

2010 Parliamentary Election

The Responsible Go With US

May 28 - 29

THE GOVERNMENT PROGRAMME DECLARATION FOR 2010–2014

Preamble

The government presents its programme in the conviction that it contains a rational and politically stable solution for the challenges the Czech society is facing. The Czech Republic does not find itself in the best condition in 2010. Our international standing as an EU and NATO Member State is secured, so that from this point of view our country enjoys the best security in its modern history. However, the same cannot be said about our internal issues. Unless there is a quick change in the way the State is managing its affairs, a public debt is looming which the Czech Republic will not be able to handle to the point of a budget collapse.

Our internal politics suffer from grave deficiencies. Instead of strong and competent governments, politically weak and instable governments arise. The political scene has been polarized and antagonized for a long time. Instead of searching for common solutions, even if compromised, vicious personal attacks and empty ideological bickering prevail. The sense of common responsibility is missing. The global economic crisis and the related decline of GDP unveiled to the full extent the long-neglected problems of Czech economy – the unbearable amount of mandatory expenditures and unfinished reforms of the pension, social and health systems. It has resulted in enormous growth of the State debt, which begins to threaten the very functioning of the State.

Universal decline of the rule of law is a major problem. Strong economic formations together with obscure lobbying groups wield influence over public and State institutions, including political parties and the media. In certain areas and regions the influence of these people has almost grown into a form of “privatization of the public sphere”. The citizens are right in feeling that not everybody is treated on equal terms, just certain people are. All this weakens trust in the democratic system and threatens the fundamental principles of a free society. Long-neglected economic and, consequently, social differences among regions, large cities and the countryside represent another problem. The government is determined to change this situation, which is a source of division in the society.

The primary task of the government is to lead the country out of the economic crisis and in this sense it must be not only a highly competent team but also a “crisis management” government. It certainly cannot promise more spending, further tax reduction or investment in megalomaniac projects. The government is not going to exchange the chance for a long-term stable economic and social environment leading to prosperity for short-term populist effects. Grave social conditions of the most vulnerable as well as de-motivation of the responsible would be the price for populism.

The following chapters of the Programme Declaration describe the ways and means the Government will take.

01

ECONOMIC POLICY

1 / Economic Environment

The government considers functioning market conditions to be one of the foundation stones of a democratic society. Public spending cannot be the source of economic growth: it is only human creativity and private enterprise that can play this role. The role of the State is to lay down the conditions which would motivate the private sector to further development. The goal of the entrepreneur is to look for market opportunities and satisfy the needs of customers, working within rules set both by law and ethical principles.

The government will insist on maintaining equal market conditions. It will not accept favoring one branch or individual entity at the expense of others. The government is not going to buy cheap popularity by offering individual subsidies or tax breaks. It will create an environment in which all businesses will have the same opportunity to succeed in the market. In rare instances of inevitable State intervention the government will act on the basis of long-term and clearly defined rules rather than in an ad hoc manner.

The Czech Republic is an open, export-oriented country. Therefore, the government devotes extraordinary attention to exports. The government will retain the current export-supporting financial institutions (the Czech Export Bank, EGAP) and if needed expand their credit framework so that also small and middle-sized enterprises can take advantage of them. The introduction of the Euro is an issue closely related to exports. The Euro-zone cannot be entered without credible financial discipline of the State and long-term stability of public budgets. Therefore, the government will agree with the opposition as soon as possible on a fixed deadline for entering the Euro-zone and concentrate all the necessary organizational and legislative steps towards this goal. It is the credibility of the fixed deadline, rather than a specific date that is the priority of the government.

2 / Public Budgets

After a number of years of extraordinary economic growth we are facing the consequences of the global economic crisis. No political party or government can credibly claim that it can resolve the crisis as a cause. However, the government is determined to face the consequences of the crisis by carrying out some long-postponed decisions, the absence of which represents an inhibition or even a potential threat to the domestic economy. Besides serious challenges, the crisis thus presents also the hope that reforms for which there was not enough courage and energy in the past can be finally carried out.

The government will not deal with the consequences of the economic crisis at the expense of one or another group of citizens. It strongly rejects the ideological cliché which says that the “rich” are guilty for the poverty of the “poor”. It offers competence, courage and professionalism and it is confident it will manage to find a cure to our current problems. We wish to emerge out of the crisis strengthened rather than weakened.

The government will behave in the same way any responsible family or company would. It is impossible to have expenses higher than income on a long-term basis. It is possible (and sometimes even desirable) to run budget deficits at a time of crisis and economic downturn. However, at a time of growth the State must be

able to compile balanced or even surplus budgets. Today, our country is unable to do that. The economic crisis has only unveiled the fact that was obscured during the six years of extraordinary economic growth: we are currently spending at least by CZK 80 billion more on public expenditures each year than we earn.

We are not a poor country but if we are going to continue in this direction, poor we soon become. Today, the government still has the means to help out the poorest or the people who suddenly found themselves in need. However, if the management of our economy does not change, this will no longer be possible. A moment may come when no one would lend any more to our State: then we will all be in big trouble and the poorer will be affected the most.

The changes the government must make will not be popular but they are indispensable and socially responsible. The current structural deficit of the public budgets must be erased in the near future so that it will be possible to set up balanced budgets already when the Czech economy returns to two-percent growth. A balanced budget is only possible if the government carries out fundamental changes in the so-called mandatory expenditures of the State, i.e., those expenses which are currently mandated by law. Regardless of how fast the world recovers from the economic crisis, the government faces a task which allows for no delay – to dispense with the structural deficit of about CZK 80 billion burdening our public budgets within a short period of time. Such steps, however, will require changes in behavior on the part of most citizens and courage and responsibility from the Chamber of Deputies.

Fundamental changes must be made to economic and social systems, i.e., the pension system, the system of public health insurance and the system of social benefits. The relevant changes to be proposed by this government are described in the individual chapters of this declaration.

Expenditures of the government consumption represent another spending item which must be reduced. They are mainly labor costs in the budgetary sphere and operating expenses of individual chapters of public administration. The government is determined to reduce these expenses by 20% during its term of office, without the level of public services having to suffer. It will be achieved not only by reductions across the board but also by increasing efficiency and parallel cutting of unnecessary or overgrown public administration agendas. In this process, ruthless fiscal pressure brought on different institutions will be the main tool for achieving this goal.

Savings brought about by systemic changes will only manifest over time. The government is aware that much time has already been squandered and that the rate at which the debt is growing must be checked much more severely.

Therefore, besides systemic changes the government will propose the following:

- Reduction of the volume of salaries paid from the State budget by 10% and keeping it without any increase for three years. This measure will not apply to teachers who have been undervalued in comparison to other professions for a long time. At the same time the current system of tariff remuneration must be abolished and replaced by a new standard which allows for much higher performance motivation. The government will submit a new Civil Service Law which will have as its primary goal efficiency of the public administration and not social security and impunity of civil servants. The government underlines that the reduction of labor expenses does not apply to employees in the health care system because their salaries do not depend on the State budget but on payments

from health insurance funds. However, the abolition of the tariff remuneration system is necessary also in this field.

