

Overview of the Public Administration in the Czech Republic

This chapter provides the context for public administration reform in the Czech Republic, marked by the recovery from the COVID-19 crisis and the Russia's war of aggression against Ukraine along with long-term challenges linked to sustainable development and climate change. It provides a snapshot of the effectiveness of the public sector in the country, assessing its strengths and challenges, and identifying priority areas for reform. It also introduces and discusses current public administration reform efforts in the country particularly the Public Administration Reform Strategy (PAR): *Client Oriented Public Administration 2030*, and connects the PAR with the reform priorities and chapters of the present Review.

Introduction

The Czech Republic has engaged in long-standing efforts to reform its public sector; increase its effectiveness; and support the country's economic, social and democratic development. Through a series of reforms since the 1990s, marked by the Velvet Revolution in 1989 and the separation of the Czech and Slovak Federative Republic in 1993, it has developed a stable governance system with a central state administration and a “joint model” between the central and local levels, relying on firmly established governance arrangements, mechanisms and regulations for the central and territorial administrations (Ministry of Interior of the Czech Republic, 2004^[1]; Ministry of Interior of the Czech Republic and European Union, 2018^[2]). The Czech Republic's adherence to and integration into the European Union in 2004 also accelerated the transformation of the public administration by creating requirements and pressure for reforms towards a more modern and flexible administration. Most recently, the country has designed and is currently implementing a new public administration reform strategy, the Client-Oriented Public Administration 2030 (PAR), to further modernise and adapt the public administration to new governance developments and priorities, particularly on increasing citizen-centricity and making the public governance system more effective (Ministry of Interior of the Czech Republic, 2019^[3]). To support the PAR, the present context also highlights the need to be more resilient in the face of future shocks, including by reinforcing crisis management capacities, accelerating the digitalisation of and increasing the agility of the public administration. These reforms should help the Czech Republic improve citizens' well-being and their confidence in the public administration as well as to overcome the effects of the COVID-19 crisis.

This chapter offers an overview of the public administration in the Czech Republic, identifying its strengths and remaining challenges and how the PAR can contribute to addressing them. The current challenges faced by the administration and ongoing reforms to tackle them take place in a challenging global context marked by the post-COVID recovery and Russia's war of aggression against Ukraine. Both crises and their consequences impact on the economic and social development of the Czech Republic and on its governance arrangements and evolutions that will be studied across this review. This review starts by highlighting the current economic context, leveraging the results of the OECD Economic Survey (OECD, 2023^[4]), and how public governance reforms can support policy responses in the short and long terms. The following sections will provide a snapshot of the effectiveness of public administration, explore crucial building blocks of a sound public governance system, and look at its capabilities to respond to contemporary cross-cutting challenges, including the digital and green transitions.

The public governance review (PGR) is structured around a number of these public governance challenges which have been jointly identified with the Czech government, particularly the Ministry of Interior, which is in charge of public administration management and reform. Chapter 1 looks at citizen participation and how to further engage stakeholders in policymaking as a fundamental way to strengthen public trust. Chapter 2 focuses on the co-ordination led by the centre, particularly the Office of the Government, to help break down silos, align the whole-of-government around strategies and policy priorities, and best respond to cross-cutting challenges for the administration. Chapter 3 focuses on increasing capacities for evidence-based policymaking in the Czech Republic. Chapter 4 explores public administration developments at regional and local levels and its co-ordination across levels of government. Chapter 5 looks at the digitalisation ambition and progress of the Czech administration and how to improve the uptake of online digital tools and services. Chapter 6 explores human resources management in the Czech public administration and its current reform plans. Chapter 7 is a case study on COVID-19, with a focus on governance arrangements and regulations, providing a benchmark of the Czech Republic's responses compared to the experiences in OECD and non-member countries.

The Czech Republic experienced a robust period of economic growth that was cut short by the COVID-19 crisis and the uncertainties arising from the war on Ukraine

The Czech Republic experienced a period of strong economic growth in the years preceding the COVID-19 crisis, recording an annual increase of more than 3.5% on average between 2014 and 2019. Economic growth reached +3% in 2019, boosted by multiple factors, including domestic consumption, foreign direct investment and exports. Sustainable economic growth allowed the country to converge towards OECD average gross domestic production (GDP) per capita, with GDP per capita representing 93% of the OECD average in 2019, ten points more than 5 years earlier (83% in 2015) (OECD, 2020^[5]; OECD, 2023^[4]).

This convergence has helped the country fare well in many OECD well-being indicators, including jobs, education, safety and the sense of community. However, weaknesses were observed in health and civic engagement (OECD, 2022^[6]). The good economic performance of the Czech Republic has also contributed to the low level of inequalities in the country, with a Gini coefficient of 0.24 (after taxes and transfers), one of the lowest in the OECD (OECD, 2021^[7]). The employment rate was also high, at 75% of the working-age population, significantly above the OECD average of 69% (OECD, 2020^[5]).

The COVID-19 crisis interrupted this period of economic growth and hit the Czech Republic's economy and society hard. The number of infections (370 000 per million people) and deaths (3 700 per million) per inhabitant have been among the highest in Europe (Reuters, 2022^[8]). GDP slumped by 5.6% in 2020 due to the COVID-19 crisis, its related containment measures and subsequent adverse impact on household consumption and private investment (Ministry of Finance of the Czech Republic, 2021^[9]).

The country has been subsequently hit by several waves of COVID and is experiencing a sluggish and fragile recovery, like many other OECD countries. The country recorded its highest number of cases in November 2021 and January 2022, prolonging the effects of the crisis.

The war on Ukraine has further cast shadows on the Czech Republic's recovery prospects and added to inflationary pressures. The Czech economy entered a recession in the second half of 2022. According to the latest OECD Economic Survey, GDP growth for 2023 is expected to be close to zero due to global supply and energy constraints, low confidence from investors and consumers and rising prices. Inflation reached 17.5% in December 2022 compared to the OECD-EU average of 14.8% (OECD, 2023^[10]). The rise in inflationary pressures led the Czech National Bank to significantly tighten monetary policy. It hiked the policy interest rate from 0.25% to 7% between June 2021 and June 2022. As a consequence of the war, risks of disruptions in supply chains, particularly in the automotive sector, increasing prices of raw materials and difficulties with energy supply are creating uncertainties for the recovery (OECD, 2023^[4]).

The unemployment rate in the Czech Republic was low prior to the COVID-19 crisis, at 2% of the labour force in 2019, compared to the EU average of 6.8% and the OECD average of 5.4% (OECD, 2022^[11]). Labour shortages created tensions in the labour market for recruiting and retaining workers in several sectors, including the public sector. Unemployment surged during the pandemic but remained comparatively low at 2.5% of the working-age population in 2020 and 2.8% in 2021. Unemployment is expected to fall to 2.5% in 2022 and slightly increase to 2.6% in 2023 (OECD, 2022^[12]).

Although the crisis also had significant social effects on Czech society, in particular on the most vulnerable, the country ranks as one of the lowest in the OECD with respect to income inequality, with a Gini coefficient of 0.248 in 2019 versus the OECD average of 0.313 (OECD, 2022^[13]). The Czech Republic has the fourth lowest income inequality across OECD member countries before taxes and transfers and the second lowest after taxes and transfers (OECD, 2021^[7]). While the pandemic hit all sections of society, the Gallup World Poll revealed that the share of people reporting difficulties in getting by on their household income during 2021 remained lower in the Czech Republic than in other OECD countries, at 15% of women and 11% of men, compared to the OECD averages of 24% and 20%, respectively (Gallup, 2021^[14]).

The crisis-related challenges of sluggish growth rates, inflation, the impact on health and difficult access to public services have called for strong government responses to manage the crisis and support the recovery. The government implemented a series of lockdown and containment measures to limit the effects of the pandemic throughout 2020 and 2021 (Reuters, 2022^[8]) and used its fiscal manoeuvre to keep businesses and the economy afloat, in particular through the COVID-19 loan and guarantee programmes, tax deferrals, job retention scheme including income support, and its continuing support to help consumers and firms face increasing prices (OECD, 2020^[5]; Ministry of Finance of the Czech Republic, 2022^[15]). It has also increased public expenditures to support the health sector. The government has also accelerated the digital delivery of public services. It has activated its *Central Crisis Staff* and implemented new, *ad hoc* governance arrangements to address both the pandemic and Ukraine war crises. The response of the Czech government will be further examined in Chapter 7.

Public governance reforms can support growth-enhancing reform priorities relating to the economy, inequalities and the environment

Public governance reforms can support the Czech Republic in tackling growth-enhancing reform priorities and weathering the effects of the COVID-19 pandemic and the war on Ukraine. Governments are increasingly faced with horizontal, multidimensional challenges such as climate change, inequalities, digitalisation and demographic transitions. Public governance arrangements, capabilities and instruments are key levers to addressing such complex issues. Better government policy and strategic co-ordination can ensure more efficient and greater alignment and implementation of national and sectoral plans to reach strategic objectives in these areas. In particular, improving governance arrangements to address climate change can support better whole-of-government policy and strategy design and implementation towards decarbonising the economy. Better spending will be key to consolidating public finances while responding to the challenges of the recovery, further using, for instance, spending reviews to allocate expenditures better and spend them more efficiently. The continued digitalisation of the public administration and upskilling civil servants can also help deliver better services to citizens. Municipalities in the Czech Republic are implementing a number of policies and services, making inter-municipal co-operation a reform priority to improve the effectiveness of the public sector and support better policies across the different challenges faced by the country, including on productivity, the environment, and service delivery in social and economic areas.

The COVID-19 crisis and the war on Ukraine have created new, immediate economic and social priorities for the Czech Republic, including those supporting households and firms, increasing health expenditures, and dealing with new waves of refugees as highlighted by the recent OECD Economic Survey of the Czech Republic (OECD, 2023^[4]). The general government balance was estimated at -7.2% of GDP in 2021 after -5.6% in 2020, compared to a 0.3% surplus in 2019. The government has increased its support and expenditures to help households and firms during COVID-19 and in the current inflationary context (Ministry of Finance of the Czech Republic, 2022^[15]). Total health expenditures before the crisis were low at less than 7.5% of GDP compared to the OECD average of more than 9% (OECD, 2018^[16]). Increasing spending and new social measures are also needed to handle the influx of Ukrainian refugees (Ministry of Finance of the Czech Republic, 2022^[15]). The refugee crisis affects the capacities of the public administration on operational and policy levels to deliver public services in a number of areas, including social security, health, housing and immigration. It also weighs on national and local budgets.

The latest OECD Economic Survey underlines that the Czech Republic faces a number of long-term challenges for sustainable growth that the crises have accelerated, particularly on climate change, the labour market and productivity (OECD, 2023^[4]). A number of these challenges are underlined in the long-term Strategic Framework Czech Republic 2030. Tackling climate change remains an important issue for the country and calls for decarbonising the economy. The Czech Republic is one of the most carbon-intensive economies in the OECD due to its reliance on coal and its industrial base. The country was emitting 318 kg of CO₂ per USD 1 000 of GDP, above the OECD average (244 kg) and that of neighbouring

countries, including Poland (303 kg), the Slovak Republic (193 kg) and Hungary (180 kg) (OECD, 2018^[16]). Greenhouse gas (GHG) emissions per capita remain above the OECD average and have been stagnating in recent years. More than three-quarters of the population is exposed to harmful air pollution, with virtually the entire population exposed to PM_{2.5} (OECD, 2021^[17]).

The labour market remains tight and generates labour shortages, calling for more active labour market policies and upskilling (OECD, 2023^[4]). The ageing population remains a challenge both for increasing labour market participation and for containing public expenditures (OECD, 2021^[17]; 2020^[5]). Raising productivity constitutes one of the Czech Republic's long-standing economic challenges. Promoting research and innovation and digitalising the economy and upskilling the labour force can help address this. To address labour shortages, employers in the Czech Republic have also increasingly looked for migrants and workers from abroad, but the conditions for labour market mobility for highly skilled workers could be more conducive (OECD, 2023^[4]).

Although the Czech Republic displays an overall low level of inequality as measured by the Gini coefficient, there are inequalities across regions on topics such as income, poverty level, investment levels, access to public services and connectivity (OECD, 2020^[5]). The high number of municipalities and their fragmentation is an important element of explanation of these inequalities and constitutes a critical feature of the governance and public administration system in the Czech Republic. Territorial inequalities thus remain an important agenda item in the country, as will be examined in Chapter 4.

The Czech National Recovery Plan should help address part of those priorities, so should the Recovery and Resilience Plan (RRP). The RRP aims to support the green and digital transition in the country and includes large investments in climate change (42% of the total plan), digitalisation including digital skills and services (22%), and priority areas such as education and the labour market (Ministry of Finance of the Czech Republic, 2021^[18]; European Commission, 2021^[19]).

Reforming public administration and governance in the Czech Republic

As many OECD countries that have long-term strategic documents going beyond the mandate of one government, the Czech government adopted the Czech Strategy Framework 2030 ("Czech Republic 2030") in 2017. This framework constitutes the reference long-term strategy for the country with an emphasis on sustainable development. It was prepared through an extensive participatory process by the Office of the Government with the Council for Sustainable Development (Government of the Czech Republic, 2017^[20]). It has also led to the development of a number of sectoral and thematic strategies with the same time horizon and that refer to Czech Republic 2030. This includes the Public Administration Reform Strategy 2030 which connects the reform of the public administration with Czech Republic 2030 and its "Good Governance" component (Ministry of Interior of the Czech Republic, 2019^[3]).

The Czech Republic has defined a long-term national strategy that makes good governance a priority in fostering the country's sustainable development

Czech Republic 2030 aims to foster the country's sustainable development and builds a vision for the country in 2030. This vision underlines the importance of the values and principles of democracy, equality and cohesion, quality of life, environment, and resilience. The strategy replaces the 2010 Strategic Framework of Sustainable Development. As the document underlines, it provides a basic framework for all strategies in the country while not substituting them. It connects with the United Nations Sustainable Development Goals and other global agreements, including the Paris Agreement on climate (Government of the Czech Republic, 2017^[20]).

