

# Czech Republic: The Shape We're In

10. 11. 2016



ASPEN INSTITUTE  
PRAGUE

#Cesko2016

**Forbes**

# CONTENT

FOREWORD	5
PROGRAM	6
PANELISTS	8
STUDIES	20
GOVERNANCE	21
QUALITY OF LIFE	37
NATIONAL SECURITY	53
ECONOMIC POTENTIAL	73
EDUCATION	87
PARTNERS	104
NOTES	106

# FOREWORD

For the second time now we are asking questions about our society's progress and looking for answers using the data available. What shape are we in? Are we better off than a few years ago or have the good times been and gone? How are we doing compared with our neighbors? And just who should we be comparing ourselves with? What are our strengths and weaknesses, and why? Is ours a success story, or a tale of woe?

Czech Republic: The Shape We're In — is a joint project by the Aspen Institute Prague and Forbes magazine, aiming to chart the status of Czech society in areas key to the Czech Republic's success, based on available qualitative and quantitative comparative research standings alongside other countries. It all depends on how we compare ourselves, and with whom. Last year's conference was successful because that question — What shape are we in? — had been left hanging in the air far too long, and our search for answers turned out to be insightful and interesting.

We took as our starting point the desire to interconnect the various areas that are subject to international comparison, into a broader framework. In the foreword to last year's conference compendium we noted that 'for the country to succeed in today's global society hinges not only on its economic performance and competitiveness, but also on having the internal and external security underpinning political and economic stability, the quality of

life to warrant public satisfaction, high education standards, and last but not least a sound institutional framework, good governance and the rule of law.' We turned our attention to three of these areas — economic potential, quality of life and security. We set the bar high. This year we have added two more, education and governance. We trust that this addition and expansion of our scope will make for an even more well rounded view.

We wish to thank all who took part in the working groups, in particular their guarantors who have written up the reports in this compendium. It was not our aim to embark on academic studies for specialists; we wanted to prepare a foundation for substantive discussion. We trust you will find in the reports before you a reflection of the actual state of things, as well as suggestions, ideas and recommendations for improvement. The aim was not just to analyze, but to motivate in the respective areas and encourage looking for new ways forward in Czech society's joint pursuit of a promising future, towards 'a better Czechia'. Let us have no illusions that without taking 'good care of our heritage' we may find our current freedom, prosperity and security fading like a dream.

We will succeed in our efforts not merely by naming the causes of our failings, but by striving to change things for the better, together.

**JIRÍ SCHNEIDER**  
Director  
Aspen Institute Prague

**IVAN HODÁČ**  
President  
Aspen Institute Prague

**PETR ŠIMŮNEK**  
Editor in Chief  
Forbes CR

# PROGRAM

8.30 — 9 h	REGISTRATION
9 — 9.15 h	WELCOME ADDRESS <u>Jiří Fajt</u> , National Gallery <u>Ivan Hodáč</u> , Aspen Institute Prague <u>Petr Šimůnek</u> , Forbes Czech Republic
9.15 — 10.30 h	GOVERNANCE
GUARANTOR	<u>Karel Šimka</u> , Supreme Administrative Court
GOVERNMENT REPRESENTATIVE GUESTS	<u>Robert Pelikán</u> , Minister of Justice <u>Petr Vokřál</u> , Mayor of the City of Brno <u>Vladimír Dlouhý</u> , Czech Chamber of Commerce
HOST	<u>Jan Pokorný</u> , Czech Radio
10.30 — 11 h	COFFEE BREAK
11 — 12.15 h	QUALITY OF LIFE
GUARANTOR	<u>Pavel Fischer</u> , STEM
GOVERNMENT REPRESENTATIVE GUESTS	<u>Michaela Marksová</u> , Minister of Labor & Social Affairs <u>Hana Třeštková</u> , Councilor of Culture at Prague 7 <u>Tomáš Salomon</u> , Česká spořitelna <u>Nikita Poljakov</u> , Hospodářské noviny
12.15 — 12.30 h	KEYNOTE BY BOHUSLAV SOBOTKA, Prime Minister of the Czech Republic
12.30 — 13.30 h	LUNCH

13.30 — 14.45 h	NATIONAL SECURITY
GUARANTOR	<u>Tomáš Pojar</u> , CEVRO Institut
GOVERNMENT REPRESENTATIVE GUESTS	<u>Martin Stropnický</u> , Minister of Defense <u>Martin Povejšil</u> , Ambassador of the Czech Republic to the EU <u>Václav Mach</u> , Microsoft <u>Zuzana Tvarůžková</u> , Czech Television
HOST	<u>Zuzana Tvarůžková</u> , Czech Television
14.45 — 16 h	ECONOMIC POTENTIAL
GUARANTOR	<u>David Vávra</u> , OGRResearch
GOVERNMENT REPRESENTATIVE GUESTS	<u>Pavel Bělobrádek</u> , Deputy Prime Minister for Science, Research & Innovation <u>Daniel Beneš</u> , ČEZ <u>Michal Stachník</u> , Cisco <u>Petr Šimůnek</u> , Forbes Czech Republic
HOST	<u>Petr Šimůnek</u> , Forbes Czech Republic
16 — 16.30 h	COFFEE BREAK
16.30 — 17.45 h	EDUCATION
GUARANTOR	<u>Bohumil Kartous</u> , EDUin; <u>Tomáš Hruďa</u> , Education Republic
GOVERNMENT REPRESENTATIVE GUESTS	<u>Kateřina Valachová</u> , Minister of Education <u>Tania le Moigne</u> , Google Czech Republic <u>Petr Dvořák</u> , Czech Television <u>Ondřej Liška</u> , Ashoka CEE <u>Petr Šimůnek</u> , Forbes Czech Republic
HOST	<u>Petr Šimůnek</u> , Forbes Czech Republic
	CONFERENCE CLOSING <u>Jiří Schneider</u> , Aspen Institute Prague

# PANELISTS



PAVEL BĚLOBRÁDEK

Pavel Bělobrádek is the Deputy Prime Minister for Science, Research and Innovation and the Chairman of the KDU-ČSL. He graduated from veterinary medicine at Veterinary and Pharmaceutical University in Brno. He also holds a MPA degree in Security and crisis management, which he obtained at CEVRO Institute. Before his political career, he has worked for Regional Veterinary Management as a veterinary inspector. He was elected as a representative in Náchod in 2010. Since 2012 he is a member of representatives in Hradec Králové region. He was elected to the Chamber of Deputies in 2013.



DANIEL BENEŠ

Daniel Beneš, as the Director General and main representative of CEZ Group, is actively participating in negotiations on the formation of energy policy in Europe. He graduated from Engineering Faculty at the Technical University of Ostrava and also from Brno International Business School. Beneš also places great emphasis on the CSR activities of the Group, which is already apparent from his position as head of the administrative board of the CEZ Foundation. This has long been the most generous foundation in the Czech Republic, distributing more than 1 billion Czech crowns to fund regional and nationwide projects.



VLADIMÍR DLOUHÝ

Vladimír Dlouhý serves as a member of International Advisory Board of Goldman Sachs, President of the Czech Chamber of Commerce and Chairman of International Chamber of Commerce (ICC). He studied mathematical economics and econometrics at School of Economics and at Charles University in Prague. He is a former Minister of Economy of Czechoslovakia and Minister of Industry and Trade of the Czech Republic. He holds the following positions as well: Non-executive director (KSK Power Ventures, India), Member of the Advisory Boards (Meridiam Infrastructure, France and Rolls-Royce, Great Britain), Professor at Charles University in Prague.

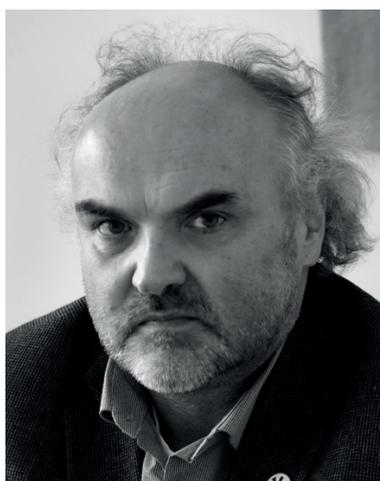
## PETR DVOŘÁK

Petr Dvořák is the Managing Director of Czech Television. He graduated from the Faculty of Technical Engineering at Czech Technical University where he studied cybernetics and in 1999 received his master's degree from Chicago University. He was one of the founders of PR Agency B.I.G and then a member of the Managing Board of football club SK Slávia Praha. In 1999 he has worked in PPF Group. In 2002 he started working in TV Nova where he served as the CEO from 2003 to 2010.



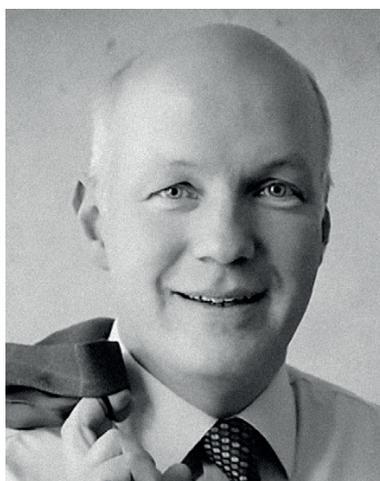
## JIŘÍ FAJT

Jiří Fajt is an art historian and current General Director of the National Gallery in Prague. He graduated from the Faculty of Arts at Charles University in Prague and from Czech University of Life Sciences in Prague. He specializes in medieval art, and has authored numerous publications, as well as edited several anthologies and exhibition catalogues. In between 1998 and 2001 he was the director of the Center of Medieval Arts at National Gallery in Prague. After that he was a visiting professor at Technical University in Berlin.



## PAVEL FISCHER

Pavel Fischer is the Director of the STEM Institute for public opinion survey and works as consultant in the field of public policy, security or EU affairs. He studied at Ecole Nationale d'Administration (E.N.A.) in Paris, at Centre International de Formation Chrétienne in Geneva and Charles University in Prague. He worked for Václav Havel as Deputy spokesperson and later as Director of Political Department. In 2003 he was appointed as Ambassador to France and Monaco. In 2010 he became Political Director of the Ministry of Foreign affairs. He is a member of board of Jacques Delors Institute (Paris), of SIRIRI, Prague based NGO, or of Forum 2000.



## IVAN HODÁČ

Ivan Hodáč is the Founder and President of Aspen Institute Prague. He completed his education at the University of Copenhagen and the College of Europe in Bruges. He was the Secretary-General of the European Automobile Manufacturers' Association (ACEA) from 2001 until October 2013. Before joining ACEA, Ivan Hodáč was Senior Vice-President and Head of the Time Warner Corporate office for Europe. Previously he was also the Secretary-General of the trade organization IFMA/IMACE, Senior Economist at Didier & Associates, and Assistant Professor at the College of Europe, Bruges. Financial Times recently listed him among the most influential personalities in the Brussels politics.

## TOMÁŠ HRUDA

Tomáš Hruďa is the Co-Founder of the Education Republic project and former Deputy Minister for Education. He graduated from economy and international relations at the Faculty of Social Sciences at Charles University. He began his career as a project manager in CzechInvest and in between years 2005 and 2007 he was a CEO of the company. In year 2009 Hruďa was a director of CEITEC (Central European Institute of Technology) and he remained in this position for three years. In 2012 he became Deputy Minister for Education and then, after his one year stay on maternity leave, he was one of the co-founders of Education Republic. He remains active in this education-oriented company ever since.



## BOHUMIL KARTOUS

Bohumil Kartous is Head of Communications and analyst in think-tank EDUin. He has graduated from Pedagogical Faculty and Faculty of Sports Studies MU in Brno and holds PhD from Media Institute at Faculty of Social Sciences UK. He has been publishing about education in many of Czech media and serves as regular media commentator of educational events. He teaches at the University of Economics and Management in Prague and he helps to launch start-up Education Republic. In 2015 he participated on the content and realization of Forum 2000 and together with the DOX Centre of Contemporary Art he created Map of Social Stereotypes. He has been participating on the implementation of Philip Zimbardo's Heroic Imagination Project. He is also editor of the Czech critical Internet daily Britské listy.



## TANIA LE MOIGNE

Tania le Moigne is the Country Director for Google Czech Republic and Slovakia. She graduated from the University of Economics, Prague. She spent more than nine years at Microsoft in Prague, Munich and London, where she held various management positions in the areas of marketing, IP protection and enterprise strategy. Le Moigne launched the Google Czech and Slovak offices in 2006 and 2010, respectively. She is a member and a mentor of non-commercial mentoring project Odyssey and the author of 4bambini, a series of board games for children that promote important life values. She occasionally cooperates with the University of Economics, New York University and European Leadership & Academic Institute in Prague, where she is lecturing Values Based Leadership. Tania is also a Board Member of Aspen Institute Prague and NGO Dobrý Anděl.



## VÁCLAV MACH

Václav Mach works at Microsoft Corporation as the Director for Government and Corporate Affairs in Central and Eastern Europe. He graduated from the Faculty of Mechanical Engineering at the Czech Technical University in Prague, and in 1996 he passed the exam to graduate management course from the Czech Management Center Čelákovice. Mach is also a member of Board of Directors of ICT Union, a member of Czech ICT Alliance and a representative of the Czech Industry Coalition on Data Protection.



## MICHAELA MARKSOVÁ

Michaela Marksová is currently the Minister of Labor and Social Affairs. Prior to holding this position, from April 2009 to September 2010 Marksová was the Head of the Equal Opportunities in Education Section at the Ministry of Education. After graduating from the Faculty of Science of Charles University in Prague, she worked as the Public Relations Director for Gender Studies o.p.s until 2004. From 2004 until 2006 she was the Director of the Family Policy Section at the Ministry of Labor and Social Affairs. Since 2006 she has been a representative in Prague 2 Municipal District.



## ROBERT PELIKÁN

Robert Pelikán is currently the Minister of Justice of the Czech Republic. He graduated from the Faculty of Law at Charles University. During and after his studies he worked for the attorney law firms Císař, Česka, Smutný a spol. and Linklaters. In between the years 2008 and 2014 he was a partner in AK Vrána & Pelikán. Since 2012 he has lectured at the Department of Business Law at Faculty of Law at Charles University in Prague. His publication and lecturer activities should be mentioned as well. In 2014 he began working at the Ministry of Finance and later at the Ministry of Justice.



## TOMÁŠ POJAR

Tomáš Pojar is the Vice-President of CEVRO Institute, Vice-President of the Chamber of Czech-Israeli Trade (ČISOK) and a security and defense consultant. He studied politics and graduated from the Faculty of Social Studies at Charles University, he also has a degree in Counter-Terrorism Studies and Homeland Security from the Interdisciplinary Center (IDC) in Israel. In 1995 he began to work for the NGO People In Need (PIN). He was the leader of PIN from 1997 until 2005. Then he became Permanent Secretary for Bilateral Relations and First Permanent Secretary for Security Matters, EU Matters and Bilateral Relations with European States. From 2010 to 2014 Pojar was an Ambassador of the Czech Republic to Israel.



## JAN POKORNÝ

Jan Pokorný is the Director of Czech Radio News. He studied Journalism at the Charles University in Prague. In 1984 he began working for Czechoslovak Radio, first as an editor of intelligence exchange, and then in 1986 as the moderator of the show Dobré jitro. After 1989, he organized and hosted a morning program on stations in Czechoslovak Radio and was a Parliament's reporter in the Federal Assembly. Starting in 1994 he worked at the station Radiožurnál as a moderator and from 2005 to 2008 he was the editor in chief. In 2010 he worked as the Czech Radio foreign correspondent in France. In 2012 he returned to the position of editor. He started his current position as director in March 2016.

## NIKITA POLJAKOV

Nikita Poljakov is the Head of the Economic Department at Hospodářské Noviny Daily. Nikita spent four years in Great Britain, seven years in Russia and almost two decades in the Czech Republic. For him, the rapid convergence of these countries' economic cultures was crucial, and their individual stories brought him to journalism. During his studies at the Faculty of Journalism in Prague, he started to describe the business environment through articles in Hospodářské Noviny Daily, which he has been doing for the last five years. At the same time, he had been deepening his academic knowledge at the London School of Economics and Political Science.



## MARTIN POVEJŠIL

Martin Povejšil is the Permanent Representative of the Czech Republic to the EU since 2012. Prior to that, he served as the Czech Ambassador to NATO. He graduated from the Palacký University in Olomouc with a doctorate in modern philology and linguistics. He joined the Czechoslovak diplomatic service shortly after the political changes in his country in 1990. Throughout his career, he has held a variety of senior posts in the Czechoslovak and Czech Ministries of Foreign Affairs as well as in diplomatic missions abroad. His professional portfolio is comprised of development issues and bilateral relations, as well as European and security affairs and multilateral diplomacy.



## TOMÁŠ SALOMON

Tomáš Salomon is the Chairman of the Board of Directors of Česká spořitelna. After the revolution, he co-owned a popular Smíchov pub U Tučňáků and later he worked at Pepsi Cola Company. He had led the GE Capital Multiservis since 1997. In 2000 he moved to the GE Capital Bank, where he was in charge of the retail and was also a member of the Board. Subsequently he went to Slovakia, where he worked as CEO of Poštová banka. Then again he ventured into the business; the most famous of his projects is Mobito, mobile payments service. In 2013 he joined the Erste Group and he led the retail banking of Slovenská sporiteľňa. Last year, he moved to the same position in Česká spořitelna. In January 2016 he has been appointed Chairman of the Board of Directors and he has been leading the bank ever since.



## JIŘÍ SCHNEIDER

Jiří Schneider is the Executive Director of the Aspen Institute Prague. He graduated from Czech Technical University and obtained a Diploma in Religious Studies from University of Cambridge. He was elected to the Czechoslovak Parliament in 1990 and 1992. In 1993 he joined the Ministry of Foreign Affairs and held various positions at the Czech diplomatic service. Most prominently he served as Ambassador to Israel and as the First Deputy Foreign Minister of the Czech Republic. He also lectured at various universities in the Czech Republic. He was closely associated with the Prague Security Studies Institute (PSSI), a leading Czech security think tank.

## BOHUSLAV SOBOTKA

Bohuslav Sobotka has been the Prime Minister of the Czech Republic since January 2014. He began his political career after graduating from the Faculty of Law at Masaryk University in Brno in 1995. In 1996 he was first elected to the Chamber of Deputies as the Czech Social Democratic Party (ČSSD) candidate for the South Bohemian Region. He was repeatedly elected Member of Parliament for the ČSSD and in March 2011 he became the Chairman of the party. In addition to that, from 2002 until 2006 he worked as the Minister of Finance and the Deputy Prime Minister, he was also the Chairman of the Budget Committee of the Chamber of Deputies, and the Statutory Vice Chairman of the ČSSD. He has headed the Mandate and Immunity Committee of the Chamber of Deputies since December 2011.



## MICHAL STACHNÍK

Michal Stachník works as CEO of the Czech and Slovak branch of the world's leading technology company Cisco since 2015. He is also involved in the work of the regional Cisco leadership in Central and Eastern Europe. Michal Stachník has been active in the field of information technology for more than 20 years. After graduating from computer science at the Technical University in Brno, he worked at companies such as Symantec, IBM and as a company director of VMware.



## MARTIN STROPNICKÝ

Martin Stropnický is currently the Minister of Defence of the Czech Republic and a Member of the Parliament. In 1998 he also served as the Minister of Culture. Between his time in the cabinet, from 1990 to 2002 he worked at the Ministry of Foreign Affairs. He later became the Czech Ambassador to Portugal, then to Italy and to the Holy See (Vatican City). Aside from his political career, Stropnický has a passion for theatre and arts. He graduated from the Theatre Faculty of AMU in 1980 and he studied at the Diplomatic Academy of Vienna. He worked for the Municipal Theatres of Prague and the Vinohrady Theatre from 1980 to 1990 and later became the Artistic Director of the Vinohrady Theatre.



## KAREL ŠIMKA

Karel Šimka, judge of the Supreme Administrative Court, obtained degrees in law and political science from the universities in Plzeň, Praha and Passau. Initially he served as a judge in the field of civil law. Since 2004 he is the Member of the Enlarged Chamber, the Chamber for the Matters of Competence Complaints and a Substitute Member of the special chamber in the Matters of Jurisdiction Conflicts at Supreme Administrative Court. Since 1998 he has been a lecturer at the University of West Bohemia in Plzeň. He has been teaching constitutional and tax law at the CEVRO Institute College. He is or has been a member of several expert bodies and a member of editorial boards of The Bulletin of the Chamber of Tax Advisors of the Czech Republic and The Law Advisor.



## PETR ŠIMŮNEK

Peter Šimůnek is the Editor in Chief of Forbes Czech Republic. He has a master's degree in International Business from the University of Economics in Prague and he also attended the University of Oxford through the Reuters Fellowship Program at Green College. From 2000 to 2005 he was the Deputy Editor in Chief and from 2005 to 2011 the Editor in Chief of Hospodářské Noviny. From 2004 to 2009 he was a moderator for political talk show on Prima TV. Since 2013 he hosts the show Den podle... at the radio station Český rozhlas Plus. He was awarded the Governor of the Czech National Bank Prize for his journalistic work in the field of economy.



## HANA TŘEŠTÍKOVÁ

Hana Třeštková is a Member of the Prague 7 City Council. She focuses on culture, neighbor relations, and promotion of entrepreneurship. Hana Třeštková graduated from Film and TV School of Academy of Performing Arts in Prague with a degree in Film and Television Production. She has wide experience in the audiovisual industry. She produced a lot of successful movies and documentaries and also participated at Czech film festivals and cooperated with various filmmaking agencies. She was elected to the Council as a Member of the association PRAHA 7 SOBĚ. In Prague 7 Třeštková organizes cultural and neighborhood activities.



## ZUZANA TVARŮŽKOVÁ

Zuzana Tvarůžková is a reporter, journalist and TV presenter. In 2003 she started her career in media as a journalist for Nedělní svět. She joined news channel CT24 on Czech Television in 2005, where she specialized on topics about politics and justice. In 2013 she briefly hosted the show 168 Hours and Události, komentáře. In 2014 she prepared the municipal election special with Václav Moravec. She is currently a moderator of the show Interview CT24.



## KATEŘINA VALACHOVÁ

Kateřina Valachová is the Minister of Education, Youth and Sports. She started her career in law as a lawyer for the Brno Municipality after earning her Ph.D. in constitutional law, legal theory and administrative law from the Masaryk University in Brno. From 2002 to 2012 she was the Head of Legal Department for the Office of the Public Defender of Rights. Later, in 2013 and 2014 she worked as the Director of Legislative Department at the Office of the Senate of the Czech Republic. After that she was appointed into the position of the Deputy Minister for Human Rights, Equal Opportunities and Legislation in Ministry lead by Minister Jiří Dienstbier. At the same time she has held the position of the Vice-Chairwoman of the Government Legislative Council.



## DAVID VÁVRA

David Vávra is the founder and managing partner at OGRsearch. He holds PhD in Economics from CERGE-EI and his research interests lie in macroeconomic modeling, economic growth and development. When working for the International Monetary Fund, he advised dozens of central banks and national authorities. He is also an expert in macroeconomic modeling and forecasting. David introduced a forecasting and policy analysis system to support forward-looking monetary policy at the Czech National Bank. He also served as Senior Advisor to the Governor of Czech National Bank. As Managing Partner of OGRsearch he is responsible for marketing and strategic business development. Throughout his career, David has engaged with academic institutions and lectured frequently.



## PETR VOKŘÁL

Petr Vokřál is the Mayor of the City of Brno and Vice-Chairman of ANO 2011. He graduated from Civil Engineering Faculty of the Technical University of Brno and attended the University of St. Gallen in Switzerland focusing on management studies. He started his career at the Environmental department at Brno City Hall. He then started working for the A.S.A., in 2001 he then became a Managing Director and then in 2009 he was named CEO and Chairman of the Board of A.S.A.. He is a member of ANO 2011 and was elected Mayor of Brno in 2014.



Public institutions, i.e. the constitutional and political bodies, administrative authorities, courts and other institutions caring for the public interest, have at the most general level to create and maintain an environment that encourages human creativity, entrepreneurship and 'worthy' activities of various kinds, and generally to help with making life sustainable, stable and at the basic level satisfying for as many people as possible on the territory of the Czech Republic. To put it as a slogan: progress and stability for as many as possible. From this general brief emerge the following requirements for the conduct of public institutions (quality of governance):

1. the stability of the political, legal and administrative system,
2. its professionalism, i.e. its clarity and user-friendliness for its addressees, its humanity, credibility, competence, reasonable swiftness, functionality and rationality, the merit to be perceived as a legitimate authority,
3. farsightedness coupled with flexibility, i.e. the ability to deal with the long term vision of prospective development, predictability, but also the ability to quickly respond to changing conditions.

# 1. STABILITY

## The political and constitutional system

The Czech constitutional and political system has since November 1989 been in the Central European context one that is typically stable, comparable not only with other post-Communist States of the region, but also with Austria.

Data about the general quality of democracy for the years 2014 and 2016 ↓

State	Rank within the OECD, 2014	Rank within the OECD, 2016
Czech Republic	18.	25.
Hungary	40.	41.
Germany	6.	5.
Poland	8.	8.
Austria	22.	18.
Slovakia	25.	26.

Source — Sustainable Governance Indicators

The constitutional system has since the adoption of the Constitution (1992) in essential respects undergone change only in respect of the introduction of direct elections for the President of the Republic (2012) instead of the prior election process, by Parliament. If anything, this has harmed stability, in particular by reinforcing the conflicted Government-President lines of communication and packing the already filled electoral calendar with yet another election, moreover one perceived by the citizenry as very important, on a par with the elections to the Chamber of Deputies. In order to guarantee the basic framework for human rights and the institutional arrangement, a two-chamber Parliament has proven itself, usually accompanied by a differing political composition of the Chamber

of Deputies and the Senate, and thus making any change to the constitutional order more complicated (the requirement of a qualified majority in both Chambers). The Czech arrangement is thus more resistant to sudden changes of the basic regime parameters as compared to e.g. Hungary or Slovakia, with their unicameral parliaments.

After the introduction of direct elections for the President of the Republic, there are now six types of elections in the Czech Republic with four- or five-year electoral cycles. Some election or other thus takes place at least every two years, and generally more often than that. The high frequency of elections leads to a curious kind of 'stability through being hamstrung',

since any Government that emerges from the elections to the Chamber of Deputies has only a brief period (about a year, up to two) within the four-year election cycle, in which it may push through more dramatic changes to existing policy. As a result, Governments in the Czech Republic, although fairly stable (there have only been two occasions of early elections being held, in 1998 and in 2013; with a total of 13 Government exchanges since 1992), tend to be somewhat ineffectual.

The system of political parties seemed from 1992 to about 2010 to have stabilized. It had clear Right and Left poles (the ODS and the ČSSD), a mildly variable Center (the stable Christian Democrats, next to them the civic center parties or center-right liberals, relevant as a rule for no more than two terms of office), an insignificant extreme right, and an influential, but in its own way system-integrated extreme left (KSČM). The 2010 elections to the Chamber of Deputies represent a major recasting of this arrangement; initially in the form of the "Věci veřejné" ('Public Affairs') by Vít Bárta and then (in the 2013 elections) the ANO ('Yes') political movement by Andrej Babiš, which brought in the significant

populist centrist political forces, rallying against the political establishment and controlled from a single center by a wealthy founder, the de facto owner of that formation. The traditional center-right (ODS / Civic Democrats) has greatly weakened, but the center left (ČSSD / Social Democrats) has also suffered a marked decline in voter favor.

The current political arrangement can hardly be considered to be stabilized; on the contrary, a reinvention of the political party system is ongoing. The Parliamentary election of 2017 at the very least, but probably also thereafter (2021, if held to schedule) will be looking for a new format for the system. Yet when compared within the Central European context the Czech development is no exception — the Slovak party system has traditionally been very volatile, the systems in Hungary and Poland have in the past undergone significant transitions and even today are not an order of magnitude more stable than the Czech system. Hints of shifts are also appearing in the 'rigid' party system in Germany (the rise of the AfD) and Austria (strengthening of the FPÖ and the weakening of the Grand Coalition parties).