- Reduction of salaries of constitutional officers by 10% and consequential taxation of all flat rate reimbursements
- Reduction of State contribution to political parties by 50% for the period of three years
- Reduction of all social benefits by 10% and keeping them without any increase for three years; contributions to foster care and maternity benefits will be exempt from this measure
- Keeping pensions without increase in 2011 and continual increasing under the current mechanism in the following years
- Abolition of birth and death grants
- There will be no reduction in benefits to persons in material need resulting from insufficient family income.

As much as these are unpopular measures, they are motivated by the necessary social responsibility. Unless we check the trend of growing debt in time, we are threatened by risks with much harder social consequences.

3 / Taxes: Simpler, Easier to Understand, with No Exceptions

The current condition of our public budgets does not make any reduction of taxes possible in the next couple of years.

The government does not want to raise taxes and, therefore, it must resolutely cut budget spending. As far as the tax system is concerned, it will concentrate on making the tax collection process as simple and transparent as possible.

Therefore, the government will submit a new Income Tax Act, which will contain the following:

- Unification of the tax base for all direct taxes (income tax as well as all mandatory insurance payments)
- Eradication of many unnecessary and system burdening exceptions
- Abolition of transaction taxes (inheritance tax, gift tax and real estate transfer tax) and making the revenues from these asset operations subject to common income tax; citizens in family relations (groups I and II) will be exempt from the taxes.

The government will introduce the system of a single collection point for the collection of income tax, social and health insurance. The taxpayer will pay a single amount calculated from single base, stated on single form. The administration will take care of the distribution of the proper amounts to the accounts of the

relevant institutions. This will result in the reduction in the order of dozens of percent of administration costs for direct taxes and fees both on the part of the State and the taxpayers.

The government will abolish most of the current income tax exemptions. It will only retain those relating to the following items:

- Support of science and research
- Support of families with children
- Responsibility towards the weak and needy
- Responsibility towards own housing
- Responsibility towards own education
- Responsibility towards own old age.

Many currently existing employee tax benefits will be replaced by a single flat deductible for commuting expenses, equally applicable to all taxpayers.

To support families with children and the possibility for women to return to working life as soon as possible after giving birth, the government will propose to include among tax deductibles the costs of services demonstrably related to babysitting and house work. Such tax relief will be limited by the minimum wage and by the child reaching the age of twelve. This measure will create a significant amount of jobs in the service sector.

The government has keen interest in more extensive involvement of private sources in investment into science and research. To support higher investment “appetite” in this realm, it will introduce incremental tax deduction. Currently the double amount of an investment can be written off. The government will propose a 20% preference for an increase over the previous year, provided such increase was achieved by purchasing from a university or an institute of the Academy of Sciences.

The government wants to ensure legal certainty of taxpayers. That is why it will introduce so-called editing duty (a kind of binding opinion) of the State. It means in practice the establishment of a special workplace which will be obliged to respond within a deadline stipulated by law to any query relating to tax obligations. The service will be subject to fee. The State will assume responsibility for the accuracy of the answer.

4 / Transport

Public ownership of the infrastructure and securing a level playing field for all providers of transport services is the fundamental systemic point of departure for this government’s transport policy. The government will ensure fair competitive environment as the only factor that can improve the quality of passenger transport and increase the efficiency of cargo transportation. The government will mind environmentally friendly transport. Therefore, it will gradually create conditions for a rising share of the railroad in freight transport. It will support the establishment of combined transport terminals and public logistic centers, development of passenger mass transport including its integrated systems as well as higher use of non-motorized transport.

The government intends to invest in speedy completion of yet missing segments of motorways and upgrading of major roads, including their connection to the European network. We want to find solution to the problem of lacking funds by introducing a fair system of performance based toll fees for freight transport while abolishing road tax and by private investment in transport infrastructure, which, however, must not increase the State debt.

Level playing field for railroad service providers cannot be established before the reform of Czech Railways is completed. Then a so-called “live transport route” can be created. Besides the modernization of the III and IV corridors the government intends to prefer such investment which will enable an increase of the volume of rail freight transportation. Where the track capacity is inadequate the State will invest in overtaking tracks, building of 3rd and 4th tracks, expanding shunting tracks, applying automatic control systems etc. Accelerated electrification of railroad tracks and increase of the share of tracks fitting for heavy duty freight transportation is considered a necessity. By changing the system of fees levied for the use of the transport route we want to include more bypass regional tracks in freight transportation. In line with the slogan “public transport infrastructure – private service providers”, the government will try to find a reliable strategic partner for the Czech Railways Company.

Within the framework of fighting unemployment, increased mobility of persons by public transport is a priority. The government considers rail transport to be the backbone of mass public transportation. Therefore, it will champion investment aiming at increasing its attractiveness for passengers. However, it is the regional and local authorities who should decide on the scope of territorial transport services.

The government is aware that in terms of the number of road accidents the Czech Republic ranks one of the worst in Europe. The government does not intend to accept this situation and is going to improve it by better education, prevention as well as necessary repression against the undisciplined. It can see remedy also in removing collision points, separating bicycle traffic from cars, building city bypass roads and installing security features.

5 / Agriculture and Rural Areas

The government will not accept the growth of differences in the quality of life between countryside and large cities. The government will focus on promotion of competitive agriculture and its focus on maintaining the traditional landscape character, support of non-production functions of agriculture, flood and draught protection. In line with European trends, the government will support increase of the share of non-food production so that it becomes attractive also in areas with less favorable climate conditions.

The government will support production of food with special properties or added value (organic products, regional food products etc.). It will offer efficient programmes, e.g., favored long-term loans. The government will strive for equal and fair position of Czech agriculture in comparison with other EU Member States. The government’s programme aims at making agricultural and industrial technologies more environmentally friendly. Therefore, the government will support technologies for the production of energy from renewable sources and the increase of its share in total energy production.

The government will introduce measures for the protection of farmland, for instance by increasing fees payable for taking land out of the agricultural soil fund. The fee will be used to cover land improvement projects the completion of which will be very closely monitored by the government. In order to implement

them, the building code and administrative procedure for small buildings with positive impact on the environment will be simplified. For building of agricultural plants, re-use of “village brownfields” will be preferred.

The government will implement programmes for construction of waste water treatment plants and sewerage systems in small communities, for further development of flood protection measures, dry polders etc. It will without delay start preparation for the 3rd stage of implementation of flood protection measures. It will push for measures to improve the management of small water courses and it will see to it that land improvement is carried out not only in order to rectify ownership relations but also to protect from climate variations (floods, draughts).

In order to expand the economic base and support the growth of new opportunities in rural areas, the development of new services with high added value of human labor as well as of new products is important. The priorities are renewable resources, tourism, recreation and services. Protected areas provide significant potential for the development of ecotourism.

The government considers forests to be an important national treasure. To maintain it for the next generations, the government will champion efficient but conservative methods of their management which will prevent abuse for other purposes or deterioration of their condition. The government will compile new principles of the State forest policy, which will be based on equal access to ownership, policy of equal opportunities and competition and rational State forest management without bureaucracy.

State ownership of forests is dominant in the Czech Republic (62 %). Therefore, it is of decisive importance for the whole country and currently it fails to provide good example to other forest owners. The government will review concepts originating from ad hoc decisions of the management of State enterprises. It will audit the ways of treatment of State forests and put in place forest management focusing on equal opportunities, efficiency, and control of sales of assets and purchasing of services. For the benefit of other owners, the government will remove unnecessary dirigisme from valid legislation, which discriminates them against owners in other EU Member States. Through technical services it will make available information to owners about possibilities of access to EU support. It will support the creation of efficient rules for compensation of economic damages to owners whose management is limited by the State in any way. Given the large degree of fragmentation of private and communal forests, the government will prepare conditions for the merging of small forest properties. In certain geographically fragmented forests owned by the State it will offer alternative management to local authorities or public benefit entities.