"Good governance" has been identified as a key area to promote sustainable development in the country. The document links governance reforms with a healthy democracy, particularly through participation and

representation. This approach is in line with the OECD's Reinforcing Democracy Initiative (OECD, 2022^[21]). Voter turnout is below 70% in OECD countries on average, reflecting some dissatisfaction and disenfranchisement with democratic systems, and the recent OECD Trust Survey that citizens expect the public administration to be more representative of their interests and needs, as well as to further engage them in decision-making (OECD, 2022^[22]).

Building on the importance of good governance, Czech Republic 2030 outlines a number of strategic challenges related to the lack of co-ordination, long-term vision and citizens' involvement in public life; decreasing democratic participation; and limited innovation in the public service and in the governance system (Government of the Czech Republic, 2017^[20]).

The 2030 strategy calls for a more "human-centric" administration and develops a vision that echoes current challenges and reform priorities identified by the PAR and covered in this report. This includes establishing a "resilient, flexible and inclusive" decision-making system and improving policy co-ordination and coherence, which calls for: (i) strengthening the role of the centre-of-government (CoG) and for interministerial co-ordination mechanisms; (ii) opening the possibilities for citizens to express their views about public affairs, which relates to the need to increase citizens' engagement and participation; and (iii) making the public administration efficient, transparent and accessible (Government of the Czech Republic, 2017^[20]). Better policies and strategies also require improving the use of evidence and data and developing impact assessment tools, such as regulatory impact assessments (RIAs). Furthermore, the strategy encourages the administration to embark on the digital transformation and further digitalise public services. While the strategy has a separate section on regions and municipalities, the "good governance" priority also highlights the need to increase vertical co-ordination and promote exchanges between central and local levels. Developing capacities, expertise and skills are also at the centre of the good governance component and are linked to enhancing competencies in the public administration, including by attracting and retaining talents.

The central government's mandates, competencies and management are broadly defined in the Competency Law and the Civil Service Act

The central government's mandates and competencies were established through the Act No. 2/1969 Coll., on Establishment of Ministries and Other Central Authorities of the State Administration of the Czech Republic ("the Competency Law") (Government of the Czech Republic, 1969^[23]; Ministry of Interior of the Czech Republic, 2004^[1]). The law sets the mandate of the ministries' and Government Office's work areas as well as the decision-making and co-ordination principles. However, those are rather vaguely defined and have been complemented by Rules of Procedures since 1998, particularly on the preparations of government meetings that have been updated over time (Government of the Czech Republic, 2022^[24]). The establishment and development of interministerial councils, mainly through decrees, have also helped facilitate co-ordination and address cross-cutting topics.

The Competency Law has been amended a number of times since its adoption, with the last amendment by Act No. 284/2021 Coll. These amendments have mostly dealt with the creation of new institutions that were assigned specific competencies, such as the Office for the Protection of Competition or the National Sports Agency. However, the law has remained a rigid framework that does not fully reflect the evolution and interrelations of government activities to allow the needed levels of flexibility and agility of the public administration, particularly to address cross-cutting, collaborative topics. In particular, the Competency Law very broadly defines the role of the Office of the Government, focusing on its administration and logistical activities, which has undermined its legitimacy and convening power to steer and carry out horizontal activities in a number of cases. It does not define the co-ordination and strategic alignment roles usually ascribed to centres of government. The law has also generated issues of coherence and efficiencies in the action of ministries, which have a strictly defined perimeter, while government priorities and activities evolve with the global and national context. New topics have emerged or gained importance,

such as citizen participation, crisis management, digitalisation and climate change, in recent years, which usually require horizontal co-ordination between ministries and where roles and responsibilities are not always clearly assigned by the law. Citizen participation, for instance, currently lacks leadership and guidance from the centre or a specific government institution. These issues will be further analysed in Chapters 1, 2 and 7.

To enhance and harmonise the civil service's performance and practices, the Czech Republic first adopted Act No. 218/2002 Coll., on the Service of Civil Servants in the Authorities and on the Remuneration for the Servants and Other Employees in the Authorities in 2002 but it never fully came into effect. The country finally adopted Act No. 234/2014 Coll., on Civil Service ("Civil Service Act") in 2015. The Czech Republic was the last European Union (EU) country to adopt legislation regulating public human resource management at the central level. The act does not cover the local public service, which is regulated through the Act on Officials of Territorial Selfgoverning Unit adopted in 2002. The country adopted amendments to the Civil Service Act in November 2022 that came into force in January 2023 and focused on simplifying and accelerating recruitment procedures in the civil service and improving access to and mobility within the senior leadership. The situation of and challenges for the civil service will be addressed in Chapter 6.

The Czech Republic has a firmly established "joint model" of governance that relies on several acts related to local government and a series of reform initiatives since 1990

Over time, the Czech Republic has established a so-called "joint model" of governance. At the core of the model lies the fact that local self-governing units exercise their own competencies as well as delegated powers and competencies that are transferred to them from the central government (Ministry of Interior of the Czech Republic, 2004^[1]). The Czech Republic has thus developed a largely decentralised model of governance in which regions and municipalities perform their own and delegated powers.

A number of acts underpin the joint model and have been passed over the years, establishing a two-tier system of territorial self-government and defining the competencies of regions, municipalities and self-government units (Ministry of Interior of the Czech Republic and European Union, 2018^[2]).

The joint model of public administration was developed through several phases and acts that establish new regions, municipalities and their competencies (Box 1). The country now has 14 regions and more than 6,000 municipalities. The high number of local self-governing units makes the governance system very fragmented at the local level. A number of bodies have been established to support the horizontal and vertical co-ordination of the different levels of government. For instance, the Ministry of Interior co-ordinates the state administration at the central and local levels. The joint model and the co-ordination challenges it raises for the public administration with the central level, such as "departmentalism", and between the different local levels will be further studied in Chapter 4.

Box 1. The development of territorial administration in the Czech Republic: Key legislation

Constitutional Act No. 347/1997 Coll., on the Establishment of Territorial Self-Governing Units (Regions) and on the Amendment of the Constitutional Act of the Czech National Council No. 1/1993 Coll., the Constitution of the Czech Republic created 14 regions. Act No. 129/2000 Coll., on Regions further established the model of joint administration with the organisation and competencies of regions.

While municipalities were re-established by the Act on Municipalities (Act No. 367/1990 Coll.), Act No. 314/2002 Coll., on Determination of Municipalities with Authorised Municipal Office and Municipalities with Extended Powers and Act No. 128/2000 Coll., on Municipalities defined different types of municipalities and their competencies (see Chapter 4). The capital city of Prague is defined separately by the Act on the Capital City of Prague.

Source: Ministry of Interior of the Czech Republic (2004_[1]).

The Czech Republic has designed an ambitious public administration reform agenda

The Czech Republic has carried out a series of major administrative reforms since the Velvet Revolution in 1989. The first reforms were driven by the end of the Communist party's centralised rule; the re-establishment of separate high-level executive, legislative and judicial authorities; and the restoration of democratic values in political and public life as reflected in the Charter of Fundamental Rights and Freedoms (Ministry of Interior of the Czech Republic, 2004_[1]; European Commission, 2020_[25]). The Constitution of the Czech Republic came into force in 1993, preparing the establishment of a new governance system before the separation from the Slovak Republic and enshrining the role of the parliament, the president, the government, the court system and territorial self-government as well as fundamental democratic principles (Parliament of the Czech Republic, 1993_[26]). The accession process and the integration into the EU further pushed administrative reforms in the Czech Republic to enforce the *acquis communautaire* at central and local levels and to increase administrative capabilities. Successive reforms of the territorial administrations have led to the establishment of regions, municipalities, and the transfer of competencies from the central government to regions and municipalities (Ministry of Interior of the Czech Republic, 2004_[1]). These reforms on territorial administration were carried out in two phases, first with the introduction of regions (13 plus Prague) (1996-2000), then with the establishment of municipalities with extended competencies and regional offices (2002) (Ministry of Interior of the Czech Republic and European Union, 2018_[2]).

As a third series of central administration reforms, efforts were carried out to improve its effectiveness through a series of plans, “Phare” projects and acts, notably the 2004 central state administration modernisation strategy¹ (Ministry of Interior of the Czech Republic, 2004_[1]). These reform efforts were supported by working groups on public administration reform, with, most recently, the creation of the Council for Public Administration in 2014 (Government of the Czech Republic, 2014_[27]). Unfortunately, some of these plans were developed but not systematically approved by the government and ultimately never fully implemented. As a result, they failed short of delivering on their promises.

Along with the Civil Service Act and the Smart Administration Strategy, the Strategic Framework for the Development of Public Administration in the Czech Republic for the Period 2014-2020 was an important turning point for public administration reform. Linked to the conditionality of EU funds, this strategic framework received government approval and helped achieve progress in modernising the public administration in areas such as reducing administrative burdens, transparency, digitalisation and evaluation practices. The evaluation of the implementation of the strategic framework, conducted in 2020, underlined that challenges remained for improving the efficiency of the administration's structure, including

in fostering co-ordination and breaking “silos”, enhancing the attractiveness and competencies of the public administration, and improving communication and engagement with citizens, among others (Ministry of Interior of the Czech Republic, 2020^[28]).

The PAR constitutes the latest of these public administration reform efforts, replacing the 2014-2020 Strategic Framework that was unsettled. Approved by the government in 2020, the PAR - Public Administration Reform Strategy 2030 (*Client-oriented Public Administration 2030*) - defines a vision for the public administration in 2030 and includes a number of strategic objectives and a list of detailed actions to implement them (Ministry of Interior of the Czech Republic, 2019^[3]) (summarised in Table 1).

The Ministry of Interior and its Council for Public Administration, which has a dedicated working group on the PAR, lead the design, steering and implementation of the PAR. While CoGs in OECD countries are very often involved in leading, promoting and monitoring public administration reform, this role is devoted to the Ministry of Interior in the Czech Republic. The CoG (the Office of the Government) has a limited role in steering and promoting the strategy. This strategy will be further examined in Chapter 2.

Key priorities of the PAR are broadly aligned with public administration reforms in OECD countries and cover topics such as citizen engagement, digitalisation and civil service. Many of these priorities follow the Strategy 2030 of the Czech Republic on good governance, underlining the consistency across the two documents. While the PAR was prepared before the COVID-19 crisis, most of these priorities appear to remain valid in the present recovery context as global governance priorities have further emerged on embracing the digital transition, increasing citizen engagement and reinforcing democracies. The importance given to enhancing governance arrangements and making them more efficient, including the revision of the Competency Law and local and inter-municipal co-operation, is a distinctive feature of the PAR.

A new government was appointed following Parliament elections in October 2021 and issued a Policy Statement of the government that was approved in January 2022. The Policy Statement of the government covers several areas of public governance but does not refer directly to the PAR, nor it includes all its key priorities (Table 1) (Government of the Czech Republic, 2022^[29]; Ministry of Interior of the Czech Republic, 2019^[3]). The Policy Statement calls for a “smart, efficient and economical (cost-effective)” state and puts an important emphasis on public finance; the digitalisation of government; and a modern, citizen-centric, data-driven and skilled administration. The PAR and the Policy Statement recognise the importance of maintaining the joint model of public administration and increasing vertical co-operation. Improving the governance of the government digitalisation and accelerating the digitalisation of services is also a shared priority. The user-centric priority of the Policy Statement is in line with the keys driver of the PAR, i.e. developing a user-centric administration, and both call for modernising the administration. This includes, for instance, enhancing the access, delivery and monitoring of public services, as well as improving communication with citizens.

Table 1. The Client-Oriented Public Administration 2030 and the Policy Statement of the government

Public administration reform strategy 2030		Policy Statement of the government (2022)	
Strategic objectives	Key reforms	Key priorities	Selected key measures
Accessible and quality public services	<ul style="list-style-type: none"> Improve the quality of public services Ensure optimal availability of services 	<ul style="list-style-type: none"> Modern public administration: the public administration must be available both in the territory and through digital services Digitalisation 	<ul style="list-style-type: none"> Implement the catalogue of public administration services and the plan for their gradual digitalisation Ensure that public administration portals follow a user-friendly uniform standard Digitalise services mentioned across sectors (health, education, etc.)
Efficient public administration	<ul style="list-style-type: none"> Strengthen the public administration's management and co-ordination mechanisms, particularly by means of a new Competence Law Improve the legal environment Streamline control mechanisms in the management of public funds Streamline co-operation between municipalities Create an environment that supports innovation and develops artificial intelligence and automation 	<ul style="list-style-type: none"> Modern public administration Digitalisation: unification and digitalisation of state processes to make the state work effectively through modern technologies Regional and local development 	<ul style="list-style-type: none"> Maintain a joint model of public administration Through the government's Regional Policy Committee, ensure effective co-ordination across all ministries and improve government co-operation with regions and municipalities Unify and co-ordinate inspection bodies' activities and reduce the control-related burden on municipalities and regions Strengthen functional co-operation at the level of metropolitan areas Improve the functioning of small municipalities and improve inter-municipal co-operation
Efficient public administration institutions	<ul style="list-style-type: none"> Better use of evidence-based policy- and decision-making process Better use of systemic approaches to quality management and further improve quality management Improve the application of the principles of sustainable development Emphasise the importance and increase the quality of the implementation of strategic management Unify the quality of project management processes across the state administration 	<ul style="list-style-type: none"> Modern public administration 	<ul style="list-style-type: none"> Introduce measurements of the performance and efficiency of state (public) services using benchmarking similar to that of private companies Include a strong central authority with the necessary competence in the field of ICT Accelerate the open data process and the updating of open data of all public administration offices
Competent human resources	<ul style="list-style-type: none"> Improve the knowledge and skills of elected representatives of self-governing units Improve the knowledge and skills of local government officials Enhance the quality of training in the state administration 	<ul style="list-style-type: none"> Modern public administration Digitalisation 	<ul style="list-style-type: none"> Reduce the number of civil service positions Amend the Civil Service Act Increase the expertise and personnel capacities of central offices for the implementation of transforming digital process
Informed and engaged citizens	<ul style="list-style-type: none"> Improve the public administration's communication with the public Raise awareness of the possibilities for citizen participation in public events; facilitate these opportunities 	<ul style="list-style-type: none"> Digitalisation Public finances Health 	<ul style="list-style-type: none"> Support a pro-client approach of the Financial Administration Create a generally respected and understandable expert authority that will formulate expert opinions (on health) Create a mobile application for the Citizen's Portal which will gradually simplify communication with the state Accelerate the open data process and the updating of open data at all public administration offices

Source: Author's analysis based on Ministry of Interior of the Czech Republic (2019^[33]) and Government of the Czech Republic (2022^[29]).