Proportions of total votes and seats in the elections to the Chamber of Deputies for the ČSSD and ODS. ↓

Elections to Parliament or Czech National Council	ODS votes (%)	ČSSD votes (%)	Total votes (%)	ODS mandates	ČSSD mandates	Total mandates (out of 200)
1992	29,73	6,53	36,26	76	16	92
1996	29,62	26,44	56,06	68	61	129
1998	27,74	32,31	60,05	63	74	137
2002	24,47	30,21	54,68	58	70	128
2006	35,38	32,32	67,7	81	74	155
2010	20,22	22,08	42,3	53	56	109
2013	7,72	20,45	28,17	50	16	66

Source — www.volby.cz

## The Rule of Law and the Administration

Czech Law was fundamentally changed by November 1989. Under the Communist regime the Law was ornamental, a cover for reality or quite simply irrelevant. Everything essential was decided by politics and the Law kow-towed. The liberal democracies of the West are, by contrast, characterized by the fact that politics is significantly circumscribed by the Law, particularly constitutional, but also the rules of international law, and by the fact that under normal circumstances such limits must be respected by politics, their foundations are not to be tampered with nor, with some exceptions, can they be in effect ignored (e.g. there is the risk of being liable for harm caused by the State or the criminal prosecution of politicians and officials). The consequence is the critical importance of rights, legal regulations, administrative procedures and court cases. The Czech Republic does not differ from the other States of the West, particularly the European Union in this regard — the basic parameters of the legal systems of its Member States, in particular, the standard of protection of fundamental rights of the individual, are aligned and given by directly applicable international or EU Law.

Example: A highway can be built where the political representation wishes, only and solely if it does not clash with the paramount legal standing of individuals (ownership, health) or with assets protected by laws (even the natural environment, e.g. landscape or wildlife conservation), to whom the law gives precedence over the highway. In practice, it is extremely difficult to determine when who or what has precedence — whether nature, or individual rights, or the highway. Political power moreover has no legal means to adjudicate the conflicts between competing values once and for all in advance (for example, stating that the highway is always preferred), and must not exclude judicial review of such clashes. The consequence is complexity and slowness of the permit processes, as the price to be paid for a system ensuring the protection of individual rights.

In point of fact current Czech law (and the same goes for elsewhere in Europe, taking Germany or Poland for example) has two basic sources:

- written 'statutory' laws (international treaties, legal acts of the EU, national constitutional laws, statutes and subordinate legislation),
- precedent setting 'high courts' (the European Court of Human Rights, the EU Court of Justice, the Constitutional Court, the Supreme Court, the Supreme Administrative Court).

The law is thus multi-source (it is made up of different institutions interacting) and multi-level (laws are made at international level and Union level and the Council of Europe, as well as the national level).

The result is a body of texts to be searched through to find what is 'on the books' (thousands of regulations of various kinds, tens of thousands of judgments of high courts, methodologies and procedures derived from all this and the practices of administrative offices, etc.). The law is confusing — the sources of the law are not gathered in one official place and nowhere is it declared which apply, which no longer do, and what is the relationship between them; therefore, the most reliable information sources are private legal information systems (ASPI, LexGalaxy, etc.). Sometimes there appear to be serious contradictions between the sources and as a rule there are frequent changes in the 'statutory' legislation.

Changes to the law are primarily caused by the dynamics and complexity of social processes and the general social demand to have them regulated by law. Economic activity is subject to detailed private and public regulations, in particular in the areas of corporate law, employment law, consumer protection, environmental protection and public security, the protection of the stability of the financial sector and taxes, of fees, and public insurance. Most of these regulations arise in two stages — at the EU level for Europe-wide frameworks, often already very detailed, then transposed into the Czech legislative framework and fleshed out with national laws.

The problem of burgeoning and growing, disorienting legislation has long been perceived by the policymakers as well as by business as a thorny one, but seemingly insoluble. Regulations are ever increasing, their texts are longer, more detailed, more complex. The respective branches of the law are not succeeding in providing a clear and systematic structure. The exception in recent years has been the codification of significant legal fields, which have generally proven themselves (the criminal code, the administrative code, the tax code, the civil code, the commercial corporations act, insolvency law, etc.), however in many cases requiring significant transitional costs.

In international rankings the Czech Republic is evaluated positively for the quality of its regulatory system and rule of law, while its place has in recent years slowly but steadily improved (from 30th place in the world in 2013 to 25th in 2016). Among the post-Communist States of Central Europe, it is clearly ahead, at a level within reach of Germany.

Yet in some areas of the law, such as in taxes, the complexity and vagueness of legal regulation is reaching worrying levels even by international comparison. According to the Global Innovation Index for 2015 the Czech Republic is ranked as low as 87th in the global comparison of the complexity and administrative burden of the tax system (Poland 49th, Germany 59th, Slovakia 60th, Austria 61st, Hungary 73rd). The latest administrative duties placed on entrepreneurs (the audit advisory report, the EET electronic register of takings) further hamper the competitiveness of the CR in this respect.

The law is the 'stronghold' that protects the status quo and with it the power, economic position and status of the individual groups in society as well as individuals. The complexity of legal hurdles to overcome when implementing changes (typically when it comes to new construction, introducing new technologies, etc.) on the one hand delays and in some cases even prevents these changes, but on the other hand at least temporarily protects those subjected to

*The quality of the regulatory system and the rule of law for the years 2013-2016 ↓*

State	Global rank 2013	Global rank 2014	Global rank 2015	Global rank 2016
Czech Republic	30.	29.	27.	25.
Hungary	37.	40.	40.	43.
Germany	16.	16.	16.	15.
Poland	39.	38.	36.	36.
Austria	7.	6.	6.	8.
Slovakia	42.	47.	46.	45.

Source — Global Innovation Index

the impacts and consequences of the changes. Changes are brought about through a combination of 'fights' between the stakeholders before the administrative authorities and the courts, and negotiating with the groups and individuals concerned. The sharpness of the conflict is often dulled and diminished by the complicated procedures; at other times, however, the protraction of changes leads to serious private and public costs.

## 2. PROFESSIONALISM

The professionalism of public institutions can be taken to mean the entirety of their aspects, expressed in particular by their actions toward those on the receiving end, and building and renewing their legitimacy on a daily basis. These aspects are, in particular:

- clarity and user-friendliness toward addressees; the 'human touch',
- professional competence; the functioning and rationality of their procedures,
- due speed,
- credibility; deserving to be perceived as a legitimate authority.

Clarity and user-friendliness toward addressees, the 'human touch'

In terms of formal and institutional instruments for the enforcement of rights, the CR comes up to the common European standard. The admini-

nistrative, fiscal and judicial rules of procedure recognize a host of remedies, two-instance adjudication being the norm. The decisions of public administration can be challenged in the administrative justice system; the range of persons who may do so includes not only those directly concerned, but in defined areas (ecology, land zoning, construction) by the so-called affected public, which in practice tends to mean associations focused on environmental protection. In addition to the conventional remedies there is the option of complaining about inaction to the superior body or court, as well as appealing to the public defender of rights, the Ombudsman.

In a modern State with its plethora of regulations and related authorities, it is necessary that an individual (whether entrepreneur or private) should be able relatively quickly and reliably to determine the rules they are subject to in a particular situation, which authority will be dealing with them in their case and what paperwork they shall require. A key role here is lately played by computerization and e-government. In this respect, the CR offers the following:

- Under the Act on free access to information, each public institution publishes on the web a host of information about their activities (their contacts, remit, internal structure, information on procedures and proceedings handled, etc.),
- there is Portal of public administration which acts as an electronic signpost for providing information of all kinds in the public sphere, for example, on public procurement, on data from publicly available information systems, etc.
- Public institutions must communicate electronically (accept documents sent from data boxes or by email and send such to the data boxes or email of their addressees),
- in some cases, a request or submission being made direct into web-forms, however, this practice is not universal nor compulsory; sometimes vice versa (most recently for VAT) the entrepreneur has to file solely electronically and only in the data formats and ways the tax administration stipulates,
- there is the CzechPoint system that at most post offices allows you to obtain statements from some official registers; the post office also verifies documents and converts documents from paper to electronic form, and vice versa,
- anyone can set up an electronic data box which is then their official delivery address accessible over the Internet from anywhere; legal persons and entrepreneurs have a compulsory data box; public institutions now also predominantly use data boxes to communicate with each other
- there is the remotely accessible public (formerly commercial) register, which provides an extensive set of free information on legal entities of all kinds and on entrepreneurs, an online insolvency register

- with similar features and an online accessible (fee-based) land registry information system and the (free) online accessible real estate and land registry; likewise, a shipping and aircraft register,
- use of electronic case documents is at the experimental stage within administrative authorities and courts, although they are only used to a limited degree in practice (insolvency),
- There are a number of extensive electronic information systems used by the public administration and in some cases providing outputs to the public (in addition to the so-called basic registers, e.g. the population register, as well as the register of vehicles, information systems for subsidies, the legislature, a registry of professors, full and associate, the judicial information system on court proceedings, etc.).

The period 2007-2011 broadly speaking, when the majority of the measures described above were brought in or improved, has been followed by stagnation as the byword of recent years. Nothing has been added that would represent a qualitative shift like the introduction of data boxes and CzechPoint. In the UN E-Government 2016 assessment the Czech Republic ranked 50th, of 193 worldwide. Ranking higher were 46th Hungary, 31st Poland, 16th Austria and 15th Germany. Only Slovakia ranked lower, in 67th place. The clear downward trend of the CR is evident over time — 53rd placed in 2014 it held 46th place in 2012, 33rd in 2010, 25th in 2008, 29th place in 2005.<sup>1</sup> It is therefore evident that, while in the years 2007-2011 computerization underwent a leap forward, it is now stagnating and we are gradually sinking against global competition; this having perhaps been halted in the last year — the same conclusion reached by the Government when analyzing 2008-2013 by international comparison using the digital development index.<sup>2</sup>

## Professional competence; the functioning and rationality of public institution procedures

The expertise, functionality and rationality of procedures are chiefly qualitative and 'soft' parameters for the assessment of the functioning of public institutions, so it is difficult to evaluate on the basis of available statistical data. International comparisons do, however, make it plain that overall level of performance of Czech public institutions is not

altogether satisfactory among the industrialized countries (OECD members), but does correspond to the general level in the post-Communist countries of Central Europe. According to 2012 data, in the OECD group it is clearly below average — the CR reaches the index values 2.2, in the 0.0 to 5.0 range, while the OECD average is 3.0 and neighboring countries reach the following values: Slovakia 1.8, Hungary 2.25, Poland 2.5, Austria 3.15 and Germany 3.7.<sup>3</sup> Similar data are also provided by the Global Innovation Index.

## The general quality of the regulatory environment for the years 2013-2016 ↓

State	Global rank 2013	Global rank 2014	Global rank 2015	Global rank 2016
Czech Republic	41.	40.	40.	40.
Hungary	33.	33.	33.	36.
Germany	31.	29.	26.	24.
Poland	43.	42.	42.	41.
Austria	9.	8.	8.	10.
Slovakia	30.	45.	46.	46.

Source — Global Innovation Index

As far as staffing of public institutions, it is hard to say that it suffers from a lack of attention. The Czech Republic has by international comparison a high number of judges (some 3,100 i.e. according to 2012 data some 29.1 judges per 100,000 inhabitants, the comparable figure for Germany being 24.7, for Austria 18.3, for Poland, 26.2, for Slovakia 24.2, and for Hungary 27.9<sup>4</sup>), or indeed more police officers (there are more than 40,000 with the prospect of an increase to about 44,000 in the next few years) in proportion to the population. Neither does the State Administration suffer from a shortage of officials and, moreover, is ever expanding (e.g. the Revenue Service will grow by hundreds of new officers during this year and the next).

## Due speed decision-making

Seen through the prism of statistical data and the average values, the Czech public administration and the judiciary do not do badly and definitely do not belong to the slowest in Europe. According to 2012 data, the CR dealt with civil matters as quickly as the top third of the Council of Europe Member States.<sup>5</sup>

According to the data from judicial proceedings for the years 2010-2014, the course of criminal proceedings in district courts from indictment to the ruling takes about half a year and civil proceedings around one year. The regional courts, which deal with substantially more complicated cases show similar data in criminal cases while in civil cases taking from around a year and a half to two years. The length of proceedings is

## The length of judicial proceedings in the Czech Republic for the years 2010-2014 ↓

The length of legal proceedings from the start to the ruling (in days)	2010	2011	2012	2013	2014
District courts – criminal cases	207	192	181	173	168
District courts – civil cases	282	284	356	426	380
District courts – cases involving minors	173	171	176	172	171
Regional courts – criminal case	672	687	541	628	581
Regional courts – civil cases	631	559	510	511	545
Regional courts – business cases (of civil cases)	701	603	541	537	547
Regional courts – insolvency cases	69	92	106	197	351

Source — Czech Republic Statistical Yearbook – 2015

showing little change over the long term, except in insolvency cases, where during the reporting period there is an evident average lengthening of proceedings from about three months to one year.

Czech justice is thus not slow on average; but its weakness lies in difficult, convoluted cases, whether in the criminal or civil area.

Example 1: On August 8, 2008 at Studénka, a EuroCity train hit a bridge under repair, which fell into the trackway. 8 people died and dozens more were injured. Even today, more than 8 years later, the case is not settled in the criminal justice domain. The police investigation took roughly 3 years. In the summer of 2011 the case was brought before the court. Since then, judicial proceedings have been underway, and the court can hardly be accused of dragging its feet since the proceedings are chiefly a contest of expert witnesses and expert reports, repeatedly challenged by the lawyers of the respective defendants, and it is difficult to unravel exactly what caused the disaster and who in the company that was responsible for repairing the bridge that collapsed was responsible for operations at the construction site. The problem lies in the combination of complexity and technical ar-

duousness of the cases, the high-quality work of the lawyers, and the requirement of the criminal justice laws to assess thoroughly and individually the conduct and blame of each of the persons under consideration as the culprits in the tragedy.

Example 2: David Rath and his alleged accomplices were arrested after several months of monitoring and listening-in by police in May 2012. In April 2013 the indictment was filed by the prosecution. In April and July 2015 a ruling was twice issued by the first instance court. The defendants appealed, and in October 2016 the court of appeal cancelled the first instance ruling, probably because of a procedural defect, and remanded the case back to the first instance. This means that there will be at least one more round of proceedings before the first instance court as well as the court of appeal. It is therefore not certain whether the matter will be resolved, at least in 2018. Even in this highly publicized case, which the public prosecutor's office has treated with utmost care, and which the judge of the first instance can certainly not be blamed for delaying, the length of the proceedings has been affected by the complexity of the case and the thorough invoking of procedural rights by the defendants.

There are differences between the various regions — an example being the small but economically significant area of the administrative judiciary. While the quickest regional courts (e.g. in České Budějovice) decide administrative matters (e.g. tax or civil-legal) within a few months, at the Municipal court in Prague, a similar decision awaits its outcome for about three years.

As in judicial decision-making, there are numerous cases of administrative proceedings lagging prohibitively. Once again at issue are the procedures dealing with complex questions and where conflicting interests meet head on, through doggedly intransigent representatives. Typical of this are proceedings in construction, especially for large infrastructure projects.

Example: The most problematic section of the D8 Highway (Prague-Dresden) is Lovosice-Řehlovice in the Central Bohemian protected Uplands zone. As far back as 1995-2007, during the preparation and authorization phase of the construction, ecologists were pointing out the unsuitability of the route planned to skirt around the slopes of hilltops and to a lesser extent go through tunnels, warning against, among other things, landslides. They argued for a 13 km long tunnel under the Uplands, which would, of course, have prolonged construction by 5-7 years against the original plans. After years of fighting before the administrative authorities and the courts for a construction permit, the build started in 2007. The official and judicial trek went on, however, and the expected completion date continued to slip. In the summer of 2013, when the construction has greatly progressed and completion was being scheduled for 2014, several hundred meters of the completed highway were buried under a mudslide, at the very location that environmentalist warned about years earlier. The redevelopment of the landslide and securing of the banks for increased security protracted the construction by more than three years; the highway may possibly be opened in the winter of 2016. However, even this is not certain, because there might occur further landslides.

Similar stories can be found across the CR, to name but a few at random:

- Prague ring road (the completion date is not certain, but no earlier than 2020; there being routing disputes especially in Suchdol and Běchovice),
- Highway D35 linking Hradec Králové and Olomouc (the construction has been bogged down in disputes over the route, some through the courts; not fully finished to this day),
- Highway D3 from Prague to the south (the route between Prague and Benešov district is unclear; whether it should lead through the Posázaví zone),
- The territorial development plan of the South Moravian region (this large scale territorial zoning is awaited, in order to complete the highway infrastructure north-south from Brno; the Administrative Court annulled it in the summer of 2012 for overall illegality; its successor may be approved perhaps in the fall of 2016, but it will certainly be the subject of further legal challenges),
- The siting of the Brno main railway station (the dispute has snaked through the entire post 1989 period, is still not resolved, and is blocking any construction of a high-speed rail network, along which Brno would be an important node).

Disputes in zoning and in territorial and construction proceedings are not limited to public infrastructure works. They affect private investors to a significant extent too (for example, in Prague, in recent years new building work has been greatly held back by disputed illegal modifications to Prague's master zoning plan and by new building codes; long-running uncertainty prevails on the issue of turning the Vodochody airstrip into an International Airport).

## Credibility of public institutions; deserving to be perceived as a legitimate authority

An institution is credible, if those it addresses perceive it as fair, not open to criticism for being under dishonest influences. In the CR in this respect the signal topics are the transparency of the public sphere, and the impartiality of decision-making, in particular when dispensing advantage (subsidies, public procurement, etc.). This is related to topics such as corruption and how to fight it, and jobs in high office.

One of the measures toward transparency is primarily the law on free access to information in force since 1999 (a similar law applies specifically for the environment). It lays down the duty for public institutions to provide information (especially on their websites) about their activities. Furthermore, they are to provide information in response to specific questions. Information shall be provided to anyone who inquires; the inquirer need not prove a legitimate interest, or other serious grounds. Simple information is provided free of charge; fees are charged for involved responses to cover the actual costs incurred by the authority. Exemptions from information provision are very restricted and the courts are also rather inclined to interpret them narrowly, i.e. in favor of the inquirers. In principle, information is provided about everything, excepting what is protected as classified information from live proceedings. If the State pays out to private individuals, for example subsidies or salaries, it must also inform about how much, to whom and why it paid. In recent times there has been a shift through an amendment emphasizing Open Data provided by the public administration, to make it computer readable for analysis.

A big step forward, the contract registry act, is likely to be approved this year, which makes it mandatory for public institutions to publish on the web the full text of any contract entered into where the transaction values exceeds 50,000 CZK. After a transitional period, as of mid-2017 a contract shall not take effect unless published.

Strengthening impartiality and 'shielding' public administration from politics should be the outcome of the civil service act, which transferred a significant portion of the State Administration staff (especially at ministries and other central administrative authorities, but also for example in tax administration), including a number of senior officials, such as deputy ministers, to a public service position. They are protected against dismissal and their reassignment to other duties is made more difficult. Service job roles are filled through mandatory selection procedures. The civil servants at the ministries are not managed by the Ministers, but by Deputy State Secretaries subordinate to the Interior Minister for the Civil Service. It is too early to assess whether the new system will bring more impartiality and professionalism, or whether it will only increase bureaucracy and silo mindsets.

## Public perception of public institutions

Confidence in the public sphere, in particular about politics and high public administration officials in the Czech Republic is quite low. This is especially apparent from data on the perception of corruption. CVVM studies show that over the long term some 60% to 75% of respondents believe that most if not all public officials are involved in corruption. This feeling has grown particularly since the end of the first decade of the 21st century. While in 2004 as well as in 2008 and 2009 this was a view held by 61% of respondents, in 2010 it was already 65%, in 2011 67% and this public opinion peaked at 74% in 2012, with 73% in 2013 and in 2014 as no less than 75%. There followed a slight decline to 67% in 2015 and 66% in 2016.<sup>6</sup>

Since at least the year 2012 there are manifest efforts to fight corruption — with a change of the public prosecutor and investigations into serious corruption cases involving top officials or people with a likely influence on policy (the Central Bohemian regional governor, Rath is currently appealing his court sentence, and the definitive sentence was

passed on Dalík, the confidante of the former premier Mirek Topolánek; a number of cases are being investigated or have been submitted to court). The wave of corruption investigations has brought its own excesses. Sometimes the term corruption is interpreted unusually, or extremely, even. For example, the political agreement that certain Deputies opposed to their party's leadership and threatening the stability of the Government majority would waive their mandates and in exchange obtain top positions in State-owned corporations is deemed to be corruption by the Prosecution service in Olomouc, despite the numerous past

occasions where such conduct was not considered criminal in any way. Similarly, unclear is the judgment as to when a politician or official is liable for the putative wasteful or illegal conduct during public procurement, even when it is not clear that they acted for personal gain (the scandal of Defense Minister Parkanová and the CASA aircraft or that of the Prague elected representatives about resolving the Opencard contract consequences). The consequence of these uncertainties is the growing reluctance of politicians and officials to take decision-making responsibility.

### 3. FARSIGHTEDNESS AND FLEXIBILITY OF PUBLIC INSTITUTIONS

#### Farsightedness

A huge shortcoming of Czech public institutions is their inability to formulate objectives that go beyond the horizon of one cycle of elections to the Chamber of Deputies and to achieve them. This relates in particular to transport policy, protection of the environment and urbanism (city planning) along with territorial development.

The Government and the ministries process a variety of conceptual and strategic materials relating to these questions (in particular, the Spatial Development Policy, currently dating from 2009, but also the strategies for the individual transportation domains, territorial development and environmental protection). There are no binding (statutory and securely funded) backbone transport infrastructure development plans. Yet the preparation and construction of large infrastructural developments (e.g. highways or railway lines) takes two or three election cycles, with a lifespan of

decades. This leads to constant changes in priorities and the associated delays of individual infrastructure projects. Particularly problematic is complying with the SEA and EIA terms and conditions.

Policies in other areas are similarly ailing. Energy policy is chronically vested in a mix of thermal and nuclear power plants supplemented by hydroelectric power plants (particularly of the pumped-storage type). Since 2006 there has been an uncoordinated boom of over-subsidized renewable energy sources, especially solar power plants, followed by biogas power plants. The renewable sources share of power generation in the Czech Republic is nevertheless about 13%, and among the lowest in Europe. Having sobered up from the solar chaos and following the drop in subsidies, it is evident that large stable sources will continue to be needed, although the importance of renewable energy sources (in particular home based small solar installations) will strengthen somewhat, and although it is unclear whether the power prices distorted by subsidies will make the building of new energy sources profitable. It is not clear what the future energy mix should look like, in particular whether to build new nuclear sources. The various Governments have drawn up various energy

visions, but none have given a clear go-ahead statement. Yet in the event that there will be construction of additional nuclear blocks in Temelín and Dukovany, this will require at least ten, probably more years to complete.

The absence of a clear vision can also be seen in other areas, e.g. the approach to protected nature zones. For a quarter of a century now, the Šumava national park is a battle-ground between, on the one hand, the effort to create a 'new wilderness' and exclude the presence of humans in certain areas and, on the other hand, the effort to combine nature conservation, tourism and forestry.

Emerging only slowly and ponderously is any apt long-term approach to climate change (global warming, the drying up of Southern Moravia, the decline in groundwater levels in a number of areas of the country, more frequent occurrences of extreme heat, drought, torrential rains, etc.). The solutions needed (e.g. landscaping work for better water capture and retention) face difficulties when it comes to territorial planning and construction permits.

#### Flexibility

In terms of flexibility and the ability to adapt quickly to changing conditions, the Czech Republic has in recent years been fortunate in not having to face the challenges which would put this ability to the test. The mainstream flow of migrants has passed us by. Previously, in times of economic crisis, we did not have to face extensive social difficulties.

The question remains to what extent the public institutions are able to take hold of and promote new trends in the economy, particularly in new technologies and new ways of doing business. The Government is trying to play catch up in stagnating computerization (e.g. the aforementioned action plan for the development of the digital market), as well as attempting to take hold of developments in the field of industry automation and robotiz-

ing (Industry 4.0) and in the Internet of Things. There is a growing focus on cyber security.

#### Conclusions and Recommendations

Describing the status as we have done above leads to suggesting improvements. To be considered are only those that are compatible with the general principles of the CR's functioning as part of today's EU. Under the current political and constitutional arrangement no radical and effective solutions exist to the problem of complexity of the law and administrative decision-making processes, since this would entail fundamentally changing the approach to dealing with conflicts of interests and values when promoting changes; the need to weaken the legalistic and strengthen the political solution aspect. Nevertheless, some partial measures can be taken.

- At the national level we need to consistently uphold the two-level and multi-factor structure of the law. Accordingly, and in particular, the Government must pay close and prompt attention to implementation of EU standard law, not just of the secondary laws in the Commission, the Council and the European Parliament, but also the judicial trends in the ECtHR and the CJEU. It would be apt to have a functioning 'early warning' system in cases where the legal regulation prepared at EU level will have an impact on business and other activities in the CR.
- Of benefit would be an official and binding legal information system of applicable law incorporating, in coherent form, all the sources feeding into law at international and national level.
- It would also be useful to have the long-discussed effective and 'empowered' coordination of sectoral lawmaking across individual ministries. Disputes arising from conflicts of values or interest (e.g. ecology versus development, consumer protection versus

business freedom) ought to be dealt with at an early stage of the legislative process by a clear political directive.

- We also need to do some analysis of the complexities, 'bottlenecks' and other problematic aspects of authorizations and other similar proceedings and to try to remove them. Within this context it would be good, wherever possible, to authorize new projects as functional units (e.g. to make more frequent use of what are known as the integrated authorizations of environmental law) and, contemporaneously if possible, rather than piecemeal in sections incapable of standalone functioning or linked in a chain of follow-up proceedings.
- We also need to examine whether all the permissions, licensing, authorizations and other procedures are essential, whether they do indeed protect something important in the public interest, and whether it is not sufficient to amend the private law (the exercising of property rights as against protection from emissions).
- An ongoing analysis of the administrative burden of living and running a business from the perspective of individuals (people and companies) by way of the various typical life scenarios (e.g. residential construction, compliance with fiscal and administrative duties by a small business, a developer building a residential condo complex, the selling of a car across regions or its import from abroad, etc.), would be appropriate.
- Specifically in the area of infrastructure projects, to put the emphasis at the preparation stage on solution variants less likely to face resistance, even if the initial cost are greater (routing highways and bypasses via tunnels, especially near inhabited areas or when traversing protected nature zones; the 'segmenting' of highways by way of frequent overpasses, eco-ducts or shorter tunnels that make the highway better fit the landscape; using brownfield sites for transport infrastructure projects in cities wherever possible; opting for architecturally sensitive solutions to multilevel junctions; seeking visually 'unobtrusive' transport buildings or conversely going for 'visual appeal' when they are a prospective architectural landmark, as in the case of bridges; taking a rigorous approach to mitigating noise and other emissions, etc.)
- Finally, it is advisable to 'take stock' of the most challenging areas of legal regulation (most likely taxation, construction), and try to simplify them.
- In the area of e-Government we need to stop lagging behind with the computerization of public institutions, and to go back to the forefront among the pioneers of new technologies and rejoin the global vanguard, as in the years 2007-2011. There should be continued digitalization of all decision-making and communication processes in the public sphere, including for example the electronic flow of information in the public health sector. It would thus be appropriate, after years of procrastination, to create a universal system of electronic dossiers and their circulation within the public institution system.
- We have to insist that if the public administration already has certain information on file it shall not require it again from private persons and shall instead automatically obtain it from within the public administration system; to this end the information systems of the respective authorities have to be interlinked to allow data to flow, naturally subject to rigorous monitoring and logging of who and when drew on and used the data and for what purpose.
- It is fitting to explore the option to create a comprehensive electronic personal profile to bear the various data items the authorities may need, on a chip-equipped ID card with high-grade protection against unauthorized use. Similarly, worth considering is the option to make foreign entrepreneur residence records electronic (e.g. along the lines of Estonia).

- What must be approached very cautiously is the eventual partial computerization of elections, for example by introducing optional electronic voting in certain cases. Even the slightest suspicion of abuse must be eliminated (e.g. vote-buying through the purchase of access rights to the electronic vote), because it would undermine the legitimacy of the elections.
- We need to 'standardize' the situation in the area of public procurement and the fight against corruption. On the one hand, we need to keep and encourage the emancipation and courage with which the police and the public prosecutor's office have in recent years investigated corruption cases. On the other hand, it is time to rein in excesses, unprofessional conduct during investigations and indictments made without strong enough evidence. The public procurement law should be amended on the one hand to allow the contracting authorities to select by other criteria than just price, on the other hand, to require selection criteria transparency from them (be it price or whatever) and in the assessment thereof, including publication of as much information as possible about the entire tender procedure.

- It is time to carefully evaluate the existing benefits and pitfalls of the civil service and to try to find such a relationship between it and the private sector as would allow the public institutions to appoint high-quality professionals quickly and without bureaucratic obstacles even into the highest positions within the civil service, without having to 'serve time' at lower ranks.
- To introduce into the relevant political forces, the practice of reaching broader consensus on fundamental strategic issues reaching beyond the electoral cycles, especially in the area of network infrastructure, energy, and key issues of environmental protection and regional development. The outputs of such broader agreements should be legally binding and securely-budgeted development plans for the longer term in the given areas, which would at least in the major part outlast the time frames of individual electoral cycles. A similar fundamental consensus ought to arise in key areas of social policy (retirement pensions) and as regards responding to demographic trends (addressing an ageing population — immigration, if so how, from where, or by taking other measures?)

