní a garanční pojišťovna (Export and Guarantee Insurance Company) by increasing its registered capital or increasing individual insurance chapters.

In light of the current situation, we will not set a date for adoption of the euro at this stage. We view compliance with the Maastricht Criteria primarily as the first step towards balanced public budgets. If the single European currency evolves as a meaningful and sustainable project, we will prepare for the introduction of the euro in the Czech Republic. However, this is contingent on compliance with the rules agreed within the euro area.

### ***EUROPEAN FUNDS***

We will seek a reasonable agreement on the budgetary framework of the European Union for the years 2014 to 2020, ensuring that the EU budget will not increase and that the Czech Republic will remain a net recipient of money from the EU budget for the next period. We must make the maximum possible use of resources from EU funds.

We will streamline the utilization of EU money. We will simplify the administration of the allocation of Structural Funds. In relation to the upcoming budget period, we will seek a radical reduction in the number of operational programmes and their complete subordination to the Czech Government. We will introduce thorough input and interim checks on projects and aid; in doing so, we will remove errors so that the risk of the subsequent return of subsidies on account of non-compliance with procedure is eliminated. We will configure the financing of projects to interim financing wherever this is possible.

### ***PRIVATIZATION***

In the privatization of enterprises in which the state has a shareholding, the Coalition will proceed very cautiously. It will discontinue the privatization of enterprises with a state shareholding which are of strategic importance (the transmission system operator ČEPS, Air Traffic Control). The state will retain its strategic control of the electricity company ČEZ, i.e. a qualified majority of the votes at general meetings. All proceeds from privatization and leases of companies with a state shareholding will be channelled into pension reform.

### ***MISCELLANEOUS***

The Coalition will promote domestic tourism in coordination with regional authorities.

## **Amendment to the Coalition Agreement**

### **Preamble**

The Civic Democratic Party (ODS), TOP 09 and Public Affairs (VV) decided, upon reaching agreement in coalition talks, to prepare an Amendment to the Coalition Agreement on a Government of Budgetary Accountability, the Rule of Law and the Fight against Corruption.

The Coalition hereby confirms its aim to undertake the reform of public finances in order to halt the indebtedness of Czech citizens and to reform the pension system and health care. It will continue to pursue a course of fundamental action to combat corruption and bureaucracy.

The Amendment to the Coalition Agreement sets out in more detail the responsibilities of the Coalition parties in fulfilling these priorities and updates procedural and personnel issues. In witness of their intention to support the Coalition Agreement thus amended, the chairmen of the parties hereto affix their signatures to the end of this document.

### **Public budgets, compulsory expenditure, social protection and pension system**

The commitment of Coalition parties to lower the government subsidization of building savings schemes in the proposed form still stands, but the effect thereof has been deferred and will apply to funds paid in 2012 in accordance with a ruling of the Constitutional Court.

We will continue to protect citizens and entrepreneurs from high energy prices, which would trigger a sharp decline in the competitiveness of the Czech Republic in Europe and across the world. For this reason the Government adopts following measures: a levy on the withdrawal of land from the agricultural land fund, a levy on solar-generated electricity from facilities put into operation in 2009 and 2010, and a gift tax on emission allowances allocated in 2011 and 2012.

Under the Lotteries Act, the Government will enable municipalities to regulate – in addition to existing facilities – additional gambling and betting games operated directly by players, including interactive video lottery terminals and other similar games.

The Government will propose the abolition of the exemption from corporate income tax enjoyed by lottery companies and will push for the introduction of a special lottery tax so that the overall volume of contributions to public budgets is higher than that provided for in the amendment to the Lotteries Act passed by the Chamber of Deputies. The Coalition will take all necessary steps to ensure that the legislative process is completed by 31 December 2011, ready for the lottery tax to be introduced as of 1 January 2012.

In the pursuit of basic principles for the emergence of state accounting, the first consolidated financial statements will be prepared for 2012. The Treasury system will be put into routine operation as of 2013.

The Government shall adhere to a maximum budget deficit for 2011 of CZK 135 billion. In subsequent years, the public budget deficit will fall to no more than 3.5% of GDP in 2012, 2.9% of GDP in 2013 and 1.9% of GDP in 2014 with a view to achieving balanced public budgets by the end of 2016.

The Coalition will promote a Convergence Programme striving for narrower deficits, and will adapt the tax and contribution burdens accordingly. In this light, revenue from 2012 to 2014 will be secured to such an extent that it does not fall below the level reported in 2012.

Regarding personal income tax, the Government will remove tax degressivity above social insurance ceilings.

As part of its tax reforms, the Coalition will abolish tax on dividends.

The Coalition will retain tax relief on mortgages and will set an upper limit for tax deductions of CZK 80,000 in interest per annum.

The Government will adjust the calculation of pensions in response to a ruling handed down by the Constitutional Court. The extended retirement age will affect all insured persons born between 1936 and 1977. The annual two-month extension to the retirement age for both men and women will also continue for those born after 1977, with no upper limit established on the retirement age in order to give future governments room to make further adjustments based on actual developments.