However, the Policy Statement and the PAR adopt different approaches for making the administration more efficient and engaging citizens. The Policy Statement includes measures on systematisation, which aimed to “reduce the number of civil service positions” (Government of the Czech Republic, 2022^[30]). The PAR focuses on improving the effectiveness of the administration by improving services, skills, processes and digitalisation. Like the PAR, the Policy Statement aims to amend the Civil Service Act to make the civil service more efficient but focuses on opening up civil services and revising pay grades rather than increasing internal capabilities, skills and training, as the PAR does. The PAR also considers improving the functioning of public institutions and the overall governance system as a way to make institutions more efficient, including by reforming the Competency Act, and increasing citizen engagement as top priorities, whereas they are barely covered, if at all, in the Policy Statement beyond the digitalisation angle. While both documents promote a more citizen-centric approach, the Policy Statement suggests introducing different tools and institutions to communicate with citizens but does not foresee increased citizen engagement in service design or policymaking, contrary to the PAR. A systematic approach to promoting citizen engagement is generally lacking in the Czech Republic, as Chapter 1 notes.

The limited connection between the Policy Statement and the PAR might also indicate a lack of political momentum for the PAR and wider public administration reform. The Council for Public Administration and the Ministry of Interior are in charge of such a reform agenda; however, they have had limited influence so far for bringing these topics to the government reform agenda beyond civil service reforms. In particular, the Council for Public Administration has not taken decisions or issued key, high-level statements on major public administration reform measures based on the PAR. This could have been useful to steer and support its implementation across the administration and encourage the new government and the CoG to endorse the PAR and its key measures.

The government has started to implement a number of governance reforms since the beginning of its mandate in line with its Policy Statement, notably on preparing and submitting amendments to the Civil Service Act, and creating a Deputy Minister for Digitalisation in the Government Office to co-ordinate the digitalisation agenda. It is also conducting governance arrangement reforms that were not explicitly included in the Policy Statement, for instance through the creation of new entities in the Office of Government, including strategic and analytical units. These latter reform efforts could help increase the strategic capabilities of the CoG and its steering role on horizontal topics. These evolutions will be examined in Chapter 2.

Public sector effectiveness

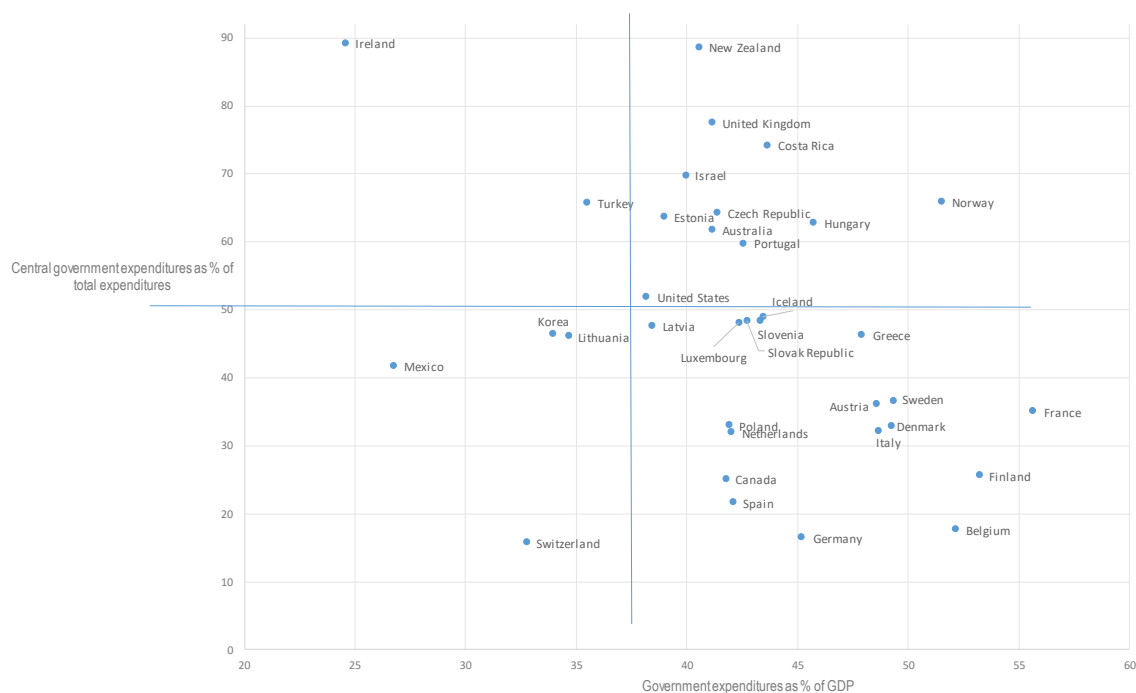
Increasing the effectiveness of the public administration has been a key objective of the Czech government and is mentioned in all key strategic documents, including Czech Republic 2030, the PAR and the Policy Statement. The Policy Statement aims to develop an “efficient, modern and professional public administration” and make “the state more effective through modern technologies”. The PAR’s main priority is making the public administration client-oriented; its strategic objectives include “efficient system of public administration” and “efficient public administration system”. This section provides insights into the overall effectiveness of the public administration in the Czech Republic looking at five key dimensions: 1) productivity; 2) responsiveness; 3) agility; 4) inclusiveness; and 5) resilience.

Productivity: The size of the Czech Republic’s public sector stands below the OECD and EU averages both on general government expenditure and employment

As measured by the level of general government expenditure and employment, the size of the Czech public administration appears relatively moderate, below EU-OECD averages² and within the lowest range of EU member states.

General government expenditure in the Czech Republic has markedly increased, from 41.4% of GDP in 2019 to 47.2% in 2020, to mitigate the effects of COVID-19 (Ministry of Finance of the Czech Republic, 2021^[18]; OECD, 2021^[7]). The pre-crisis level of expenditure was slightly above the OECD average of 40.8% of GDP in 2019 and significantly below the EU-OECD average of 46.6%. The increase during COVID-19 also remains below the average increase in EU-OECD member countries that averaged 7 percentage points of GDP between 2019 and 2020. General government expenditure per capita also remains below the OECD and EU-OECD averages (OECD, 2021^[7]). This puts the Czech Republic among the lowest share of expenditure in the EU with relatively low levels of spending. At 65% of total expenditures, the level of central government expenditures in the Czech Republic positions it in the group of countries where government is relatively centralised and is markedly above the OECD average of 41.3% (Figure 1) (OECD, 2021^[7]). Local expenditures in the Czech Republic are less than the OECD average for state and local governments, which represent 38.8% of total expenditures and the EU-OECD average at 30.8% (with the remainder spent on social security funds). This can be explained by low subnational government investment at 42.3% of total public investment in 2020, below the OECD and EU averages (54.6% and 54.4% respectively in 2020). Despite its joint governance model, expenditures appear to remain rather centralised in the Czech Republic. The funds provided by the EU RRP will also support higher levels of expenditure in the years to come.

Figure 1. Size of government and level of government expenditure



Note: The blue lines represent the OECD average.

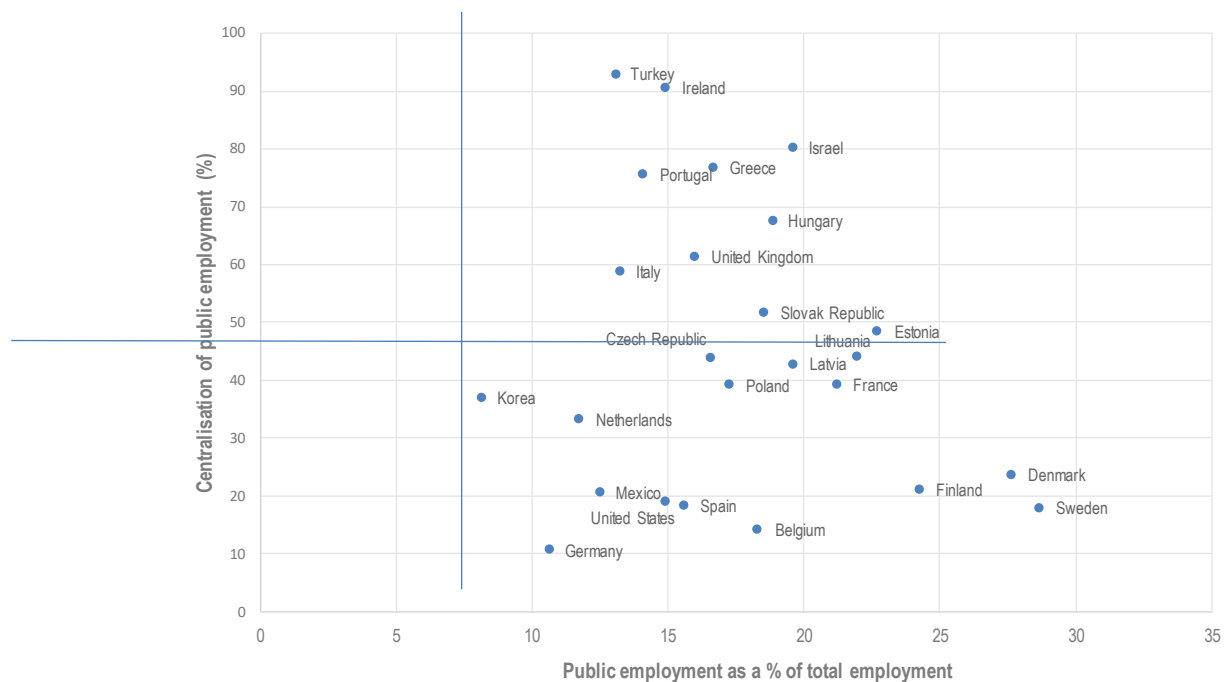
Source: Authors based on OECD (2021^[7]).

General government employment in the Czech Republic is significantly lower than the average OECD country, 16.57% of total employment versus 17.91% (OECD, 2021^[7]). EU data also show that the share of government employees in the Czech Republic is in line with the EU average and has been stable over the past 20 years. This share is lower or equivalent to that of its neighbouring countries, including Hungary (18.86%), the Slovak Republic (18.52%), Poland (17.25%) and Austria (16.67%) (Eurostat, 2020^[31]; OECD, 2021^[7]). Employment in the public administration is rather decentralised, with 55% of employees

working at the local level, which is in line with the OECD average. (OECD, 2021^[7]). This can be explained by the high number of municipalities in the country that employ staff and deliver public services. However, the average number of employees per government unit remains very small with lower salary levels for smaller municipalities (see Chapter 4). In terms of public employment structure, this positions the Czech Republic close to Poland or the Slovak Republic but quite far from decentralised states like Sweden, Norway or Denmark or very centralised ones like Ireland and some Mediterranean countries (Greece and Portugal) (Figure 2).

Production costs of goods and services by the government reached 24.9% of GDP in 2020, below the OECD-EU average of 25.7%, with compensation for employees representing around 45% of total production costs, slightly above the OECD-EU average (42.6%) (OECD, 2021^[7]). They have increased during the COVID-19 crisis to handle the increased challenges of service delivery and decreased to 24.6% of GDP in 2021, still below the EU-OECD average (25.12%). Production costs were stable in the Czech Republic in the decade before the crisis, with an average of 22.7% of GDP, below the EU-OECD average of 24.1% (OECD, 2022^[32]). General government outsourcing is less commonly used in the Czech Republic than the OECD-EU average, especially the outsourcing of goods and services directly provided to citizens, despite an increase in 2020.

Figure 2. Scope of government and public employment



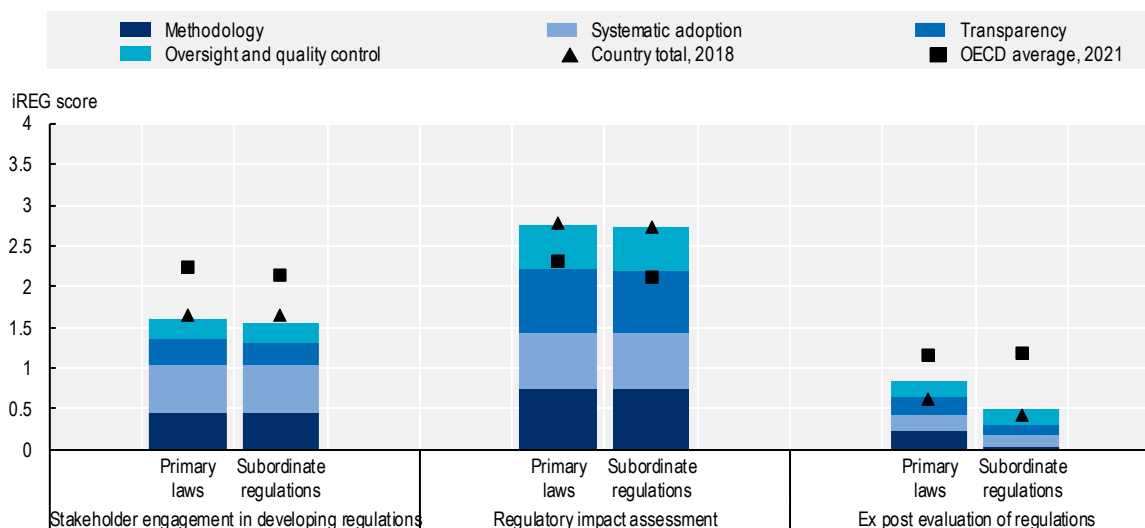
Note: Blue lines represent the OECD average.