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Members of the Governance Working Group, with whom the paper has been consulted:

Jan Farský, Member of the Parliament of the Czech Republic

Robert Němec, Vice Chairman of the Czech Bar Association, Lawyer and Partner at PRK Partners

Marek Svoboda, Director of Programs at CEELI Institute

# QUALITY OF LIFE

Guarantor: Pavel Fischer

To capture the world around us in the language of numbers is an endeavor, which has its limits. Not everything can be enumerated or quantified. Many feel in their hearts that reports on GDP growth or higher electricity consumption do not capture the reality of our life to the full. But what are the tools to describe the quality of something as diverse as life itself?

Its multifariousness seems to fly in the face of exactitude. In short, people live better in some places and worse in others. Asking about the everyday life of the population with simple questions may not simply yield comparable results. Some may be doing quite well, yet be unaware of it, or still be inclined to complain. Others are objectively worse off, yet you'll not hear a word of complaint from them. We can hardly be surprised about the burgeoning number quality of life indexes going around. What are these indexes being based on?

## Notes and explanations

<sup>1</sup> E-Government Development Index [online]. © United Nations, [cit. 11 Oct 2016]. Available from: <https://publicadministration.un.org/egovkb/en-us/Data-Center>

<sup>2</sup> Akční plán pro rozvoj digitálního trhu [online]. Office of the Government of the CR, 3-4 [cit. 11 Oct 2016]. Available from: [https://www.vlada.cz/assets/media-centrum/aktualne/ma\\_KORN9YAKXSHL\\_REV\\_2-fin.pdf](https://www.vlada.cz/assets/media-centrum/aktualne/ma_KORN9YAKXSHL_REV_2-fin.pdf)

<sup>3</sup> Chart: Composite indicator for public administration performance, 2012, in: OECD Economic Surveys, Czech Republic, June 2016, Overview [online]. © OECD 2016, 42, [cit. 11 Oct 2016]. Available from: <http://www.oecd.org/eo/surveys/Czech-Republic-2016-overview.pdf>

<sup>4</sup> Report on "European judicial systems — Edition 2014 (2012 data): efficiency and quality of justice" [online]. © CEPEJ 2014, 155, [cit. 11 Oct 2016]. Available from: [http://www.coe.int/t/dghl/cooperation/cepej/evaluation/2014/Rapport\\_2014\\_en.pdf](http://www.coe.int/t/dghl/cooperation/cepej/evaluation/2014/Rapport_2014_en.pdf)

<sup>5</sup> *ibid.*, 199.

<sup>6</sup> *Názor na rozšířenost a míru korupce u veřejných činitelů a institucí — March 2016, Prague: CVVM Sociological Institute, Czech Academy of Sciences, 2016.*

At the conceptual level we may try to map out quality of life with the help of the following twelve snapshots, say:

1. health and health care
2. employment and working conditions
3. economic resources,
4. education and knowledge
5. families and households,
6. community life and social commitment,
7. housing,
8. local environment,
9. transport,
10. safety and crime,
11. recreation and leisure activities,
12. culture and identity, political means and human rights

typology per Quality of Life, Eurofound

It all very much depends on our chosen perspective when examining the quality of life. At the micro level of relationships with family, friends, or with neighbors, quality of life may be best aligned with a feeling of happiness. At the mid-level, quality of life is more defined by the conduct of local authorities, the level of public services, associated with the willingness to get involved in the community or in civil society initiatives. At the highest level, quality of life derives from the conduct of public authorities, institutionalized solidarity, health care, transport services or developments in international relations. And it is precisely this level that we focus on in our report, since it also has the most data to offer.

Describing quality of life by means of indexes allows international comparison. Once again this year we have selected some of the most interesting examples, in which we can track our region as it changes. We follow on from last year's report, and where there have been shifts we examine the directions of new developments. We also come back to the twin recommendation from last year, which were: renewing public discussion on supporting so-

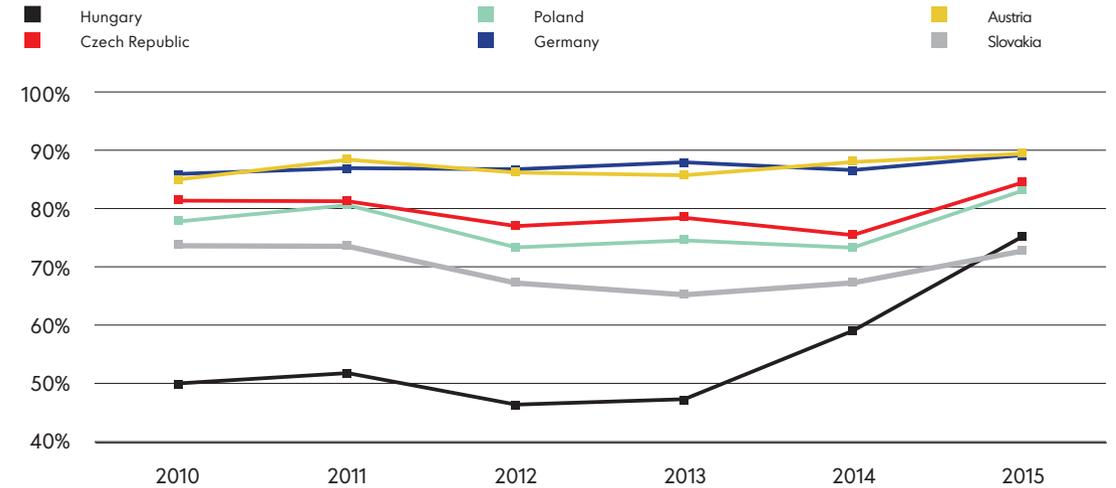
cial capital and closely guarding the extent of personal freedom.

And finally, we are expanding our previous scope by another three areas, which have been rather overlooked in the course of routine political debate. We take a case study example from the mental health domain as a reminder of a steep rise in the number of sufferers, the torpid efforts of the State, and the consequent high costs for society as a whole. We also look at the topic of open society and the perception of opportunities for talent, and finally, we focus on dignified old age.

The theme of quality of life does not lock us into some world apart, full of artificial indexes and models. On the contrary, it brings us neatly alongside other conference themes. Speaking of the necessity for the State to make strategic decisions in pensions or health care brings us to the conduct of public institutions. Making comparisons in how safe we feel brings us to the topic of security. And thinking about opportunities for all, we concern ourselves with a topic addressed by economics.

## Satisfaction with life

Life satisfaction trends in the years 2010-2015  
'Satisfaction' is the sum of the 'Very satisfied' and 'Somewhat satisfied' statements



Source — Eurobarometer 2010-2015

Long-term trends continue: Today's CR belongs among the most satisfied in the region. Poland does not differ greatly from the CR. Sociologically interesting is the position of Hungary, where we see an extreme rise in satisfaction, which is unusual in survey research. The explanation could lie in the continuing policy of Prime Minister Viktor Orbán. With his decisive stance in the migrant crisis, he has made his mark as a courageous defender of borders, appreciated by the public. Hungary is also out on its own in some ways in the other charts listed below. Unlike the above, however, in the following we often see change for the worse.

For the record we show the data for Germany in the table in two categories, for the Western and Eastern parts. Worth noting is the fact that in the former GDR the satisfaction and dissatisfaction shows up in almost the same proportion as in the CR. Given that the differences between the two former pre German unification parts have become a significant political issue these days, it may well be interesting in future for us to see how Germany differentiates, particularly in quality of life, and how it fares in comparison with other countries in the region.

Satisfaction with life; Differences between both parts of Germany and other countries in the region

Statements	Very satisfied	Somewhat satisfied	Satisfaction	Somewhat dissatisfied	Very dissatisfied
Czech Republic	17,6	66,9	84,5	12,6	1,8
Slovakia	20,1	65,6	85,7	12	2,1
Poland	33	57,8	90,8	7,8	0,5
Hungary	28,6	60,4	89	9,2	1
Austria	13,4	59,4	72,8	22,5	0,3
Germany	13,1	70	83,1	9,2	1,5
Former East Germany	16	59,2	75,2	20,1	4,2
Former West Germany	32,7	56,8	89,5	8	1,9

Source – Eurobarometer 2015

## Basic necessities

Ranking by satisfying basic needs

Year	2015	2016
Czech Republic	11.	3.
Slovakia	20.	18.
Poland	34.	28.
Hungary	27.	29.
Austria	4.	6.
Germany	12.	13.

Source – Social Progress Index 2016

The Czech Republic belongs among the countries with the highest quality of life in terms of satisfying basic needs. While the Social Progress Index 2015 ranked it 11th, in 2016 it leapt up seven rungs to finish in 3rd place. Under observation are a total of 160 countries: in first place is Denmark, second Switzerland, the third place is shared by the Czech Republic along with Japan.

What underlies the index of satisfying basic needs? Encompassed here are primary health care, including infant mortality, access to drinking water, quality of water treatment plants, shelter including air quality as well as personal safety including levels of crime, street violence, etc.

It is only after a more detailed reading of the criteria that we get a glimpse of the causes behind the stunning improvement in the Czech Republic's standing. We need to add that this index itself is undergoing development and improvement from year to year and we cannot rule out the improvement being partly down

to methodology changes. In view of the fact that this is a comparison of a larger number of countries, it could mean that the Czech Republic has improved, but also that the situation in the other reported countries has worsened, relatively speaking.

## Personal freedom

Ranking by sense of personal freedom in the countries of Central Europe

Year	2010	2011	2012	2013	2014	2015
Czech Republic	30.	40.	45.	50.	45.	45.
Slovakia	63.	38.	40.	75.	64.	63.
Poland	32.	36.	37.	55.	58.	29.
Hungary	50.	53.	68.	68.	42.	99.
Austria	23.	25.	21.	19.	18.	19.
Germany	14.	15.	12.	12.	14.	17.

Source – Legatum Prosperity Index 2010-2015

The index of personal freedom is shown here in response to the recommendations we formulated in 2015 at the Aspen Institute Prague annual Conference. Back then we set ourselves the task of keeping a closer eye on personal freedom.

For countries such as Poland, Slovakia and Hungary, the fluctuations in recent years have shown quite a jump, which deserves to be looked at in its own right. However, if we look in more detail into the factors from which this index is built, we find parameters that need no further comment.

Being monitored here are; tolerance toward immigrants, tolerance toward minorities, civil liberty and freedom of choice, satisfaction with having freedom of choice.

Indeed, the more general political crisis, stemming from weak confidence in traditional political parties, the unimpressive performance of representative democracy and the populist taboo-breaking in reaction to a barrage of migrants, tell of why the factors have become so scattered.

## Opportunities

Ranking of Central Europe countries by opportunities

Year	2010	2011	2012	2013	2014	2015
Czech Republic	29.	27.	29.	27.	26.	29.
Slovakia	36.	31.	35.	36.	37.	34.
Poland	38.	35.	38.	42.	40.	36.
Hungary	42.	42.	45.	52.	47.	50.
Austria	16.	18.	17.	17.	15.	7.
Germany	15.	16.	18.	18.	14.	16.

Source – Legatum Prosperity Index 2010-2015

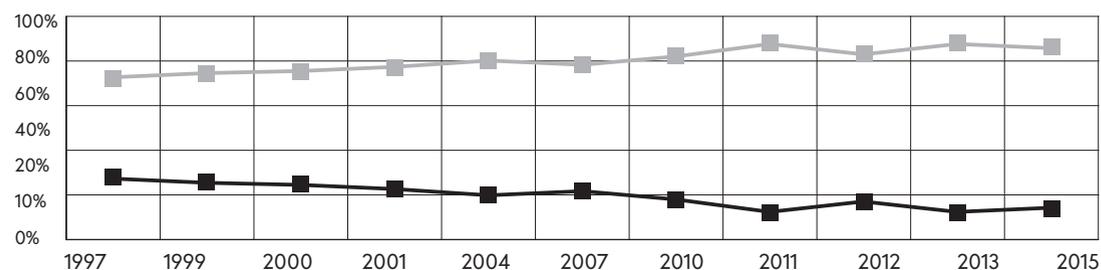
Opportunity is an important attribute of any open society. Where there are more opportunities, there may well be more quality of life. Opportunity creates space for personal initiative, as well as allowing fair and open competition.

The Legatum Prosperity Index listed opportunities which we observed last year are comprised of several indicators, which are more economics

oriented: they reflect the cost of the establishment of start-up companies, the cost of running internet servers, expenditure on research and development, the number of mobile phones per household. Lastly, they include the level of awareness that hard work brings results, and moves one up the social ladder. Let us look at this last parameter now in a separate chart, which definitely deserves attention.

### The scope to apply oneself is shrinking

■ More about merit and ability  
■ More about connections and who you know



Source — STEM Trends 1997-2015

If we accept that these figures reflect, over the long term, how respondents in the Czech Republic saw their scope for applying their abilities, their efforts and the recognition of their merit then this should indeed make us ponder.

Is it really appropriate that today, a quarter century after the collapse of a regime so was

propped up by privilege, connections, influence and nepotism, that there should be so little scope for merit-based advancement? How come the ideal of a liberal society that supports the talented is so far off the mark, seen through the lens of the STEM survey? This finding is so serious that it deserves for us to come back to it in the future.

## Personal safety

Ranking of Central Europe countries by perceived personal safety

Year	2015	2016
Czech Republic	6.	1.
Slovakia	19.	18.
Poland	21.	21.
Hungary	29.	27.
Austria	7.	8.
Germany	14.	15.

Source — Legatum Prosperity Index 2010-2015

The index of perceived personal safety has helped the Czech Republic up into first place. There was a further improvement in 2016, so much so that the CR ranked first out of the one hundred and sixty countries surveyed. For completeness we need to remark on what the given index comprises of: included are suicides, the level of violent crime, general criminality, political terror and the number of victims of road accidents.

The topic of perceived personal safety deserves a closer look. What, for example, could be the connection between it and the reducing scope for personal freedom? Protecting personal freedom at a time when the vital task is to ensure basic public security and safety is no simple matter. It presupposes our having a major debate in society about where the boundary lies between protecting security and personal freedom. This is not a debate for us alone, but for the whole of Western society, wanting on the one hand to respond to feelings of fear and on the other to defend, and leave room for, freedom.

## Social capital

Table numbers show the country's place in the rankings of all countries rated (142 in all)

	2010	2011	2012	2013	2014	2015
Czech Republic	32.	35.	45.	46.	57.	66.
Slovakia	40.	45.	47.	47.	51.	58.
Poland	25.	22.	46.	31.	47.	34.
Hungary	55.	77.	79.	71.	75.	98.
Austria	16.	15.	15.	15.	17.	16.
Germany	15.	16.	14.	14.	14.	18.

Zdroj — Legatum Prosperity Index 2010-2015

The given Social capital index is drawn up by Legatum Institute based on seven contributing statistics. It takes its data from volunteering, the level of funds collected for charity, foreign aid, religious activities, mutual trust between people, the number of weddings and the perception of social support.

The values given indicate great social volatility for Hungary or the Czech Republic, and relatively high stability for another duo — Austria and Germany. Is stable social capital truly such a good thing? And if so, how it can be attained? The recommendations of last year's Aspen Institute Prague conference was expressly in favor of restoring public debate about the greater support for social capital, based on none other than Legatum Prosperity index data.

What is meant by the term social capital? Social capital is what we needed badly after the fall of the Berlin wall in 1989. Maybe we were too ready to accept the calls to prioritize meeting the demand for investors or for financial capital. Conversely, we saw social capital as something of a nice-to-have luxury that would come with time all by itself, 'when we get richer', or would just automatically reconnect with what had always been here. The opposite was true. And so it was that fear of the scope opened up by freedom, the loosening of family ties, consumerist lopsidedness and pragmatism at any price brought more damage within our realm, full of broken-down values, than it did for some of our neighbors.

Social capital goes hand in hand with solidarity, with a common identity, mutuality of shared values and objectives. It can be summed up by concepts such as cohesion, commitment, willingness to make sacrifices, willingness to work voluntarily or assist others selflessly, to cultivate relationships in the immediate community or in the family. Without a doubt it also encompasses trust.

Trust is absolutely essential for a living liberal society, and without it a functioning economy cannot be envisaged, needless to say. And trust could be one of the parameters for us to follow in the future with greater attention.

### An example of an untackled problem, or, The weighty socio-economic impact of mental disorders

Quality of life is first and foremost a matter of health. The health care system would fill a separate international conference. Yet, if we look in more detail at the trend in mental disorder numbers, we have to admit there is something here that deserves attention and wider social debate. Indeed, it is from the mental health domain that we bring an example on which we want to illustrate how costly can be the consequences of this malady, which not only reduces the quality and length of life of patients and their families, but also has extensive social costs. These could certainly be lower if the State would act strategically more consistently, and if we took our cue more from examples of successful systems abroad.

What lies behind such a high rate of incidence of illness? Surely it's not the cost of the rapid development of our society in the past decades? Maybe these are the bitter fruits of our neglected care for social capital as discussed in the previous chapter.

It turns out that mental illness has serious social and economic consequences. In examining the issues, we have therefore focused on the overall trend and on a comparison of the system of care with selected OECD countries.

The outlays on mental illness are extremely high. According to the World Health Organization and the World Bank, mental illnesses represent society's greatest socio-economic burden. They cause the greatest part of total losses (22%), making them more significant than the frequently cited cardiovascular disease (20%) or cancer (14% loss).<sup>1</sup> But that's not all: mental illnesses are the leading cause of disability in Europe.

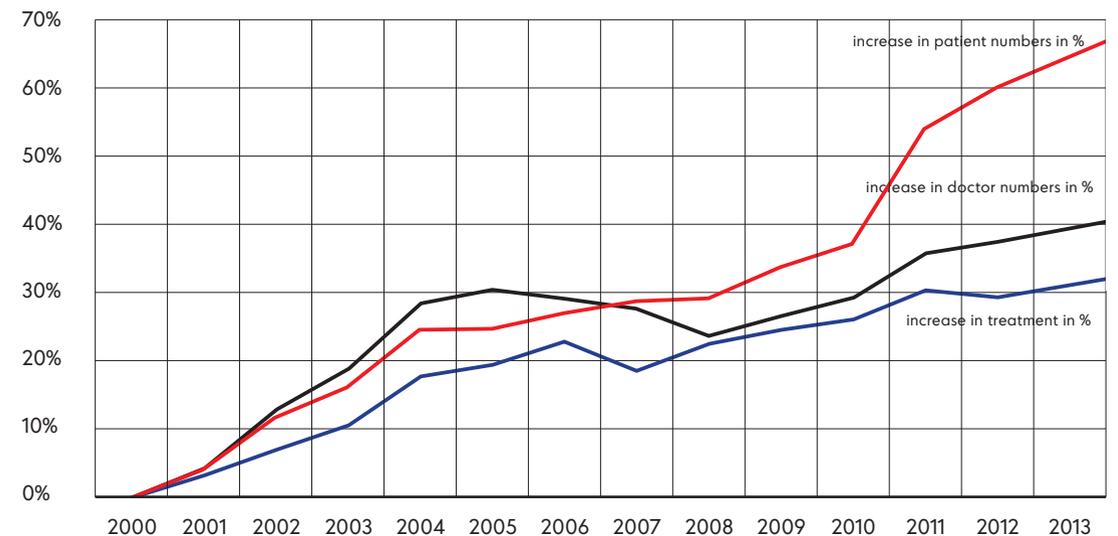
### Mental illness among outpatients in the Czech Republic

	Treatment	Increase in treatment in %	Doctors	Increase in doctor numbers in %	Patients	Increase in patient numbers in %
2000	2 057 952	0,00%	585	0,00%	3 619 31	0,00%
2001	2 149 371	4,44%	605	3,42%	3 754 28	3,73%
2002	2 326 852	13,07%	627	7,18%	4 030 83	11,37%
2003	2 450 106	19,06%	648	10,77%	4 191 75	15,82%
2004	2 647 852	28,66%	690	17,95%	4 496 80	24,24%
2005	2 689 389	30,68%	700	19,66%	4 501 66	24,38%
2006	2 662 302	29,37%	720	23,08%	4 585 00	26,68%
2007	2 632 027	27,90%	695	18,80%	4 648 36	28,43%
2008	2 550 180	23,92%	718	22,74%	4 663 52	28,85%
2009	2 609 928	26,82%	730	24,79%	4 829 70	33,44%
2010	2 665 547	29,52%	739	26,32%	4 953 83	36,87%
2011	2 799 199	36,02%	764	30,60%	5 564 56	53,75%
2012	2 833 944	37,71%	758	29,57%	5 784 13	59,81%
2013	2 896 000	40,72%	774	32,31%	6 032 05	66,66%

Source — UZIS

### Outpatient mental health care in the Czech Republic

Rise expressed in % in comparison with the year 2000



Source — UZIS

From the chart we can clearly see a significant increase in the number of people treated (equal to 66% in the reference period).

In the Czech Republic mental illnesses are the second most common grounds for freshly granted disability pensions (2001-2010). Over the same period the proportion of mental illness among invalidity pensions granted went up (from the previous 15% to 20%), while the proportion of the main grounds for granting an invalidity pension — diseases of muscle, skeletal and connective tissue — remained unchanged (at nearly 27%). To round off the picture let us note that the third most common grounds — diseases of the circulatory system— saw a decrease over the same period (from 15% to 11%) and the fourth most frequent category, neoplasms, recorded a slight increase (from 11% to 12 %)<sup>2</sup>.

If we count up the total cost represented by brain disorders, the situation is even more telling. The direct medical (diagnostic and treatment), non-medical (social servic-

es) and other indirect costs (e.g. disability, work absences, etc.) of mental illness reach 100 billion CZK per year. The cumulative costs associated with disorders of the brain (including stroke, cancer, dementia, etc.) reach as high as 258 billion CZK, which corresponds to 6.8% of GDP<sup>3</sup> of the Czech Republic. Does the level of public debate correspond to such a significant level of public cost?

If we put the situation into its global context, then in 2010 the socio-economic burden caused by mental illness on the global scale reached 2.5 trillion USD<sup>4</sup>.

So how to slow down the rise in pensions awarded on grounds of mental illness in the Czech Republic? The solution is timely diagnosis, capturing unmapped psychiatric cases and giving outpatient professional care, right where patients live. These are the parameters in which the Czech Republic as compared with other Member countries of the OECD'S has shown poor performance, as best illustrated by the following overview

### Outpatient services normally available in mental health services in selected OECD countries

	Emergency and medical services to patients at home	Early intervention services	Active identification of new cases	Community-based services for recovery	Day care centers
Australia	+	+	+	+	+
Chile	+	+	-		
Czech Republic	-				
Estonia	+	-			
Finland	+	+	-		
France	+	-			
Iceland	+	+	+	-	
Israel	+	+	+	+	-
Korea	+	+	+	+	+
Luxembourg	+	+	+	+	+
New Zealand	+	+	+	+	+
Poland	+	+	-		
Slovakia	+	+	-		
Slovenia	+	+	+	-	
Spain	+	+	-		
Switzerland	+	+	+	+	-
Turkey	+	+	+	-	
USA	+	+	+	+	-

Source — OECD Mental Health Questionnaire 2012

With reference to the OECD, our country's system of mental health care has been shown to fall short of the mark.

In response to these findings a Strategy for psychiatric care reform was drafted, the fate of which is worth noting. It was a step in the right direction. Yet its core recommendations are being introduced slowly, due to a lack of tools and willingness for inter-agency cooperation.

If we split-up the patient along separate budget-heads, this surely has its administrative logic. Nevertheless, we lose the overall picture and will never put together a system which accounts for how it relates to the quality of life of patients and their nearest and dearest. As a result, we also fail to see the conditionality between early preven-

tion, care in the patient's home environment, and the resources expended later on work incapacity, hospitalization or the awarded disability pensions.

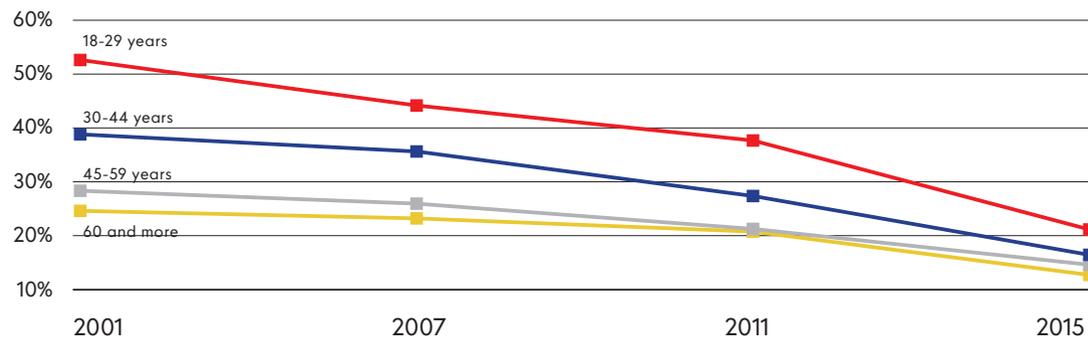
Catching the illness in time brings savings, since it reduces the cost of treatment. At the heart of a successful outreach team are the actions of a nurse with psychiatric specialization and of social workers. Success comes down to intense inter-agency cooperation in the field.

Mental health cannot remain an area dealt with exclusively by the expert community within their respective remits. It relates to the overall functioning of society, with how we regard the individual and their quality of life, and also has very significant social costs.

## The quality of life of the elderly

The consensus is growing: pensions are inadequate

Do you think pensions for old people in the Czech Republic today are reasonable?



Quality of life is something we also associate with the wellbeing of those who are entitled to a well-deserved rest, namely the quality of life of the elderly. One can even speak of the 'quality' lifespan, to help us see life as one lived to the full, irrespective of all sorts of categorizations.

In our research, we replaced the obvious question about whether pensions ought to go up, with the notion of reasonableness. We are

therefore looking for an answer to whether pensions are reasonable or unreasonable.

From what we see it is evident that while in 2001 there was a fairly big spread across the generations, nowadays the age groups have come together quite considerably. It seems we are witnessing a nascent social consensus. This consensus stems from the feeling that in an ageing society it is only a matter of time before this impacts those who are younger

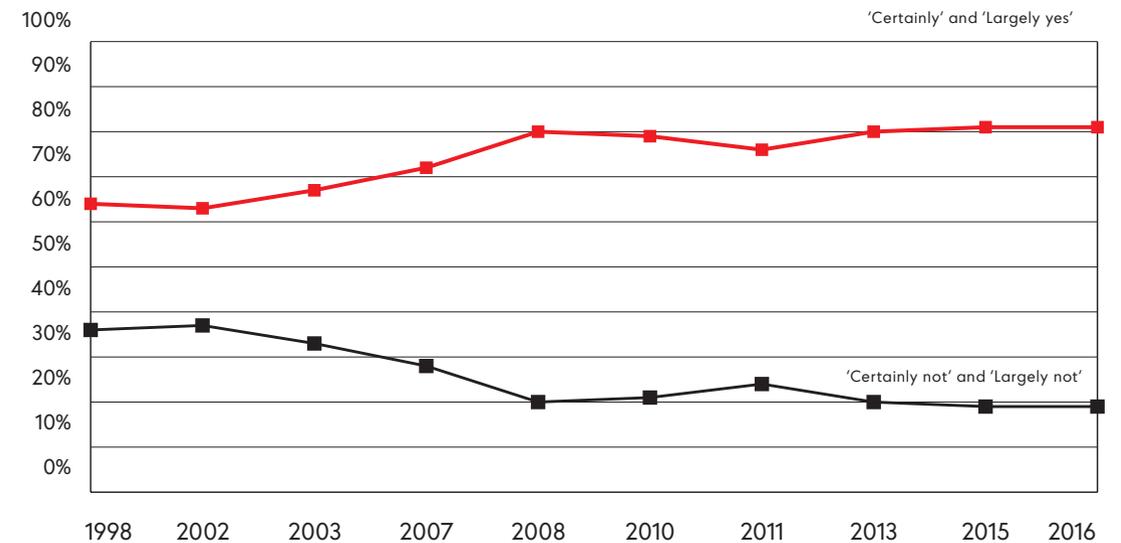
but shan't have a secured retirement, and also probably due to the advertising campaigns that set out to entice clients to pension insurance.

What is needed in the pensions area is a long-term view, and the courage to take strategic decisions. It is reassuring for the citizenry to see the State governed strategically, taking the long-term view of the future. It could even be

said, at a pinch, that the strategic management of society improves the quality of life of citizens. In the case of pensions, we see that their level is not reasonable. The time for strategic action has come. Social consensus has grown. We would advise capitalizing on it for fundamental reform, which has a chance to succeed precisely because it emerges out of a social consensus.