Pension reforms will allow insured persons up to the age of 35 years to voluntarily opt out of part of Pillar I funding; others will be able to make a choice half a year before the new system is launched, and will thereafter be unable to change their decision. Opting out will reduce the contribution rate for Pillar I by three basis points; this amount will be directed into Pillar II with a further two basis points of insured persons' own resources.

The Government will guarantee a maximum amount of charges in Pillar II. For a government bond fund, the limit will be 0.3% of invested assets, for a conservative fund the limit will be 0.4%, for a balanced fund 0.5%, and for a dynamic fund 0.6%.

Pillar II investment management will be entrusted to pension companies. Conditions for the establishment of pension companies will be set to ensure sufficient competition in the market; entry will be open to all financial institutions that meet legal requirements. Each pension company will be required to offer four funds – a general government bond fund, a conservative fund, a balanced fund and a dynamic fund. The general fund will invest exclusively in government bonds, i.e. bonds of the Czech Republic and states with the same or a better rating in order to ensure sufficient risk diversification.

The Government will allow Pillar II funds owned by a participant to become, in the event of his or death at or after the saving stage, if a 20-year annuity is paid, part of his or her estate. This will be possible only in the form of claims under Pillar II.

Funds will be disbursed under a written contract with the selected life insurance company. Participants will be able to choose between a retirement pension for life, with the possibility of arranging for a three-year survivor's pension, or a 20-year retirement pension.

The Government will cover transitional reform-related costs, primarily by means of resources generated from the unification of VAT rates. In view of EU rules, the dividends of enterprises with state ownership may be used only for a limited time. All proceeds from privatization will be automatically transferred to the pension account. Proceeds intended by law for Pillar I cannot be used, under any circumstances, for Pillars II and III.

To strengthen intergenerational solidarity, the Government will allow children to increase the income of their parents in retirement. Each contributor will be able to request the transfer of an amount, equal to 1% of his or her assessment base for compulsory contributions, to a parent's account. The increase in the income of the parents will have no impact on the contributor's income from the PAYE or savings pillar and will be covered by the central government budget.

The Government shall revise the definition of illegal employment, increase the maximum fine for illegal work, and introduce shared job recruitment and the possibility for job-seekers to select a type of retraining.

The Government will prepare further measures to encourage employment of persons whose health places them at a disadvantage. If tax credits for companies employing registered disabled persons are abolished, this will be fully compensated by resources from the MoLSA.

In companies with state ownership, a unified system of management appraisal will be introduced to strengthen the efficiency and equity of the appraisal principle. The Government will merge existing mobility-related social welfare benefits into one monthly recurring mobility allowance and will introduce lump-sum benefits for the acquisition of special devices.

The MoLSA and the MoH will prepare a concept of social and health care.

The method applied to benefit-related medical examinations by the Medical Assessment Service will be revised, including its reorganization within the Czech Social Security Administration.

The Government Council on Equal Opportunities for Women and Men, including related administrative support, will be placed under the control of the MoLSA.

In the area of child care, measures will be taken to promote foster care in a family environment.

To reduce the administrative burden on businesses, the Government will abolish the employer obligation to notify each vacancy.

The Government will also introduce the possibility for the employment office to seek confirmation of the non-indebtedness of an applicant for any allowance directly, subject to the applicant's agreement.

## **Health care**

The patient's right to receive care covered by public health insurance will be defined in a general form by a law. The details of geographical and time availability will be specified by a government regulation, and fully covered procedures will be set out in a ministerial decree (List of Procedures and Point Values Thereof). The definition of this right will include a clear demarcation of the "standard variant" and the "economically more costly variant" of health care; the standard variant must guarantee adequate health care. Health service providers will be obliged to offer the standard health care variant and also to inform the patient in detail of the economically more costly variant. Breach of this obligation will result in a fine of up to CZK 1,000,000; repeated breach will constitute grounds to terminate the contract with the medical facility.

Not later than 1 January 2013, the Ministry of Health will define the superior health care standard, which will be prepared in cooperation with the Czech Medical Chamber, professional medical societies, faculties of medicine and health insurance companies. The superior standard will be defined on the basis of the current knowledge of medical science and the conditions under which these medical procedures may be provided to insured persons in an economically more costly way.

The new drug policy will achieve additional system savings. The Act on Health Insurance Companies will increase their responsibility for cash flow and financial management in the healthcare system.

The financial participation of patients will be increased in future years from the current 17% as follows: by one basis point in 2012 (i.e. to 18%), by two basis points in 2013 (i.e. to 20%), and by two basis points in 2014 (i.e. to 22%); furthermore, in 2012–2014 further internal savings will be found in the health sector of CZK 5.5 billion per year, excluding medical personnel payroll expenditure.

The regulation of new technologies, i.e. medical supplies, devices, instruments and procedures, and their incorporation into the public health insurance coverage will respect the financial opportunities under the system and will be subject to decision-making processes similar to those used for drugs.