Source: Authors based on OECD (2021^[7]).

Regulatory effectiveness can support more productive and efficient public administrations through the use of robust, transparent and evidence-based laws, regulations and other legal instruments. In particular, the design, enforcement and revision of regulations are crucial to providing essential services, fostering innovation, and supporting transparency and trust (OECD, 2021^[33]). The COVID-19 crisis has underlined the need for emergency regulations and the instrumental role regulations play in the lives of citizens. The Czech Republic lags behind the OECD average on stakeholder engagement in developing regulations and *ex post* evaluation (Figure 3). While the formal process for RIAs is well designed *de jure*, the *de facto*

implementation still suffers from some deficiencies. According to the evaluation carried out by independent think tanks (e.g. *České priority*), RIA is often not carried out due to many exemptions, many RIAs are done only formally or are of low quality, and the regulatory oversight body (RIA Board) has only very limited influence over the quality of RIAs.

Figure 3. Indicators of Regulatory Policy and Governance (iREG): Czech Republic, 2021



Notes: The more regulatory practices, as advocated in the OECD Recommendation of the Council on Regulatory Policy and Governance, a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and regulatory impact assessment for primary laws only cover those initiated by the executive (45% of all primary laws in the Czech Republic).

Source: Indicators of Regulatory Policy and Governance Surveys 2017 and 2021, <http://oe.cd/ireg>.

There is an overall lack of analytical capacities for evidence-based policy and regulation making in the administration. Monitoring and evaluation are carried out for most strategies and policies, including very often annual reports and discussions through dedicated working groups; however, results are rarely used to influence future documents or adjust actions. Evaluation of the effectiveness and efficiency of existing regulations usually takes place on an *ad hoc* basis and is used rather rarely. The Czech Republic has published guidelines on *ex post* evaluation for officials, though they are still considered voluntary, but should be made more systematic in the future (OECD, 2021^[33]). Strengthening processes and capacities for evidence-based regulation making, including RIA and reviews of existing regulations, is one of the new government's priorities. Establishing a government analytical unit focusing on RIA could support the development of government capabilities in this regard and will be discussed in Chapter 3.

Responsiveness: Satisfaction with public services is in line with OECD averages, but shortcomings remain in citizen-centricity, quality and access across the country

The responsiveness of public services to users' needs is a critical dimension of public sector effectiveness and a user-centric public administration. This also involves engaging citizens in the design of services to ensure that the services correspond to their needs.

Czech citizens expressed general satisfaction with the delivery of key public services before COVID-19. The Gallup World Poll indicates that more than 81% of citizens reported that they were satisfied with the police, 75% with health and 71% with education, which are all above the OECD averages (OECD, 2021^[7]). Regarding the judiciary, the 2021 local poll conducted by the Public Opinion Research Centre on citizens'

trust in selected public institutions shows that 62% of citizens trust courts, a trend that has been increasing recently (Public Opinion Research Centre, 2021^[34]).

Citizens' overall satisfaction with public services appears to match Czech citizens' relatively good access to those services at the national level (education, health, justice) (OECD, 2021^[7]). As far as health is concerned, out-of-pocket payments as a share of total health spending were, for instance, low at 15% in the Czech Republic and below the OECD average of 20% as well as less than that of its neighbours (Austria, Hungary, the Slovak Republic) in 2018. Fewer people did not see their healthcare needs taken care of since the start of the pandemic than the average of OECD-EU countries. Education is also relatively easier to access than in the average OECD country. Enrolment rates at age 3 and 4 in early childhood and pre-primary education in the Czech Republic are in line with the OECD average, and the share of private expenditure on education after transfers as a share of total spending on education is also higher than the OECD average at all three education levels (primary, secondary and tertiary). People can access and afford civil justice in the same proportions as in the average OECD country and countries like France and Poland (OECD, 2021^[7]).

However, the effectiveness of the Czech administration in serving citizens seems to vary depending on the service, according to the OECD Serving Citizens Framework, though more detailed assessments are required (OECD, 2021^[7]). The quality and responsiveness of services remain moderate, particularly in health and education. The Czech Republic ranks in the bottom half of OECD countries on most available indicators on the quality and responsiveness of healthcare services. For instance, the country ranks 26th for diabetes hospitalisation and 28th for 30-day mortality following hospitalisation due to a stroke (OECD, 2021^[35]). Regarding education, the 2018 OECD Programme for International Student Assessment (PISA) ranks the Czech Republic slightly above the OECD average in mathematics and science and around the average in reading, but several issues related to equality and performance remained. Important variations were observed between advantaged and disadvantaged students in reading and, to a lesser extent, in mathematics and science; the trend in performance has been fluctuating in mathematics and declining sharply in science over the past decade. In addition, school principals in the Czech Republic reported higher staff and material shortages than the OECD average (OECD, 2018^[36]). Against this background, the Ministry of Education, Youth and Sports reports that the number of teachers has considerably increased by 15%, along with their salaries (+50%) in the past five years (Ministry of Education, Youth and Sports of the Czech Republic, 2020^[37]).

Regions and municipalities in the Czech Republic have wide-ranging responsibilities in service delivery, such as education, health, utilities, social protection and economic affairs. Discrepancies in the capacity and resources to deliver services can be observed across regions and municipalities, pointing to potential gaps and differences in the level and quality of service delivery (OECD, 2020^[5]). Significant gaps in funding the same education activities across regions have been observed as well as concerns about the lack of resources and efficiency of smaller schools (OECD, 2021^[35]). Health resources also differ considerably across regions, with better-endowed regions (excluding Prague) recording 50% more hospital beds and active physicians per capita than least-endowed regions. Accessibility to services has, for instance, been reported to be lower in the northern part of the country compared to the centre and other regions of the country (OECD, 2021^[38]). The country appears to lack indicators to further assess and monitor regional and municipal disparities in service delivery (OECD, 2020^[5]).

While citizens' satisfaction with these key public services is high, their satisfaction with administrative services, especially at the local and municipal level, was measured by the Czech administration during the COVID-19 pandemic and was reportedly significantly lower, with less than 15% of citizens satisfied with services provided by local offices (Ministry of Interior and European Union, 2020^[39]). As part of a survey on the "Satisfaction with the state of selected areas of public life", only 30% of citizens expressed their satisfaction with the functioning of public authorities. While these results are certainly influenced by the COVID-19 challenges for the administration to deliver services to citizens, they also call for improvements

in the design and delivery of administrative services and the overall interaction between citizens and the public administration. Citizen participation will be further examined in Chapter 1.

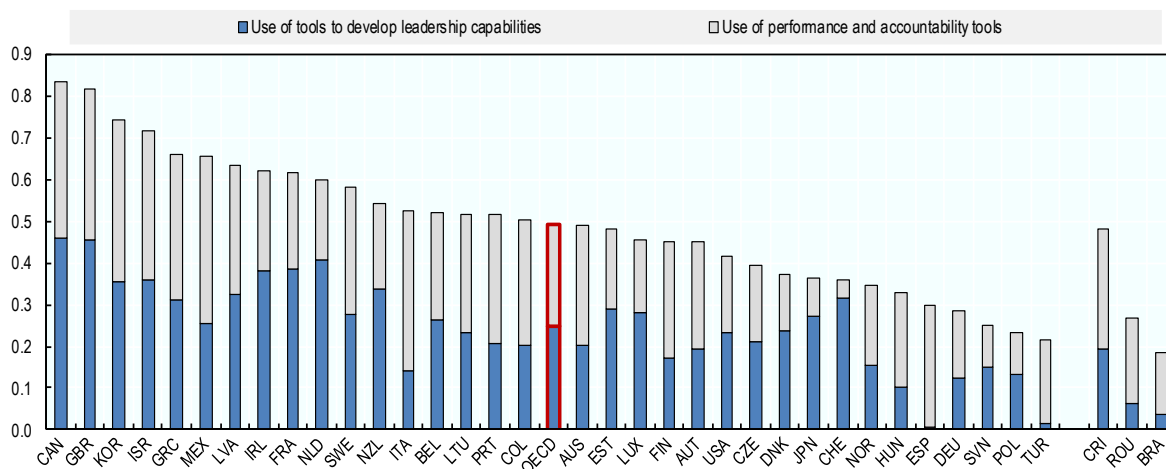
Agility: The Czech Republic has developed co-ordination mechanisms to address horizontal priorities, but their structure relies heavily on the Competency Law, creating rigidities

The Competency Law defines the mandate and competencies of the different government entities, thus creating a stable and shared framework for the administration. The role of the centre of government, represented by the Office of Government, is, however, vaguely defined and does not necessarily empower the Office of the Government to carry out key functions on strategic co-ordination and planning for the whole-of-government, leaving the capacity to further define and enforce its role to incumbent governments. In this context, the proliferation of cross-cutting topics for governments over the past decades – climate, inequalities, energy – have called for increased agility in the government’s capabilities to navigate and respond to them in an effective and co-ordinated manner. While in many OECD countries CoGs are taking a leading role in steering and co-ordinating horizontal initiatives thanks to their central location and convening power, this has not been the case recently in the Czech Republic, with the Office of the Government experiencing a decreasing co-ordination role. In addition, the legislative and political difficulty to revise and amend the Competency Law on horizontal, strategic and co-ordination functions, particularly related to the Office of the Government’s role, has created rigidities in the government’s capacity to address new challenges and revise the scope of ministries’ activities and mandates to make them more effective and aligned with the incumbent government’s objectives. This tends to limit the government’s capacity to implement appropriate organisational changes to identify and tackle emerging challenges and trends. Plans to amend the Competency Law have been included in the PAR but have not been translated into action at this stage. This challenge will be further discussed in Chapter 2.

Flexibility to co-ordinate and address horizontal topics has been introduced in the public governance system with the development of interministerial advisory and working bodies that bring together ministries and other players on cross-cutting issues. The role of these councils varies considerably, however, depending on their location under the Office of the Government or under line ministries. The lack of convening power or capabilities of some of these councils, or their insufficient integration into decision-making processes, make the whole-of government work and alignment on horizontal topics more difficult. This topic will be analysed in more detail in Chapter 2.

The capacity, drive and quality of senior leadership is essential to adapting governance structures, organisation and measures in the face of new challenges and crises. The Czech Republic ranks in the bottom third of OECD countries in the management of its senior civil servants as measured by the OECD Index on Managing the Senior Level Public Service (Figure 4). The country seems to lack tools to recruit and identify senior-level civil servants compared to other categories of civil servants, and to manage and reward their performance. The management of senior civil servants will be examined in Chapter 6.

Figure 4. OECD pilot index: Managing the senior level public service, 2020



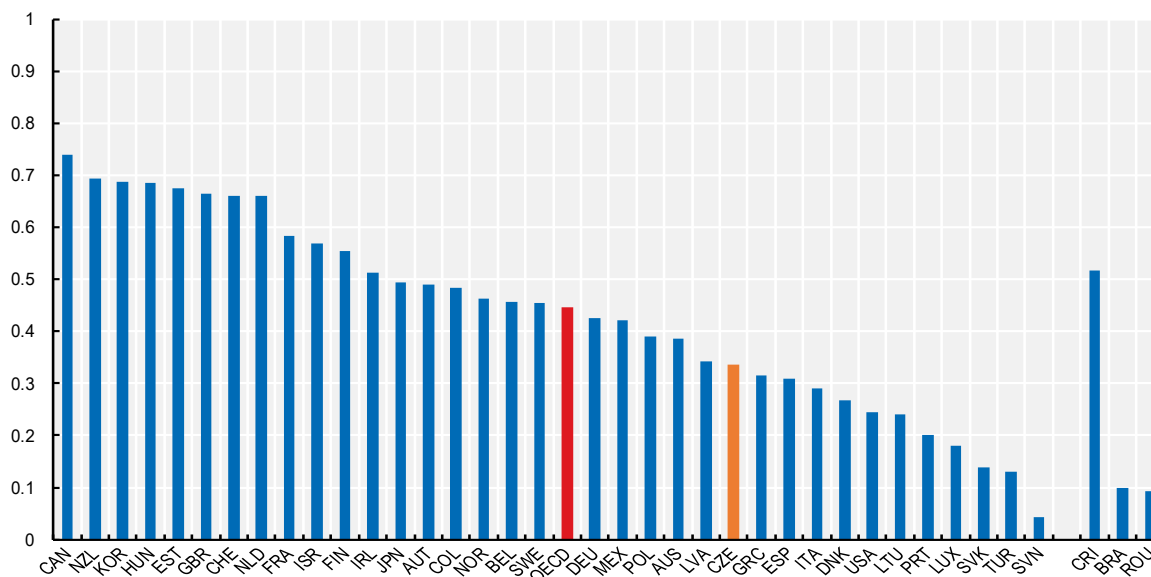
Source: OECD (2021^[7]).

The development of human capital in the Czech central administration, particularly at senior leadership level, is a key area of focus for the Czech public service underlined in the Policy Statement, the PAR and other key strategic documents. This focus aligns with other public administrations in the OECD, where efforts are underway to attract and develop a skilled workforce to design and deliver policies and services for citizens. The OECD Recommendation on Public Service Leadership and Capability (OECD, 2019^[40]) provides a normative framework in this regard. The Czech Republic adhered to this Recommendation in 2019.

In 2014, the Czech Republic adopted the Civil Service Act, which was further amended, notably in 2017, 2019 and 2022. The Civil Service Act covers the basic principles and values of the administration. It regulates the professionalisation, performance, training and recruitment of civil servants as well as the organisation of the central administration (service offices). It applies to officials in the service offices. In interviews, stakeholders underlined the act's positive effects on the professionalisation of the civil service while pointing out the need to further improve it to make the functioning of the administration more effective and safeguard its neutrality. A separate act regulates employees of municipalities and regions, the Act on Officials of Territorial Self-governing Unit (Ministry of Interior of the Czech Republic and European Union, 2018^[2]).