Forestry business is of crucial importance for regional job creation and overall socio-economic development of regions. Therefore, the government will focus on the creation of equal opportunities for doing business and offering services in relation to State-owned forest property and support the performance of forest works through private businesses. To this end, the government will create a long-term stabilized concept of trade policy which will not discriminate against small and medium-sized businesses and strengthen competition in the wood market.

The bureaucratic level of State forest management in the Czech Republic has no parallel in any other European country. Today it is administered by eight different institutions (the Ministries of Agriculture and of the Environment, regional authorities, local authorities, Czech Environmental Inspection, the Supreme State forest supervision, National Park administrations, Military territorial forest authority), making up unique bureaucratic system which places an unnecessary burden on forest owners. Therefore, the government will

propose a reform aiming at concentrating powers in a single entity, which will significantly reduce red tape and save forest owners' money. In case of State ownership the principle will be adhered to that the managing body cannot control itself.

The government will put strong emphasis on sustainable forest management methods. It will support the protection of genuinely original and unique forest ecosystems and natural values in forests, at the same time not allowing untried and unverifiable protection procedures which could cause forest devastation. The government will use all motivation measures to promote the use of nature friendly technologies.

6 / Energy

The government considers energy industry to be currently the most sensitive area of the economy. As far as decisions on the future development of the energy industry are concerned, the main government priorities are independence and security, energy savings and impact on the environment. Energy forms part of the security of the State and of the whole EU. The government will create conditions for reduction of energy consumption and use of new emission-free sources, which together with nuclear energy represent a positive contribution towards climate protection. The energy industry may not cause any deterioration of the environment in any respect.

The goal of energy diversification is to minimize risks of extortion of the Czech Republic and other EU Member States in relation to energy supplies. The government will, therefore, negotiate within the EU for improved diversification of supplies of primary energy sources and creation of sufficient capacity of cross-border energy transmission systems and pipelines. The government believes it is of crucial importance to keep the strategic companies (ČEZ, ČEPS, ČEPRO, MERO) under State ownership. It will initiate projects aiming at increasing crude oil and natural gas reserves up to the level of six-month national consumption, and champion the realization of the Nabucco pipeline project.

The government intends to support self-sufficiency in power production in the territory of the Czech Republic. However, due to respect to the environment, it does not consider exports of electricity to be its priority. Any surplus capacities in power production should be used mainly for the purpose of network regulation and maintaining of constant slightly positive balance. Priorities include also the creation of suitable conditions for revamping of the existing and building of new transmission and distribution networks.

The government is aware of the fact that we cannot do without nuclear power production for many decades to come. Nuclear energy is an environmentally friendly, high performing source, which so far cannot be replaced by any other means. The development of nuclear energy must not slow down our efforts at searching for alternatives. The government underlines that reducing energy demands and saving energy in all areas of life are the conditions for building up of further nuclear capacities. The government will improve communication about the quality of safety standards of nuclear facilities not only with the Czech public but also with political and professional representatives of our neighboring countries. It will support the European Commission initiative concerning the emergence of a long-term regulatory and legal framework for nuclear energy across the EU. In cooperation with the professional public it will prepare a draft for a realistic and comprehensive solution for the storage of nuclear waste.

The government is aware of the importance of coal for power and heat production. The government respects the territorial limits for coal mining. They could only be breached in case of a serious threat to the country's

energy security. Such a decision is feasible on condition of a nationwide agreement, in particular the approval of the relevant communities and consent by individual real estate owners. Coal burning power plants and heating plants must continue modernizing their operation in accordance with state-of-the-art technology. The government will require reduction of the burden coal mining and heat and power production place on the environment and increase of overall production efficiency. The government would like to maintain development of central heating systems where it is environmentally and economically sound. Within the framework of the long-term State energy concept the government will lay down conditions for the heating industry.

The government will insist on EU standards as far energy requirements for new and renovated buildings are concerned. The objective is to achieve low energy consumption buildings, in particular in the public sphere. Reduction of the energy demand of industry to the level of advanced countries is a government priority. The government will support the creation of a legislative framework for the establishment of intelligent energy networks which would rationalize the use of the mix of central and local sources and optimize the consumption of power and residual heat from power production for heating.

The government endorses the commitments arising from EU membership in terms of power and heat production from renewable energy sources. The government will ensure by legislative measures rational support of installations of new sources of alternative energy with regard to their size and location (in particular protection of farmland). The mechanism for laying down the feed-in tariffs will be set up by law so as to support further development of these environmentally friendly sources of energy. On the other hand it must be clear that such support is only temporary and shall not place an inadequate financial burden on the end customers.

The government will support the creation of regional projects for the use of local renewable energy sources by building up own energy systems. In this sense it will amend the programme “Green for savings” in particular for smaller communities, which will be able to use the funds much more effectively. A side-effect will be the creation of new jobs and lower costs of energy for communities and individuals.

7 / Information Technologies

The government’s priorities will be the maximum use of information technologies in public administration (eGovernment) and a review of bureaucratic processes so that the introduction of IT would not represent an unnecessary burden. Data sharing in public administration must be secured against abuse and personal data protection must be set up so that each person could verify at any moment who and for which reason had access to his data. Communication between authorities and citizens must be in electronic form as a priority, unless the citizen would be discriminated against or forced to incur further expenses.

Information society has brought a number of questions and challenges in the recent years which are yet to be solved. Copyright infringement has become rampant, without it being understood as a criminal offence. The issue of security on the internet comes up ever more frequently. The government will focus its attention to these problems.

The government considers the internet an opportunity for more extensive involvement of citizens in the public decision making process. Projects of on-line democracy, including the elections themselves, must be subject to thorough testing; however they constitute the only way to help reduce barriers to larger

involvement of the citizens. An approach will be taken which will prevent the division of society to those who are computer literate and others, for whom these technologies are more distant or who have a handicap in accessing them.

The government will take up previous proposals and submit a solution in the area of unique personal identification, replacing the unsatisfactory system of birth numbers and putting basic public administration registers into operation.

02

FOREIGN POLICY

The government will champion a foreign policy based on the interests of the Czech Republic, mainly security and economic ones. They include the readiness to comply with commitments arising from the Czech Republic from NATO and EU membership. The government considers the support for democracy and human rights in the world an integral part of Czech foreign policy identity and diplomatic practice.

The primary task of foreign policy is to ensure the security of the country. The complex nature of security today requires more than ever cooperation with allies and partners. The security of the Czech Republic is guaranteed by its NATO membership and Trans-Atlantic alliance. In the opinion of this government, the primary purpose of NATO is the defense of common interests of its members. Therefore, the government will strive for the confirmation of the commitment to common defense in the new strategic concept of the Alliance. The government is ready to contribute actively to Alliance operations and considers it a prerequisite for partaking in its decision making. The government will support the process of NATO enlargement for countries which will be sufficiently ready for membership.