## Dignified ageing

'Would you say that the current pensions system allows people to have a dignified old age?'



Source — Trendy STEM 1998-2016

If we ask the public the question whether current social security allows people to enjoy a dignified old age, we can observe the clear contours of a general rebuke about treating the life of the elderly as unworthy. There is consensus in the air. Thinking about a dignified old age is not some useless theorizing. The elderly are growing in number and dignity belongs among the prime values of Western society. It is even enshrined in the Constitution of the Czech Republic as one of its principles.

## Conclusions and Recommendations

What are the conclusions reached from our survey on the topic of quality of life?

This year, the Czech Republic has done extremely well in the sense of personal safety index. In one of its statistics, we have even become world champions. We do not live in a vacuum however, and a feeling of security can be replaced by a feeling of threat. If we are to build a hardy society that can withstand the adversities of time, it is worth bearing in mind not only our sense of personal safety, but also

to strengthen our sense of belonging together and values worth fighting for.

The indexes have become rather disjointed. Considering that they also comprise monitoring our potential tolerance or attitudes to accepting foreigners, they have been impressed upon by the stormy political debate about how to deal with the influx of migrants.

This year's recommendation is threefold. A greater perceived quality of life is helped by awareness that in key social areas the State is providing strategic management. From this perspective, we wish to draw attention to the Czech public consensus arrived at in recent years, advocating that we take action in favor of dignified life for the elderly. We therefore recommend paying close attention to pension reform and helping public debate not to skim the surface.

The case study example of the trends in mental disorders illustrates that strategic governance in society can deliver significant savings and preserve the quality of life of patients and

their families. Indeed, a poorly configured care system can generate more losses, and not just economic ones. And howsoever well written our strategy may be, its implementation presumes that we step beyond the departmental approach that does not see the problem in its entirety. We therefore recommend that those involved break out from their departmental silos and budgetary heads, foster the broadest public debate on the subject and create the conditions for cooperation in the field, that is, in the environment where people actually live.

And finally — whereas a liberal society is founded on a bedrock of freedom and open opportunities for all, our society shows itself to be closed off to productive and capable talent. It is as if there is a growing conviction that the scope for initiative has become limited. We recommend paying attention to this, and taking coordinated action. If not, the talented will leave the Czech Republic to take up opportunities elsewhere. The brain drain can have a major adverse impact on quality of life, and so we recommend focusing social debate precisely on opportunities for the gifted.

Members of the Quality of Life Working Group, with whom the paper has been consulted:

Martin Buchtík, Institute of Sociology, Czech Academy of Sciences

Tomáš Čížek, Institute of Sociology, Czech Academy of Sciences

Ivan Duškov, Director of the strategies and policies department, Institute of Planning and Development of the City of Prague, President of the Council of the National Institute of Mental Health

David Gaydečka, Director and founder, United

Islands of Prague

Hana Kulhánková, Director of the One World Festival

Daniel Prokop, Median agency

Hana Třeštíková, Councillor for culture and neighborhood relations, Prague 7

Tomáš Sedláček,

macroeconomic strategist, ČSOB

Michael Žantovský, Director of the Václav Havel Library

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## Notes and explanations

<sup>1</sup> RABOCH Jiří, WENIGOVÁ Barbora (eds.). *Mapování stavu psychiatrické péče a jejího směřování v souladu se strategickými dokumenty České republiky (a zahraničí)*. Prague: Czech psychiatric society, 2012.

<sup>2</sup> JANOUŠKOVÁ Miroslava, WINKLER Petr, KAŽMÉR Ladislav. *Vývoj nově přiznaných invalidních důchodů z důvodu duševních a fyzických onemocnění v ČR v letech 2001 až 2011*. In: *Psychiatrie*. 2014, 18(4), 161-165.

<sup>3</sup> EHLER, BENDAŘÍK, HÖSCHL, WINKLER, SUCHÝ, PÁTÁ. *Náklady na poruchy mozku v České republice*. *Československá neurologie*, 2013, 76/109(3), 282-291.

<sup>4</sup> BLOOM, D., E. T. CAFIERO, E. JANÉ-LLOPIS, et al. *The global economic burden of non-communicable diseases*. Geneva: W.E. Forum, 2011.

## NATIONAL SECURITY

Guarantor: Tomáš Pojar

As last year, the Czech Republic is experiencing a period of unprecedented security. We have good relations with our neighbors and we are living on what is still a relatively safe continent. We are among the safest countries in the world when it comes to external threats as well as from the standpoint of inland security. The situation in the world and in Europe's immediate neighborhood continues to deteriorate, however — the war continues in Ukraine and a change in the assertive Russian policy is hardly to be expected, the situation in the Middle East is not improving and Europe is still being flooded with outpourings of migrants. The migration crisis is radicalizing the locals in many European countries and the domestic policy area of some countries is getting into serious trouble. Likewise embroiled in their own crisis are the institutions of the European Union. Populists of various hues are gaining in strength.

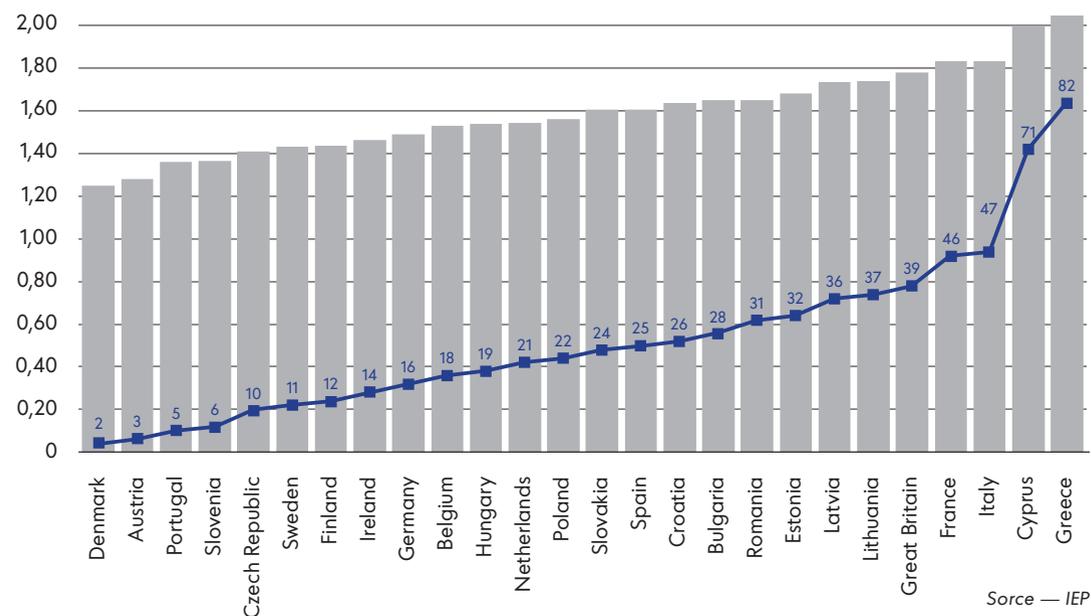
Czech public opinion has a stable and positive long-term view of NATO's role as a fundamental pillar of Czech external security. Despite the deteriorating security situation in Europe and its immediate vicinity, the increased perception of threats by the Czech public and the growing belief that defense spending is not straining the State budget unnecessarily, there is still little evidence of any substantial and effective increase in defense and security budgets, and with it a strengthening of the country's defenses. Although we have managed to stop the decade-long trend of decline, the increases are still minimal in real terms. For the second year in a row we are failing to meet the current (and not adhered to) recommendations as a member of the North Atlantic Treaty Organization, namely to spend 2% of GDP on defense. Under the respective budget-heads our investment is roughly half the recommended 20%. The lukewarm approach to expenditure on defense by the vast majority of European NATO members continues to undermine the relevance of the Alliance and the willingness of the United States to guarantee security on the European continent. This trend could also be significantly bolstered by the approach of a new U.S. Administration.

### Security threats

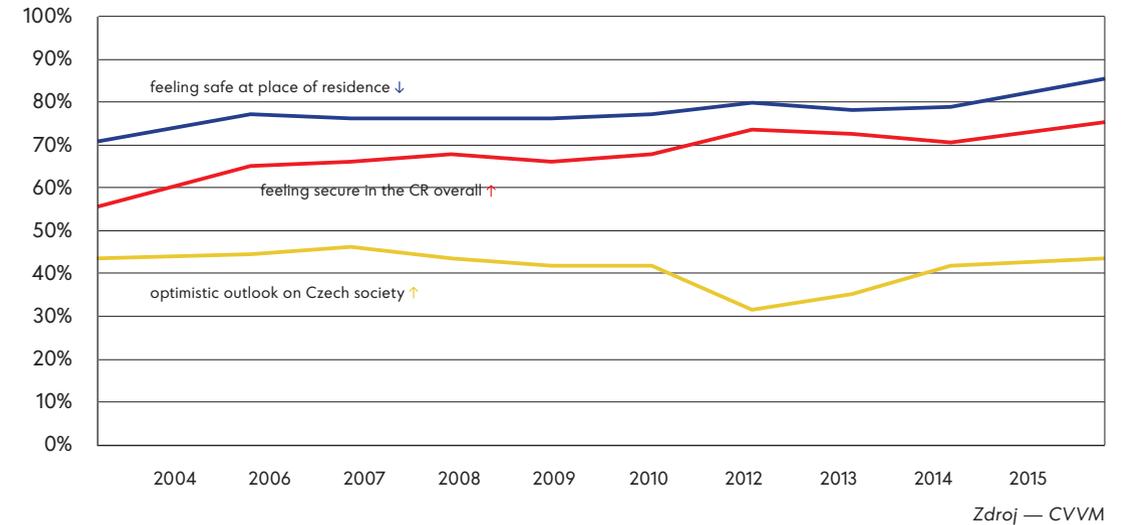
Within the Global Peace Index, compiled by the Institute for Economics and Peace (IEP) from Sydney, Australia, we continue to be among the safest countries in the world. Last year saw us place better still. Yet our rise was most notably due to the deteriorating situation in other countries, rather than an improvement in domestic indicators. Even so, this is of course, good news. In 2015, the Czech Republic moved up four rungs, taking an overall 6th place among the 163 ranked countries. Of the European countries the only ones ahead of us were Denmark (2nd), Austria (3rd) and Portugal (5th). Neighboring Germany was 16th, Hungary 19th, Poland 22nd and Slovakia 24th, albeit from a global perspective the differences between the Member States of the EU were rather minor. Czech public opinion also exhibits a sense of security. The number of citizens who feel safe in their home surroundings is steadily rising (almost 90%) and the same goes for the Czech Republic as a whole (well over 80%).

### The global peace index (GPI Score) — international comparison

(country rank in 2016 out of total 163)



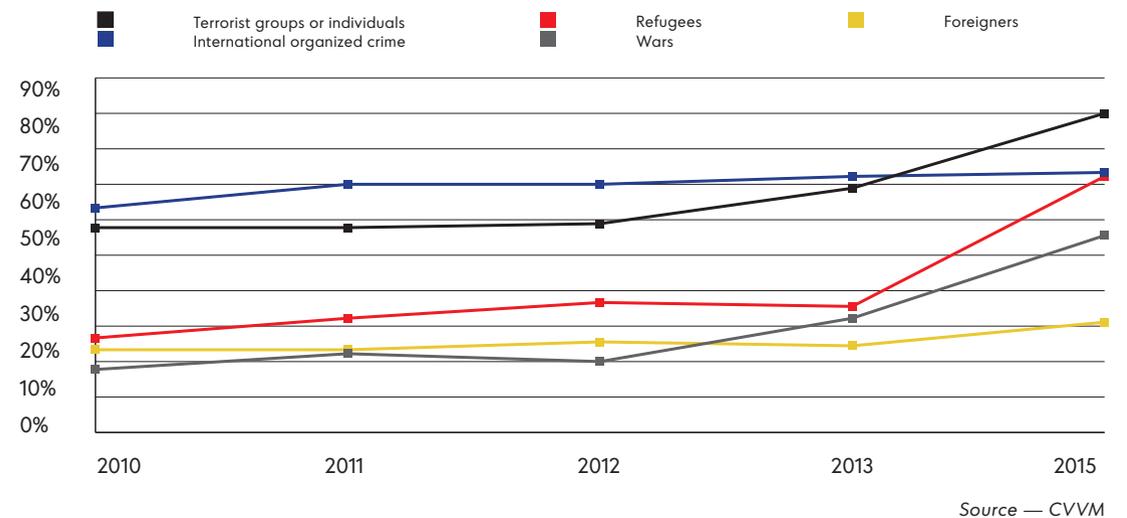
### Subjective feeling of safety among CR inhabitants



Czech society has been more and more cognizant of the deteriorating security situation in Europe and in the world, not only over the past year. In this respect, we are truly seeing an ongoing trend. Over 80% of Czech citizens now consider terrorism a major social threat, closely followed by international organized crime (66%). In the last year, much as expect-

ed, the number of people who are worried about refugees has considerably increased (65%), although 'only' less than 30% of citizens are afraid of foreigners as such (an evident increase here, albeit a minor one). Historically for the first time, half the Czech population is worried about a great war breaking out.

### What constitutes a great social threat?

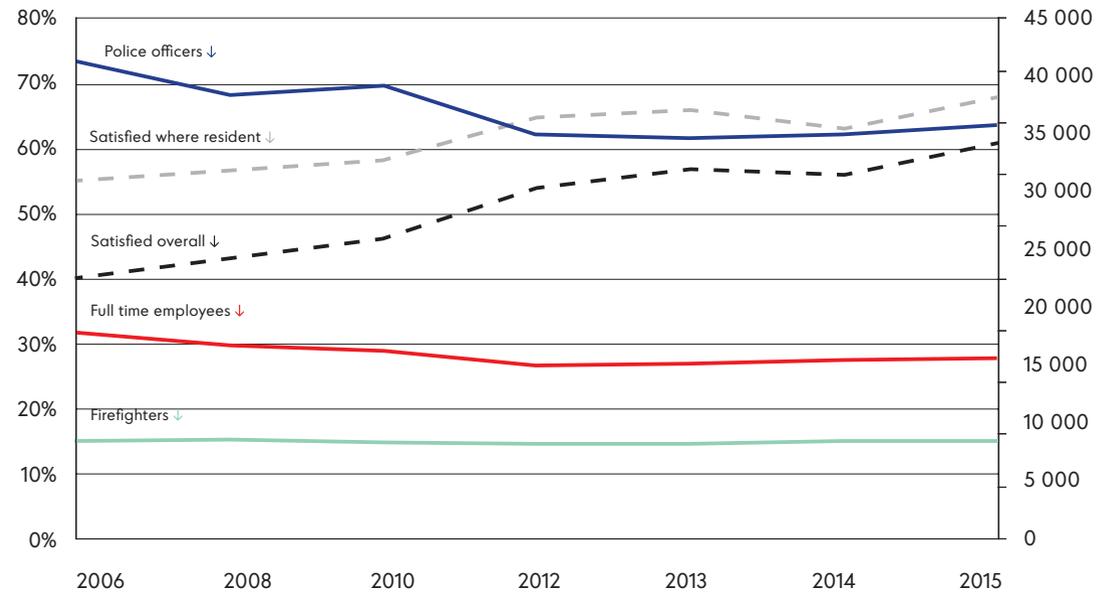


## Internal Security

In 2015, confidence in the police went up. Police activities around one's place of residence drew satisfaction from nearly 70% of the respondents. Overall satisfaction with the work of the Czech police surpassed 60% for the first time. Czech society, traditionally skeptical, feels more and more trust in their security forces. On the one hand this is certainly down to comparing it with the unfavorable situation abroad, nevertheless the growing satisfaction reflects improving criminality statistics.

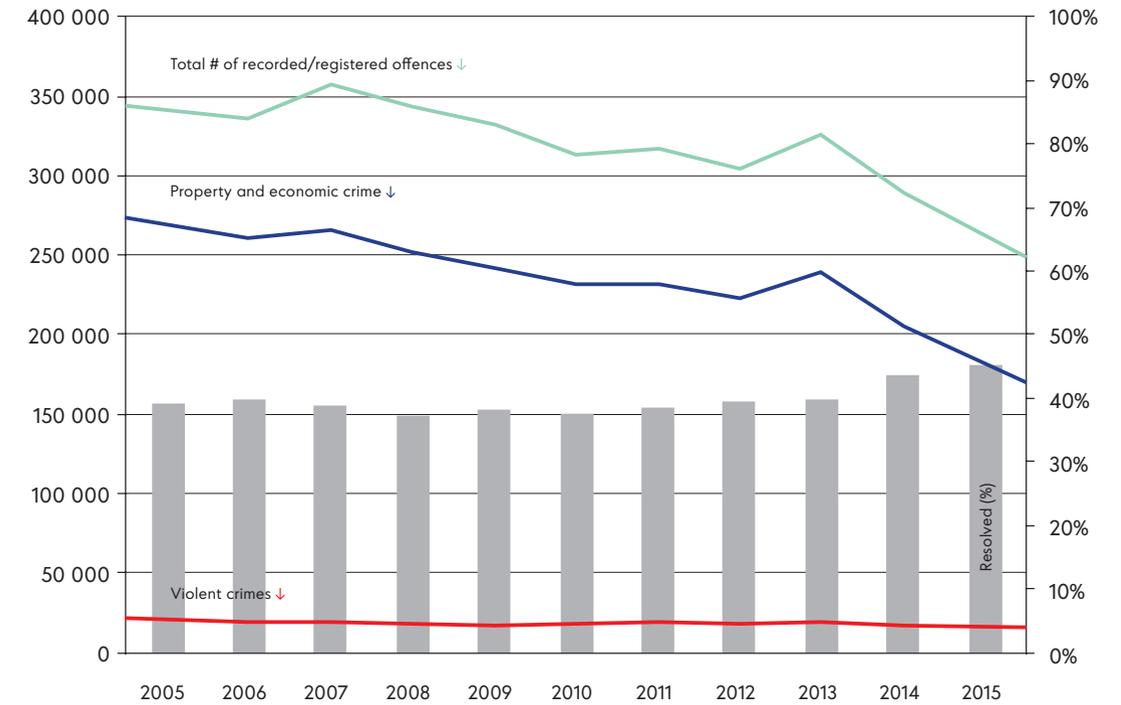
The tally of victims of crime has remained virtually at the same level, yet the trend of resolved criminal cases continued to rise (though still below 50%) and the overall number of registered crimes including crimes falling within the material and economic crime category continued to fall. The continued drop was also recorded when it comes to juvenile criminality (15-18 years)<sup>1</sup>. It is worth mentioning the fact that while crime resolution is going up in the longer term, the number of crimes is going down and public satisfaction with the activities of the police is growing, at the same time the number of police officers is in decline. The oft supposed causality between the number of police officers and the level of security clearly does not apply automatically.

## Satisfaction with the police / police numbers



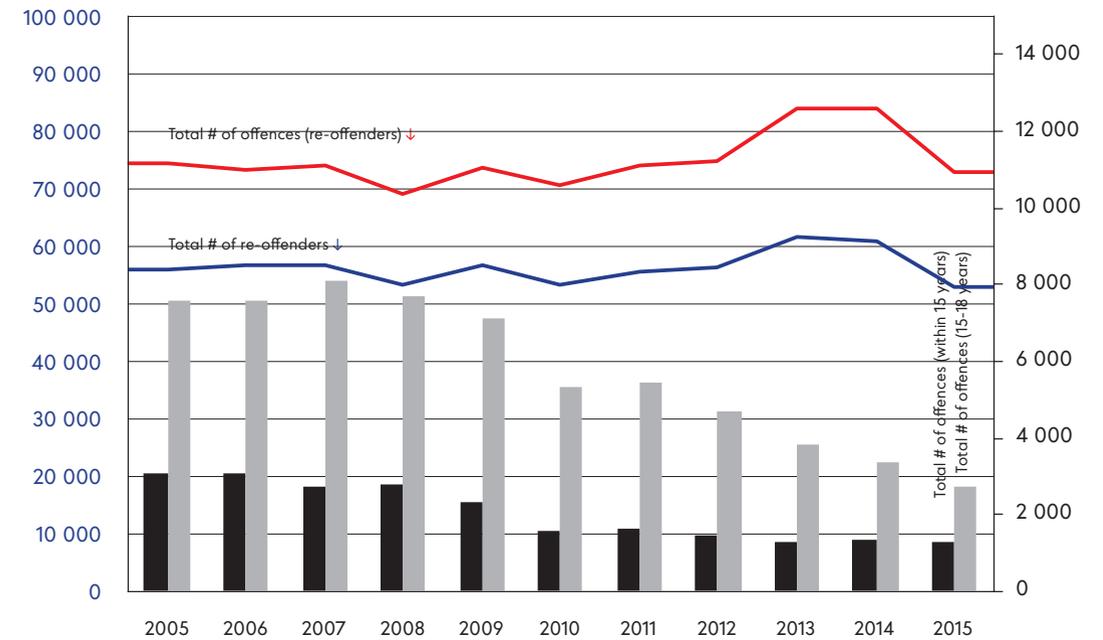
Source — CVVM, Interior Ministry

## Crime trends in the CR



Source — Interior Ministry

## Under age and young offenders, re-offenders



Source — Interior Ministry

After the initial significant drop in the number of prisoners as a result of the presidential amnesty of 1 January 2013, the occupancy of Czech prisons is once again going up and almost reached the pre-amnesty level. The trend of refilling prisons is also matched by a drop in crimes by re-offenders, to the levels before the amnesty. The Czech Republic has fewer long-term prisoners per 100,000 inhabitants than, say, Estonia, comparably as many as Poland and Slovakia, and more than Hungary. In countries such as Germany, the Netherlands or Denmark the numbers incarcerated are roughly one third, by comparison with the CR. Prisons should be seeing at least a partial letting up with the successful introduction of so-called electronic bracelets. During last year, the selection tender

in progress was, however, cancelled once again. Continuing problems with the sourcing processes in the field of defense and security are by no means exclusive to the Ministry of Defense. The problem is unfortunately one affecting the entire State administration.

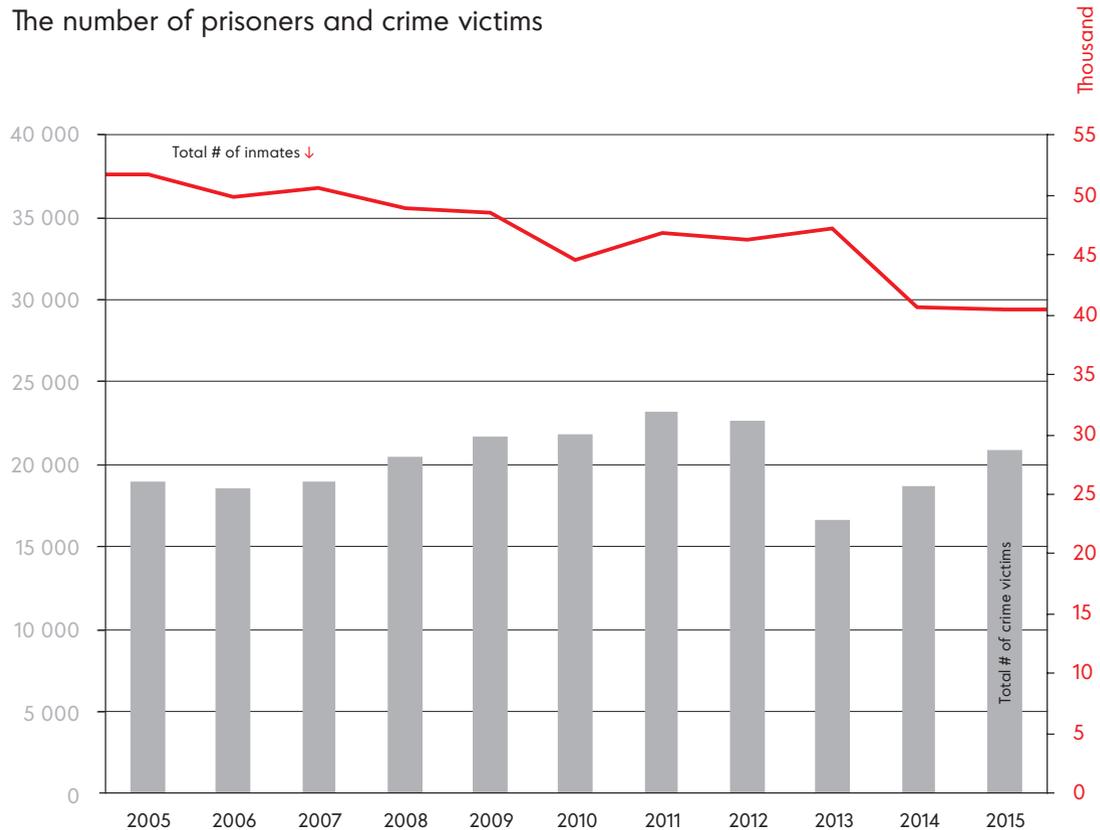
There is a long term increase in number of foreigners with permanent residence in the Czech Republic while the number of foreigners with temporary residence has stopped declining. Since 2009 the number of known illegal residents has been rising, and this trend accelerated last year, as expected. There was also an increase in the number of asylum applicants. In comparison with the situation in many other countries of the European Union, these numbers

may be insignificant, but the rising trend in the number of applicants and detained persons lacking appropriate authorization is quite evident and may continue in the years to come.

Of those living in the Czech Republic, 4.3% have foreign citizenship, which matches almost exactly with the European Union average. In comparison with the Czech Republic, Germany, say, has more than double the proportion of people

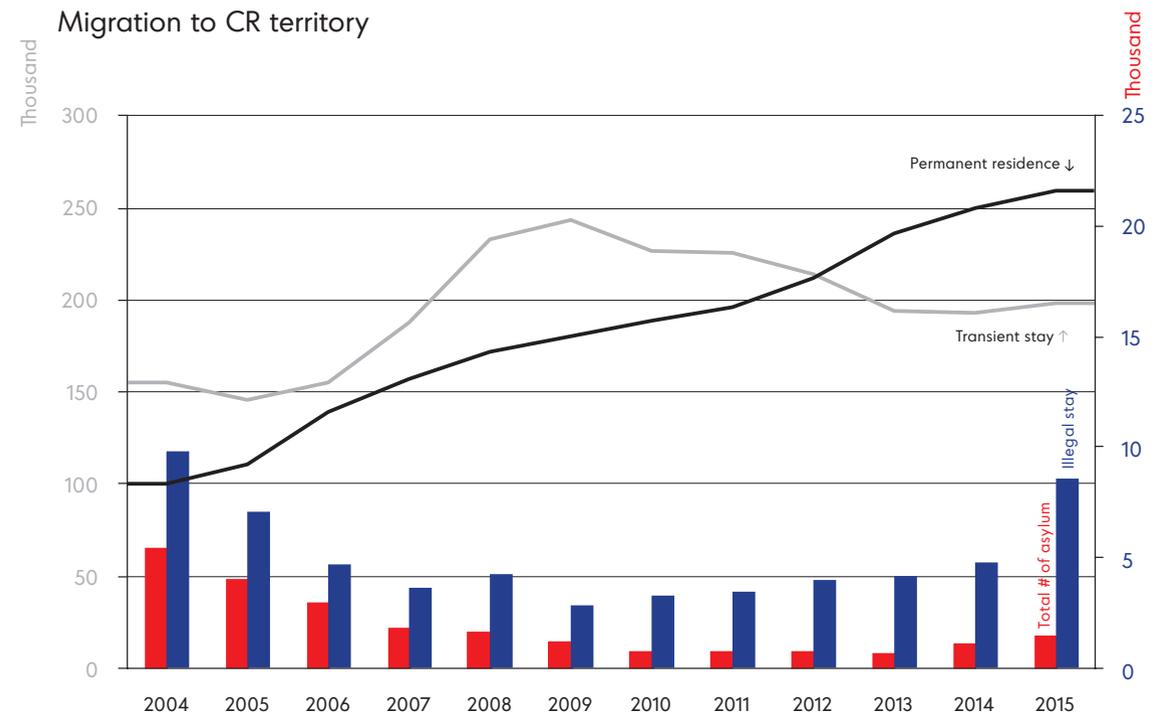
with foreign nationality, in Denmark two-thirds more. Yet for the Netherlands the figure is only 4.6%, comparable with the CR. In Hungary, Slovakia and Poland the figures are much lower. From this perspective, then, the Czech Republic find itself somewhere between Western Europe and the other member countries of the Visegrád four. Yet if we compare the data on the number of citizens who were born outside the territory of the individual States, the difference between

The number of prisoners and crime victims



Source — Interior Ministry

Migration to CR territory



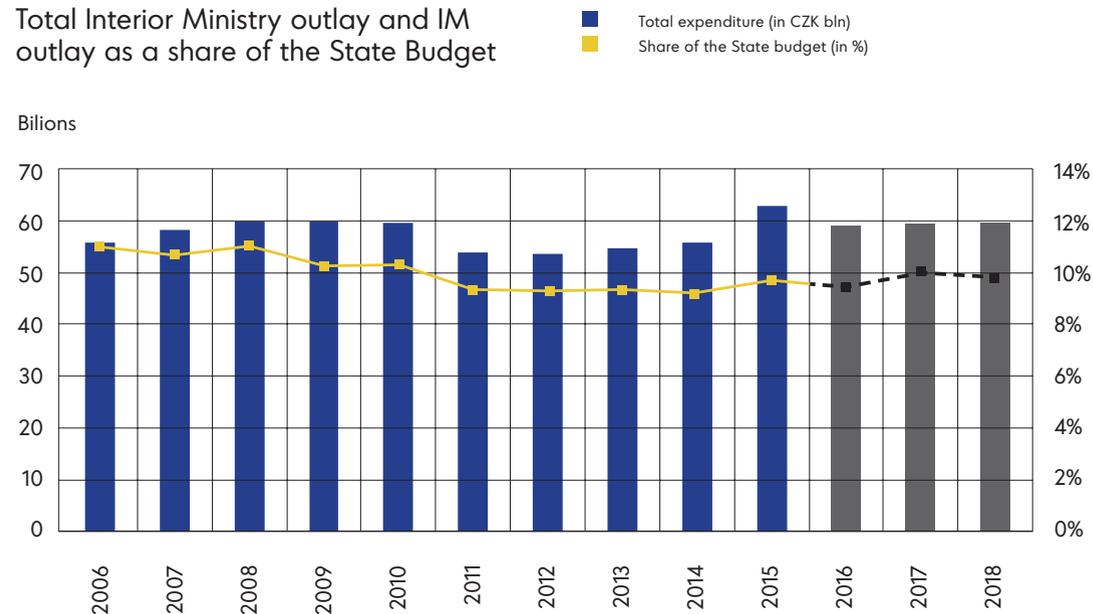
Source — Interior Ministry

## Proportion of foreigners in the population as at 1 Jan 2015

Country	Citizens born outside the country (%)	People with foreign citizenship (in %)
Estonia	14,7	14,6
Germany	12,6	9,3
Denmark	10,5	7,5
Netherlands	11,7	4,6
Czech Republic	4,0	4,3
Hungary	4,8	1,5
Slovakia	3,3	1,1
Poland	1,6	0,3

Source — Eurostat

## Total Interior Ministry outlay and IM outlay as a share of the State Budget



Source — Interior Ministry

the V4 and all the Western European countries is substantial. The V4 countries' figures range between 4.0% and 1.6% and the countries of Western Europe between 14.7% and 11.7%. These facts alone are not of themselves indicative of the security situation, being instead rather an account of the disparate attitudes of political leaders and citizenry between these individual countries.