One of the key questions for the Czech administration is whether the principles of the Civil Service Act in recruitment and learning and development are appropriate for current and future challenges. Across the OECD, COVID-19 and trends such as digitalisation have altered the nature of civil servants' work. The public service of the future will need to attract, retain and develop talent that can respond quickly to fast-changing circumstances (OECD, 2021^[41]). This is particularly important for the Czech Republic's public service, which is faced with a tight labour market. A tight labour market indicates a particular need for the public administration to position itself as an "employer of choice" and recruit effectively, particularly for in-demand skills where it may face specific challenges in attracting and retaining candidates. The Czech Republic currently stands below the OECD average for its effectiveness of recruitment systems for public servants (Figure 5).

Figure 5. Pilot index: Use of proactive recruitment practices in the Czech Republic and OECD countries, 2020



Note: Data for Chile and Iceland are not available.

Sources: OECD (2021^[7]; 2020^[42]).

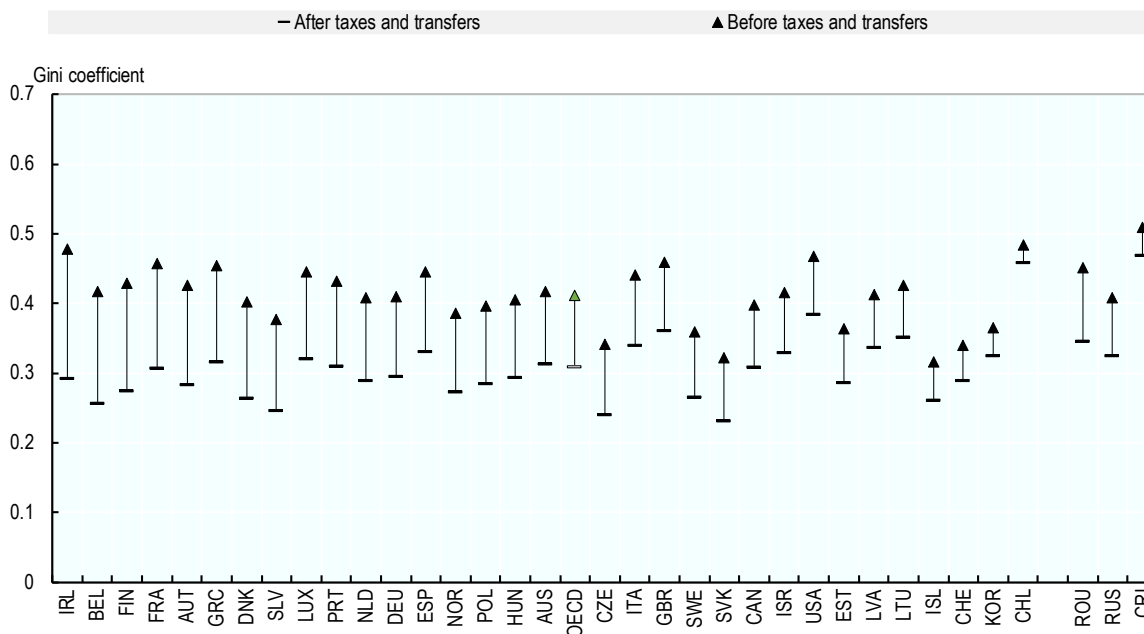
The government has integrated measures to amend the Civil Service Act in its Policy Statement to make the civil service more efficient, open and competent, including by “admitting candidates from outside the civil service even in the first rounds of selection procedures for senior positions” (Government of the Czech Republic, 2022^[29]). A crucial amendment No 384/2022 to the Civil Service Act came into force on 1st January 2023, with the stated objective of increasing the effectiveness and the neutrality of the civil service. This amendment aims to simplify the procedure for hiring senior professionals and open the competition for such positions, set time limits on their mandates with the possibility of renewing them, and establish senior directors instead of deputy ministers as chief civil servants. These issues will be further examined in Chapter 6.

Inclusiveness: Inequalities remain low in the country, but progress can be encouraged to make the public administration more inclusive

The Czech Republic has the second-lowest level of income inequality in the OECD. Its Gini coefficient decreased from 0.34 before taxes and transfers to 0.24 after (Figure 6) (OECD, 2021^[7]). It also performs well in many areas of the OECD Well-Being Index, particularly on jobs, education and skills, and personal security, but scores below average in housing and income as well as citizen participation for developing regulations (OECD, 2021^[43]). The poverty rate in the Czech Republic is one of the lowest across the OECD at 6.1% of the population in 2018, compared to 11.2% in the OECD, but has been rising from 5.2% in 2012 (OECD, 2021^[7]).

Figure 6. Gini coefficient in OECD countries

Differences in household income inequality among the working-age population pre- and post-tax and government transfers, 2018

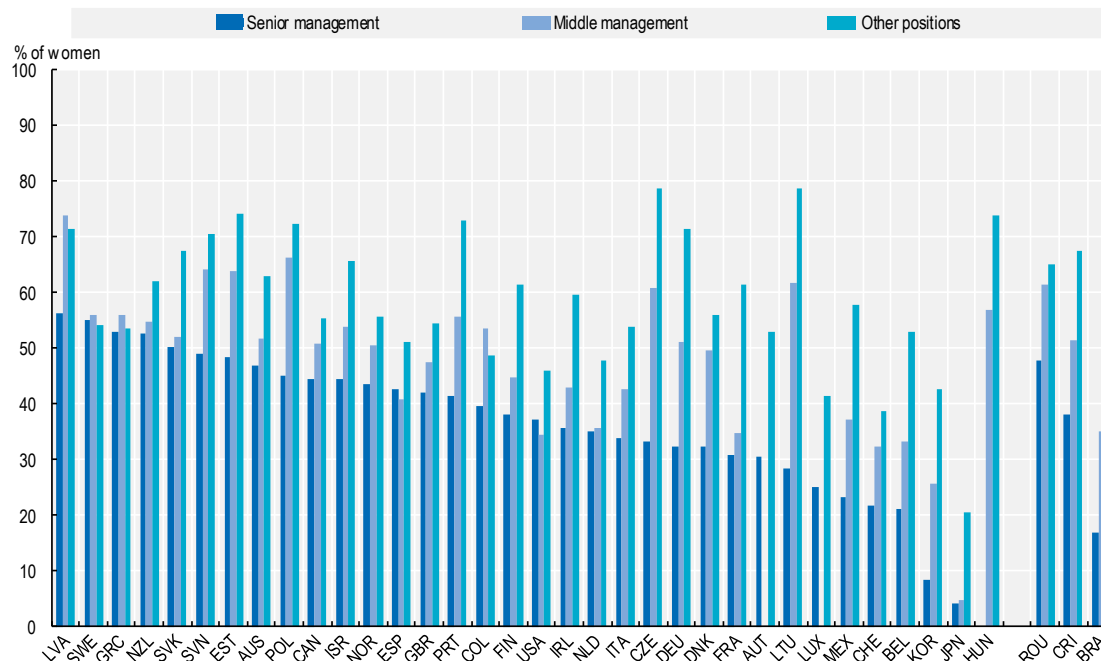


Source: OECD (2021^[77]).

Important regional differences remain, along with a highly fragmented territorial administration. The Czech Republic has the lowest average size of municipalities in the OECD, resulting notably in co-operation challenges and discrepancies in capacities and resources to invest and deliver services across regions and municipalities (OECD, 2020^[5]). While all regions scored well on education, jobs and security, the country has significant regional disparities in access to services, jobs, civic engagement and community according to the OECD Regional Well-being Index (OECD, 2021^[38]). Disparities also remain in life expectancy and the quality, efficiency and resources available for health and education services. However, the Czech Republic lacks precise indicators to assess the cost and quality of public service delivery across municipalities and regions (OECD, 2020^[5]). The government has been facilitating the creation of “centres of intercommunal services” to encourage municipal collaboration (European Commission, 2020^[25]).

Like most OECD countries, the Czech Republic is less inclusive when it comes to the representation of women in senior positions and youth in general in the public administration and political life. There is a high proportion of women in the public administration in the Czech Republic, and women represent more than 60% of middle management but less than 35% of senior management (Figure 7). Civil servants aged 18-34 only represent around 16% of total civil servants in the central government compared to 19% on average in OECD countries. Gender equality in parliament was quite low over the last three legislatures at 20-23% of MPs, at least five points below the OECD average. The same trend stands for young MPs, who only accounted for 17% of total MPs in 2021, compared to 22% in OECD countries.

Figure 7. Gender equality by position in central governments, 2020



Source: OECD (2021^[77]).

Resilience: The public administration has built capabilities and processes to address the crises, but the recent crises point to implementation challenges

The Czech public administration has demonstrated resilience and stability during the COVID-19 crisis by ensuring continuity in delivering public services to citizens and in its functioning. It has adapted its support to firms and citizens through a wide range of fiscal, health and social policies and services in a challenging context to weather the effects of the COVID-19 pandemic.

The Czech Republic has established a robust crisis management framework based on regulations, institutions and plans such as the Act on Crisis Management. In particular, the *Crisis Central Staff*, the key intergovernmental advisory and co-ordination body in the event of a crisis, was rapidly activated for the COVID-19 crisis. The Ministry of Interior plays a key role in crisis management as its Department of National Security and Crisis Management is co-ordinating the crisis preparations efforts of the entire administration during normal times and supports the *Crisis Central Staff* during a crisis by playing the role of Secretariat and chairmanship, depending on the nature of the crisis. However, the management of the COVID-19 crisis has shown that governance implementation challenges remain. During the COVID-19 crisis, the government has created parallel bodies with competing roles with the *Crisis Central Staff*, leading to confusion and inconsistencies while undermining the role of the *Crisis Central Staff*. The new crisis linked to the war on Ukraine is further testing the resilience of the crisis management system and the public administration to new shocks. The crisis management system will be further examined in Chapter 7.

While the Czech administration has long-term strategic plans with the Czech Strategy 2030 allowing for forward-looking policymaking, it appears to lack foresight capabilities to best prepare for future scenarios and anticipate future megatrends and shocks. In the Czech Republic, neither the CoG nor a single government body is tasked with strategic foresight (European Commission, 2020^[25]). The COVID-19

pandemic has shown the need for governments to adopt a systematic approach to embedding foresight in policymaking in the ongoing broader context of high uncertainty and rapid change (OECD, 2020^[44]).

Overall, the effectiveness of the public administration in the Czech Republic could be increased by making the public governance system more agile, collaborative and resilient in the face of shocks; by revising the civil service management and recruitment system, especially for senior civil servants; and by improving the functioning and co-operation of central and local government levels, including in service delivery. Enhancing the effectiveness and the citizen-centricity of the public sector are key objectives of the PAR, which covers most of these reform priorities and provides a reform for administration reform towards achieving these goals. Making the public administration more user-centric is also a horizontal driver for reform to make the administration closer to the needs of and more responsive to citizens and ultimately to increase trust in government.

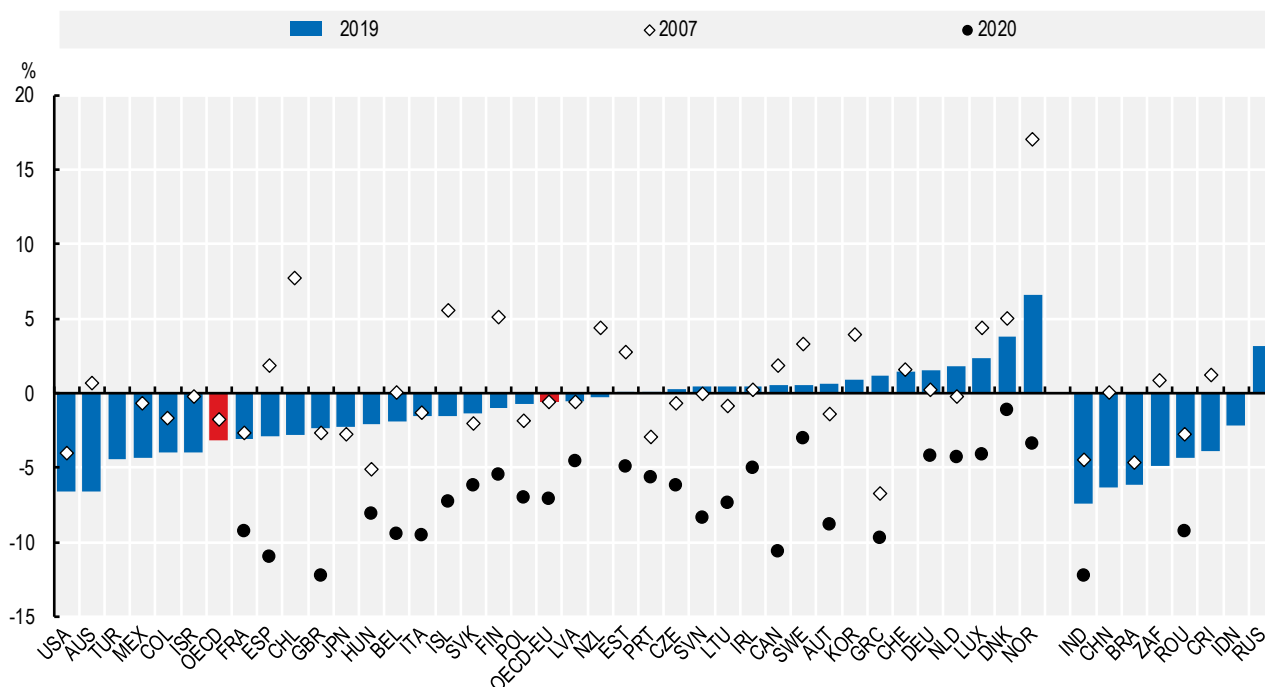
Spending

The Czech Republic had a low pre-crisis deficit and debt compared to OECD countries

The Czech Republic was one of the few OECD countries to have a positive fiscal balance before the crisis, registering a fiscal surplus of +0.3% (Figure 8). Pre-crisis government expenditures at 41.4% of GDP were slightly above the OECD average (40.8%) but significantly below the OECD-EU average (46.6%). The most important expenditure areas were related to social protection (12.6% of GDP), health (7.6%), economic affairs (6.1%) and education (4.9%), all slightly below OECD averages compared to GDP, with the exception of economic affairs, where it spends more. The government was also spending 4.4% on general public services, which includes notably the functioning of the central executive and legislative bodies and transfers between levels of government. This is comparatively lower than the OECD average of 5.4% and that of its neighbouring countries, with the exception of Poland (OECD, 2021^[7]).