The government considers energy security to be a vital component of modern Czech security policy. In that realm it will strive for diversification of sources and transport routes and unified approach, in particular within the EU.

The government views the European Union as the guarantee of the existence of the Czech State in Europe. The EU has brought peace and prosperity to Europe. The government takes a positive attitude towards European integration for which the Lisbon Treaty provides sufficient framework. The government will support EU enlargement, in particular in the Western Balkans. It will mind the principle that new Member States can only accede after they have satisfied all the entry conditions. We want the Czech Republic to be of assistance to them and offer our own experience.

In terms of EU common foreign and security policy the government will focus on those territories and topics where the Czech Republic identifies its interests (mainly Eastern Europe, Western Balkans and the Middle East). We share NATO policy in Afghanistan, Pakistan and towards Iran. The EU common security and defense policy is complementary to the role of NATO. Its unique competence lies in the field of civil crisis management and the government will offer Czech experience also in this area.

Traditional bilateral relations remain an important component of foreign policy. The government will in particular seek good neighborly relations. In relations with the neighboring countries it will focus on the future, building them on mutual respect and trust. The government will continue to strengthen our close alliance with the US.

Western Balkans and Eastern Europe are traditionally the spheres of operation of Czech diplomacy. Stability of this space and support of freedom, rule of law and democracy are in the interest of the Czech Republic. In this area the government will defend economic interests of the Czech Republic including smooth transit of energy raw materials.

The government considers Russia an important partner of the Czech Republic. It will champion correct relations pragmatically based on mutual respect. The government will at the same time reject any efforts to reestablish the Russian sphere of influence in its vicinity. The government will also strive to attain such policy in the field of energy which will be based on standard, non-corrupt customer-supplier relation.

Maximum measure of continuity in foreign policy is a clear evidence of civilized manners and high political culture of any country. While free elections change the composition of the Parliament and determine the structure of government coalitions, the setting of the country's foreign policy should not change. Therefore, the government in cooperation with the opposition will compile a long-term concept of our foreign policy.

In order to strengthen the position of the Czech Republic, the government will implement reasonable and effective development aid. It should be to maximum degree based on the "aid through trade" principle, rather than on aid through charity. Within the EU we will be pushing for the removal of protectionist barriers which prevent developing countries from exporting their products to the European market.

The government will unify the presentation of our country abroad as an advanced and competitive economy. The government will coordinate the activity of existing institutions and do away with duplicate activities. As far as assertion of our economic interests abroad and support of exports of Czech companies are concerned, the government will champion steps which will contribute to streamlining the State activities in this field. The government will merge the existing agencies into a single institution.

The Foreign Service represents our country abroad and, therefore, it should be made up exclusively of highly qualified professionals. Therefore, the government will submit a Foreign Service Act.

In the government's programme, defense policy is indivisible from foreign policy. The defense policy defines the purpose and raison d'être of the armed forces as an important component of the Allied forces. This fulfills one of the principles of our foreign policy, namely mutual responsibility for security and defense of values on which our civil freedom and democracy, as a prerequisite for the freedom, is based. The government will develop the capabilities of Czech armed forces in the spirit of these defense policy principles. It will also see to it that the number of deployable forces increases, while the current overall number of Army members is maintained.

Besides modern training, equipment and armament, the government believes that also the awareness of civil responsibility among Army members constitutes a prerequisite of defense efficiency. The government will mind its strengthening as it champions a review of the now obsolete strategic security and defense documents and a new Service Act for the members of the armed forces.

One of the primary goals of the government in this field will be an effort to push for maximum openness and transparency of all important strategic decisions of the Ministry of Defense and the General Staff, including tenders for suppliers to the Ministry of Defense and the Army. The fact that these processes are called into question harms not only the image of the Army in the eyes of the Czech public but also the reputation of the Czech Republic abroad.

HR management and policy in the armed forces must be comprehensible and foreseeable both for its members and for the public. The government will reduce the number of offices at the General Staff and Ministry of Defense to bring it in line with the overall low number of members of the armed forces.

03

SOCIAL POLICY

The government endorses in its social policy the return to the values of family, family relationships and mutual responsibility. Inter-generational solidarity, social cohesion and solidarity with the weak, sick and handicapped form a starting point for the government's proposing of new principles of social protection. Having regard to prosperity and responsibility towards our children and future generations it will therefore initiate changes to the now unsatisfactory system of social protection, which defines half the population of the Czech Republic as socially needy.

Support of the family which does not just sit and wait for assistance is the priority of the government. The goal is to motivate parents to work, not to dependence on social benefits. The government will, therefore, review the efficiency of granting of all family benefits, in particular child allowances and parental contributions, to bring the conditions for the granting of benefit, its amount and duration in line with the real purpose of the benefit. It will propose the replacement of the child allowances by higher income tax deduction, including the raising of the tax bonus. Besides the necessary motivation effect, this will result also in significant administrative savings. Certain group of the population has been abusing the social system by the parents not registering as living in common household. The government wants to prevent such abuse by consequential controls of the actual conditions of households applying for this type of social benefits.

The government will support alternative family care, in particular foster care. Family upbringing (even in a foster family) is always better for the child than staying in an institution. The government wants to motivate more families by foster care benefits to raise children in the natural family environment.

The Social Services Act, applicable since January 2007, has brought serious distortion to providing care to the physically handicapped and senior citizens. Exactly the opposite of the intended effect has occurred and costs of this care have been rising sharply. The reason is that the beneficiaries of these benefits in the first and second degree of dependency do not use the funds for the purchase of services, threatening the very survival of the providers of field and outpatient services.

Therefore, the government will propose an increase of institutional financing of these services, i.e., granting of subsidies to these providers. It will propose to abolish the contribution to care in the first degree of dependency and make the conditions for the granting of contributions in the second degree of dependency much stricter. In all levels of dependency the benefits will be subject to property testing. This will ensure accessibility of care for a reasonable price to those who are in real need, preventing the diversion of social care funds to other purposes.

The senior age is neither an illness nor a reason for isolation and passive life. The government will strive to create conditions for full and integrating life of senior citizens. Non-profit organizations supported by the government will be an important tool in this effort.

The government will prefer family care for senior and physically handicapped persons and the responsibility of the closest family members to provide care for them. Therefore, it will favor the caring family member in a

similar way as the care for a child up to the age of 12 is favored. The government will mind the consequential application of the legal subsistence obligation of children towards their parents.

The government will devote special attention to the need of long-term medical social care, which must reflect demographic changes in the population and possibilities of citizens who face the dilemma how to ensure care for their close family members. The government considers the fact that no legal regulation exists in the area of hospice and palliative care to be a serious and long-neglected problem. The government will propose such system of care which will offer both social and medical care within one comprehensive package. The goal will be to make hospice care available to citizens in all regions.

The social system must not represent a comparable alternative to working and so de-motivate the whole society. The government will declare uncompromising fight against abuse of social benefits and illicit work. Besides consequential controls and harsh penalties, the government will push for the necessary systemic changes to the effect that the following persons will not be eligible for unemployment benefits in the current amount and duration:

- who have terminated employment of their own accord or have been fired for breach of discipline
- who received severance pay for the relevant period
- who fail to work twenty hours a week of community services, unless they attend a retraining course.

The government will introduce similar approach to granting social benefits to the long-term unemployed. There will be a significant difference in the level of benefits between those who carry out community services for twenty hours a week and those who reject it.

