Executive Summary

At a time of increased pressure on government budgets at all levels, improving infrastructure governance can help ensure that scarce resources are used to pursue economic, social, and environmental priorities. Relatively low-cost changes to governance processes and practices and investments in capacity can have outsized effects on the effectiveness and efficiency of large infrastructure investments. Improving governance across sectors and levels of government can help increase the efficiency of investment spending and promote fiscal sustainability.

Infrastructure investment also helps make societies and places more resilient and sustainable. The demographic, green and digital transitions offer opportunities but also raise challenges. Impacts differ across places, and potentially exacerbate existing territorial inequalities, which are already high in Czechia. It is therefore urgent to invest strategically in place-based infrastructure to bridge these territorial disparities.

In Czechia, the importance of good infrastructure governance at all levels of government is underlined in the Recovery and Resilience Plan (RRP). Achieving the RRP's goals of accelerating the transition towards a low-carbon and climate-resilient economy, maximising the benefits of the digital transformation, and improving the quality of public administration depends on sound governance of infrastructure investments.

Below are the main findings and recommendations of this review. Tables in Chapters 2 and 3 provide a list of concrete actions to help Czechia implement these recommendations.

Strengthening the overall infrastructure governance system

Infrastructure planning in Czechia is fragmented along sectoral lines, running the risk of missed synergies and positive spill overs. Although there are areas of good practice in specific sectors and institutions, a more co-ordinated approach to investment could improve value for money and achieve synergies and complementarities among investments. Enhanced cross-sectoral co-ordination through mechanisms such as the new Committee for Strategic Investments could reduce overlap between projects, ensure that investments are mutually reinforcing, and support Czechia's efforts to use infrastructure investment to support a sustainable recovery. It would also help develop a national project pipeline to improve the investment readiness and the absorptive capacity of the public and private sectors.

Czechia does not have a consistent approach to project appraisal and prioritisation across sectors. Some sectors have detailed guidance on project appraisal and rigorous evaluation, but, across the investment system, projects are often prioritised based on their readiness to move forward quickly and their ability to access EU funds. The Ministry of Regional Development could work with other stakeholders to develop a standard approach to project appraisal across sectors, which could be used by subnational governments to support their prioritisation of infrastructure investments and by ministries and state funds to develop funding programmes.

The context and institutional structure of Czechia may exacerbate common public infrastructure procurement challenges. Many contracting authorities do not have regular experience undertaking infrastructure investment nor the resources to build capacity. The overall administrative burden of public procurement and the need to comply with complex requirements is also seen as a significant barrier for accessing EU funds. To address these challenges, the Ministry of Regional Development could work with other stakeholders to increase support for project preparation and facilitate greater use of strategic procurement tools such as framework agreements.

Designing and implementing infrastructure investments across levels of government

Subnational governments in Czechia are key providers of economic and social infrastructure. In 2020, subnational government investment represented 46.4% of total public investment. While regional capital expenditure increased by almost 73% between 2010 and 2020, on average, municipalities are the primary investor, accounting for more than 64% of subnational government investment.

High-quality and effective place-based infrastructure investment is needed to address important regional disparities. In Czechia, regional (TL3) income inequality has increased over the last 20 years. There are significant disparities in infrastructure quality, and the capacity of regions and municipalities to invest also differs across the country. Fine-tuning the multi-level governance system, overcoming sectoral silos, and embedding a territorial perspective in decision making is crucial for place-based infrastructure investments that help reduce territorial inequalities and pursue resilience and environmental objectives. Place-based infrastructure investments also require better co-ordination across levels of government in the design and implementation stages.

Introducing appropriate incentives to encourage inter-municipal co-operation is crucial to ensure adequate scale and capacity to invest. Czechia has the most, and smallest, municipalities among OECD countries: 6 258 municipalities, with 96% having fewer than 5 000 inhabitants. Small municipalities and regions often lack the capacity to plan, fund, and implement infrastructure investments at the right scale that effectively respond to local needs. Establishing financial and non-financial incentives for municipalities to co-operate is necessary to go beyond one-time, single-purpose associations and achieve the scale and capacities needed for long-term infrastructure investment planning.

Strengthening regional and local capacities should remain a priority to increase the quality and efficiency of investments across levels of government. Czechia, notably through the Client-oriented Public Administration 2030 and the RRP initiatives, has set capacity building as a key priority, reflecting the criticality of training, technical assistance, and the provision of guidance documents in areas such as planning, project appraisal, project management, financial management and procurement in the design and delivery of strategic infrastructure projects. A proper diagnosis of capacity gaps in regions and municipalities is required to target and co-ordinate capacity building in a systemic and sustainable way.

Czech regions' and municipalities' dependency on central transfers and limited tax autonomy challenges subnational infrastructure funding and financing. There are different avenues to increase the funding capacities of Czech subnational governments. The OECD has provided recommendations to improve subnational tax revenues, including by revising the tax-sharing formula and making better use of the property tax in Czechia. Strengthening other revenue streams, including via land-value capture, and supporting the use of innovative financing instruments in a prudent manner including green, social, climate and sustainability bonds or loans, could help subnational governments meet the high up-front costs of infrastructure investment and spread those costs across the future beneficiaries. This could also include taking advantage of the renewed momentum for PPPs in Czechia to explore a larger engagement in public-private partnerships by regions and large cities as an option to accelerate infrastructure investments. PPPs can be a means of leveraging private sector resources but also a tool for reforming public procurement and public service delivery.

From:
Optimising Public Infrastructure Investments in Czechia

Access the complete publication at:
https://doi.org/10.1787/d4532316-en

Please cite this chapter as:

OECD (2024), “Executive Summary”, in *Optimising Public Infrastructure Investments in Czechia*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/1e4c1474-en