Debt was also moderate at 37.7% of GDP, markedly below regional neighbours, with Austria at 88.9%, Hungary at 83.5%, Poland at 63.5% and the Slovak Republic at 63.1%, as well as the OECD (109.2%) and OECD-EU (97.4%) averages (OECD, 2021^[7]).³

Figure 8. General government fiscal balance as a percentage of GDP, 2007, 2019 and 2020



Source: OECD (2021^[7]).

The government has used its fiscal space to support the economy during the COVID-19 crisis

Like in all OECD countries, Czech public finances have deteriorated with the crisis. The fiscal balance has evolved from a slight surplus in 2019 to a large deficit of 5.8% of GDP in 2020. The fiscal deficit stood at 6.1% of GDP in 2021, better than the expected -7.2%, but will remain large in 2022 before further declining to -3.5% by 2025 (Economist Intelligence Unit, 2021^[45]; OECD, 2021^[7]; 2020^[5]). While COVID-19 has negatively affected the fiscal balance, the Czech Republic kept a positive structural primary surplus in 2020 at +0.4%. Before the crisis, the Czech Republic was already one of the few countries in the EU recording a positive fiscal primary surplus at +0.8% of GDP in 2018. In its Policy Statement on 6 January 2022, the government expressed its commitment to continue reducing budget deficits while also stating that it will not increase the tax burden of the economy (Government of the Czech Republic, 2022^[30]).

Expenditures have significantly increased, from 41.4% of GDP in 2019 to 47.5% in 2020, particularly in health, social protection and economic affairs, to address the effects of the COVID-19 crisis (OECD, 2021^[7]). Expenditures further increased in 2021 due to the continuation of COVID-19 programmes and related expenditures (OECD, 2023^[4]). The Czech Republic still remains at the lower end of EU countries when it comes to public expenditures, but it had to amend its new fiscal framework regarding expenditure rules (OECD, 2020^[5]). In the longer term, as highlighted by the recent OECD Economy Survey, the Czech Republic will need to improve its fiscal sustainability, especially due to the ageing of the population and the related expected increase in pension expenditures (Economist Intelligence Unit, 2021^[45]; OECD, 2020^[5]; OECD, 2023^[4]). Public debt has been contained throughout the crisis, despite rising to 47% of GDP in 2020⁴ (OECD, 2019^[46]; 2021^[35]; Economist Intelligence Unit, 2021^[45]).

The trajectory of public finances and expenditures are affected by the war on Ukraine

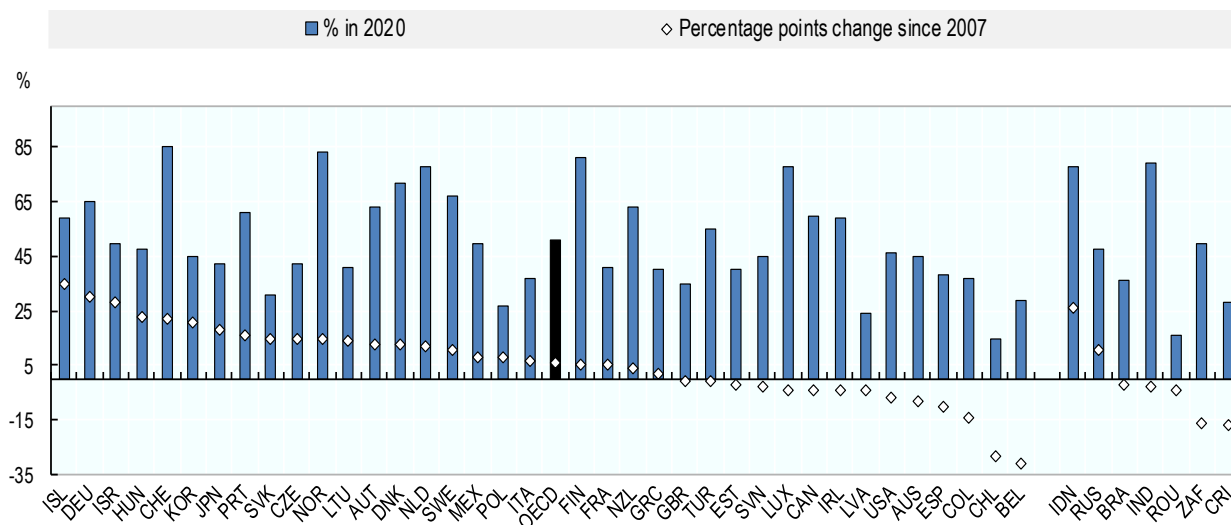
The war in Ukraine will slow down the Czech Republic's recovery and its return to pre-crisis fiscal balances (OECD, 2023^[4]). General government expenditures will continue to increase due to social transfers, the support for citizens and firms to fight inflationary pressures, and the response to the humanitarian crisis in the context of continuous support needed for the recovery from the COVID-19 pandemic. The general government balance will remain negative in 2022 at an expected -4.5% of GDP and at -4.1% in 2023. General government debt to GDP ratio is expected to reach 45.2% in 2022 and further grow to close to 50% of GDP in 2024⁵ (Ministry of Finance of the Czech Republic, 2022^[47]). These trends echo the economic situation in OECD countries due to the Russian invasion of Ukraine. Additional fiscal support is being provided to help cushion the impact of high energy costs on households and companies, which will further increase public debt across the OECD (OECD, 2022^[48]).

This trajectory challenges the country's fiscal sustainability as underlined by the recent OECD Economic Survey of the Czech Republic (OECD, 2023^[4]). Recent expansionary expenditures have deepened the public deficit and debt. In the longer term, the ageing of the population and the evolution of the old-age dependency ratio are expected to negatively impact public finances. Future increases in pension, health and long-term care spending will challenge the fiscal sustainability of the country and call for reforms in these areas (OECD, 2020^[5]).

Citizens' engagement and trust

Reinforcing citizens' trust appears to be a central challenge for the Czech administration. Trust in government and in the civil service stands significantly below the OECD average, with only four citizens out of ten trusting the government and one-third of them trusting the civil service, compared to an average of half of citizens trusting each institution in OECD countries according to the Gallup World Poll (Figure 9). Trust in parliament is even more subdued, with 14% of citizens trusting the parliament (OECD, 2021^[35]). Trust in government has deteriorated during the COVID-19 crisis, showing little "rallying around the flag" effect, according to Eurofound data (Eurofound, 2020^[49]; OECD, 2021^[7]). The recent OECD Trust Survey, to which the Czech Republic did not respond, further investigates the issue of trust in government and explores drivers of trust in a number of OECD countries. It underlined that, on average, four out of ten people trust their national government, while four out of ten do not. Key concerns that undermine trust in government include government lack of responsiveness to citizen feedback and concerns, including on climate change and the quality of service delivery, few opportunities for people to participate in decision-making, and low perceptions of public integrity (OECD, 2022^[22]).

Figure 9. Confidence in national government in 2020 and its change since 2007



Sources: OECD (2021^[7]); (Gallup, 2020^[50]).

Citizen engagement in public life is a cornerstone of a healthy democratic system. Further involving citizens in policy and regulation making and the design of services can increase satisfaction with the public administration and the overall public governance system.

Levels of citizen engagement could be further increased in the Czech Republic as evidenced by international indicators. Forty-four per cent of citizens believed that they had a say in what the government does before the crisis, above the OECD average of 40%, but indicating that citizen participation still remained subdued, particularly with the lack of citizen consultation processes conducted on line or by the centre of government (OECD, 2021^[35]). Less than 25% of citizens were satisfied with the possibility of participating in decision-making according to the local survey “Satisfaction with selected areas of public life” (Ministry of Interior and European Union, 2020^[39]). The country also ranks low at 65th in the United Nation’s e-participation Index. While stakeholder engagement is crucial in regulation making, stakeholder engagement in the preparation of primary laws also appeared low in the Czech Republic, ranking in the bottom third of OECD countries on the Indicators of Regulatory Policy and Governance (iREG) (OECD, 2021^[33]). The central government does not, for instance, have a portal for carrying out online consultations, nor were any stakeholder consultations on COVID-19 policies or the recovery plan overserved during the crisis (OECD, 2021^[35]). This points to a lack of participatory processes and innovative forms of participation, including through the use of digital technology and tools.

Stimulating citizen engagement is closely linked to open government, as open government helps promote transparency and accountability. As an Adherent to the OECD Recommendation of the Council on Open Government and a signatory of the Open Government Declaration of the Open Government Partnership, the Czech Republic is committed to the principles of openness. This includes making data available but also encouraging the use, reuse and free distribution of data sets to the general public. It ranked 16th out of 32 countries on the OECD Open, Useful and Re-usable data (OURdata) Index in 2019 and scores above the OECD average (OECD, 2019^[51]). The country scores higher on data availability than it does on the accessibility of data and on the support to reuse data. Like most OECD countries, it has adopted an “open by default” approach and has made efforts and progress compared to the previous edition of the index in 2017, including by further publishing information on line and allowing users to publish their own data sets on the government’s open data portal that is administered by the Ministry of Interior (Ministry of Interior of the Czech Republic, 2022^[52]; OECD, 2019^[51]). The Czech Republic also has a catalogue of open data that

displays all data sets published on the portal. The number of institutions publishing open data is also on the rise (Ministry of Interior and European Union, 2020^[39]).

Overall, the Czech Republic does not have a comprehensive vision and framework for citizen engagement, nor standard and systematic practices for consulting and involving citizens in policy and regulation making and in public life. The country has developed some instruments to consult and better represent citizens' interests, including, but not limited to, councils, public hearings and consultations. But more can be done to more broadly engage and represent all citizens in policymaking processes, developing a more user-centric administration and fostering citizen engagement are key objectives of the PAR. It foresees the creation of “conditions for the participation of citizens in public affairs” (Ministry of Interior of the Czech Republic, 2019^[3]). The PAR aims to both increase citizens' awareness and mechanisms for them to participate in public life and to raise the administration's culture, awareness and capabilities of the importance of engaging citizens. However, it appears that a whole-of-government approach and instruments have not yet been developed. Citizen participation will be further examined in Chapter 1.

Digitalisation

The Czech Republic ranks in the bottom third of the EU for digital public services (European Commission, 2020^[25]). Only 57% of citizens use online services, on par with the EU average but largely behind European leaders and several neighbours in this area (European Commission, 2020^[25]). The relatively limited uptake and development of digital services in the Czech Republic certainly contribute to the overall lower responsiveness and quality of services and to the differences observed across regions (European Commission, 2020^[25]; OECD, 2020^[5]). Indeed, the Czech Republic lags behind the OECD average in the OECD Digital Government Index (Figure 10), particularly in the user-driven and proactiveness dimensions, which are the most transformational according to the OECD Digital Government Policy Framework (OECD, 2020^[53]). Engaging efforts in this area would encourage the government to foster collaboration with citizens, placing their needs at the core of public services. Leveraging the use of digital tools and data will also facilitate the engagement with external stakeholders and the public in the design and delivery of public services (OECD, 2020^[53]).

The Czech Republic has been modernising and digitalising its delivery of administrative services to citizens, particularly through the Czech Point project led by the Ministry of Interior in support of the implementation of the Strategic Framework for the Development of Public Administration 2014-2020. The project aims to develop digital one-stop shops and contact points for citizens and has helped significantly expand the number of services available digitally to citizens on the Citizen's Portal, which increased from 60 in 2018 to 230 in 2020. While progress is real, it only concerns a limited proportion of total services for citizens (6.70%), and overall satisfaction with administrative services stagnates at low levels, pointing to the need to ramp up efforts and further engage citizens.