Practice has shown that the employment non-collision clause in the Employment Act has been dramatically abused in particular by employers. The government will propose the abolition of the clause, at the same time introducing the obligation for employers to report the hiring of employees a day before they start working.

The government is of the opinion that making the current labor laws more transparent is the necessary condition for fighting unemployment. In particular it will strive to push for amendments which improve the hiring of graduates.

Cooperation with non-profit organizations is part of the government's social policy aiming at support of persons in difficult circumstances. The government sees these organizations as partners who help carry out its tasks, in particular in the social and health spheres. Further development of volunteering is also of great importance for the utilization of services in the social and employment areas.

04

PENSION REFORM

The current pay-as-you-go system which uses exclusively the taxation of labor (28% of the base for personal income tax) to finance national pension insurance is not sustainable, inhibits economic development of the society and in particular threatens future pensioners with possible lack of funds for their pensions.

The government will champion transformation in stages towards a multi-component system with higher performance leading up to the ultimate goal of attaining decent pensions for future generations. The government will not interfere with the current system of pensions – decent pensions for the pensioners of today must be retained. The government underlines that the pension reform applies neither to the current pensioners nor to those who will attain retirement age soon but only to younger economically active generations.

The government will immediately start the first awareness stage, which will cause no change to the system yet but will ensure that the public is fully informed. After the end of each calendar year the Czech Social Security Administration will have the obligation to send to each contributor to the pay-as-you-go scheme information how much he/she paid in the previous period and at the same time calculate the amount of monthly pension to which the person would be entitled in the future under the current scheme. Such provision of information is the prerequisite for support of the necessary systemic changes by the general public.

In the second stage the government will change the system to introduce the multi-component one:

- Pay-as-you-go component: financed from the mandatory pension insurance in the amount of 28%;
- Capital component: the citizen may voluntarily opt for it. Then his payment to the pay-as-you-go component will be reduced to 24% but he will be obliged to pay at least 6% to his capital account. If his parents are recipients of old-age pension, they will be sent regularly 2% from his account.

The government will cover the deficit of income in the current pay-as-you-go system from assets of the ČEZ utility company and if necessary also from indirect taxes.

The government will establish a special institution, founded by the State, for administration of individual capital accounts and their growth. The government underlines that this does not at all entail privatization of pension insurance but rather cooperation of the public and private sectors.

Depending on the condition of the State budget, the government expects that the share of the voluntary opt-out from the mandatory pay-as-you-go component could grow in the future so that in thirty years' time the pensions would consist half of the State pay-as-you-go system and half of the capital system and bonuses from children. Owing to the balance of income from the State, from the capital fund and from own children, the thirty-year-olds of today will receive decent pensions in thirty years' time, future pensions will be more just and will better reflect the contribution of the individual to the development of the society. The government is aware that the reform will bring no immediate savings to the State budget. However, the reform will ensure that the future costs of the pension system will not cause national bankruptcy.

05

HEALTH CARE

The government is fully aware that the health care system requires changes. These changes cannot be made without due consideration; that which is excellent in our health care system must be protected and further developed. The government will not postpone solution for problems nor will it make unrealistic promises because it would be the most vulnerable who would pay the most.

The government is determined not to allow access and quality of health care to deteriorate, which could happen as the result of the constantly growing deficit of the health insurance system. The government is fully aware that the deficit cannot be resolved by raising health insurance premiums but rather by being more efficient in expenditures. Health care expenditures will continue to be significantly regulated. However, it is not possible to continue placing all the burden of regulation at the expense of salaries of doctors, nurses and other medical staff.

The government will create conditions for sustainable financing of a solidarity system. The changes carried out by the government must ensure financial protection of the individual from disproportionate costs of health care. The government will initiate such amendments to legislation which will gradually ensure constant improvement of access to quality health care paid for from the public health insurance for all citizens without exception. The government also aims at creating conditions for constant improvement of financial and working conditions of medical staff in all categories. The government will also support training and professional growth. The government places special emphasis on the improvement of safety and on humanization of the provision of health care. It considers a priority to create a comprehensive system of efficient and fair provision of health care and social services. The changes are impossible without active participation of all stakeholders, including professional organizations.

In order to attain these goals, the government will champion such amendments to legislation which will create the conditions for enhancing efficiency of the system. The new legislation must ensure and control fair competition among different entities and segments involved in the health care system. Likewise, fair must be the competition among health insurance funds; their responsibility for purchasing of health care will increase. The health insurance funds will have the obligation to provide insured persons annually with a record of their payments and of drawing from their funds to pay for their health care. The government will ensure consequential supervision of the new rules so that the health insurance funds purchase health care in the scope and quality guaranteed by law. Therefore, the government will establish an independent institution for supervision of the provision of health care. Its tasks will include also checking of solvency of the health insurance funds and controlling whether the providers do provide health care in time and according to the state-of-the-art medical knowledge. New definition of legal status of the providers will increase their responsibility.

Through the new legislative environment the government will also raise responsibility of the citizens for their own health. Those insured persons who mind their own health will be motivated to prevention and, therefore, favored.

The government will focus in particular on the legal framework of payment mechanisms; it will stop interfering in financial relations between different entities. An institute of real price must be gradually established which will give fair remuneration to the providers for the health care provided. This will create conditions not only for the covering of costs but also for creation of financial reserves to ensure development and modernization.

The government will not withhold unpleasant facts from the public. It will allow no further growth of debt in the society, including the health care system. It is fully aware that not even increasing efficiency would generate sufficient funds on a long-term basis and, therefore, new rules for contribution by the individuals to health care costs must be defined. The government will make sure that this contribution is defined by law, compliant with the Constitution, fair and socially reasonable. Access to health care may not deteriorate under any circumstances. The government guarantees that the contribution will not be applicable in case of life-threatening and other serious conditions. The growth of contribution will be gradual, not in one step. The laying down of annual limits for maximum contribution of the citizen and for annual growth of the share of contribution in total system expenses will be important tools in the hands of the government. The contribution, which currently amounts approximately to 14% of the total expenses, while in developed EU countries it usually amounts to 25%, will grow by 3 per cent annually at the most.

The government will champion also other changes. Types and methods of provision of health care will be newly defined so that higher volume of care is provided by the outpatient sector. New conditions for the support of outpatient care will be laid down, including single-day treatment and treatment in social welfare institutions. In this process, emphasis will be placed on the reduction of the number of acute hospital beds in favor of outpatient care and beds for follow-up care. The government will provide for a new definition of health care provision in social welfare institutions and palliative and hospice institutions. It will also establish a new legal framework for the provision of care by nurses, attendants and spa personnel.

The government will place special emphasis on the care for mothers and children, the physically handicapped, long-term ill and senior citizens. All government measures will aim at removing discrepancies between social services and health care provided to these categories of citizens. This will create conditions for a uniform approach to meeting their challenges and for the development of comprehensive health and social care.

The government will transfer sickness insurance to the purview of health insurance funds. It will submit new rules for qualified assessment of medical condition, in particular as far as short-term and long-term working incapacity is concerned. In the area of further education and lifelong learning of doctors and other medical staff the government will prepare such changes which will create uniform and simpler conditions for learning. Medical faculties and professional chambers will play an indispensable role in the process.