Following a number of years of decline in the Ministry of Interior budget, there was a numerical upswing in the year 2014 taking into account the share of the overall State budget in 2015. Capital expenditure, or rather capital investments are traditionally low in comparison with expenditure on personnel. 2015 was a positive exception, yet the forecast for the following years is somewhat pessimistic, with capital expenditures around the level of previous years. As has already been said, in the European context we have an above-average number of police officers, but we are lagging significantly when it comes to equipment and modern technology, in particular as regards the more routine workplaces. Particularly low in the long term are investments into modern technologies, including ICT. There is a near absence of a sufficient number of experts and of state-of-the-art technology in the police, particularly in areas such as cyber defense and cyber-crime.

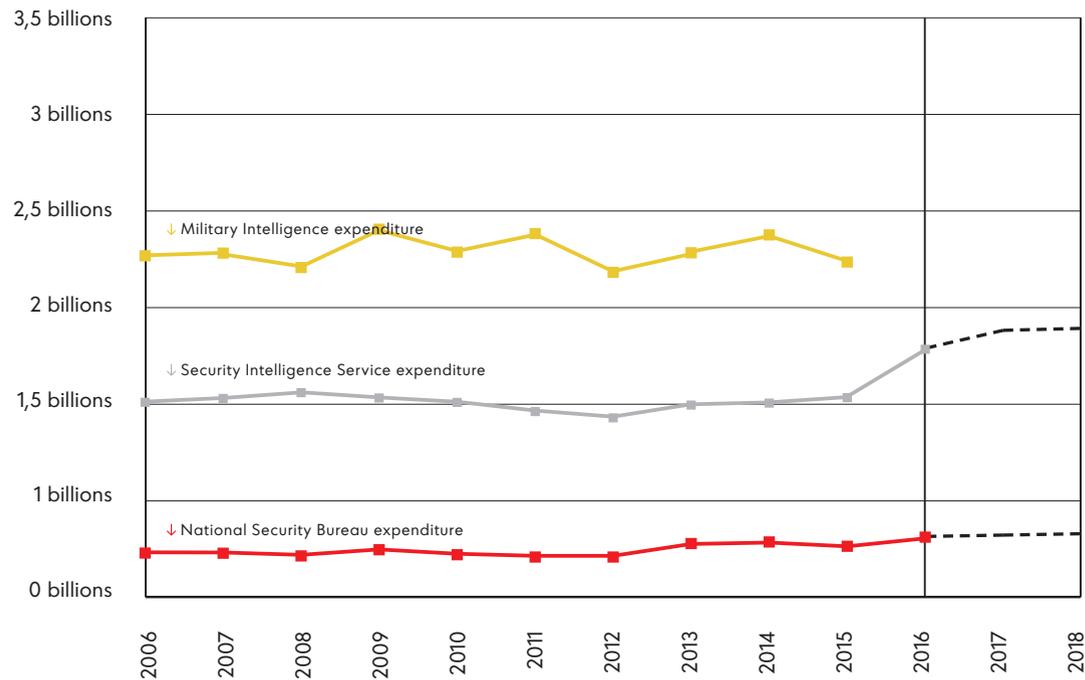
It is a positive fact of recent years that even during a time of budget cuts, there was no significant decline in funding of the intelligence services and the National Security Bureau.<sup>2</sup> In recent years, by contrast, there has been a tendency to increase the budgets and staffing of these institutions, and this trend is likely to continue. For Military Intelligence (VZ) there has even been an increase in the budget in real terms, even after reorganizing the 601st Special Forces Unit into the Czech Army<sup>3</sup> — the VZ budget remained virtually the same, although

the special forces are now funded direct from the army budget.

The national security agency by way of its National Cyber Security Center is also in charge of the cyber-security agenda. If anything is to be gleaned from the available reports of cyber-security incidents by government offices and other parts of the critical infrastructure, it is the finding that the obligated bodies, in particular those belonging under State administration do not have sufficient capacities for monitoring and analysis of their own systems and networks. Due to the fact that it is indeed the public authorities who do not have enough capability to detect incidents, one can only assume that they lack adequate capabilities and technologies to protect themselves and to deal with crisis situations during an attack. There is currently a shortage of adequate capabilities in the field of cyber security in the intelligence services, the army and the police.

It is worth noting some excerpts from the 2015 BIS Annual report: 'BIS has in this area obtained intelligence about potential domestic targets of a new wave of the Russian cyber-espionage campaign. On the list of potential targets were two Czech ministries. The attackers in the campaign focused primarily on compromising routers, which they apparently used thereafter to redirect the network traffic without authorization into the computer infrastructure they were in command of ... As well as the incidence of cyber-espionage campaigns, their technical sophistication is also growing. ... the number of countries capable of waging their own cyber-espionage campaign is not getting smaller. In the field of State-controlled or State-backed cyber-espionage, the most severe threats to the Czech Republic come from the People's Republic of China and the Russian Federation.'

## Spending on Military intelligence and the National Security Authority (NBÚ)



Source — Annual report of the VZ, MF

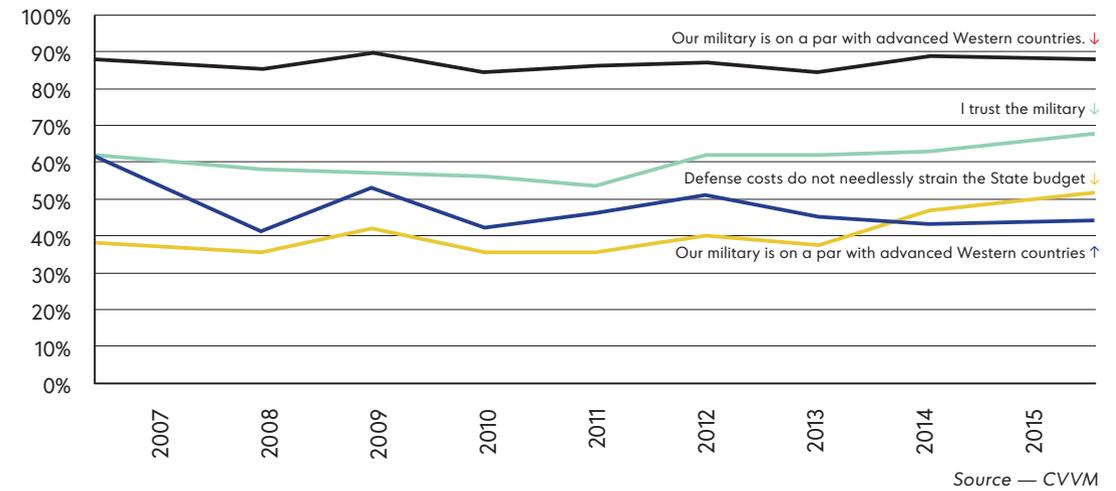
## Defense

The Czech Army is historically one of the institutions enjoying the confidence of a majority of the public. The traditional level of trust in the army is around 60% of the population, while in 2015, for the first time over the past ten years, trust in the army rose to over two out of three people (68%). Also unprecedented was the publicly held view that the costs of defending the State do not represent a needless burden on the State budget. Steady at ninety percent is the figure of how many people believe that the sovereignty of the State needs to be defended at any cost.

But the truth is that while the Czechs are in general vocal in support of the defense of the country, they give far more cautious responses

to the more specific questions. According to a survey of public opinion drawn up for the Ministry of Defense by the Median agency in early June 2015, in the event of a direct military attack, for example, most respondents chose the option to defend the country only in terms of civil defense — 67% compared to 36% who would defend gun in hand (54% of men, 16% of women). Not wishing to participate were 31% of people. The least willing to engage in defense were those with basic education (43% would not join in) most willing are people with university degrees (with 'only' 27% standing aside), which probably relates to a greater sense of civic duty. Nevertheless, the fact remains that the public is now aware more than ever of the need to boost investment in its own defense.

## Statements about defense

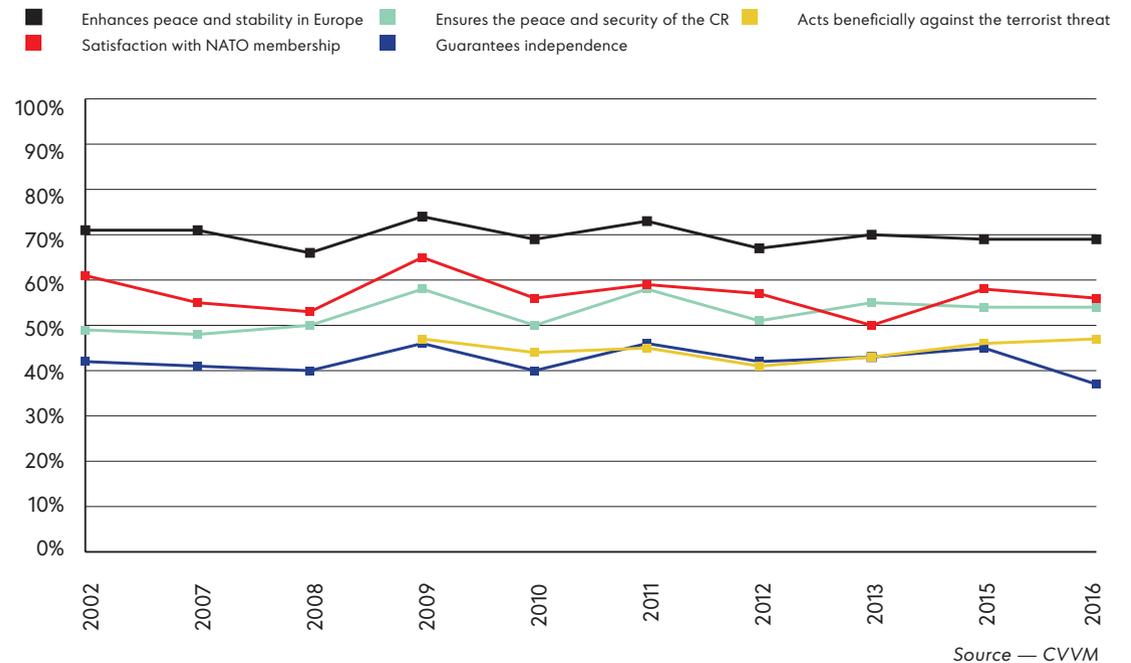


Source — CVVM

In the long term roughly 70% of people believe that NATO increases stability and peace in Europe. More than half the citizens are content with Alliance membership (56%). Public attitudes to NATO are stable in the long term. A significant swing (downturn) occurred in the

past year only in response to the question whether NATO is a guarantee of independence. One explanation might be the recognition of having to rely more on ourselves and less on others, especially in times a heightened sense of endangerment.

## Statements about NATO

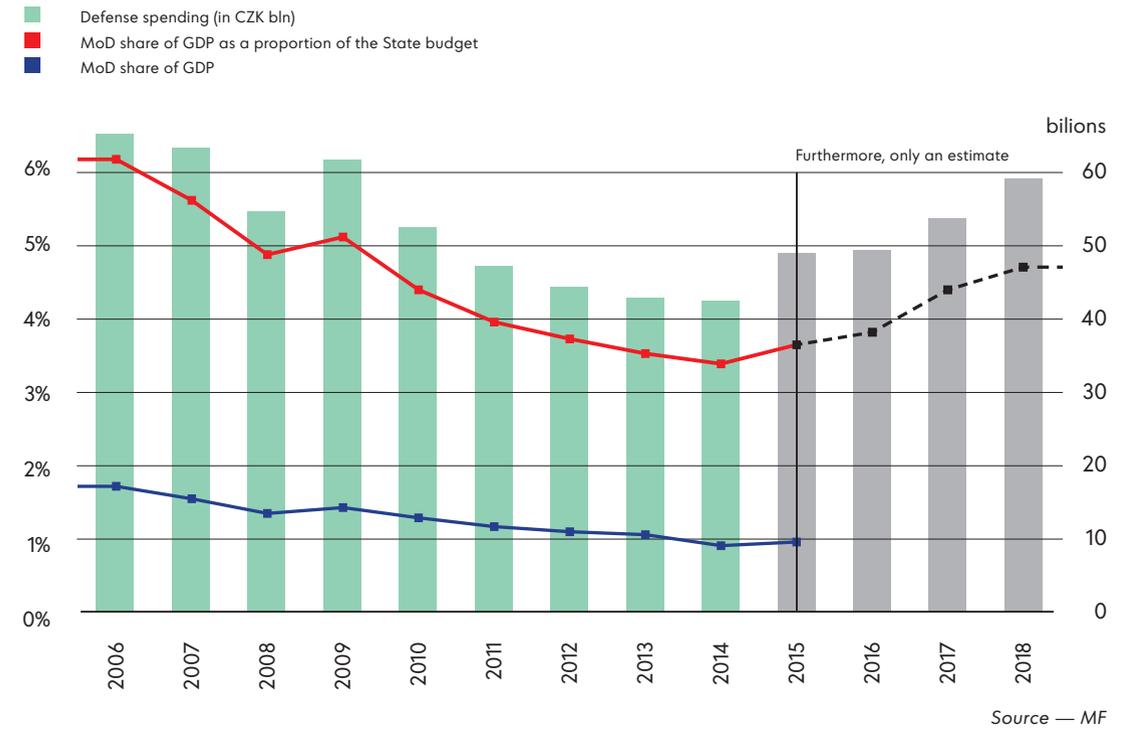


Source — CVVM

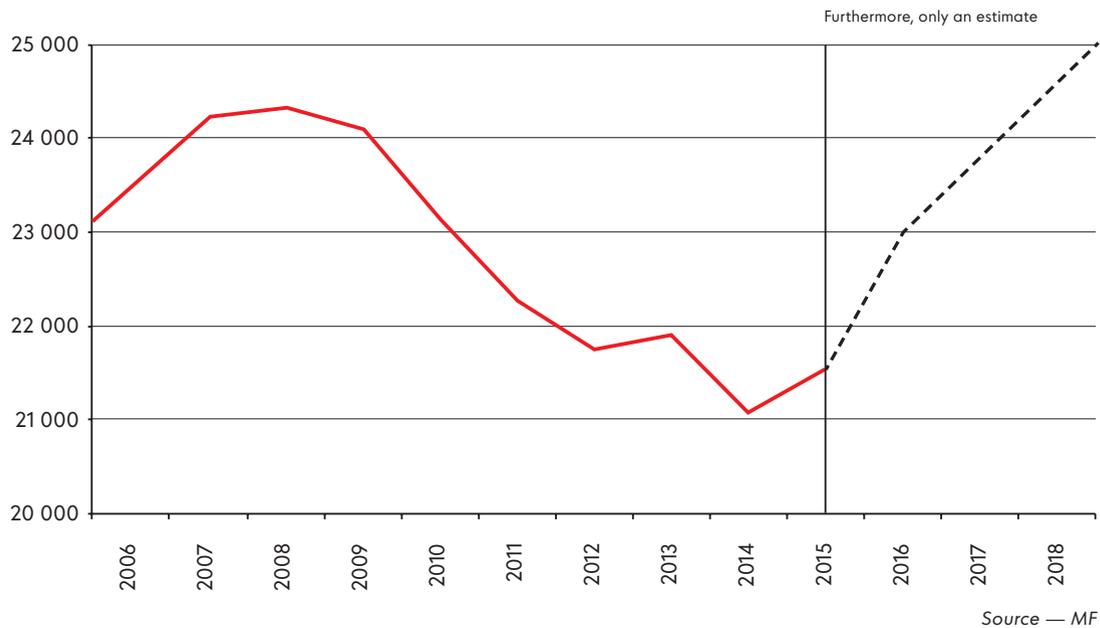
In 2015, after quite some time, there was an increase in the number of professional soldiers. Accompanying this there was a visibly increased interest in joining the reserves. Likewise, after years of downturn there was numerical growth for the first time (with regard to actual draw-down) of the MoD budget and an increase in the MoD budget-head share of the State budget. These is all undoubtedly good news; the overall situation however is not nearly as positive.

Despite the declaration by the leaders of the governing parties about the need for a gradual increase in defense spending to 1.4% of GDP by 2020, from the close of year State accounts it is clear that in 2015, as in the previous year, we did not even reach one percent. It can be some consolation to find that we managed to reverse the declining trend here also, and that spending rose from 0.91% of GDP in 2014 to 0.96% of GDP in 2015<sup>4</sup>. It can be said almost with certainty, however, that the target of 1.4% of GDP is far from likely to be reached over the next three years. Not to mention the 2% of GDP on defense we are committed to as part of NATO.

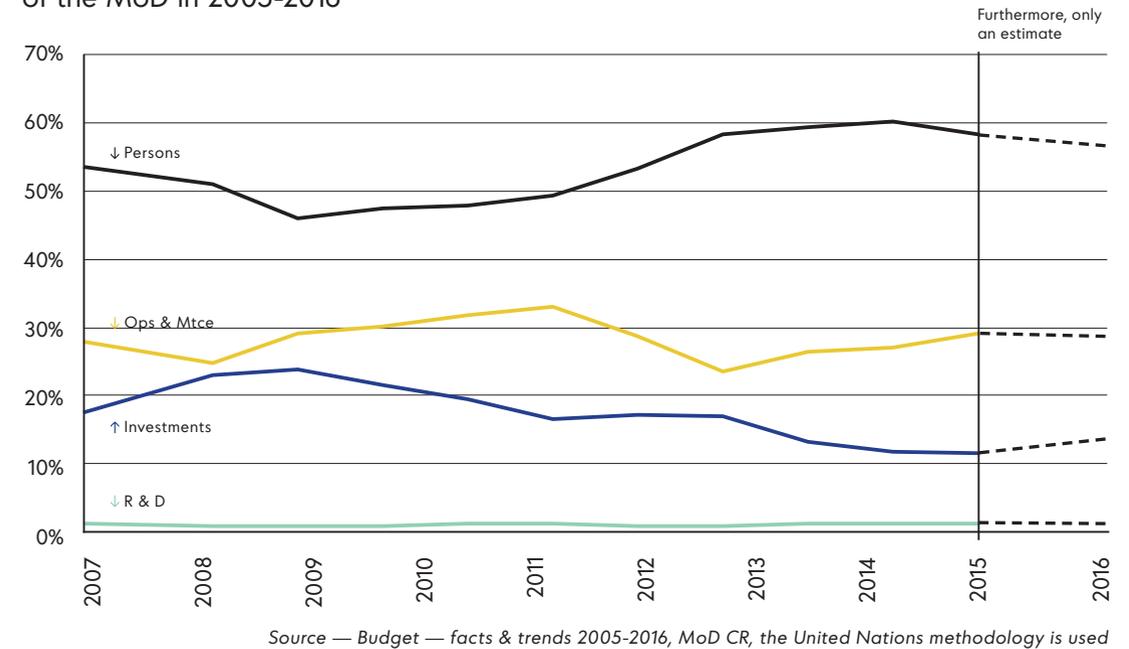
### CR Defense spending share (of GDP/of State budget)



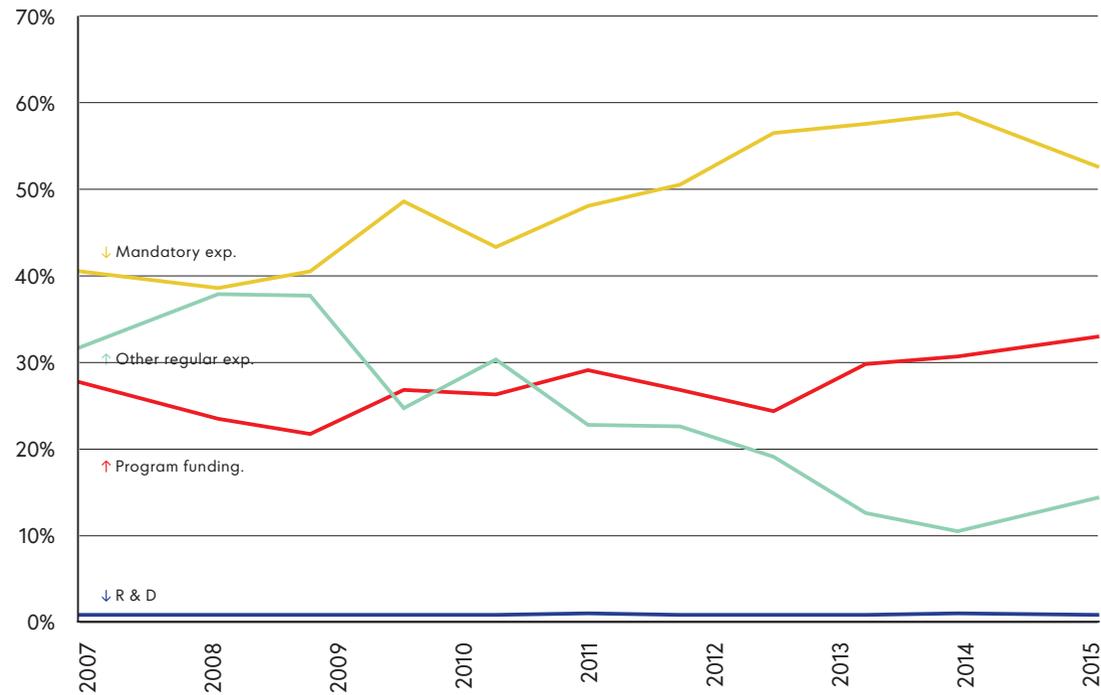
### Total # of professional soldiers



### The structure of the planned budget of the MoD in 2005-2016



### The structure of the budget actually drawn down by the MoD in 2005-2015



Source — The Proposal of Final Account of State Budget 2015, MoD CR

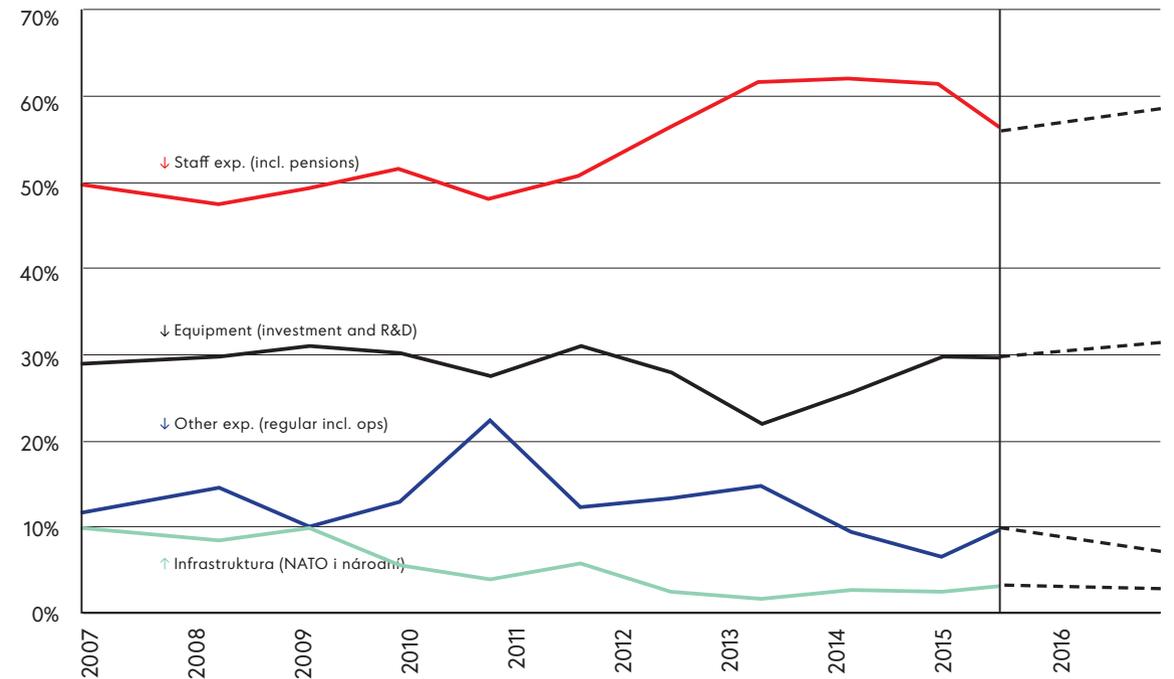
In 2003 the Ministry of Defense budget reached a level of 53.2 billion CZK, or 1.9% of GDP. In 2006 it was 63.1 billion CZK or 1.9% of GDP. This was in times of a widely shared sense of security on the European continent. Given current aspirations, albeit these are times of growing perceived threat, the MoD budget in 2018 might just about reach the nominal level of 2003, or in 2020 come up to the 2006 level! Pro rata expenditure relative to GDP at current aspiration levels may not reach the figures for 2003 and 2006 possibly even in the next two decades! If anything, this speaks of a lost survival instinct.

The generally shared recommendations for the structure of the defense budgets, allowing the smooth financing of key parts of the defense system, is split into three parts in the following proportions: personnel costs (50%), recurrent expenditure (30%) and investment (20%). These

proportions are no dogma, they do however, ensure a certain balance. Due to differing methodology it is not possible in practice to determine the real status of the Czech budget<sup>5</sup>, the following charts are therefore just for comparing three different methodological views of the structure of the MoD budget. The true picture will lie at or around their point of intersection. From all three charts we can however see that: 1) we have a fundamental deficit in the area of investment, 2) in 2015, the situation improved after quite some time, though still far from the recommended 20% level, 3) it is not clear whether the improvement in the year 2015 marks the start of a longer-term trend.