### **Law, justice, public administration, bureaucracy and corruption**

The Coalition is committed to observing the adopted anti-corruption strategy. The Government will advocate, among other things, the requirement of candidate transparency in the Public Procurement Act. All candidates must evidence all owners holding an interest above 10% and submit a list of governing bodies or members of governing bodies for the last three years.

The law will also remove restrictions on participation in procurement procedure for those suppliers who are established or have a place of business in a Member State of the European Union or other states which have entered into an international agreement with the Czech Republic or the European Union guaranteeing the access of suppliers from those states to tendering procedure. For public contracts in excess of CZK 300 million awarded by the Czech Republic and government departments, the specifications will include a statement by an independent expert.

We will discontinue supplier selection by the drawing of lots. For major public contracts, the evaluation committee will have at least nine members. If justified by the subject-matter of a public contract, at least two thirds of the members of the evaluation committee must have relevant expertise in relation to that subject-matter. In the fight against corruption, we will work with NGOs and, where possible, we will support them.

Anti-corruption instruments will include a catalogue of model documentation and annual reports on the state of public procurement in the Czech Republic. The Coalition will promote the establishment of the General Inspectorate of the Security Corps.

The Government will define the basic strategic framework for the introduction of modern information and communication technologies in public procurement processes. The Government will put forward a legislative revision of the financing of political parties, including the financing of election campaigns. In doing so, it will draw on the nine recommendations set out in the GRECO group's final report.

We will strengthen the rights of victims of crime and we will protect witnesses in connection with criminal proceedings.

The director of The Financial Analysis Section of the Finance Ministry will be appointed by the Government on a proposal from the Minister for Finance. As with the intelligence services, a parliamentary control body will be established for the FAS. The Government will propose legislation that will restrict, as far as possible, anonymous ownership of companies, including relevant changes in the newly submitted Civil Code and Corporations Act.

By the end of 2011, the Government will submit a general referendum law. The Coalition will seek to reach agreement with the opposition on direct presidential elections so that the next

presidential election will be a direct election. By the end of 2011, the Coalition will submit amendments to the Rules of Procedure of the Chamber of Deputies to ensure compulsory inclusion of CIAs in the explanatory memorandum and the obligation to submit a background report on each amendment. The proposal will include greater stringency in the submission of amendments and a ban on "limpets" (provisions attached to one law which amend another unrelated law).

The Coalition will submit an amendment to the Conflict of Interest Act to limit the payment of remuneration to politicians sitting on the supervisory and management boards of companies with state, regional or municipal ownership.

In connection with an amendment to the Constitution and an amendment to the Supreme Audit Office Act, a coalition working group will be formed to discuss the possibility of further extending the powers of the SAO and its status.

### **Reform of the judiciary**

A coalition working group on the reform of the judiciary and the prosecution system will be set up.

Specialized court chambers and specialized prosecution departments will be strengthened.

Free legal aid will be reinforced by the mandatory involvement of candidates for entry into the legal profession.

The Coalition will adopt a law on mediation in non-criminal matters.

### **Education, science, research, culture**

The MoEYS will prepare a new regional education financing model, for implementation as of 1 January 2013, which will prevent inefficient spending. The MoEYS will remain the funding guarantor.

After assessing the results of new school-leaving examinations in the 2010/2011 academic year, the Ministry of Education, Youth and Sports will conduct a thorough analysis of the process and will prepare a proposal for further modifications of the model for the new examination in order to achieve the highest possible level of cost-effectiveness. It will prepare an electronic version of central school-leaving examinations by 31 December 2013. The Ministry of Education will prepare the necessary legislative steps to promote sport according to an approved concept. At the same time, it will create executive conditions for the implementation thereof. Resources to promote sport will be a tied indicator in the MoEYS heading of the national budget. For 2012, there will be no decrease in this expenditure compared to 2011.

As of 2013, this expenditure will rise in relation to the taxation of gambling. We will support improvements in educational conditions for socially disadvantaged pupils.

### **Environment, agriculture and the countryside**

By 30 June 2012 the Coalition will submit and, in the Chamber of Deputies, will support an amendment to the Mining Act removing the possibility of expropriation and other restrictions on the proprietary rights of property owners and municipalities in mining areas.

The Coalition will form a working group on the State Energy Concept, which will provide K9 with its first partial report by the end of September 2011.



## **Business, business support, infrastructure development and housing**

The administrative burden on businesses will be reassessed by means of the Standard Cost Model, which is based on the distribution of legislative acts into various measurable components.

The Government will support the development of electronic communications in the Czech Republic according to the approved Digital Czech strategy.

The Government will analyse the strengths and weaknesses of the competitiveness of the Czech Republic, and, based on this analysis, will prepare a set of measures to improve the international status of the Czech Republic in this area.

A housing policy concept will be formulated that incorporates the support of rental housing. The guarantor will be the State Housing Development Fund.