The government will push for changes in pharmaceutical policy, which will bring higher transparency to the determination of payments and contribution of patients and protect the latter from speculative behavior by companies. The financing of medications which do not possess medical proof of their curative effect will not be supported. Price competition between comparable active molecules and generic substitution will be supported in a rational manner.

06

FIGHT AGAINST CRIME AND CORRUPTION

Breakdown of traditional values, complicated and non-transparent public administration, weak law enforcement and in particular tolerance of corrupt behavior in the society create the bedrock for clientelism, dishonest lobbyism and corruption. Therefore, the solution of this problem does not lie in a few even if well-advised proposals but in constant elimination of opportunities for corruption and breaking of corrupt gangs at the national, regional and municipal level. The government, supreme State bodies, political and societal elites of the country as well as the citizens at large must show the will to such remedy.

Corruption, asset-stripping and serious economic crime are sophisticated offenses and their perpetrators are quite ingenious. Therefore, also the law enforcement bodies must specialize. Cases of complex economic crime, complicated corruption and clientelism should therefore be investigated and prosecuted by specialists. We propose specialized court tribunals whose members would possess the requisite education, experience and professional background to judge particularly complicated cases.

We consider the corruption of civil servants and politicians to be particularly dangerous; it is the result of the existence of State-owned companies or, more precisely, of the efforts by some of their managers to court favor with politicians and civil servants. We want to minimize opportunities for companies owned or controlled by the State to buy services and commodities from related companies or those that have various links to politicians or civil servants. Therefore, the government will propose that the Audit Committee of the Chamber of Deputies – where traditionally the opposition enjoys majority – would receive the authority to have independent forensic audits carried out in State-owned companies, focusing on the efficiency of their purchasing of external services (e.g., legal, advisory and advertising ones, which in reality often mask lobbying activities).

Within the framework of the fight against corruption, the government in cooperation with experts will search for all available instruments. It is of the opinion that maximum transparency of the general environment and public control are much more effective than the creation of more and more repressive institutions. In the existing institutions the government will focus on intensive growth of the professional knowledge of their employees.

Specifically, the government will propose the following legislative amendments and practical changes in public administration:

- Information on public tenders from the stage of preparation until the implementation stage will be publicly accessible in electronic form. Available will be tendering documentation, bids submitted, documentation about the decision by the contracting authority and information on contracts arising from the public tender including all addenda within 30 days of the conclusion of the contract at the latest. Neither the tenderers nor the contracting authorities will be able to cite trade secrets in case of public tenders. If the above documents cannot be disclosed due to security of the State and protection of confidentiality, independent expert control must be in place in each particular case and its results must be discussed in the Chamber of Deputies.

- We consider electronic auctions wherever possible to be the most appropriate tool for implementation of public procurement. Also information on all subsidies granted from public budgets will be publicly available. All open subsidy programmes, all applicants and beneficiaries, description of submitted projects and decisions on the amounts granted will be accessible from a single point. The composition of evaluation commissions for tenders over CZK 50 million will be determined by drawing lots from at least double the number of nominees.
- It will not be allowed in the public sector to conclude a contract with a legal entity with non-transparent ownership structure. Written minutes must be made from each meeting discussing public procurement or issues relating thereto and at least two representatives of public administration must be present at each meeting. The tenderer must guarantee that it will carry out at least 30% of the tender of its own capacities.
- Political parties will be obligated to disclose the budget of their election campaigns. They will finance their campaigns from a single transparent account and will be obligated to disclose a list of their financial liabilities. Their audited annual financial reports will have to be publicly available on the internet. The Audit Committee of the Chamber of Deputies will have the right of supervision, carried out by an allotted auditor.
- Open tenders for supreme positions in public administration and State-controlled companies will be called at all times with no exceptions. The same will apply to members of supervisory boards nominated by the State.

A legislative motion by Members of Parliament will only be accepted if at least 10 Members have signed it. It will apply both to proposed bills and motions to amend.

No major legislative changes are required in the sphere of the Interior Ministry but consequential application of valid laws and regulations is necessary. The government considers the Czech Police to be the key institution charged with the protection of life and property of citizens. In the opinion of the government, local Police Offices constitute the basis of police work on behalf of the citizens. Therefore, budget priorities of the department will lie mainly in this realm.

In the area of Foreign Police the government will transfer the departments under regional Police Directorates. This will enhance efficiency of proceedings and objectivity of administrative decision-making. In order to boost independence of the Police the government will make more precise the laws governing possible access to Police information by the Minister of the Interior, the government, the Parliament and the President of the Republic. The government will propose the establishment of a “General Inspection” of armed security forces as a body independent of the Ministry of the Interior.

The government will see to it that members of the Police employed under special Police law will be able to fully devote themselves to police work. It will try to cover the necessary administration and logistic tasks by civil employees working under the Labor Code. The government will promote more intensive cooperation between the State Police and municipal or local police. The aim will be to create common activity plans and provide for the possibility of establishing joint teams to remove duplication of work and prevent inefficient expenses from State and municipal budgets.

The government intends to strongly reinforce prevention of child abuse. It will therefore establish a nationwide information system of early intervention for coordination of information on endangered children. Its purpose will be to provide early information on possible abuse of or violence against children, enabling early intervention.

07

JUSTICE

In the upcoming period the government will endeavor to strengthen the responsibility of judges, public prosecutors and participants to proceedings. Justice bodies, in particular public prosecutors and judges, enjoy independent status which is coupled with wide-ranging powers. High powers, however, must go hand in hand with high responsibility. The government is aware that, unfortunately, even among the guardians of justice, there has been a fair share of corruption, manipulation and illegal behavior. Notoriously slow pace of court proceedings is another burning issue.

The government does not intend to carry out experiments in the realm of justice. It is convinced that no further major institutional or systemic changes are necessary in the justice system. The government will evaluate the changes made so far, identify weaknesses in the system and remove them so as to make the system guarantee that justice is served in a reasonable time.

The government will champion such amendments to procedural laws which will help the judges make decisions quickly. Unification of deadlines in the civil process and introduction of general and immutable rules for most types of proceedings will contribute to speeding up the work of the courts. There will be a different procedural arrangement only for certain, historically specific types of proceedings (inheritance proceedings, execution of a decision etc.).

The government is aware that court offices lack up-to-date office equipment as well as good-quality professional staff. The government will see to it that all courts are equipped with the necessary equipment and administrative staff is properly trained and motivated. As far as economy of courts is concerned, the government will insist on savings and maximum effect of the money spent.

The government will devote extra attention to electronization of justice. Admittedly the first steps in this direction have paradoxically caused increase of effort and spending and this must be rectified. It will be achieved by the introduction of electronic files, electronic submissions, electronic case law system and a more detailed system of providing information on the state of proceedings. The government will amend court fees so that they better correspond to actual costs incurred by the state. In commercial disputes the fees will be laid down so as to motivate both parties to come to an agreement. Objection against a payment order will also be subject to a fee.

The government will submit a new Civil Code which will include virtually all obligatory relations and bring the needed stability to private law. Many partial laws will thus be repealed with the exception of special commercial obligatory relations, which will be included in the new Commercial Code. Besides the new Civil Code the government will also start work on a transparent Civil Procedure Code. In addition to streamlining the procedural rules, the government will introduce the obligation to lead the parties of a dispute to an amicable settlement. It will submit a law on mediation in non-criminal matters which will authorize a court to order mediation to the participants. The judges themselves will motivate the parties towards reaching an amicable solution while still in the preparatory stage to court proceedings.