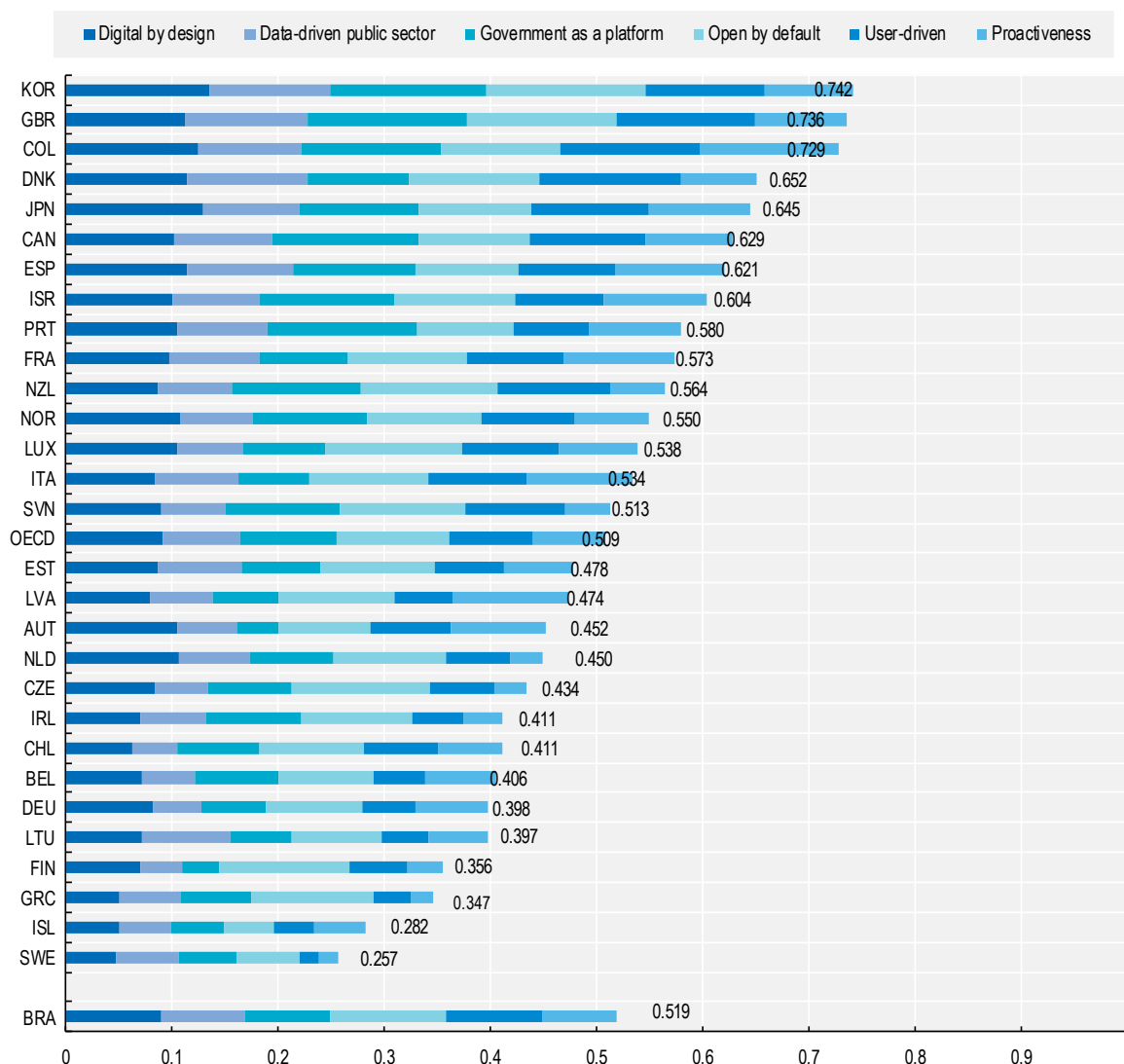
The PAR identifies the digital transformation of the government as a key priority, including the digitalisation of processes and services as well as the adoption of digitally ready legislation. This priority is also supported by the national Digital Czech Republic Strategy (Government of the Czech Republic, 2019^[54]). Further investments in digital services and skills are included as part of the Czech Republic's EU Recovery and Resilience Plan (Government of the Czech Republic, 2021^[55]).

Improvements in the digitalisation of the government have also been included in the key measures of the government's Policy Statement and as an important policy objective. This includes the digitalisation of the catalogue of public services by 2025, the development of digital skills and infrastructure, enhancing the government's capabilities as well as digital governance reforms (Government of the Czech Republic, 2022^[29]). The latter has been turned into practice with the creation of the Deputy Minister for Digitalisation in the Government Office in 2021, aimed to increase the co-ordination and steering of the government's digitalisation efforts and to signal it as a key priority for the country. The Czech Republic is also set to

create a Digital and Information Agency that will support the implementation of digital initiatives and further concentrate line ministries' digital activities into the agency.

As a horizontal theme, digitalisation can help enhance the effectiveness of the public sector and better respond to citizens' needs in the Czech Republic. Despite some recent progress, the public administration can further increase whole-of-government co-operation and delivery, and embrace the digital transition to the benefit of its citizens. This challenge will be studied in Chapter 5.

Figure 10. OECD Digital Index, 2019



Source: OECD (2020^[53]).

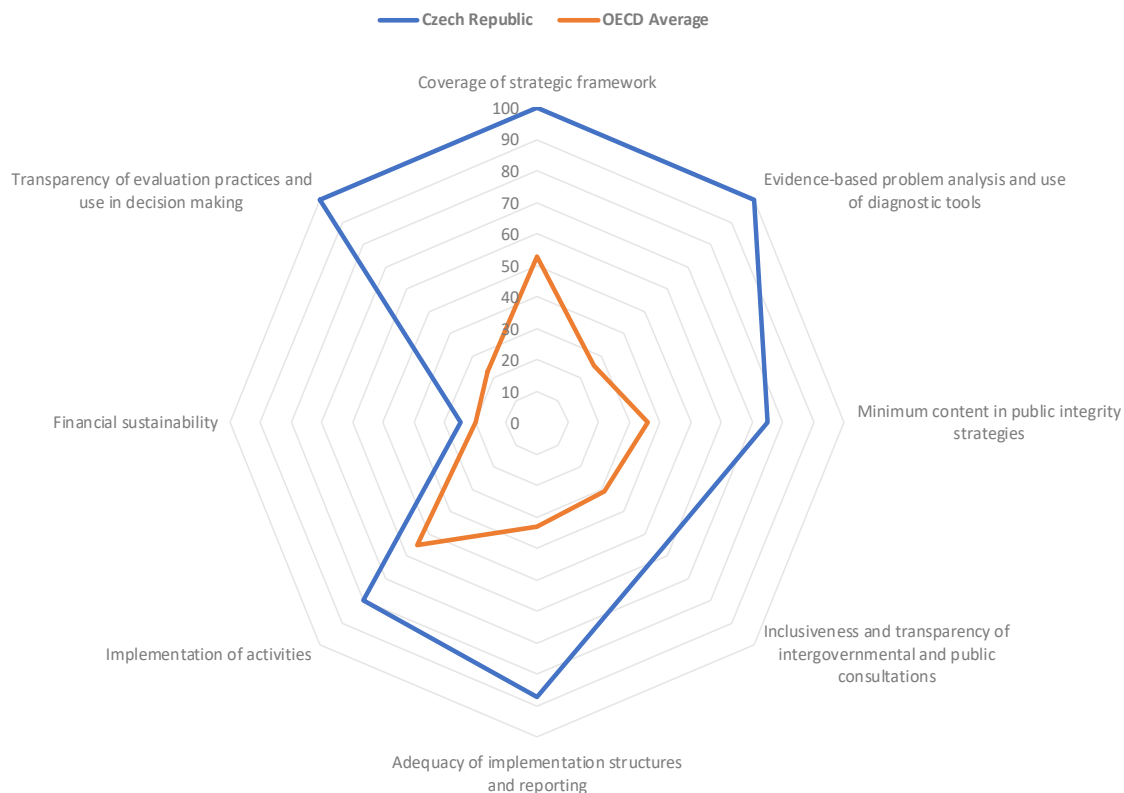
Integrity

The Czech Republic scores in the median in Transparency International's Corruption Perceptions Index but is on a decreasing trend from a score of 59/100 in 2018 to 54/100 in 2020 and 2021. The country ranks 49th globally, next to Poland and the Slovak Republic (Transparency International, 2021^[56]). A local survey of Czech citizens even reports a worrying situation, as only 8% of Czech citizens indicated being satisfied

with the level of corruption in the country (Ministry of Interior and European Union, 2020^[39]). These figures echo the low satisfaction of Czech citizens with some categories of services, including local administration services, and a number of corruption cases involving high-level officials that contributed to the overall low perception of integrity with the legislative and executive branches (World Justice Project, 2021^[57]).

The public sector integrity framework in the Czech Republic appears more robust than the average of OECD countries according to the OECD public sector integrity indicators, but important *de facto* and *de jure* issues remain regarding members of parliament, the executive, preventing a conflicts of interest and transparency in lobbying as the 2019 Group of States against Corruption (GRECO) report highlighted (Figure 11) (OECD, 2021^[58]; GRECO, 2019^[59]). Limited progress on the implementation of the recommendations of the GRECO has been recorded in the past years, particularly on measures *vis-à-vis* MPs. Like most OECD countries, the Czech Republic has a public integrity strategy in place, *the Government's Concept of the Fight against Corruption for the Years 2018 to 2022*. The concept was drafted by the Anti-Corruption Unit of the Office of the Government, which was transferred to the Ministry of Justice in 2019. It was prepared in collaboration with an inter-institutional body, the Government Anti-Corruption Council, that supported and recommended its adoption by the government. However, improvements could be made in different areas, including on the financial sustainability of public integrity (with no systematic costing of actions) efforts, consultations and the implementation of important measures, particularly regarding codes of conduct and preventing conflicts of interest in the executive (OECD, 2020^[5]; 2021^[7]). In addition, there are gaps in the transparency lobbying framework, as there is no category of public officials in the Czech Republic that need to make public their engagement with lobbyists, as is the case in neighbouring countries, and which is uncommon among OECD countries. Half of OECD countries even have public registries where lobbyists and/or public officials disclose information on their interactions (OECD, 2021^[7]).

Figure 11. The Czech Republic's public sector integrity framework



Note: Assessment based on the *Government's Concept of the Fight against Corruption for the Years 2018 to 2022*.

Source: OECD (2021^[58]).

Despite the existing framework for public integrity and whole-of-government efforts, increasing the integrity of the public sector remains an important challenge for the country, with low levels of confidence of citizens on the matter. This points to the need to implement measures linked to the legislative power and conflict of interest in the executive. This topic has been discussed as part of the *OECD Economic Survey of the Czech Republic 2020* and in an upcoming GRECO evaluation and will not be covered in a dedicated chapter as part of this review (OECD, 2020^[5]).

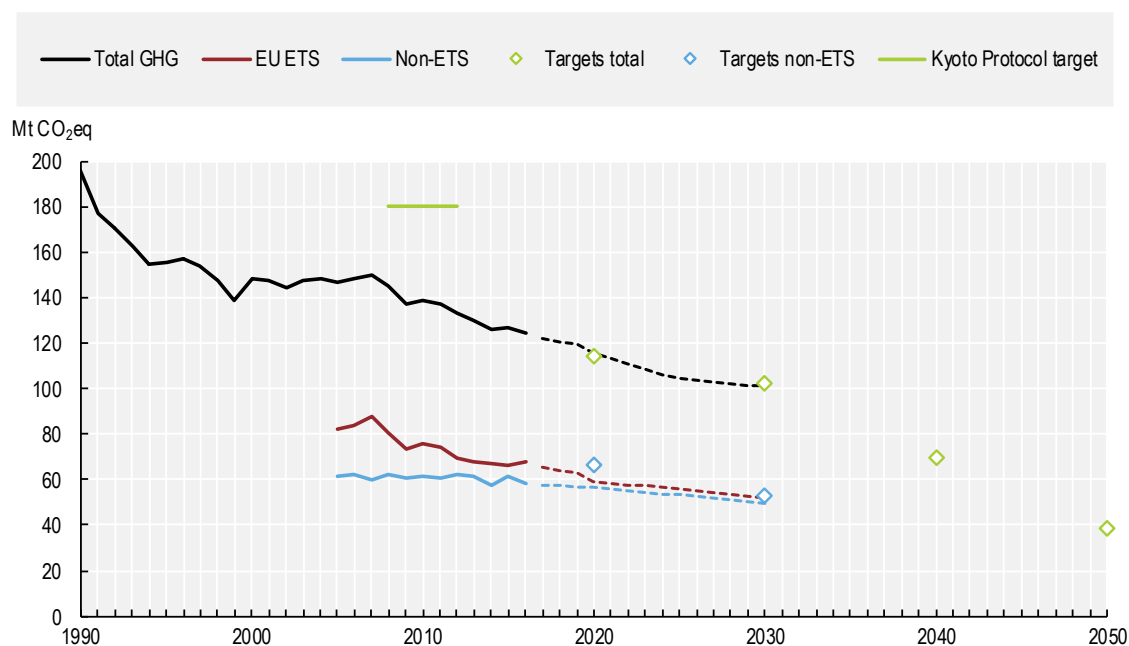
Whole-of-government efforts to address climate change

Despite some progress in reducing GHG emissions, the recent OECD Economic Survey underlines that Czech Republic remains one of the most carbon-intensive economies in the OECD, ahead of neighbouring countries including Poland and the Slovak Republic (OECD, 2018^[16]; OECD, 2023^[4]). While the country has achieved its Kyoto Protocol targets on GHGs, achieving mid- and long-term climate targets in line with EU commitments will require additional efforts (Figure 12) (OECD, 2018^[16]). In particular, the Czech Republic needs to reduce its GHG emissions by 30% by 2030 compared to 2005 levels. The population is also exposed to severe levels of air pollution, with 99% of the population exposed to PM_{2.5} fine particles, compared to an average of 62% of the population in OECD countries (OECD, 2018^[16]). Decarbonising the economy is a key priority for the Czech Republic (OECD, 2023^[4]). This crucial policy challenge has been identified at the whole-of-government level in the Czech Republic 2030 strategy, as

well as in the Policy Statement of the government. The Policy Statement notably underlines the aim to contribute to achieving EU climate neutrality by 2050 (Government of the Czech Republic, 2022^[30]; Government of the Czech Republic, 2017^[20]).

This section underlines governance and co-ordination challenges linked to climate change policies and strategies and echoes the findings of the recent OECD Economic Survey of the Czech Republic (OECD, 2023^[4]). It does not provide an environmental assessment of the situation in the Czech Republic.

Figure 12. Greenhouse gas emissions in the Czech Republic, 2017



Note: GHG: greenhouse gas; ETS: Emissions Trading System.
Source: OECD (2018^[16]).

Existing strategies and legislation and the Recovery and Resilience Plan can support a greener growth path for the country

The Czech Republic developed a number of key strategies to fight climate change in 2017, including the Climate Protection Policy of the Czech Republic, which focuses on mitigation and reducing GHG emissions (Government of the Czech Republic, 2017^[60]). The strategy aims to help the Czech Republic fulfil its commitments under the Paris Agreement. It sets GHG reduction objectives for the short and long term in line with EU commitments and presents an outlook until 2050. The strategy includes a series of targeted measures across different sectors. The government plans to develop a new Climate Protection Policy to respond to EU commitments and achieve the goal of climate neutrality by 2050 at the latest (Government of the Czech Republic, 2022^[30]).

Challenges related to climate change mitigation are also covered in strategies led by other ministries, including the 2019 National Energy and Climate Plan of the Czech Republic, led by the Ministry of Industry and Trade, and other sectoral strategies.