The two percent of GDP threshold for defense spending was reached by only six of the 28 NATO Member States in 2015.<sup>6</sup> Over the last at least five years we are clearly among the

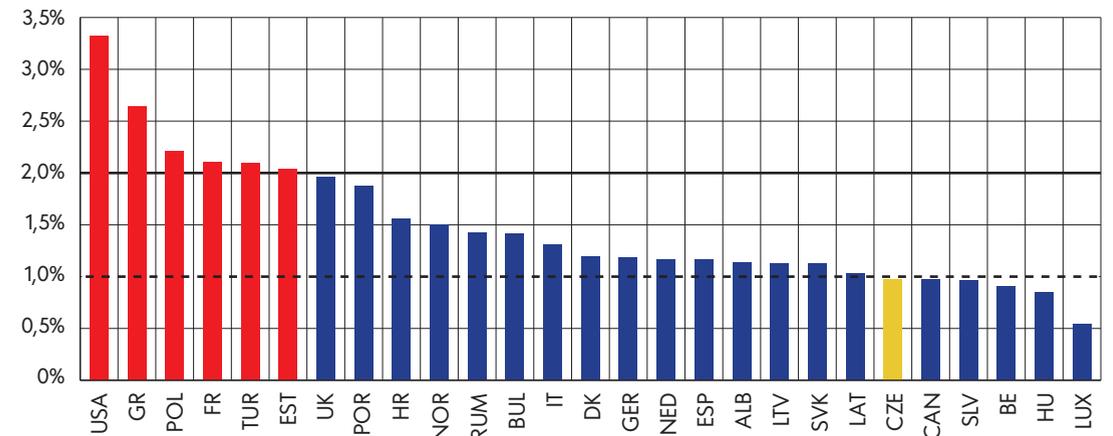
### The structure of expenditure by the MoD per NATO methodology 2005-2016



Furthermore, only an estimate

Source — Defence Expenditures of NATO Countries 2005-2016

### CR Defense spending against GDP — international comparison



Source — SIPRI

countries with the lowest expenditure on their own defense resources relative to GDP. We are likely to remain among the 'freeloaders' even in the years ahead, and this even under the circumstances of a nominal increase in defense spending, as agreed upon in the State budget for the medium-term.

Our approach is a disservice to the relevance of the Alliance itself and contributes to an erosion of ties within the collective security framework. We undermine the resolve of the Alliance members to come to each other's assistance when it comes down to the wire.

The unwillingness of European countries to contribute to their own defense properly is increasingly discussed in the United States<sup>7</sup> and is far from being criticized by Donald Trump alone. Long-term vacillation by European allies is being noted both by the leaders of the Democrats and in the Pentagon. At a time of deteriorating security in Europe this is a cause for concern.

An important portion of defense budgets has always been the costs of deploying armed forces abroad, which usually reflects the willingness of the State to engage in assuring

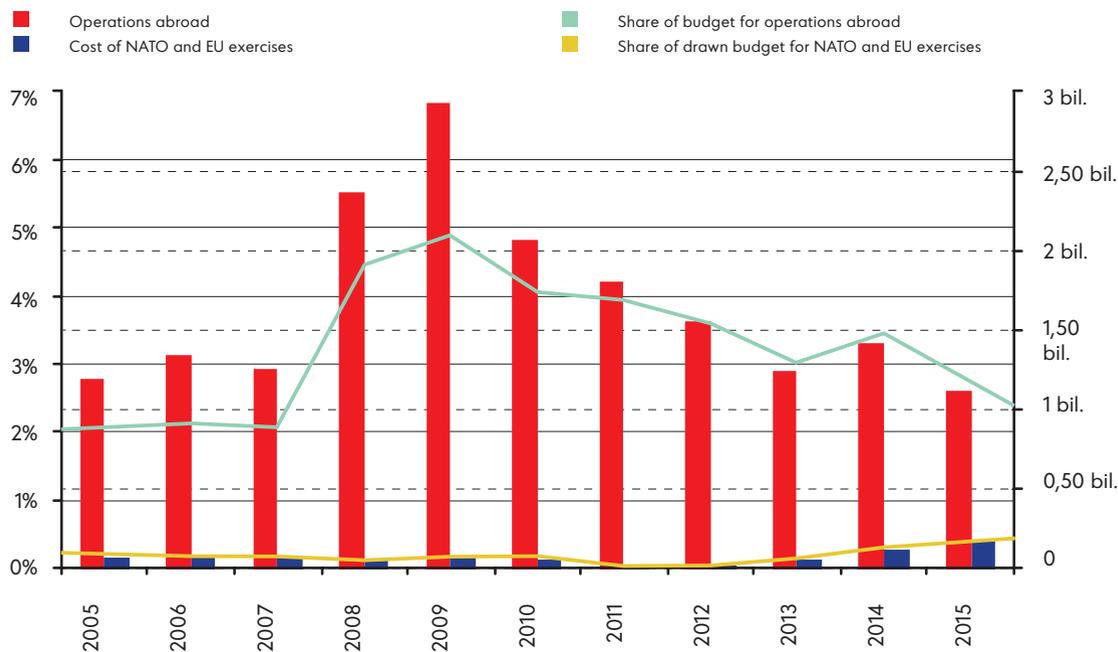
international security. International involvement is also seen positively especially in organizations such as NATO and the EU. The Czech Republic has been involved in establishing and keeping the peace with its own units since the early 1990s and the share of the budget taken by operations abroad has never fallen below 2% of total expenditure. In 2009 it reached 4.9%, since then going down to 2.4% in 2015. The numbers of personnel deployed in the reference period range from 805 in 2015 to 2400 in 2008.<sup>8</sup>

Although the deployment of soldiers in foreign missions is lessening, meanwhile in recent years there has been greater participation in joint exercises within NATO and the EU. The upward trend is associated with a greater focus on NATO territorial defense training. As regards raising the army's combat readiness, this is clearly a positive sign. In 2011, the costs associated with these exercises amounted to a mere 0.03% of the budget drawn, whereas in 2015 it was already 0.38%, or 180.2 million CZK.

functioning within the North Atlantic Alliance will itself be open to question. Within NATO we can expect that finding common ground with Turkey will be ever more complicated and a deepening reluctance by the United States to guarantee (and fund) European security. If fringe and populist parties should come to power in some Member countries, the combat readiness of the Alliance could be paralyzed. Of course, the same thing is true of the European Union. Mutual trust between countries and their key institutions could be similarly weakened. If the Czech Republic (as well as other Alliance and EU countries) fails to significantly increase investment in its own security, or rather, fails to take its own security seriously, the situation could worsen dramatically over the next decade.

It is not surprising that the recent working conference<sup>10</sup> of a group of Czech security experts, held at the end of August 2016, arrived, among other things, at the following conclusion: 'The need to significantly strengthen our defense is not given only by the existence and maintenance of political and contractual obligations to our allies, but is now the consequence of qualitative and rapid changes in the security environment of our country as well as a consequence of the internal weakening and fading of the collective defense and security organizations our defense and security is still relying upon.' Adaptation of our defense capabilities is now undoubtedly more a matter of necessity than just a contractual obligation arising out of our partnership with the West, outwardly and deep down.

## Expenditure on the deployment of armed forces abroad



Source — MF

## Conclusions and Recommendations

It can be expected that the security situation in Europe and in its immediate vicinity (and generally in the world) will not improve in the coming years. On the contrary, further deterioration is likely. Chaos, bloodshed and an economic slump will continue in the Middle East. More people will be expelled from their homes or choose to leave their devastated and dysfunctional countries. The same can be expected in parts of sub-Saharan Africa. Likewise, we cannot expect a calmer situation in the Ukraine, or a change in the behavior of the Russian Federation. In Europe, there will be other terrorist attacks as well as radicalization within immigrant communities<sup>9</sup> and among the majority population. Forthcoming elections will redraw the political maps of the respective countries and victory will often rest on populist and fringe parties and movements.

The European Union's political crisis is likely to deepen in the coming period. The efficacy of

## Recommendations:

- To continue increasing expenditure on defense and security under the budget-heads of the Ministry of the Interior (including the police of the CR and the UZSI), the Ministry of Defense (including Military Intelligence), the Security Intelligence Service and the National Security Bureau and this not just nominally, but also with regard to the

overall structure of the State budget and in relation to GDP.

- To focus on strengthening quality (in the case of the army and the intelligence services also the quantity) and long-term stability of staffing in the security forces and the armed forces, to invest in human resources. To enable the security forces and the armed forces to hire highly qualified and, with regard to the situation on the job market, 'expensive' expert staff who cannot be remunerated under the standard salary tables.
- To focus on investment in modern weapons systems and modern technology, to expend the recommended 20% of the individual budgets on investment, to limber up and simplify the procurement processes and furthermore keep up sufficient spending in the areas of operation, personnel and infrastructure
- To focus on increasing investment in effective research, development and innovation in the field of security and defense, to facilitate the ongoing competitiveness and combat readiness of the CR.
- Within NATO and the EU to foster the upgrading of capabilities of the individual Member countries. The key is to safeguard the integrity and functionality of the two groupings that are guarantors of the security of the Czech Republic.
- To strengthen the role of the National Security Council and set up a National Security

Adviser role within the Office of the Government charged with monitoring and enforcing the implementation of Government decrees, and to coordinate the activities of individual government departments and institutions.

- To build the credibility of the Czech institutions, including the intelligence services. Only trustworthy institutions are able to obtain the relevant information from their foreign partners. When it comes to the exchange of information, we cannot be solely consumers, and even here we need to have something to offer. The Czech Republic, being a small country, is entirely dependent on a functioning exchange of information.
- To take seriously the BIS assertions that in 2015 the two most active intelligence services in the Czech Republic were those of the People's Republic of China and of the Russian Federation, and that Russian priorities cover information warfare operations in the context of the Ukrainian and the Syrian crisis, as well as political, scientific-technical and economic intelligence gathering.
- To continue with the conservative approach to migration and asylum policy.
- To focus on building a truly functional system of cyber defense, strengthening the capacity of the individual parts of the Czech State and all aspects of critical infrastructure, including their own active countermeasure capabilities.

Members of the National Security Working Group, with whom the paper has been consulted:

Ivan Gabal, Member of the Parliament of the Czech Republic  
Daniel Kunštát, Head of Politology and International Relations department, CEVRO Institute

Zbyněk Pavlačík, Chairman, Jagello 2000  
František Šulc, Security consultant  
Alexandr Vondra, Director of Centre for Transatlantic Relations, CEVRO Institute

#### Notes and explanations

<sup>1</sup> Certainly implicated in the significant decrease in the number of crimes in the last two years is the new Civil Code, however, which took effect in 1 January 2014.

<sup>2</sup> Details of the Security Intelligence Service (BIS), and the National Security Bureau (NBÚ) come from the State final accounts, details of Military Intelligence (VZ) from their annual reports. The details of the foreign intelligence service agency, the UZSI, are not publicly available, but the civil intelligence budget is about half of the BIS total and should likewise be going up.

<sup>3</sup> 1 January 2015

<sup>4</sup> According to State final accounts data

<sup>5</sup> Certainly worth a mention is that over the long term the MoD budget is characterized by significant differences between the approved amount and the actual draw-down in the given year. In the annual MoD publication 'Budget — facts & trends' the United Nations methodology is used, the State final account containing the actual draw-down uses a different methodology, and a completely different methodology is used by NATO itself. It is therefore hard to compare how much of the planned expenditure was actually spent on each area. In addition, the MoD funding program contains 'hidden' items that have nothing much to do with investment, but historically formed a substantial part of it. For example, the instalments payments for the JAS-39 Gripen fighter planes, at about 2 billion CZK a year, though in fact this was not an investment but a lease. More than half of the funding went on maintenance costs.

<sup>6</sup> Using the methodology of the Stockholm International Peace Research Institute (SIPRI)

<sup>7</sup> The US Budget is consistently making up to 75 percent of the total NATO members' budget.

<sup>8</sup> This is the total number of persons involved in and out of operations during one calendar year. At present, two duty cycles usually take turns during the year (for military observers there may be only the one). Nevertheless, in the past, in Iraq or Afghanistan there have been up to three cycles in one year, which then 'optically' increases the numbers deployed.

<sup>9</sup> Radicalization is often far more often evident among second and third generation immigrants than those freshly arriving. But let us not forget that even the new arrivals will have children. If the integration of immigrants goes on as unsatisfactorily as it has to date, the numbers of sympathizers of the various Islamist groups will inevitably keep growing.

<sup>10</sup> Liblice, 26-27 August 2016

## ECONOMIC POTENTIAL

Guarantor: David Vávra

The euphoria that accompanied the unfamiliar epithet of being one of the fastest growing European economies unfortunately faded as quickly as it had come. According to the latest figures, the rate of economic growth of the Czech Republic this year has again dropped back to 2%, reminding us of the sad reality; an economy that is non-convergent in the long-term, not only failing to approach the economic level of more advanced Western neighbors — but what is more, being caught up by its Eastern European rivals.

This situation only underlines the pervasive themes from last year's Aspen Institute Prague, which focused on shortcomings in the implementation of our economic potential, and barriers to the long-term growth of the Czech economy. The report spoke of a lost decade, given that since 2008 the level of the Czech economy, as measured by GDP per capita recalculated as purchasing power, remained stagnant. Rather than speaking about a lost decade, it would be more appropriate to speak of a longer-term issue: The Czech economy is simply not growing very much. Perhaps the only prolonged period in which the Czech economy was catching up with the EU systematically was the period from 2000 to 2008.

The previous report from Aspen Institute Prague identified six areas to work on, broken down into housekeeping tasks and visions of the future, if we want to significantly increase the growth potential of our economy. Over the past 12 months nothing has changed regarding the urgency of the housekeeping tasks in terms of addressing the low standard of education, improving the institutional environment or increasing competitiveness, especially in the labor market. Equally, the vision of building a highly urbanized economy based on entrepreneurship, innovation and technology through more intensive mobilization of domestic capital is still relevant. Additionally, however, public debate regarding the growth potential of the Czech economy has begun to explore new topics, such as immigration or the quality of the transport infrastructure.

This year's report is trying to move this discussion forward by striving to turn attention to itemizing where we lag behind our competitors the most. The reasons for this are several. In many of the indexes by which we monitor our relative competitive position we are performing out of balance: a fairly decent position in most of the reported criteria is knocked back by a few metrics in which we are pedaling at the back of the peloton and moreover in the company of countries whose economic level is well below ours and not at all comparable with us because of their overall history and socio-economic environment (e.g. The Gambia or Mongolia). At the same time, we believe that it may be markedly

easier to eliminate these 'letdowns' than to try to move forward significantly where we are doing relatively well.

We therefore attempt to identify these failings and assess how easily and quickly it is realistic to remove them and make significant improvements. We can refer to these cases as easy wins, which we recommend be addressed under the reform agenda.

Such an approach can be criticized from several standpoints. Firstly, for setting too much store by working with indexes, which must necessarily simplify complex reality by way of averaging from a series of often arbitrary metrics. It may also seem too ad hoc to recommend we focus on a few individual indicators instead of striving for thorough reform.

Nevertheless, we believe that our view is helpful. It allows us quickly to identify specific tasks and potential shifts in the internationally monitored indicators, which as banal as they may seem, are reflected in a more favorable rating of risk and of the country's investment potential. In essence, each of the rating systems used by international investment companies includes at least one or more of the qualitative indicators this report concerns. A closer look at the structure of the indexes shows that in a number of metrics there is overlap, and that e.g. the monitoring of quality markers of the institutional environment is not only important in itself, but also important for understanding the barriers to improving our labor competitiveness.

This year's report comes to perhaps a somewhat surprising conclusion. Despite a variety of issues and deteriorating conditions in virtually all areas, the competitiveness of the Czech economy still remains very high and in some of the dimensions is still improving. Our competitiveness is so good that it leads us to believe that it doesn't make much sense to think that there is still great potential for a targeted campaign of reform. Instead, it seems more useful to focus on removing barriers to growth in the remaining areas, such as the poor quality of the institutional environment and education system, skilled labor shortage, or problems

with the efficient allocation and mobilization of capital resources to foster the growth of the domestic economy.

### The reference group of countries

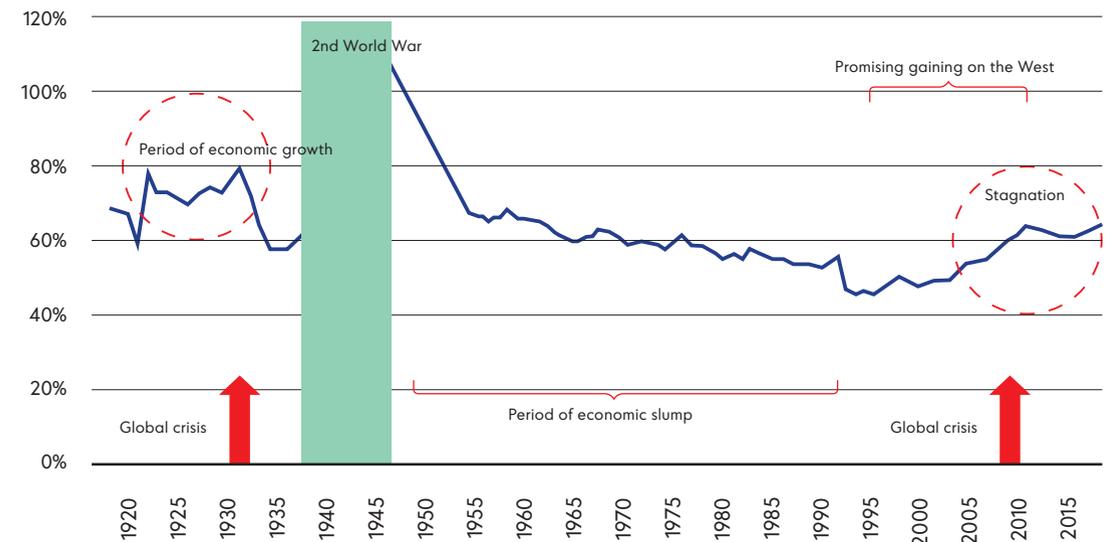
According to the tenets of classical economic theory, the Czech economy should by way of accumulation of physical and human capital gradually reach the labor productivity and economic level of the more mature and capital-equipped economies.

The frustration of slow convergence is therefore understandable, but is it really justified? If we speak of untapped economic potential, what do we really mean and how far out of reach is it? The ever present fascination with the German economic triumph is felt not only by us, but is it really apt to think that one day we may reach the German per capita GDP? A number of historical and economic studies show that it is not. With the exception of a few short periods the Czech economy has never been close to the German level. It was much like that during the First Republic, when we were below 80% of the German GDP per capita converted to purchasing power parity.

It may be, then, that the aims we set ourselves are overambitious. If based on a quick walk down memory lane we chose some natural limit to our convergence potential, then this would probably lie somewhere around 70-80% of the German GDP per capita. And with our present 65% we are not too far off that boundary. The observed stagnant growth would then be consistent with the hypothesis that we may have reached our natural convergence limit.

This consideration may seem heretical, but leads us to a cardinal question: are we talking about barriers to convergence toward some historically justified and achievable level, or do we want to talk about the factors that put this level so far below the German one, and how can it be moved? Resolving this matter is beyond the scope of this report, but we hope nevertheless that the selection of individual areas and comparisons with the wider group of Eastern European countries that are fairly steadily gaining on us has the potential to move this debate forward. Last year's report often held up the examples of Estonia or Slovakia, and we consider it appropriate to keep to these examples.

Real GDP per capita in the CR in purchasing power parity (as a proportion of the German GDP, with Czechoslovakia pre 1990)



Source — Maddison Historical GDP data, OECD, OGRsearch

## AN OVERVIEW OF ASSIGNMENTS FROM LAST TIME

Assignment no. 1: To ensure the competitiveness of the labor market in comparison with the other countries of Central and Eastern Europe:

Last year's report dealt with competitiveness from the relatively narrow perspective of the situation on the labor market. We noted that, despite the very low level of unemployment, there are significant shortcomings in the overall economic engagement of the populace, in particular of women, and we saw that short-term and occasional jobs made up a large share.

These structural problems persist, and so we think it reasonable to look at competitiveness more broadly. And this viewpoint brings some possibly surprising findings. Our competitiveness is good and improving — both in absolute terms, and relative to the reference group of countries. For example, the Global Competitiveness Indicator shows great improvement and the Global Manufacturing Competitiveness Index even rates us with a chance to get in the top twenty by 2020. This is a much better placing than the comparator group of Eastern European countries (with the exception of Estonia, which is similar, but not markedly gaining ground).

Our good placing is greatly helped by a stable macroeconomic environment and, vice versa, we are held back by the poor quality of institutions, public roads (see Topical theme), mobile networks, and the low degree of digitization of public services. There are also problems in the organization of labor, its low productivity and the lack of skilled labor, which has to be compensated for with low labor cost.

A closer look at these deficiencies shows they are not easy to eradicate and that progress will have to be achieved in a whole range of metrics for us to move up any more in the index. Table 1 shows some such examples and combinations — and none of them appear to be readily feasible without deep structural changes. We thus do not see any easy pickings here — no obvious let-downs to fix in order to quickly raise our ranking.

The absence of easy wins in the competitiveness indexes may be related to the above mentioned hypothesis, that we may be closer to our natural long-term economic potential than may appear from the comparison of GDP levels per capita. If so, there is not likely to be any uplift of this potential without significant structural and social changes. Indeed, the component indicators of competitiveness in Table 1 are more to do with the institutional environment, access to innovation and technology, or the quality of education, which are areas wherein progress will require more extensive structural changes, supported by a more comprehensive political agenda.

*The various combinations of component indicators whose significant improvement (roughly to the level of the top ten in the overall country rankings) would have moved us up in the Global Competitiveness Indicator by about two rungs (ceteris paribus) Global Competitiveness Indicator*

Combination 1:	Combination 2	Combination 3
Burden of government regulation	Availability of latest technologies	Women in labor force, ratio to men
Quality of roads	Firm-level technology absorption	Effect of taxation on incentives to work
Quality of port infrastructure	FDI and technology transfer	Redundancy costs, weeks of salary
No. procedures to start a business	Ease of access to loans	Hiring and firing practices
No. days to start a business	Availability of research and training services	Buyer sophistication
Country capacity to retain talent	Extent of staff training	Agricultural policy costs
Country capacity to attract talent	Quality of management schools	Kvalita manažerských škol
Gov't procurement of advanced tech products		Availability of scientists and engineers
		Total tax rate, % profits

Source — Global Competitiveness Index

Assignment no. 2: To improve the institutional environment:

The previous report stated that the Czech Republic is lagging behind in many aspects of the institutional environment, such as the quality and stability of the regulatory environment, the level of corruption, the effectuality of the institutions or the level of the administrative burden on business.

One year on, we have to conclude that, although in a number of individual parameters, there has been some improvement (e.g. in the perception of corruption), the overall situation remains unflattering, as does our relative position in the reference group of countries.

Especially sad is yet another slump in the rankings of the internationally very closely watched Ease of Doing Business (where we hold a very average 36th place), and the reasons are unfortunately very much the same as last year: the long time required to start a company or obtain a building permit and the poor enforceability of contracts.

In the other indexes and surveys there are bad marks for low confidence in politicians, poor quality infrastructure, a rigid bureaucracy, an

un-computerized administration, poor higher education as well as insufficient investment protection.

Yet in our opinion a significant shift in our Ease of Doing Business rank could come relatively easily, since a number of the indicators are completely needless letdowns. Table 2 shows that if we simplified administrative procedures and shortened the time needed to start a company, to pay taxes and to obtain a building permit (a total of just 6 indicators) to the levels common in Estonia, Slovakia or Germany, we would jump 11 rungs to 25th place, behind Austria (21st) and ahead of Poland (26th). Particularly easy points are to be had from shortening the time to settle taxes, from a hard to believable 405 hours (which in Estonia or the north of Europe is normally around 100 hours) or to shorten the time for getting a building permit from 247 days (while in Germany and Estonia it takes around 100 days). In addition, if we are to resolve to lower the tax burden on companies to the level of Germany and Poland, we would move right up to 19th place (Germany is 15th).<sup>1</sup>

Table 2 A combination of easy wins that would move the Czech Republic from 36th to 25th place in the Ease of Doing Business

	Administrative procedures when setting up a business (score, less is better)	Time to start a businesses (days)	The cost of setting up a business (% GDP per capita)	Time required for filing and paying taxes (hours)	Administrative procedures to get a building permit (score, less is better)	Time required to get a building permit (days)
Current situation	8	15	6.7	405	21	247
Possible improve-	4 (Hungary, Poland)	5 (Hungary)	1.5 (Slovakia)	100 (Estonia)	10 (Slovakia)	100 (Estonia)

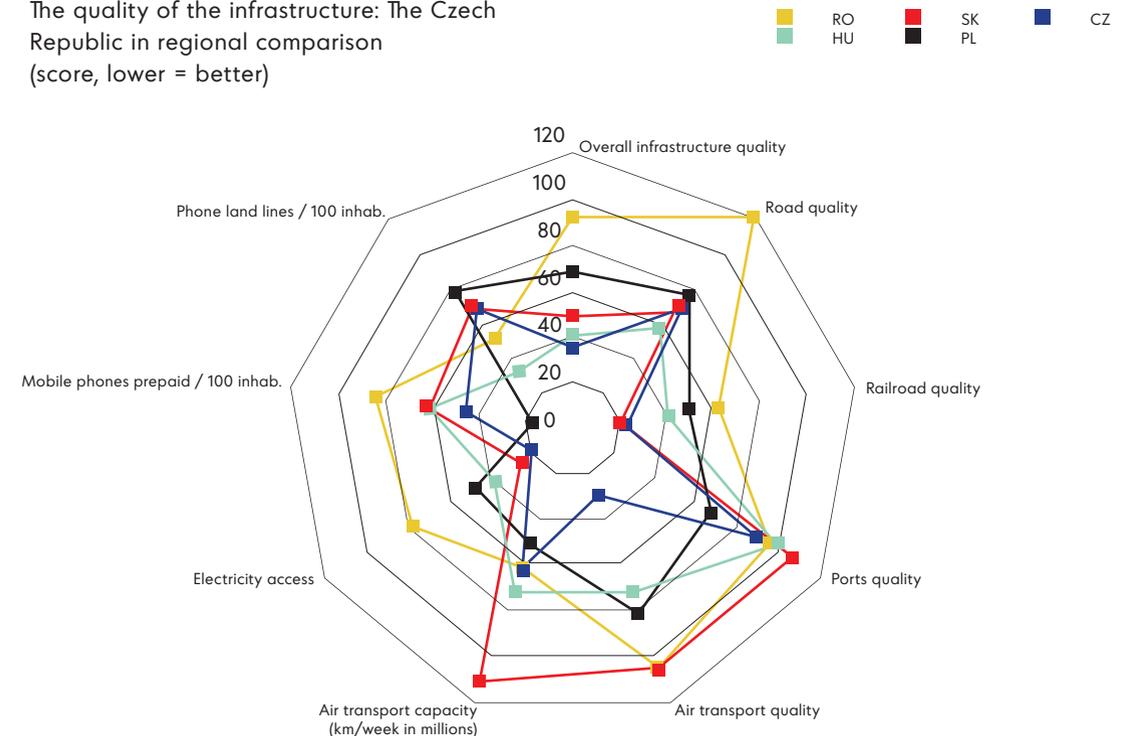
Source — Ease of Doing Business

Topical theme: The quality of the infrastructure

The quality of the infrastructure is an interesting element affecting economic potential, but lacking any definitive assessment. Although intuitively the public considers the quality of the infrastructure in the Czech economy as a major issue and a major barrier to growth and fulfilment of economic potential, a closer look shows a far from black and white situation.

As regards physical infrastructure, we are (for some surprisingly) the clear regional champions. Our strengths are, in particular, rail and air transport and the extent of electrification. Conversely we are lagging in the quality of our roads, not only behind Slovakia and Hungary, but globally in 69th place, while in other respects we rank between 20th and 30th. This is a clear and evidently unnecessary letdown, removing which would move us up. Interestingly (and perhaps contrary to intuition) at issue is not so much the extent of our road network as its quality. We build and maintain roads badly.

The quality of the infrastructure: The Czech Republic in regional comparison (score, lower = better)



Source — WEF GCR 2015-2016, OGRsearch

The situation with digital infrastructure is worse, especially in a Europe-wide comparison, but we are still holding up to competitors from Eastern Europe. For example, Internet availability is excellent. It turns out, however, that we don't know how to take advantage of this availability: the percentage of households that make active use of the Web is below average, and only 8% of households use high-speed access. We are also better than our Eastern European neighbors in other aspects of digital maturity (e.g. NGA networks), but behind Western Europe.

for the West (for example in medicine). This outflow is not sufficiently offset by the influx of labor from the East, despite the fact that the proportion of the highly educated population among our immigrants broadly matches that of the domestic population and the level of economic activity among immigrants significantly outpaces the domestic population. These positive effects of immigration on the availability of a skilled workforce are seen in increasing fiscal revenues from immigrants. For example, since 2008 the typical domestic family's net annual contribution to the State budget has decreased by some 1000 euros, while the contribution of immigrant families has increased by about 500 euros.

We consider it regrettable that the potential of immigration for the growth of the domestic economy and to satisfy the demand of domestic firms to engage more qualified workers is not utilized more. While improving the quality of the education system through structural reform is a long-term process, smoothing the influx of skilled immigrants is an easy win in our view.