The government will stop the current practice of taking advantage of the boundary between an administrative offence and a criminal act. It will use the so-called principle of adding up of selected offences (in particular those against civil coexistence, poaching and petty theft under five thousand Crowns) so that their constant and repeated commission could be qualified as a criminal act. Criminal proceedings for less grave offences will be speeded up by giving the public prosecutor the possibility to come to agreement with the defendant within the preparatory stage about guilt and punishment, which will be subsequently approved by the court. By enacting the possibility to agree on material compensation, the government will strengthen the position of the injured person in negligence cases or less grave criminal acts.

The government will propose stricter rules for the performance of the activity of private executors and arbitrators who must not prefer their own private interest when carrying out their activity. It will do away with the duplicity of the Execution Rules and the Civil Procedure Code and propose a single procedural regulation both for private executors and enforcement of a decision through bailiffs. The government will speed up insolvency proceedings and propose the raising of liability for trustees as well as for the creditors themselves.

The government will compile career rules for public prosecutors which will stipulate the conditions for the discharge of the function as well as career advancement rules so that only persons with the appropriate practice, professional and life experience can be nominated for higher positions. The government will prepare an amendment to the Public Prosecution Act which will define the powers and responsibilities of public prosecutors at different levels much more precisely.

08

FINANCING OF COMMUNITIES, SELF-GOVERNMENT AND ELEMENTS OF DIRECT DEMOCRACY

In order to assure stable and predictable financing of the life and development of towns and villages, the government will propose a new law on budget allocation of taxes. The draft will be submitted on the basis of intensive discussions with representatives of the self-government – the Association of Towns and Villages, Rural Development Society, Association of Local Authorities and others. The starting point will be a thorough analysis of the costs of performance of tasks of the State administration in communities of all levels. The government will also discuss the hitherto not considered parameters for the participation of communities in shared taxes like the existence of a school, altitude of the community or negative burden on the environment. It is in the interest of the government to increase the financial motivation of local authorities for ensuring favorable climate for enterprise in their community. The goal is a long-term stable agreement which will set by law the income of communities so that the current discriminatory difference in income per capita between the “poorest” and the “richest” communities is reduced. The current difference factor amounts to approximately 4.5 of per capita income, while the government sees the target between 2.5 and 3. This is fully in line with the conditions in developed EU countries. The income base of communities will be strengthened mainly at the expense of national subsidy programmes from which also development projects in communities have been financed centrally, i.e. with low efficiency. On the expenditure side finances can be mobilized by streamlining or abolishing, as the case may be, financially demanding administrative agendas. For the next EU financial period the government expects a much simpler system of operational programmes and drawing of funds to be agreed. The current 24 different programmes is a sinister legacy which complicates fast and efficient drawing from EU funds.

The government will consequentially apply the subsidiarity principle in administrative decision-making. Therefore, it intends to propose the strengthening of decision-making powers of local authorities, in particular in the following areas:

- The government proposes to abolish birth grants as a non-income-tested social benefit. The power to decide about one-off assistance connected to the birth of a child will rest with the town or village council, which will decide according to individual social need. The State budget will contribute 50% of such assistance up to 20 thousand Crowns.
- The government will submit a new law on lotteries, which will significantly strengthen regulatory powers as well as actual income of communities in this area.
- The government wants to change the current situation when principals of elementary schools are in fact “irrevocable”. It will propose a principle under which once in five years the school inspectorate, school council, or the appropriate mayor may request the founding authority to call a tender for the position of the principal. The government will also simplify cash flows earmarked for teachers’

salaries. The current system when the funds are provided through regional authorities will be changed to a direct State-community relationship.

The government is convinced that strengthening of direct democracy elements will increase interest of the citizens in public affairs, in particular their election participation. Therefore, it will propose direct election of mayors of cities and villages and direct election of the President of the Republic.

09

EDUCATION, SCIENCE AND RESEARCH

1/ Education

The government is convinced that the level of education, scientific and research activity determines future competitiveness of a country. Their support is, therefore, a strategic investment of top priority. Besides the necessary amount of finances, efficiency of their spending must also be carefully taken into consideration. The government will champion a system which will result in the most responsible economic management possible and support excellence.

In this respect the government is determined to tackle the issues relating to research and educational institutions. Changes in approach and thinking will be required. The results will strengthen the country in terms of competitiveness and give a clear perspective to teachers and researchers.

The government aims at a school system open to practice and international experience, which will support at all levels and in all its forms the natural human ingeniousness and longing for further education. The government refuses to accept the current state, which tends to ensure just average education across the board for our children.

By appreciating the work of teachers the government wants to take up the tradition of Czech education. In elementary and secondary schools, the prestige of teachers will be enhanced by career rules and the system of lifelong professional education. The government will amend the tariff remuneration system so as to take into consideration also the quality of the teachers and not only the length of their career. For graduates from teaching faculties the government will prepare a support programme which will give them sufficiently attractive starting conditions.

The government will conform, more than is currently the case, the system of general secondary education and evaluation of its results to the goal of enabling the graduates to continue their studies at a university. The government will also support the development of vocational education, the structure of which must correspond to current and future demands of the labor market. It will propose to support selected technical branches by providing scholarships to students.

The government will adapt the system of university financing so that it would better take into account the quality of educational activities. On the basis of evaluation of universities the government will aim at selecting a limited number of prestigious institutions which will provide fully competitive postgraduate education, recognized in international context and featuring close ties between research and teaching. At the same time, the government will support other universities and post-secondary vocational schools which will provide good quality education at a lower level and will be focused on practical placement of the graduates on the labor market.

The government will propose an effective system of scholarships and loans which will enable the financing of all costs of education so that no talent is lost due to social limitations. In order to increase the level of

university education, we will at the same time introduce personal motivation for students (tuition fees) which will form part of the costs of education. Such system will strengthen active approach, interest in studies and personal responsibility of the students. It will also increase the push for provision of good quality education in the society. At the same time it will facilitate access to university education to socially weak students because the costs of education exist already today, without tuition fees, and there is no system of loans and subsidies in place.

The government will support all initiatives of life-long learning, either in the form of post-graduate studies and retraining for the middle-aged or universities of the third age for senior citizens. It will place maximum emphasis in all educational activities on computer and financial literacy and language skills.

2 / Science, Research, Innovation

Support of science is a long-term investment. The government is ready to increase the funds earmarked for this field. This measure must go hand in hand with a push for higher efficiency.

It is the aim of the government to transform Czech research and development so that high quality research, able to compete in the European research community, is supported as a priority. Currently the funds are very scattered, the support is non-systematic and actual quality of the research and the applicability of its results are not sufficiently taken into account. Therefore, the government will prepare a new financing model for research and development under the following principles:

Regular quality assessment of research by international scientific panels, which are commonly used as a tool abroad. Results of the assessment of research establishments will be published.

Financing of research establishments on the basis of the quality of their results. The government will submit a system of performance-based agreements in which the establishments contractually commit to fulfill quality and quantity parameters which will be laid down in advance, mutually agreed upon and verifiable.