The government has also developed a parallel strategy, the Strategy on Adaptation to Climate Change in the Czech Republic, which covers adaptation. The strategy identified the key risks and adaptation

measures needed as well as the financial implications and needs to support climate adaptation. It is supplemented by a National Action Plan on Adaptation to Climate Change that has been evaluated over the period 2017-20. The evaluation, which is mostly output-based, points out that more than 70% of the 350 tasks planned have been completed; however, only 21% of objectives have been met across the different sectors (forestry, agriculture, water, biodiversity, etc). It underlines that most progress has been made in the areas of education, agriculture and forestry, but much more can be done to increase the adaptation capacity of all these sectors to climate change (Government of the Czech Republic, 2020^[61]).

The EU Recovery and Resilience Plan of the Czech Republic has an important green component and can help the country achieve its climate objectives and embrace the green transition. Forty-two per cent of the expenditures as part of the RRP are targeted at climate change. They include measures to improve energy efficiency, increasing the share of renewable energies in the energy mix, enhancing sustainable mobility and infrastructure, and promoting the circular economy (Government of the Czech Republic, 2022^[62]). One of the main goals includes the decarbonisation of the economy, defined as the transition to a low-carbon economy. The Steering Committee of the National Recovery Plan has led the development of the RRP with the advisory support of the National Recovery Plan Committee. The Ministry of Industry and Trade chairs both committees and played a key role in preparing the RRP, together with the Ministry of Finance and the Office of the Government. The role of the Ministry of Environment does not appear as prominent, while most of the funds should go to climate-related measures impacting different sectors.

The Czech Republic has established specific institutions to support green growth, but their action has been limited partly due to changes in the institutional setting

The Ministry of Environment is tasked with addressing the effects of climate change and environmental-related issues in the country. It is in charge of strategy implementation on climate change and reducing GHG emissions and produces annual evaluation reports on the state of the environment in the Czech Republic. The ministry ensures the implementation of two strategies: the Climate Protection Policy and the Strategy on Adaptation to Climate Change. The ministry is leading the Inter-ministerial Working Group on Climate Protection, which is in charge of preparing, updating and monitoring the implementation of these strategies. It also leads the Council for Sustainable Development, which aims to co-ordinate sustainable development issues across the central government, but does not specifically cover climate policy (Ministry of Environment of the Czech Republic, 2017^[63]). A number of other councils also have a role to play on environmental-related matters or have strong connections to the topic, including Council for Health and the Environment, the Government Council for Energy and Raw Materials Strategy, and the Coal Commission and the committees working on the RRP. As they are led by different ministries (Ministry of Trade and Industry, Ministry of Health) with sometimes competing objectives, it is not clear how co-ordination takes place and how climate change measures are considered priorities, including the alignment between the RRP and the government's Climate Policy. This also poses uncertainties on how climate change objectives and related measures are included in sectoral strategies and the capacity the ministry has to support this process.

The Ministry of Environment also needs to ensure alignment with other strategies crucial for climate change, particularly between the Climate Protection Policy, the State Energy Policy, and the National Energy and Climate Plan. In this regard, the Government Statement has an objective to revise the Climate Protection Policy of the Czech Republic to reach the EU targets by 2030 and the goal of climate neutrality by 2050 and underlines the need to co-ordinate this policy with the update of the State Energy Policy in 2023 (Government of the Czech Republic, 2022^[29]). Close strategic alignment with energy policies is particularly important, and more precisely with the 2015 State Energy Policy of the Czech Republic. To support this alignment, in 2019 the government issued the National Energy and Climate Plan following an obligation set by the EU – the Regulation on the Governance of the Energy Union and Climate Action (Government of the Czech Republic, 2019^[64]). Monitoring and supporting the implementation of this plan, both by the Ministry of Industry and Trade and the Ministry of Environment in connection with the existing

key strategic documents on climate change, will be crucial to ensure consistency across strategies and policies and the contributions of energy policies to the achievement of climate change targets.

OECD countries are increasingly looking at ways to further engage citizens in green policymaking. A number of mechanisms and initiatives have been launched and implemented over the past years, such as citizen assemblies (OECD, 2020^[65]). No similar mechanism has been observed in the Czech Republic. Providing open data on environmental and climate change indicators can also allow citizens, government and non-government stakeholders access to information on the current situation, help monitor the progress made and identify areas where efforts are still needed. While such open portals exist in a number of countries like Ireland and Scotland, no such portal was found in the Czech Republic.

The governance setting should help support the coherence on climate change policies between the government's different strategies. The government has identified this challenge, in particular concerning energy policies, as mentioned in the Policy Statement. It appears, however, that the country lacks interministerial steering and co-ordination capabilities to ensure the alignment across strategies and drive the government agenda on climate change. There is, for instance, no structure in the CoG tasked with steering climate commitments and policies. Both the Ministry of Environment and the Council of Sustainable Development seem to lack the convening power to drive the climate change agenda and align ministries around climate priorities. For instance, France recently established a dedicated Secretariat to the Prime Minister on Climate Change policies to reinforce its governance structures and co-ordination capacities, to align all climate strategies and ensure that ministries meet their climate-related commitments. The governance arrangement will be further discussed in Chapter 2.

Aim of the review: Support the Czech Republic in making policies and services more efficient, co-ordinated, evidence-based and citizen-oriented

The Czech Republic has been implementing a series of public administration reform plans to make the public administration more efficient and to deliver essential public services to citizens. It has made strides in establishing a robust governance framework, managing public expenditures, developing decision-making co-ordination mechanisms such as the rules of procedures, modernising and digitalising public services, and reforming the civil service. Further improvements can be made to make the administration more agile and responsive to citizens' needs, enhancing the strategic and policy co-ordination from the centre, articulating the different levels of government, revising the Civil Service Act and attracting new talents to the administration, and developing capabilities and governance arrangements to address cross-cutting challenges, especially on the digital transition. The implementation of the PAR can support most of these priorities.

This Public Governance Review of the Czech Republic aims to identify where critical governance reforms are needed and support the implementation of the PAR. It also aims to help the Czech Republic address contemporary governance challenges, including strengthening government capabilities to address horizontal challenges, such as embracing the digital and green transitions, and building a more citizen-oriented public administration that fosters citizen engagement.

The review furthermore aims to help the Czech government ensure the design and delivery of high-quality services, policies and regulations provided by the public administration in all regions of the country that meet people's needs and sustain improvements for citizens and businesses over time. Ultimately, the review can contribute to enhancing Czech citizens' trust in government and public institutions. The review's strategic assessment and recommendations aim to complement the more practical, transactional reforms already underway in the public administration reform, notably with the support of the European Union.

Key challenges: Enhancing policy and strategic co-ordination; improving analytical, human and financial capabilities at national and local levels; and further embracing the digital and climate transitions

The assessment of the public governance system of the Czech Republic, supported by a series of interviews and working meetings with key stakeholders in the country, has underlined a number of key challenges for the public administration to increase its effectiveness, transparency and resilience and its capacity to respond to shocks and horizontal issues.

Different parts of the Czech administration have all identified the work in silos as a key issue for the effectiveness of the public sector in the country. The Office of the Government's steering and co-ordination role has been undermined in previous years, not allowing it to fulfil these functions. Further building its capacities and instruments on strategic planning and policy co-ordination and guidance can enhance the consistency and alignment of national and sectoral strategies and policies. The multiplication and fragmentation of government strategies and the lack of strategic alignment have led to a lack of consistency and implementation across strategies and limited coherence with government priorities.

Decisions, regulations and policies are not sufficiently based on evidence in the Czech Republic and have detrimental effects on the government's responses to COVID-19. Better institutional arrangements and capacities for evidence-based policy and regulatory making and developing analyses of expected impacts, including through RIAs, monitoring and evaluation practices, have to be implemented in the Czech administration. This calls for increased analytical capacities across the administration.

The Czech Republic was the last EU member state to introduce legislation governing the management and functioning of the civil service, with the Civil Service Act in 2015. One of the key questions for the Czech administration is whether the principles of the Civil Service Act in the areas of recruitment and learning and development are appropriate for current and future challenges. Two priority areas for the Czech public service are, first, the effectiveness of recruitment systems for public servants, especially senior-level public servants, and second, the learning and development opportunities throughout the careers of public servants at all levels. Amendments to the Civil Service Act are currently being examined by the Senate and will contribute to changing the principles and practices of the civil service in the country.

Citizen participation remains subdued in the Czech Republic, and developing a common definition, framework and practices on citizen engagement can promote citizens' involvement in public life. This will also call for the development of new instruments and tools, along with a participatory culture in the public administration so that it becomes more citizen-oriented, as promoted by the PAR.

The Czech Republic has one of the most fragmented territorial and municipal administrations in the OECD (OECD, 2020^[51]). Co-ordination between the national and subnational levels is improving but could be further strengthened. In particular, inter-municipal co-operation has increasingly been used, but tough challenges remain. Strong multi-level governance instruments are required to manage a complex system of asymmetric assignment of responsibilities. Subnational governments, especially small municipalities, have significant administrative and strategic capacity needs for effective service delivery and strategic planning for local development.

The Czech government can increase its capabilities, instruments and governance arrangements to address horizontal, cross-cutting topics and especially to embrace the green and digital transitions. Redefining and strengthening the governance of digital government and public sector innovation is key to promoting interministerial collaboration, fostering a user-driven culture across the administration, and strengthening interoperability and data-sharing among institutions. Enhanced steering and co-ordination on these issues, particularly from the centre, can help tackle these challenges by mobilising the entire administration, providing a consistent whole-of-government response, making the use of current resources across the administration more efficient, and avoiding duplication of strategies and efforts.

The review aims to help support the identification, analysis and implementation of priorities for governance reforms, particularly those identified in the Client-Oriented Public Administration 2030

The PAR identifies a number of these crucial challenges and the reforms needed in the Czech Republic and suggests actions to address them to enhance the effectiveness of the administration and make it more citizen-oriented. This includes a wide range of actions, from creating a new Competence Law, enhancing the skills of civil servants and further digitalising the government to strengthening co-operation between municipalities. This review provides recommendations and country case studies in support of these strategic objectives. It also considers additional areas where structural governance reforms are needed, particularly on strengthening the role of the CoG, increasing the analytical and strategic capabilities of the administration, and enhancing crisis management structures for future shocks. Some of these recommendations will accompany the government's recent reform efforts, such as the creation of government analytical units.

	High-Level Recommendations
Chapter 1: Fostering citizen and stakeholder participation in the Czech Republic	<ul style="list-style-type: none"> • Strengthen the enabling environment for citizens' participation in the Czech Republic: moving from ad hoc practices to institutionalised mechanisms • Foster participation literacy in the Czech administration and in the wider society • Enhance transparency and provide high-quality information as a basis for citizen and stakeholder participation • Experiment with innovative forms of participative tools and practices
Chapter 2: Centre-of-government-led co-ordination capacity	<ul style="list-style-type: none"> • Increase the centre of government's capacity and instruments to steer, align and implement strategies • Develop the co-ordination role in the Office of the Government • Streamline and empower the various government councils, particularly those under the Office of the Government • Increase the steering capacity of the Council for Public Administration to drive the implementation of the Public Administration Reform strategy 2030 (PAR)
Chapter 3: Evidence-informed decision-making (EIDM) in the Czech administration	<ul style="list-style-type: none"> • Develop analytical capacities in the centre of government and in line ministries • Incorporate public access to data into the current government proposal on public data management • Ingrain EIDM in the public administration and further strengthen the role of RIA in the regulation-making process • Establish systematic monitoring and evaluation of government interventions • Make guidance on conducting ex post assessments of regulations mandatory for all officials
Chapter 4: Public Administration at the local and regional level	<ul style="list-style-type: none"> • Strengthen inter-municipal cooperation including through financial incentives and peer-learning activities to establish long-term and stable inter-municipal co-operation schemes • Strengthen a place-based approach to regional and local development strategic planning, through promoting joint local planning and building local planning capacity • Reinforce inter-governmental dialogue and explore new vertical coordination tools, such as territorial contracts for investments and service delivery • Scale up and optimise capacity building for municipalities (e.g., support municipality learning networks, develop long-term capacity building plan to support municipalities) • Strengthen subnational finance, including by expanding the use of non-earmarked transfers to subnational governments and provide more tax autonomy to some local governments to help improve their efficiency

Chapter 5: The uptake of digital government tools and the development of user-driven digital services	<ul style="list-style-type: none"> • Define clear roles and responsibilities for the key actors driving the digital government agenda • Strengthen the coordination mechanisms involving all levels of government, the private sector, and service users to ensure proper decision-making, implementation and monitoring responsibilities • Enforce further the use of centralised guidelines and standards, common tools and services across the government with appropriate incentive mechanism
Chapter 6: Attracting and developing skills in the Czech public service	<ul style="list-style-type: none"> • Improve employer branding of the Czech public service • Modernise and streamline the recruitment process at all levels • Reflect on the management of senior public service leaders • Develop a centralised learning and development strategy for the public service • Gather and use human resources data more effectively and strategically
Chapter 7: COVID-19 case study: strengthening co-ordination mechanisms for more efficient crisis management	<ul style="list-style-type: none"> • Reinforce the institutional and policy frameworks for crisis co-ordination • Strengthen the crisis legal framework and emergency regulations for evidence-based policymaking • Continue efforts to build a more robust crisis management information system • Finish reinforcing the framework for strategic crisis communication that is currently ongoing • Engage a wider range of stakeholders in the crisis decision-making process

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Notes

¹ “Process and the Main Directions of the Modernisation and Reform of the Central State Administration, including Settlement of Responsibility and Organisational Arrangement and the Civil Service Act”.

² OECD-Europe comprises all European members of the OECD (not necessarily EU members). These are: Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

³ All debt figures are based on OECD data using the System of National Accounts debt definition, unless otherwise specified.

⁴ Debt of the general government sector was at 37.7% of GDP in 2020 according to the Ministry of Finance.

⁵ Debt of the general government sector will be 42.8% of GDP in 2022, 44.1% in 2024 and 44.6% GDP in 2025.



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