However, the trend is the opposite — the total influx of immigrants since 2008 is in steady decline, and in recent years we note a long-unseen surplus of emigration over immigration. The causes of this trend are likely to be several, but many of them — associated with excessive bureaucracy in the legal influx of immigrants — could easily be dealt with and the effects could come relatively quickly (see the Topical theme).

**Topical theme: Bureaucratic obstacles to the influx of skilled labor from outside the EU**

The following overview describes the steps that had to be taken and obstacles overcome to bring in and employ a married couple, both highly qualified experts, one of whom was of Russian and the other of Ukrainian nationality, and their two small children, which lasted from January 2015 until February 2016:

**Assignment no. 3: Improving education:**

An assessment of the situation concerning moving forward in this area is addressed in detail in another section of this report. As regards the contribution that education quality makes to economic potential and growth, it has to be said that the situation has if anything deteriorated since last year, and long-term structural problems with the availability of skilled labor have come into sharper focus.

Although employment is rising and unemployment falling, much is being said about the general lack of skilled labor. According to some data there is an unmet demand for up to 120 thousand staff in skilled professions. Wages are not growing at anything like breakneck speed and so the question is whether the low growth rate of labor productivity (and wages) is not indeed caused by a shortage of suitably qualified labor.

The previous study has already noted that the quality of education is declining. Secondary education is too universal, and the quality of language and mathematics education is grossly inadequate. Investments in tertiary education are also low by international comparison.

The availability of a qualified workforce is further depressed by the net export of the educated workforce, i.e. skilled professionals leaving

January 2015: notification of vacancies open to foreigners at the Labor Office

March 2015: the start of communications regarding the formalities for obtaining visas to the Czech Republic for both spouses

— Preparation of documents comes up against a lack of information and poor access to it.

— The Czech Embassy in Kiev is overloaded.

— Both spouses go to the Consulate several times a week for about 2 months to accomplish what is necessary to prepare for submitting the application.

— The Czech authorities accept translations of diplomas and other documents only from 'their own translators' who are overloaded, and the process is drawn out. Many times the necessary documents have to be sent to Ukraine by courier.

— Getting an appointment to submit the documents required for granting a visa for entry to the Czech Republic in the visapoint.eu proves to be almost impossible, and so the Czech company employs several people for about a month, to literally 'snatch' dates for these future employees and their two children. The alternative would have been to pay an external company with 'special access' to the Embassy.

June 2015: with some ingenuity appointment dates are eventually obtained for the submission of applications, but for each one separately, since they are not allowed to attend together, despite being married.

— Due to the fact that it is impossible to get an appointment date to obtain an Employee

card in Kiev the Czech company makes use of the mother's Russian nationality and organizes her meeting in Moscow.

— The father (with the children) asks in Kiev for a research visa (not an Employee card) because that entails further appointments to submit an application.

— The Embassy accepts only originals of the translations, not certified copies, which is to prove a major complication later if the application needs to be resubmitted.

— The applications are successfully submitted and (according to the available information and regulations) in complete form.

— Despite this, both the Czech Embassies keep asking for more and more supplemental documents.

September 2015: the decision is made to grant a visa to the father, but the mother's request remains without a decision for the legal deadline has expired

— The father arrives in the Czech Republic without his wife and children.

— The Czech Embassy in Moscow does not respond, despite escalations nobody is prepared to react to the mother's application for another month. The staff of the Embassy and the Ministry of the Interior refuse to answer questions from the Czech company, which is not a party to the proceedings.

— The Czech company weighs up pursuing a legal case for loss of profit, caused by the authorities' non-compliance with statutory time limits.

December 2015: The mother's application is turned down for reasons of insufficient salary for a Blue card (someone apparently misfiled it, because she applied for an Employee card)

December 2015: The submission of a new application for the mother, needing to have everything translated again (because the originals were removed with the previous application)

January 2016: Suddenly the mother is granted an Employee card

February 2016: Arrival of the mother and children in the CR, but complicated by the fact that before the mother got her visa, the children's visas almost expired, and so

immediately after arrival and extension application needs to be submitted

### Visions for the future

Unfinished housekeeping tasks are a setback to our efforts to succeed in achieving our visions for the future development of our economy. Last year's report highlighted three such visions, which could be summarized roughly as follows: building a highly urbanized economy based on entrepreneurship, innovation and technology through more intensive mobilization of domestic capital.

Although when it comes to the overall comparison with our Eastern neighbors we are not doing that badly in supporting innovation and enterprise, the gap to the European zenith is wide,

and in many ways still growing. We are dragged down by an inflexible labor market, poor investment protection and low availability of online Government services. According to the Global Innovation Index in terms of digitized State administration we are in 87th place, in terms of staff severance costs we are 93rd, and when it comes to investment protection as low as 118th. Doing business also suffers from unfavorable conditions for start-ups, society's standoffishness and a shortage of human capital. All of which are factors of the institutional environment. We are also lagging behind in primary scientific research and we rate average in R&D investment.

Finally, the capacity for domestic capital to fund the development of such a vision is largely limited by the narrow domestic financial sector, which is dominated by the classic commercial banks, with their relatively conservative business model. Other parts of the financial sector, such as the stock and bond markets or returns on savings through capital appreciation and pension funds are as though nonexistent, — the degree of their development lags way behind our economic level and does not match our ambitions for the future (see the following chart).

Although the domestic banking sector seems to exhibit a reasonably competitive environment and cost-reduction pressures, there are justified concerns whether the lack of competition from other financial market sectors might not contribute to endangering how effectively the financial sector allocates savings to investments and thus contributes to applying the full potential of the Czech economy (see the Topical theme).

### Topical theme: The diversification of the financial sector

The Czech Republic is an exception in the world of emerging economies in that it is a net exporter of capital. This is primarily made up of the savings of households and companies deposited with commercial banks, significantly in excess of the volume of bank

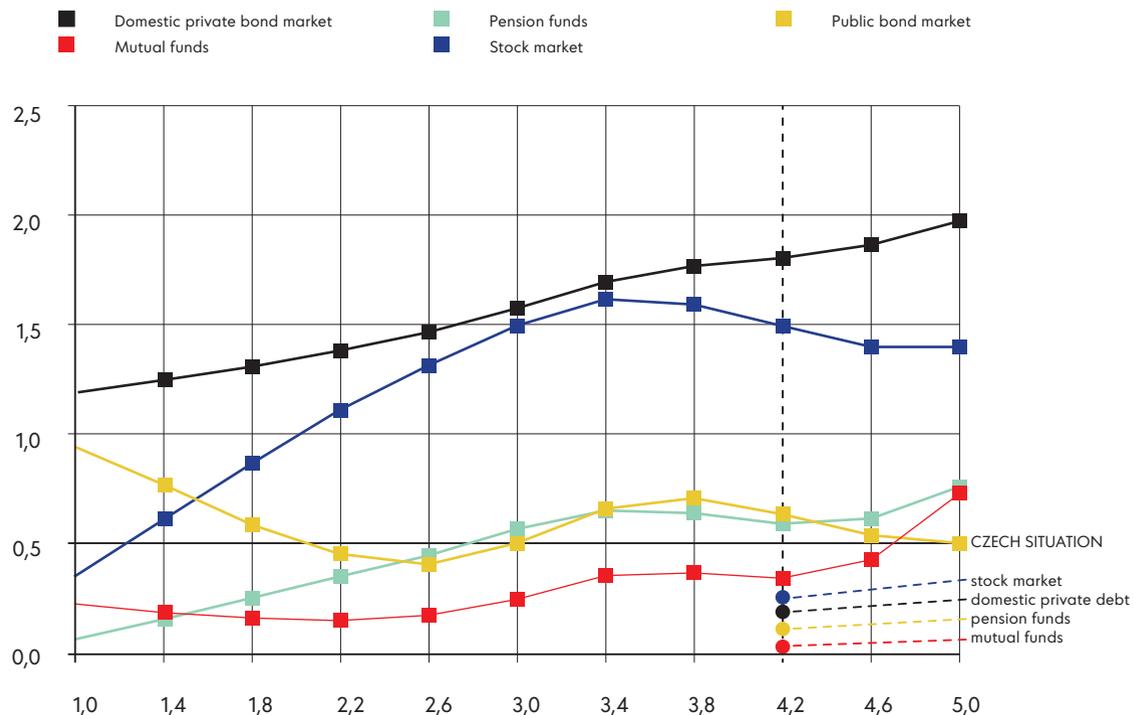
loans. Such a situation would be more logical to expect in advanced economies, well saturated with capital, such as The Netherlands, than in an economy having ground to make up in this area.

This begs the question whether developing other financial market segments might improve the availability of capital to domestic firms and for technologically demanding investments, instead of this capital being deposited abroad.

This question has no clear answer. Companies including the small and medium enterprise segment are not generally complaining of poor availability of financing and there is a great degree of interbank competition in the provision of corporate loans. Yet companies do hold large cash deposits, even by international comparison, and the availability of funding is seen negatively in the start-up companies' segment. Globally speaking, it is precisely this segment that is often not just the harbinger of innovation and growth, but also the recipient of external funding outside the banking sector, through private equity or venture capital. This method of financing exists here also, but is not nearly as advanced as elsewhere, much as in the case of financing through share subscription. It is interesting to see that Czech companies do not make more use of the stock exchange in Warsaw, which also serves the small business segment.

We have undertaken a thought experiment in these areas, much as before. If we increased expenditure on education, raised the loans and FDI to GDP ratio, upped the level of online Government services and electronic participation and increased the share of the creative sectors in GDP to the values common in Estonia, we would (ceteris paribus) rise in the Global Innovation Index from 27th to 20th place. It has to be said, however, that with the exception of Government digitization these are no easy wins, but areas where improvement should be pursued over the long term.

Vertical axis: Capital market development (ratio to bank deposits)  
Horizontal axis: Log GDP per capita



Zdroj — OGRResearch / The Financial Times

## Conclusions and Recommendations

Despite a variety of issues and deteriorating conditions in virtually all areas, our competitiveness still remains very high and in some of the dimensions is still improving.

Our competitiveness is so good that it leads us to believe that it doesn't make much sense to think that there is still great potential for a targeted campaign of reform. Instead, it seems more useful to focus on removing barriers to growth in the remaining areas, such as the poor quality of the institutional environment and education system, skilled labor shortage, or problems with the efficient allocation and mobilization of capital resources to foster the growth of the domestic economy. These are the conditions for making good on the vision of a highly urbanized economy based on entrepreneurship, innovation and technology through more intensive mobilization of domestic capital.

Such a vision will probably not be possible without extensive changes in the structure of the economy, approach to reforms, mindsets and problem solving. This will require significant social consensus. The status of society and quality of life is covered elsewhere in this report; from which it follows that we may be on the brink of such a society-wide consensus on ambitious reform being achievable. If so, it would be a shame to waste this moment. The importance of social consensus is indeed reflected in the comparison of the Czech Republic and Estonia (see the Topical theme).

In addition to this long-term agenda we have identified a number of specific indicators in which the Czech economy unnecessarily falls down compared to the competition, the removal of which could bring relatively easy gains in international comparison:

- the quality of the infrastructure, that is, how we build and maintain it,
- quality of digital networks and their long-term building strategy

- the administration of the legal immigration of qualified labor from countries outside the EU,
- the administrative procedures, costs and time required to start a business,
- the administrative procedures and time required for a building permit,
- the time required for the submission and handling of a tax return,
- the digitization of public administration.

### Topical theme: The Inspiration of Estonia

Without any claim to completeness, or the universal applicability of our observations, even a superficial comparison with Estonia can bring interesting and important insights from a policy perspective.

Estonia beats us hands down in many of the observed metrics, not only in the most widely known, such as the use of the Web or the computerization of public administration services. At issue are also long-term GDP growth and productivity, the share of FDI per capita, the index of economic freedom, the proportion of the population with secondary education, the lower level of worker protection and of unemployment benefits or the start-up company segment share in society.

Many studies that cite the success of Estonia point to the high degree of social consensus while striving to achieve the 'Western' standard of living through private enterprise and the ability to agree on macroeconomic priorities. Also recognized is the great emphasis placed on the implementation of liberal economic policies, whether through lower tariffs or a uniform tax rate or the dismantling of non-financial barriers to a flexible labor market and doing business.

The Estonian Government is very active in providing the necessary infrastructure and support for entrepreneurship, including school curriculum flexibility. Given the recent public debate in the Czech Republic, perhaps it is worth noting that e.g. programming skills are included in Estonia in the mandatory preschool preparation of five year olds.

Members of the Economic Potential Working Group, with whom the paper has been consulted:

Zdeněk Tůma, KPMG  
Martin Wichterle, Wikov Industry

Lukáš Kovanda, Roklen Fin  
Jan Klesla, Lidové noviny

Analytical support provided by **CGResearch**

Notes and explanations

<sup>1</sup> Our total tax burden, measured as a percentage of profits is 50.4, while Germany and Poland are around 40.

## EDUCATION

Guarantor: Bohumil Kartous

Society has long been guided by its education system towards greater development. Over the past 20 years, much has changed, however. The advent of the Internet, with its open and shared knowledge bases, interconnectivity and applications or games that enable learning (online lectures and courses, projects like Wikipedia, Stack Overflow, TED or the Khan Academy, strategy games like Minecraft or Reigns) have meant that school has ceased to be the monopoly source of education. In many ways out-of-school learning is much more effective. The rapidly evolving digital world covers areas (information literacy, the whole gamut of so-called soft skills, value education, etc.), which the State-guaranteed education cannot encompass.

The complexity of the environment in which we live and from which we learn, is growing too fast. The education system is too cumbersome, too large in terms of personnel and therefore too rigid to extricate itself from its natural inertia and dependence on the 'ponderous' human factor. Instead of supporting development, invention and finding new solutions for our dynamic society, it predominantly reflects our earlier — pre-web — epoch of civilization.

It is not all just down to the pace of change. This makes the public education formula of yesteryear unfitting, in view of the changes in society, yet it is promulgated by the ongoing neglect of this fact, as manifested by insipid political willingness to invest, by short-term thinking, and also by the great influence of vested interests from powerful economic and professional lobby groups, to the detriment of those being educated and to ongoing social progress.

There is a real possibility that this lagging behind trend in the education system will continue, showing the negative influence of institutionalized public education on social trends. We are entering the era of augmented and virtual reality, an era of AI-based tools, such as the cognitive system called Watson. It is very likely that these technology innovations will transform our world even more markedly, in only a matter of a few years. New social needs will continue to arise and become prominent, and school ought to remain — next to the family — a significant influencer of the personal and social development of the individual. More than ever, school will be important for maintaining social cohesion, fostering inalienable human rights and the democratic order built on them. In contrast, technology can already — and even more so in the future — outdo the school in providing access to knowledge, and the appropriate facilitation of it, to suit individual capabilities and talents. This should lead us towards a much more fundamental rethink of what the education system is there for, and how to reform it for this purpose.

## Summary

Education is a broad area that extends to any human activity and at the same time is affected by many external and internal factors. It is thus not easy to keep to just the individual problems and show them in a relatively short space in all their complexity. The task of selecting only a few key topics, from among dozens, maybe hundreds, of current educational ones, is hard enough in itself. It simultaneously pushes other topics, often equally fundamental, out of the picture.

We must therefore follow a certain key. First of all, we restricted ourselves to the development of regional education (preschool, elementary school, high school), colleges being a separate issue. Another key to this study is to look at systemic change. All the topics and proposed solutions are selected because they have the potential for change which has a fundamental and positive impact on society. The aim is to show the way forward to transforming something as cumbersome as the education system, in circumstances when it is falling more and more behind social and technological developments. Here they are formulated as questions; the answers are in the study:

1. A much more farsighted set of ideas for developing education. We can no longer consider the development meaningfully by looking only a few years ahead. What is the value of strategies which do not outlast the time needed to implement them? And why invent new solutions if we can draw inspiration elsewhere? And why don't we do that?

2. Teachers as the key element of education and their new role in the future. The teacher is, and will continue to be, the alpha and omega of public education. Why do we neglect those who teach the children in our schools? Why don't we focus on this priority? What needs to be done to make the situation change?

3. Capable leadership and its shortfall within education. Given the law and the nature of the processes in Czech schools, it is the School Head who makes the school a good, average, or bad one. Why burden the Head with senseless bureaucracy and having to organize incidentals? Why don't we treat the Head as a pedagogy leader? Why do we leave their appointment to a selection process that often does not align with their professional qualities?

4. Education content: Do today's kids (and adults) really need this structure of expertise? In discussions about education we often restrict ourselves to how to improve education, without asking ourselves whether its current content matches what we actually need education to provide. Does this content structure actually live up to educating for the 21st century?

5. The socio-economic balance in the educational approach. The CR, as compared with other OECD countries, shows a significantly higher dependence of the education level reached, on family circumstances. This limits upward mobility and using our most valuable potential. How can we break free of this?

6. Inexpensive small steps vs expensive improvements to a rigid system. Education system reforms need not mean feeding tens of billions of crowns into the mix. We live in an age where there are quick and immediate solutions, 'ready to use'. All we need is to point to them from the right vantage point. Why don't we do it?

One reason to start right away is that the results may not be apparent for fifteen or twenty years. Let us pick out from the solutions here proposed those that are cardinal in terms of desirable changes to the education system:

— The short term. Start thinking about education differently. Consider which way the world is heading and what it is that education ought to provide to society and the individual. Invest in teachers and head teachers. Instead of spending on salaries, invest in the potential human capital in the schools. Support what is at hand, and free of charge. Right now.

— The medium-term. Thinking about a topic as involved as education depends in many ways on a sense of belonging and social values. These cannot be changed immediately, from one day or even one year to the next. At the level of those governing education there should be a focused and persistent communication campaign waged on different planes, with clearly outlined objectives for desirable change. For example, the content of education in schools is exactly the kind of issue that needs society-wide debate.

— The long term. The education system has the function of smoothing out social differences and enabling social mobility, to maximize potential. In the future this role will either strengthen, or cease altogether; which may endanger the future of society, as such. What is needed is that socio-economic differences play no great part in educational achievement, which has not been achieved so far.

## A more distant horizon for reflecting on the development of education

In the field of education, it is commonplace for any proposed changes to aim for a very close horizon of just a few years. After the so-called White Book<sup>1</sup> of 2000, the content of which has become outdated without this strategic document being put into education practice in its full conception (apart from some exceptions, such as the greater emphasis on school autonomy), there came another strategic document in 2015. This one, named Education Strategy 2020<sup>2</sup>, as

the basis for the long-term development of the education system in the CR, is yet another example of the short-term planning of changes in a system whose effects must be gauged over decades. Today's graduates from middle and high schools will very likely be active members of society for the next 60 years, during which time the world will transform in ways hard to foresee in its detailed contours. Yet what we can claim with a high degree of certainty is that the extent of robotizing and automation will create entirely new conditions for individual and social life and will most certainly transform the economy and the job market. Of the current industries and services, few will remain unchanged. Many of them will transform very soon (casting vs 3D printing of metals, trucking vs self-driving vehicles, etc.), and a whole range of them will transform with the advent of new technologies (e.g. artificial intelligence). To educate for the next 3 or 5 years ahead appears, with regard to this fact, as truly short-sighted and irresponsible. It is understandable that planning any measures for the development of the education system needs to be done stepwise and at shorter intervals, yet on the other hand, even these steps should aim toward the far horizon. Czech educational strategy instead seems reminiscent of how illiterate people plan their future, from one day to the next. Here are ten skills people will need for the future according to Nicholas Enna<sup>3</sup>, Director of Enterprise and Web Projects in the now worldwide non-governmental organization Teach for All, which seeks to promote universal access to top quality education. The material is part of the Cisco Workforce Readiness project:<sup>4</sup>

- They will need to know how to create new worlds
- They will need to think holistically
- They will often be changing themselves mentally and physically to respond to challenges.
- They will turn information into matter and matter into base information on the fly.
- They have to be able to work without direct leadership in tight temporary organizations that will act independently.

- Those seeking long-term secure employment will find it in employee-owned and -operated companies.
  - Many future skills will relate to mind-machine interfaces.
  - They will all be data analysts.
- The ability to tell a good story will be valued over spreadsheets, graphs, and data points.
- Our future workforce must be ready to become "shallow experts" very quickly on many different types of software, platforms, and services.

None of these educational goals can be found in the current curricular documents that determine the content of education in the Czech Republic, nor in the reform steps proposal.

This is how the target key competencies of the Singapore education system look. We would find these among the educational aims of the Czech Republic, yet not among the priorities:

- Civic Literacy, Global Awareness & Cross Cultural Skills
- Critical and Inventive Thinking Skills
- Information and Communication Skills

Once again, Czech education does not point in the same direction as the world's leading education systems. To a large extent this is due to the fact that as opposed to say the Finnish education system, which will as of this school year be launching learning according to a new program<sup>5</sup>, Czech education is not seeking a way forward into the future through a reform of the education system. There is a risk that the education system will gradually become hollow, not least through the initiatives of social elites, who, in response to the deepening shortcomings opt for non-participation and the creation of structures in parallel. This is not a bad thing in itself, until this abandoning of the system exceeds a critical threshold. We need to be aware that education in the Czech Republic belongs to the areas with below-average

innovation<sup>6</sup>, which may very likely be linked to the short-termism and self-indulgent addressing of problems that the system itself generates. There is no adaptation of the system for new social needs.

With regard to further social development and the ever louder calls for a new wealth redistribution model divorced from working, in the guise of the so-called unconditional basic income, the education system has a new role before it. Although it is still not clear how the basic income experiment may turn out (the Finnish Parliament is at this time debating the inclusion of basic income in the State budget for 2017, the Dutch city of Utrecht will test out basic income on 250 residents from January 2017), the education system is even today acting as a 'buffer reservoir' to hold back the increase in unemployment in the near future. The recent call from the Austrian Chancellor Christian Kern to extend compulsory education up to age 25 only underlines this trend. It will indeed be the education system that will bear a significant part of the burden caused by the increase in leisure time and the need to create a meaningful network of activities in a society, in which the concept of human labor will be radically redefined.

#### Solution:

- Change the vantage point for considering changes in the education system: Not 'society serving the system' (or group interests), but 'a system serving society'.
- Don't re-invent the wheel. Get inspiration from States such as Singapore, Ontario or Finland, Ontario, in particular with regard to the horizon against which changes in education and their impact are considered.

— Boost and deploy the Strategic Analysis Department of the Ministry of Education. Bring in experts from the fields of technological and social development.

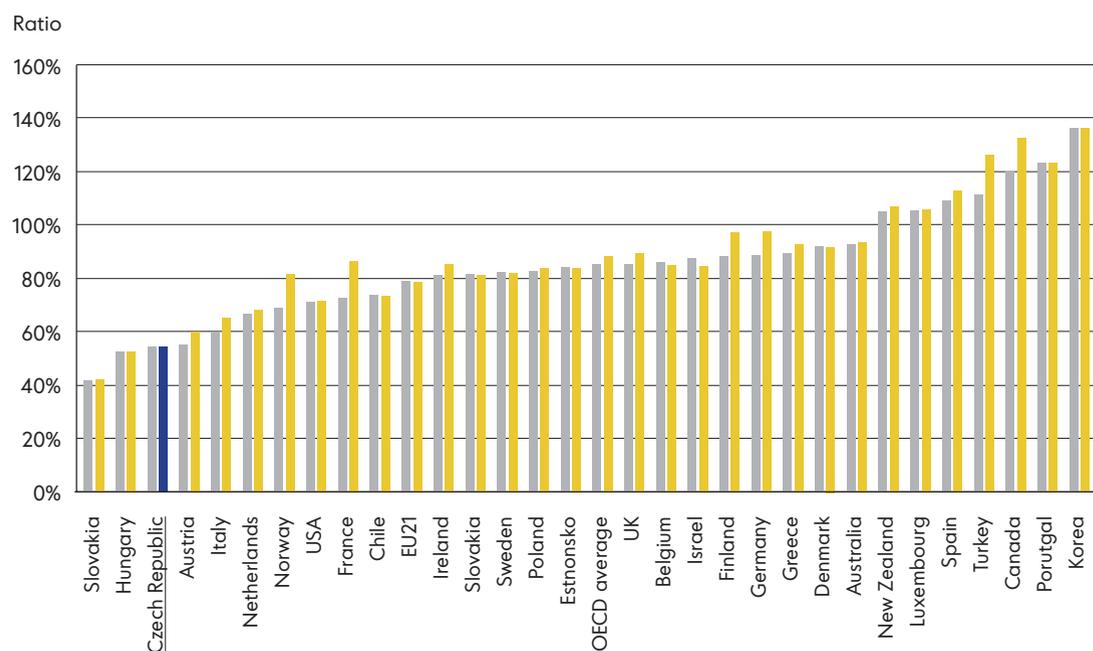
— Apply ex ante and ex post analyses to identify the consequences of the steps considered primarily in the long run.

— Encourage innovation in education. Don't go for expensive purchases of 'ironware' but take advantage of the cheap option of 'ready to use' on offer (for more see Chapter 6. Inexpensive small steps vs expensive improvements to a rigid system)

#### Teachers as the key element of education and their new role in the future.

According to the respected longitudinal research, as presented by the econometrist Eric A. Hanushek of Stanford University, the teacher is the absolutely key agent of quality and education change. In his opinion the qualitative difference between the Czech and Finnish education can be accounted for with just the top five percent of teachers.<sup>7</sup> In other words, if we were to relatively slightly, and with uniform distribution, increase the number of top teachers in the system, according to Hanushek this would mean a significant improvement in the quality of education. Under the current economic circumstances in public education, such a change is unthinkable. The remuneration of teachers in the Czech Republic is significantly below average according to a range of metrics: whether we compare the salaries of teachers across the OECD, or in comparison to the average salary level of University graduates.<sup>8</sup>

Primary and secondary teachers' salaries relative to earnings for tertiary-educated workers, 2012 (in %)



Source — OECD Education at a Glance 2014

The state of teacher pay correlates with the total education investment of the CR, which is a direct expression of the importance society attaches to this area: Of the OECD countries, the CR belongs among those with the lowest ratio of public budget investment in education relative to GDP.

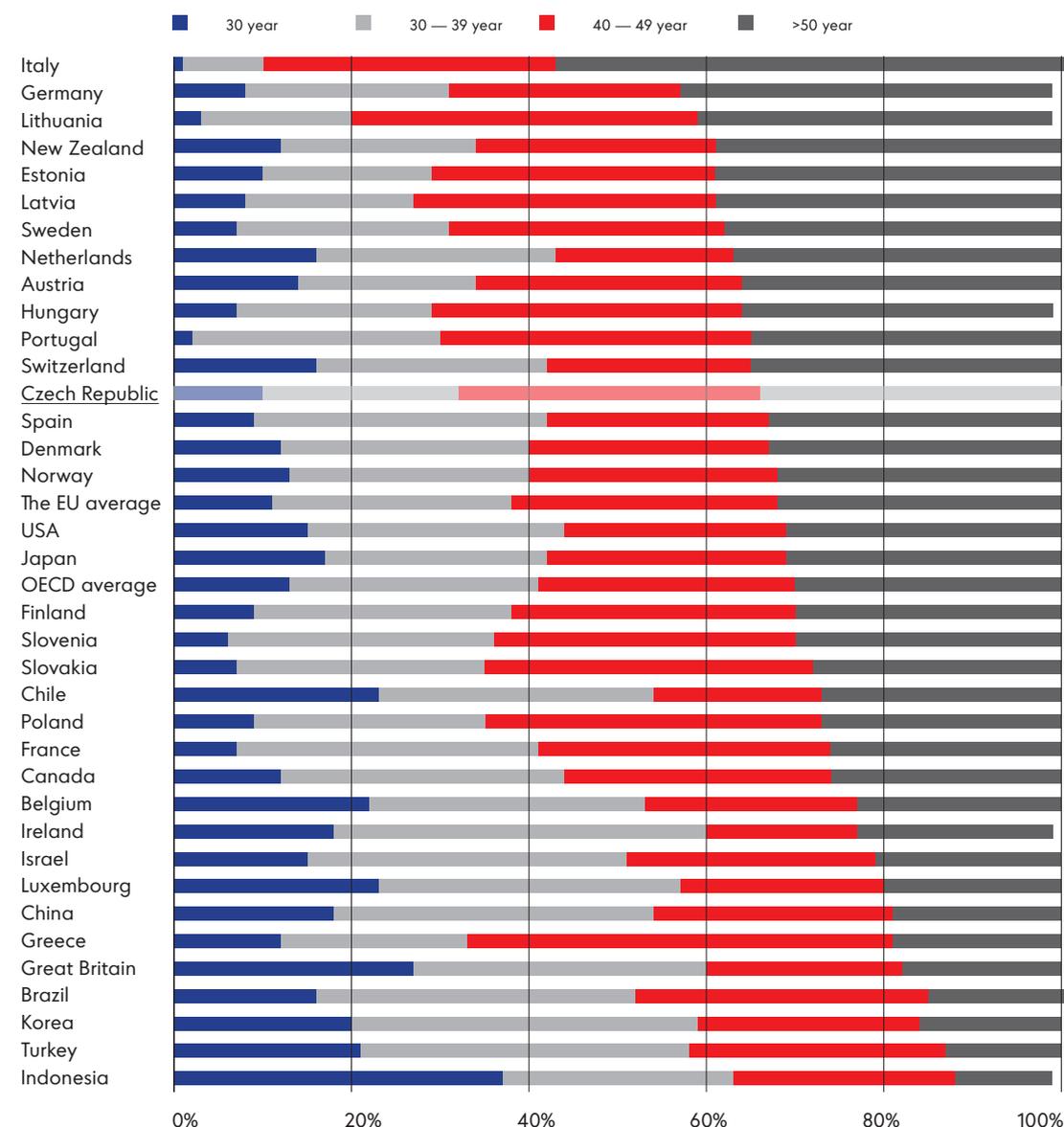
The fact that teachers in the Czech Republic are under-valued is one of the main causes of why Faculties of Education are of little interest to applicants. According to the findings of the Scio agency, Faculties of Education are not typically the first choice for candidates. General academic prerequisites (a juxtaposition of reading, mathematical literacy and logical reasoning) among those who give the Faculty of Education as their first option, are significantly below that of other Faculties. At the same time there is a relatively

large percentage of candidates who would like to teach, have relatively high academic prerequisites, but do not want to do it for a living.<sup>9</sup>

The structure of the Czech teaching profession is burdened with another insidious danger. The age profile of teachers, along with the lack of interest in Educational Faculties, as well as the significant number of teachers who are looking for work elsewhere, means that in a matter of years — Czech schools will have a teacher shortage. The State will then have to raise their compensation in purely numerical terms, regardless of the quality.