The “society payback” will be the fundamental starting point for the assessment of research. Research establishments will be motivated to actively engage in the effort to see their output used in practice, either in the commercial sphere or in the public realm, health care, education etc. The society needs also liberal arts in order to develop in a harmonious way and, therefore, their role certainly won't be underestimated. However, they must also be subject to strict quality benchmarks.

Creation of stable conditions and higher level of autonomy. Research establishments with good results will be offered the possibility of hiring and keeping high quality employees so as to become globally competitive. But the research establishments will also bear clear responsibility for the quality of their work and responsibility towards the society for the payback of its investment.

Efficient management of scientific and research institutions. The government will support a shift towards professional management of scientific institutions which will bring to the management of institutions and universities also professional managers or people with experience from abroad. The State management of the research and development agendas must also change. Concentration of these agendas and high professional quality of public administration employees who will be able to take responsibility for conceptual work in the field of research, education and innovation will contribute to increasing efficiency.

In order to fully exploit the potential of science and research, the government will propose the following measures:

- It will take a decision on the priorities for Czech research on the basis of a qualified selection. The selection should be based upon results of international assessment, which will show in which fields the Czech research stands a chance to attain international visibility.
- In the area of contractual and commercial research it will introduce clear motivational elements for organizations which carry out contractual research and cooperate with businesses.
- It will initiate discussion on the establishment of an international research center in which Central European countries would concentrate their best research capacities in mutual cooperation. The government will support also other projects aiming at involving Czech scientists in international scientific platforms. The government considers the development of knowledge economy a key issue. The Czech society will stand a chance of succeeding in global conditions only if it is based on education in the broadest sense of the word.

3 / Sports

The government is determined to come up with a systemic solution of the current bleak conditions in financing of sports and physical education. It is aware that the sports organizations bear major responsibility for the situation, having decided that all funds earmarked by the current system for sports will be directed in the coming years towards repayments of the O2-Arena sports hall. Since the government considers sports and physical education to be an important activity for the public benefit and a component of education of the young generation, it cannot just sit idly by; however, neither has it any right to transfer the full responsibility for wrong managerial decisions on the taxpayers.

Therefore, the government will propose, in discussion with sports organizations, a system of co-financing in which it is ready to contribute the amount of 100 to 150 percent of available own funds of the relevant organization to finance its activity on an annual basis. In other words, mobilization of own resources will be the condition for releasing the government funds. The government does not consider an institutional change in public administration in relation to sports as necessary. However, in order to ensure transparent process of financing and easy control, it will tie the funds earmarked for sports with a binding State budget indicator so as to prevent spending them during the year for other purposes.

10

ENVIRONMENT

While the environment has considerably improved over the last 20 years, many problems are yet to be solved. Future environmental policy must set rules for sustainable development so that the needs of both the current and the future generations are secured. The solution of problems requires clear rules and priorities, good-quality laws, modern technologies, reliable information and awareness-building with the population.

The government builds its policy in the area of environmental protection on four main pillars:

The Czech landscape is our common heritage. Evident damage needs to be redressed, current cultural and natural values kept and handed over in good condition to future generations. It entails management of forests and agricultural land, protection of water sources and preservation of nature and its biological richness.

The government considers the following as priorities:

- Significantly improve and strengthen territorial planning based on the will of the citizens.
- Prevent rapid loss of agricultural land and natural areas and unbridled extension of warehouses and similar facilities in free landscape instead of the use of contaminated industrial areas (brownfields).
- Support such landscape improvement and management methods which will result in water retention and serve as anti-flooding measures and significantly limit water and wind erosion of soil – in the form of comprehensive land improvement and implementation of territorial systems of environmental stability.
- Put emphasis on general protection of nature outside of proclaimed protection areas and on preservation of greenery.
- Support environmentally friendly forest management based on the planting of mixed cultures resistant against pathogens and climate effects.

Quality of living includes taking care about clean air, food and water, noise protection, maintaining of clean and agreeable city or village environment, unobjectionable management of communal as well as hazardous waste. This includes also protection against the effects of dangerous chemicals.

The government's priorities will be as follows:

- In air protection focus on measures against air pollution by transport and use all instruments to support environmentally friendly mass, commuter and city transport and building of park and ride facilities and bypass roads.
- Raise awareness of the population about the effects of polluted air on health with the view of reducing the use of inappropriate fuels for local heating

The government unambiguously endorses the concept of sustainable development, which entails a harmonious balance of economic development, social justice and concern for the quality of life with care about nature and natural resources. It underlines that the current natural and cultural values must be maintained at least at the current level, irrespective of economic cycle fluctuations. The government considers environmental measures an opportunity for economic development, rather than an inhibition.

The government's priorities will be as follows:

- Champion all categories of energy saving measures and efficient technologies for the exploitation of various types of energy.
- Support generating energy from a balanced energy mix of different sources, including alternative and nuclear ones, having regard to environmental impact and energy security.
- Support primary waste separation and all kinds of material and energy use thereof.
- Support new technologies, research, development and innovation.

In the context of our EU membership, the government acknowledges the responsibility in relation to aiding developing countries in the area of environmental protection as well as in relation to global issues (climate protection, global natural wealth).

The government's priorities will be as follows:

- Actively contribute to creation of European norms and concepts for the protection of the environment.
- Support and participate in international programmes for improvement of the environment in Europe and globally and be active in cross-border cooperation with the neighboring countries.
- Take the fields of environment and international development aid into account in our foreign policy.

11

CULTURAL POLICY AND MEDIA

The government will pursue the development of Czech culture. It will be guided by the principle that in the area of culture, the State should not give orders but help. The government will apply modern tools of grant proceedings to motivate the applicants more strongly to seek co-financing of their cultural activities. It will submit exact rules for granting of subsidies in culture. Transparent spending and continuous evaluation of its effects will form the basic prerequisite for further financing of programmes in Czech culture.

The government will submit a new Monuments Protection Act. It understands the historical monument care as comprehensive preservation of the historical heritage with the important role of maintaining cultural landscape. It will create favorable conditions for the ownership of movable and immovable cultural heritage so that it does not constitute inappropriate burden or limitation for any responsible owner.

The government will propose a law on the administration and use by other entities of cultural monuments owned by the State. The government will support motivational programmes for the restoration and preservation of culture in the Czech Republic as an instrument against the loss of cultural identity. It will support cultural initiatives in their natural centers.

The government understands the historical and inalienable position of churches and religious societies as traditional institutions which have been part of the society. The government aims at closing the issue of settlement between the State and churches by the end of the election period so that the churches are in a position to fulfill their mission independently of the State.

The government will continue supporting the presentation of Czech culture abroad. It will support creative projects, including traditional folk culture. It will see to it that the Czech public has access to foreign art, in particular by supporting international cultural projects. The government will strive to improve the global position of Czech film and make Czech Republic more attractive for domestic and foreign film producers.

Freedom of expression is one of the key freedoms securing the democratic fabric of our society. Therefore, the government will insist on the guarantee of maximum freedom of expression while keeping the awareness of responsibility for the content of the media message.

The government will champion fundamental changes in the system of election of representatives of the public to media councils. Their members should be selected not only by politicians; the civil society should also have a significant say in their nomination. In introducing the system, the government will seek inspiration from experience in other countries. The government will not allow privatization of public service media.

**CAN WE LOSE OUR FUTURE?
FASTER THAN YOU THINK!**