The present salary increase by all of 8%, which the Government endorsed after lengthy negotiation is only a partial settlement of its putative debt, without addressing the circumstances of

## Age distribution of primary school teachers



Source — OECD Education at a Glance

low attractiveness of the teaching profession for future candidates and without allowing for greater demands to be put on existing teachers, or looking for ways to distinguish the more and less worthy professional among them by means of financial incentives.

The situation is made all the worse by the prospective technological changes, particularly

with the advent of advanced artificial intelligence, that are likely to radically change the roles of schools and teachers. This change will quite likely occur within the next twenty years. Education in the field of knowledge and to a large degree of cognitive skills, an individual approach and pace, accurate assessment of progress, all these will very likely be the qualities in which AI-based personal assistants

will greatly surpass conventional teachers.<sup>10</sup> Their role will become much closer to that of a motivator, initiator and promoter of social interaction among children. Today's Education graduates should be made ready for this transformation. We have not yet reached the point of discussing this transformation, which represents another risk that teachers face.

Solution:

— Significantly increase teacher remuneration and start a strictly standards based culture. An average teacher's salary of forty thousand crowns a month would radically alter the structure of applicants and put pressure on those school teachers who are doing a poor job.

— Allow entry into the schools for University graduates without pedagogy training. The current law on pedagogical workers is a counterproductive regulation. The concept of a two-year probation period for new teachers with subsequent attestation is well-g geared to being opened up to other University graduates.

— Concurrently initiate a program to support talented young people willing to teach in schools, along the lines of Teach for America<sup>11</sup>, or Teach for Slovakia<sup>12</sup>, or as befits, the British program Teach First<sup>13</sup>. Bring the vision to 'be in the front line of change'.

— Pressure for profound change in the Education Faculties, in the content and form of teacher training, brought top down. Expecting the Faculties to undergo spontaneous reform is a pipedream.

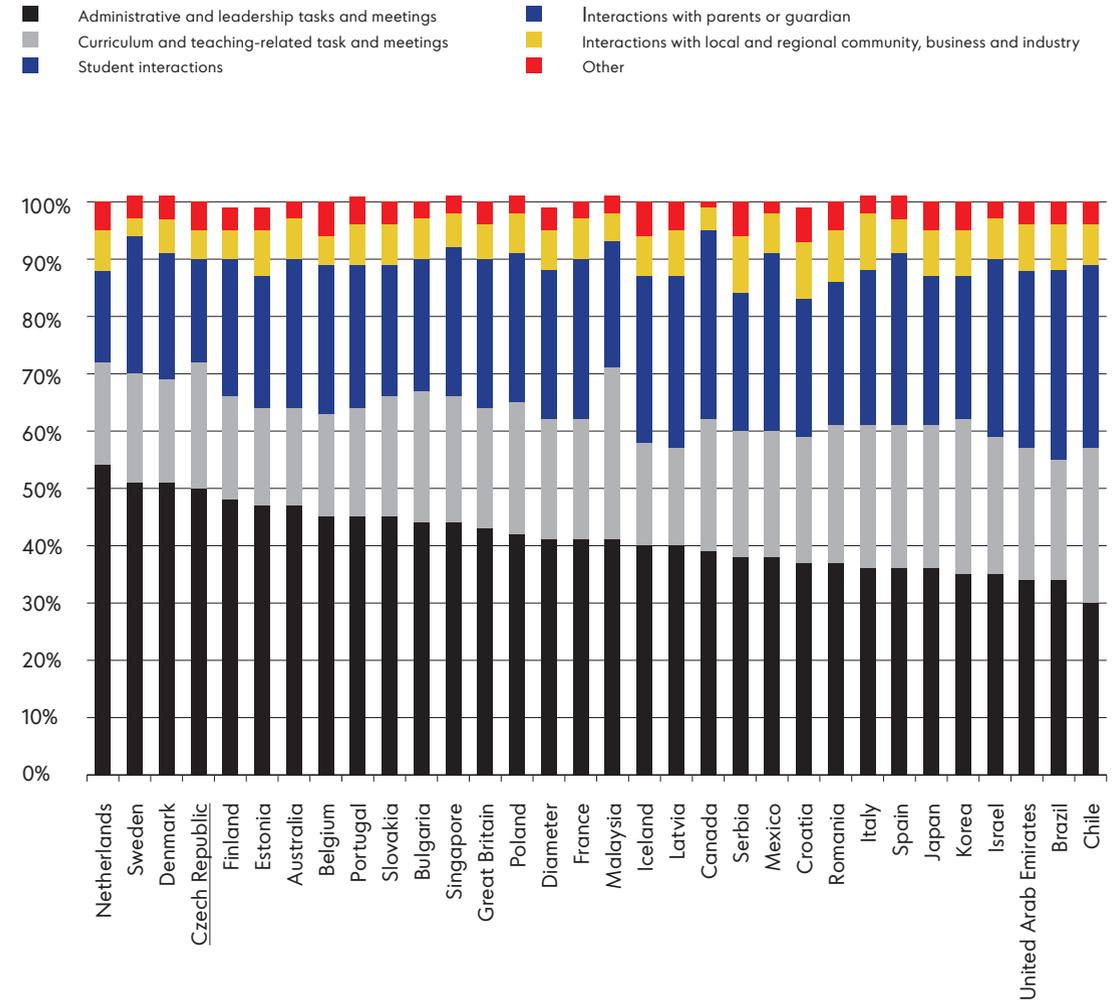
Capable leadership and the lack of it in Education

The role of school governance (leadership) is very closely linked to subject area teaching. The same is true with respect to the long term vision needed for education to flourish.

Czech legislation regulates the role of the Head of the school as someone almost completely responsible for all the significant aspects associated with the school, including the approach to education and personal development. Thus the role of the Head is decisive, both with regard to the development of the school and also the development of teachers who work on it. If the school has an enlightened Head or Deputy Head, encouraging the development of teachers, this tends to show itself in terms of the educational innovation the school applies. This is by far not just about technologies, on the contrary, it is primarily about innovations in the approach to learning (e.g. tandem learning, mutual feedback for teachers, methods of increasing pupil motivation, formative evaluation, etc.). There are examples of such public-sector schools in the CR (e.g. ZŠ Kunratice or ZŠ Lyčkovo náměstí in Prague, ZŠ T.G.Masaryka in Náchod, ZŠ and MŠ Chraštica), but these are but islands of positive divergence.

One of the causes is the abovementioned issue with pre-selection, from which education suffers. School Heads are recruited from the teacher rank and file. Another major problem is the way in which Head teachers are selected. According to the applicable legislation, the Head of the school is appointed by the school founder, which, in the case of elementary and middle schools is the municipality, in the case of secondary schools, the Region. Candidates in the selection process are assessed by a selection Board that is partially independent of the founder. However, its decision is only a recommendation, and the founder may decide to appoint someone other than the recommended candidate. It can thus happen, that for purely political reasons, family or other affinities, the posts of Heads are taken by people who do not have the necessary leadership skills, let alone the idea that contemporary children's education has to prepare them for life in a vastly different world.<sup>14</sup>

Head teacher duties by time



Source — TALIS 2013

A major problem suffered by Czech Heads of schools is also the degree of administrative and organizational burdens (unrelated to education and personal development domains) which relates to their function<sup>15</sup>.

'During the past year, 94 percent of Head teachers often or very often checked school documentation and administrative procedures. This is above average and internationally the

highest proportion,' said the inspectorate. 'A similarly high proportion is only found in Romania, the international average for this factor is 61 percent.'<sup>16</sup>

We can only consider public-sector education as flourishing provided that schools will be governed by capable leaders (not only as teachers) and these will be people with the vision to take into account real-world trends

and the real needs of the upcoming generations and of society (not only the needs of the system itself and the problems that its growing ineptitude produces). Neither high teacher salaries nor a cluster of other favorable conditions will of themselves lead to better education while the principal positions are occupied by people on grounds of political camaraderie or family membership, or those who correspond to the taste of a none-too-knowledgeable founder. If the Hanushek rule applies, that the top five percent of teacher make the difference between the Czech and the Finnish education system, then this rule must necessarily apply to the Head teachers.

Solution:

— Reduce the administrative burden and transfer part of the responsibility out of the education and personal development domain to another external function. Take a system audit of the administrative burden and designate one of the Deputy Head teachers as the school 'Quaestor' (finance custodian) to untie the hands of the Head teachers.

— Strengthen the independence and subject-matter expertise of the selection board that decides on the recommended candidates for this position and make its recommendations to the governing body binding, in the sense that the founder has to formally justify making a different choice.

— Strengthen the training of Head teachers for a leadership and managerial role. In South Korea, they seek to get managers of large enterprises to become Head teachers. Why not try something similar in the Czech Republic?

Education content: Do today's kids (and adults) really need this structure of expertise?

Education at different levels does differ, so let us keep to the general framework of the foundation educational program, the main educational pillar of contemporary Czech society. This is an overview of the educational areas:

→ → → → →

Such an exhaustively laid out list of education topics gives the impression of being balanced and comprehensive. Yet the fact is that the disproportions of emphasis and quality of education in the respective areas is abysmal. Mathematics and the natural sciences make up almost a third of the time spent. The social area contrasts with the natural sciences in that it gets a significantly smaller proportion of elementary school tuition. But even the time allocation of the subjects does not fully reflect the true reality of education. This is determined by the requirements of the education system in its subsequent stages, in particular in the transition to middle and high school. Currently, these requirements are typified by the uniform system of entrance and graduation exams. In both cases, these requirements highlight the importance of mathematics and the Czech language (in their current form of teaching). Consequently, schools put the emphasis on these areas, to the detriment of others. Some areas — despite their extreme importance — in reality do not get a share of education (media literacy), albeit formally a part of the syllabus. Some are treated in a very cavalier fashion with nothing useful sinking in (information and communication technologies), some are often taught completely counter-productively, when instead of supporting civic education and self-esteem the process leads to their suppression (civics; think of the fundamental objectives of the Singapore education system). A relatively large area of education (man and culture, man and health) do not lead to mastering the necessary competencies, and are treated as marginal. The mankind and work area emphasizes manual labor, which is gradually disappearing from relevance for our world or

## EDUCATIONAL AREA

- Czech language and literature, a foreign language, a second foreign language
- Mathematics and its application
- Information and communication technologies
- Man and society, history, citizenship education
- Physics, chemistry, natural history, geography
- Music, art education
- Health, physical education
- Mankind and the world of work
- Drama, film/audiovisual, dance and movement education
- Ethics education

## CROSS-DISCIPLINARY THEMES

- Personal and social education
- Democratic citizenship education
- Education for the european and global context
- Multicultural education
- Environmental education
- Media education

shifting into the realm of leisure time. The subject of leisure, which occupies an ever-greater portion of human life, is not covered at all. Do we really need this kind of content, focus and quality of education? In the above-referenced video, the Director of the Finnish National Board of Education talks about why the seemingly well-functioning system needs to change. Our motivation for change ought to be all the greater, if we have reasonable doubt about the functioning of the system.

**Solution:**

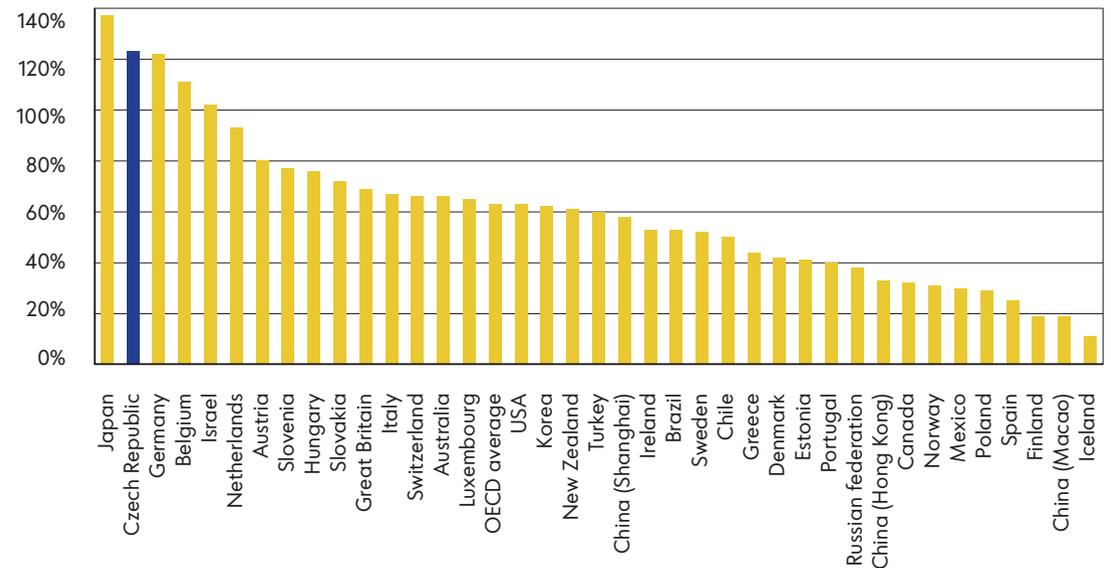
- Rethink the 'positivist' approach to education, built on the dominance of the natural sciences; rethink the outdated method of learning considerable quantities of facts (available from easily accessible external resources) without due context. Add more content about the individual and society (not just paying lip service).
- Analyze the curriculum documents of education systems that are leaders in the education field to learn about what changes they have made in education and why. Put into practice all that is practicable for Czech society.
- Set priorities: these should undoubtedly include foreign language tuition, especially English. The dismal state of foreign language knowledge in Czech society is restrictive.
- As for the formerly dominant subject (Czech language and mathematics) significantly revise the educational objectives and form toward functional usage. Do we really need to teach our native language as a set of structuralist linguistic precepts? Do we really need to teach mathematics as a set of terms and formulas of use to only a fraction of the population? In the computer era?

**Getting the socio-economic balance right in access to education**

The level of dependency of educational attainment on socio-economic factors is very high in the CR compared to other countries. These factors together mean that the right to get an education is not being met. With regard to social progress, this has other adverse consequences. Education has a significant impact on social mobility, and if it is true that people from socially disadvantaged strata have limited opportunities in the CR, we are right to begin to worry about ghettos springing up in Czech society and, conversely, the entrenchment of elites on 'pedigree' grounds. A democratic society is characterized by social mobility, which limits the possibility of clans acquiring a hegemony. Here we have an example showing the relationship between the socio-economic status of the school and the educational attainment of the student<sup>17</sup>:

As can be seen, when it comes to Czech students, the gap according to this parameter is the second highest of the reference countries. In the latest edition of its summary report Education at a Glance the OECD expressly draws attention to the thorny issue of education in the CR: among the countries compared, the CR has the lowest degree of educational mobility. 71% of young people in the Czech Republic attain a similar level of education as their parents (the OECD average is only 52%). Only 17% of people in the 25 to 34 age group reached a higher education level than their parents in the CR (the OECD average is 32%). In other words, in the CR the question of education attainment is largely down to family background<sup>18</sup>.

Impact of schools socio-economic status on student achievement



Source — PISA 2009

Score point difference associated with a one-unit increase in the school-level PISA index of economic social and cultural status, PISA 2009

The sociologist Jan Keller (during his academic career) used the following metaphor: at the turn of the 19th and 20th century education was a temple, where you went to seek understanding. In the second half of the 20th century, education became an elevator, by way of which you could rise up the social hierarchy. Today's status, as seen by Keller is that of 'insurance': education represents the necessary baseline of our social existence. Regardless of opinions in public discourse, this status will persist for quite some time yet. People with no education will to a certain extent be driven out onto the social periphery, facing a much greater risk of social problems. With regard to the circumstances in the CR there is a risk of the problem becoming more widespread and deeper. The education system is the prime tool to prevent this.

**Solution:**

- The Ministry of Education, and not only they, should ensure that the legislative reforms that support inclusion do not become a symbolic cemetery shrine to the efforts to respect fundamental human rights in the CR, specifically by embarking on an effective communication campaign and supporting teachers.
- The Ministry of Education, in cooperation with the Czech Schools Inspectorate should map out the schools at risk from ghettoization and provide increased support there.
- In developed countries it is common for educational support programs to be linked to programs of social support, in particular for vulnerable families. Why this is not so in the Czech Republic?

— It has been shown that the education handicap caused by an unfavorable family environment is best mitigated through consistent support in the earliest stage of pre-school education of these children. This is exactly where the support of the Education and Social departments should jointly focus.

### Inexpensive small steps vs expensive improvements to a rigid system

To change the education system in people's minds takes spending billions, political negotiation, plenty of time. We should thus look for solutions that are cheap, much less time-consuming and able to bring about change surprisingly swiftly. The good news is that such solutions exist. The only thing that needs to be done by the management of the system is:

- Take note of the solutions and include them in the official 'education' concept. It is a public signal.
- Provide them with adequate support, in particular at the communication level.
- Provide support to schemes that work, so that their utilization in schools and families becomes a routine part of everyday learning.

These steps are especially important for parents. On the one hand, parents seem to be the biggest potential driving force in education, because they set the demand. On the other hand, it is clear that the majority of parents are satisfied with the state of the education system, i.e. do not see a need to change it. Those who have this need, prefer the ready alternative outside the system to the lengthy and uncertain attempt to reform it. Through a series of quick and inexpensive changes that we might call by the marketing term 'smart' we could achieve changes in the education system relatively quickly and reduce the potential risk of the elites heading off to do their own thing.

The following list is not exhaustive, merely food for thought. If we were to establish the planned National Education Council and if its staffing was to be truly representative, this agenda could be taken up under its remit, that is to identify inexpensive yet functional initiatives that are happening outside the public teaching system, and help bring them on board.

- The Khan Academy — a system of educational videos that makes for very effective learning. Videos can be streamed repeatedly, according to one's learning pace. The child (adult) learns to understand principles, not just to memorize formulas for a short while. Of maximum importance in mathematics.
- The Hejný Method — is a turning away from tuition based on rote learning to finding one's own understanding of the problem. It is built around mathematics, but the principles are easily transferable to other domains. It has its own sponsor (the Depositum Bonum foundation), it just needs to be promoted.
- Students write Wikipedia — Wikipedia is the largest project on the Web to date, and a symbol of the best in the field of learning and education that the Web has brought. The Students write Wikipedia or Seniors write Wikipedia initiatives should be a natural part of how we regard education.
- Support for open educational resources — just like Wikipedia a number of other educational resources are springing up, which are provided for public use and sharing. This principle is called open education resources. Why is the Government not supporting them?
- TED and other platforms for sharing exceptional ideas — TED is a platform created to share fresh concepts, innovation, ideas, know-how. By means of concise videos with a precise message we are able to take on board in a short period much invaluable inspiration, opening the door to further knowledge.
- Reigns, Minecraft and other challenging games with leveraging potential — in the

Reigns (governing) game, you become a ruler making choices to deal with issues and events and how well you do will determine how your realm thrives. An ideal training ground for decision-making. Minecraft is one of the games in which you create your own world. It maps onto one of the first identified competencies for the future (see Chapter 1).

- MOOC (massive open online courses) — publicly accessible online lectures and courses, where, thanks to the Web, you can watch lectures by the best teachers in the given subject and attend their courses. Enhances your English.
- The Scouts and similar means of extra-curricular learning — what if kids could spend one school day a week embarking on an expedition into the woods, where they will

have to fend for themselves. Or to put on a theatre performance for the whole school. Or to screen an interesting documentary in the school. Or to build a terrarium for the class hamster. The promotion of such organized activities would make a strong impression on parents.

- Un-dubbed movies and serials — learning languages through natural means and putting pressure on Czech television to allow the option to watch the un-dubbed version as well as the original version with captions.
- Instead of the literally named 'Ministry of Schooling' call it the Ministry of Education — a plain and simple 'trick'. While the Ministry of Schooling has to worry only about the schools it is named for, as a renamed Ministry of Education it would have to significantly broaden its scope.

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### Members of the Education Working Group, with whom the paper has been consulted:

Mikuláš Bek, Rector of Masaryk University in Brno  
Tomáš Hruďa, founder of the Education Republic project, former Deputy Minister of Education  
Pavel Kavánek, member of the Management Board of ČSOB, former CEO  
Jindřich Kitzberger, managing director of Duhovka group, faculty member of the Center for schools management at the Charles University faculty of Education in Prague, former Deputy Minister of Education  
Pavel Kysilka, founder of 6D Academy, former CEO of Česká spořitelna

Ondřej Liška, director of Ashoka for the Czech Republic, former Minister of Education  
Tania le Moigne, country director Google Česká republika a Slovensko  
Daniel Münich, senior researcher at CERGE-EI and the IDEA think-tank  
Zdeněk Slejška, co-founder and director of the EDUin think-tank  
Břetislav Svozil, founder of the Labyrinth laboratory school and of the Eduspace education festival  
Ondřej Šteffl, founder and director of Scio

<sup>1</sup> Národní program rozvoje vzdělávání v České republice - Bílá kniha [online]. The Ministry of Education, Youth and Sports, 2001. [cit. 12 Oct 2016]. Available from: [http://www.vzdelavani2020.cz/images\\_obsah/dokumenty/knihovna-koncepci/bila-kniha/bila\\_kniha\\_2001\\_cz.pdf](http://www.vzdelavani2020.cz/images_obsah/dokumenty/knihovna-koncepci/bila-kniha/bila_kniha_2001_cz.pdf)

<sup>2</sup> Strategie vzdělávací politiky České republiky do roku 2020 [online]. The Ministry of Education, Youth and Sports. [cit. 12 Oct 2016]. Available from: <http://www.vzdelavani2020.cz/det/6/aktualni-dokumenty.html>

<sup>3</sup> ENNA, Nicolas. 10 Skills The Workforce of the Future Will Need. In: [huffingtonpost.com](http://www.huffingtonpost.com/nicholas-enna/workforce-of-the-future_b_5412251.html) [online]. 29 Jul 2014 [cit. 12 Oct 2016]. Available from: [http://www.huffingtonpost.com/nicholas-enna/workforce-of-the-future\\_b\\_5412251.html](http://www.huffingtonpost.com/nicholas-enna/workforce-of-the-future_b_5412251.html)

<sup>4</sup> Cisco Workforce Readiness [online]. [cit. 12 Oct 2016]. Available from: <http://csr.cisco.com/pages/workforce-readiness>

<sup>5</sup> Why change a working education system, explained by Irmeli Halinen, Head of the Finnish National Board of Education [online video]. [cit. 12 Oct 2016]. Available from: [http://www.opf.fi/english/education\\_development/current\\_reforms/curriculum\\_reform\\_2016](http://www.opf.fi/english/education_development/current_reforms/curriculum_reform_2016)

<sup>6</sup> While the overall standing of the CR in the Global Innovation Index is 28th out of 128 countries, education is in 40th place. The Global Innovation Index 2016 [online]. [cit. 12 Oct 2016]. Available from: <https://www.globalinnovationindex.org/gii-2016-report>

<sup>7</sup> Interview with Eric A. Hanushek from 2014 In: [eduin.cz](http://www.eduin.cz/clanky/pet-procent-nejhorsich-ucitelu-dela-rozdil-mezi-cr-a-finskem/) [online]. 7 Oct 2014 [cit. 12 Oct 2016]. Available from: <http://www.eduin.cz/clanky/pet-procent-nejhorsich-ucitelu-dela-rozdil-mezi-cr-a-finskem/>

<sup>8</sup> Platy učitelů českých základních škol: setrvale nízké a neatraktivní [online]. IDEA, 2015. [cit. 12 Oct 2016]. Available from: [http://idea.cerge-ei.cz/files/IDEA\\_Studie\\_4\\_2015\\_Platy\\_ucitelu.pdf](http://idea.cerge-ei.cz/files/IDEA_Studie_4_2015_Platy_ucitelu.pdf)

<sup>9</sup> Přilákejme k pedagogice studenty, které by bavilo učit [online]. Scio 2015. [cit. 12 Oct 2016]. Available from: <https://www.scio.cz/download/TZ-ucitele-a-pedagogika.pdf>

<sup>10</sup> 10 Roles for Artificial Intelligence in Education [online]. [cit. 12 Oct 2016]. Available from: <http://www.teach-thought.com/the-future-of-learning/10-roles-for-artificial-intelligence-in-education/>

<sup>11</sup> Teach for America [online]. [cit. 12 Oct 2016]. Available from: <https://www.teachforamerica.org>

<sup>12</sup> Teach for Slovakia [online]. [cit. 12 Oct 2016]. Available from: <http://www.teachforslovakia.sk/teach-for-all/>

<sup>13</sup> Teach First [online]. [cit. 12 Oct 2016]. Available from: <https://www.teachfirst.org.uk/>

<sup>14</sup> Case study of the Head teacher of the Secondary Vintners' School in Valtice, who gained notoriety by giving her students pre-written questions to ask during a visit by the president Miloš Zeman (a description of the scandal is available from: [http://www.lidovky.cz/navrat-do-totality-ne-pouze-vysledek-obcanske-nauky-f9c/zpravy-domov.aspx?c=A160201\\_125841\\_In\\_domov\\_ELE](http://www.lidovky.cz/navrat-do-totality-ne-pouze-vysledek-obcanske-nauky-f9c/zpravy-domov.aspx?c=A160201_125841_In_domov_ELE)). The school has serious problems in terms of reaching teaching goals under the existing criteria, a great number of its students fail to complete their leaving examination. The Head is not taken to task over any of this.

<sup>15</sup> TALIS 2013 Results: An International Perspective on Teaching and Learning [online]. © OECD 2014. [cit. 12 Oct 2016]. Available from: <http://dx.doi.org/10.1787/888933041231>

<sup>16</sup> 'Heads of Czech schools are drowning in paperwork; a survey has shown'. In: [lidovky.cz](http://relax.lidovky.cz/reditele-ceskych-skol-zatezuje-administrativa-ukazal-pruzkum-p7u-/veda.aspx?c=A140625_172607_In_veda_sho) [online]. 26 Jun 2014 [cit. 12 Oct 2016]. Available from: [http://relax.lidovky.cz/reditele-ceskych-skol-zatezuje-administrativa-ukazal-pruzkum-p7u-/veda.aspx?c=A140625\\_172607\\_In\\_veda\\_sho](http://relax.lidovky.cz/reditele-ceskych-skol-zatezuje-administrativa-ukazal-pruzkum-p7u-/veda.aspx?c=A140625_172607_In_veda_sho)

<sup>17</sup> Equity and Quality in Education SUPPORTING DISADVANTAGED STUDENTS AND SCHOOLS [online]. OECD, 2012. [cit. 12 Oct 2016]. Available from: <https://www.oecd.org/education/school/50293148.pdf>

<sup>18</sup> Education at a Glance 2015, Czech Republic [online]. OECD, 2015. [cit. 12 Oct 2016]. Available from: [http://www.keepeek.com/Digital-Asset-Management/oecd/education/education-at-a-glance-2015/czech-republic\\_eag-2015-51-en#.V8KeVDaLoqg#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/education/education-at-a-glance-2015/czech-republic_eag-2015-51-en#.V8KeVDaLoqg#page1)

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