

Policy Statement of the Government of the Czech Republic *Prague, August 1998*

1. Introduction

The Government of the Czech Republic is presenting its Policy Statement to the Chamber of Deputies of the Parliament of the Czech Republic as the basic document for the vote of confidence by the Chamber of Deputies in the Government. Unlike the past when Policy Statements used to be submitted at the time of the vote of confidence, this Government has considered it its duty to acquaint the Chamber of Deputies with its Policy Statement in advance to allow a thorough analysis of this document. The Government is thus showing its respect for the legislative assembly and expressing its wish for effective communication with the Chamber of Deputies.

The Policy Statement is divided into five main parts. In the second part the Government has defined the objectives which it wants to attain through its policy. The initial situation of the Government is described in part three. Finally in the fourth, most detailed part the Government is presenting its concept of concrete provisions which it intends to submit - particularly in the form of draft legislation - to the Chamber of Deputies, and subsequently to the Senate, to be able to accomplish the transition from the initial situation to the set goals. The Government is aware of the fact that in the case of each of these draft bills it will have to contend anew for the confidence of the Chamber of Deputies. A minority government cannot implement its programme otherwise than on the basis of communication with all parliamentary parties. The Government believes that draft legislation submitted by it will be assessed on the merit of its material content and that it will be able to win the necessary approval in conditions of parliamentary democracy.

2.Goals

The Government considers its integral goal to be its contribution to the Czech society becoming a society of learning, participation and solidarity, and to this effect transforming itself into a modern society of the 21st century. The Government is aware of the fact that it cannot attain this goal without the active cooperation of all the citizens of the Czech Republic, and it is also aware of the limitations of Government policy resulting from the free individual activities of citizens. Moreover, the long-term process of necessary modernization of Czech society cannot be completed during a mere four years of the term of this Government. The Government nevertheless believes that without a long-term vision of the development of Czech society its policy would lack firm ground and that it is its duty therefore to attempt to formulate the necessary vision.

The idea of a learning society draws on the presumption that the qualifications of people are currently becoming a basic production factor. Only a society which is capable of making an investment into the lifelong education of its citizens, and in this respect into the development of their skills, will be able to achieve long-term success in international competition. The Government rejects the idea that it is cheap labour which could become our basic comparative advantage in the world competition of the globalized society. On the contrary, it holds the view that we should be able to break through by the effective utilization of qualified and well-paid labour with high productivity. Social spending, investment into

human capital or into the development of the human potential is considered by the Government to be the most effective form of Government investment. It intends to reflect this form, especially investment into education, in its budget priorities and transform our society gradually into a knowledge society.

The participation of citizens in the administration of public matters is considered by the Government a way of applying the human potential, of freeing it from the conditions of an alienated - in fact passive - society. The Government understands participation as a motivational and inspirational factor contributing to the growth of productivity of labour by expanding the number of carriers of innovation, and also as the base of the self-confidence of citizens reflected in their participation in the government of political entities. Participation requires decentralization, the application of the principle of subsidiarity common in the European Union, communication between employees and employers, linking up inter alia to the successful Bata-type entrepreneurial tradition. It may be claimed that it is namely a society of stakeholders that is a full-fledged civic society.

And finally, a society based on solidarity is the embodiment of the principle of social cohesion, of avoidance of unnecessary conflict during any one-sided polarization of interest groups. The Government upholds solidarity of the healthy with the sick, because any one of us may become ill. It declares solidarity of the rich with the poor, since no-one should be deprived of their human dignity. In this respect the Government wishes to develop the idea of a permanent and multilateral social dialogue and to take active part in this dialogue as one of its partners. It is for instance unacceptable that access to education or provided health care should depend on any other criteria than the aptitude of the candidate to learn or the state of exposure to health risk. Of course, the economic circumstances of the country will, in this context, always limit the capacity of public service provided in the mentioned spheres.

The dispute on the proportion of the public and private sectors is a permanent dispute between left and right governments. The Government rejects ideological fundamentalism which in its communist form led to the elimination of the private sector. The Government, however, does not share ultra-liberal views on the restriction of the public sector, either. It upholds the European Union idea of permanent partnership between both sectors and it is aware of the fact that concrete practical policy must always seek anew the fragile and historically changing equilibrium between the two. We do not think it appropriate for economic entities whose mission is the maximization of profit to remain in the hands of the government the same as we do not think it appropriate for entities providing public service to be subjected without restraint to the invisible hand of the market. The Government believes that the market mechanism is effective particularly in the short-term allocation of resources. The spheres distinguished by a significant time-lag between the investment and its effect - e.g. education or basic research - should, in the view of the Government, remain a part of the public sector. The Government is of course aware of the fact that the border between the two sectors is fuzzy and that its delimitation will remain the subject of permanent debate.

The Government intends to demonstrate its emphasis on the long-term establishment of its policy by assigning its ministers, in the event of winning the vote of confidence, with the task of drafting, by the end of the first quarter of 1999, long-term concepts of development of their departments, including a four-year legislative plan. Concepts of a housing, energy and other policies are needed as well as at least a mid-term budget prospect besides the annual State Budget Act. Indeed, we are required to do so due to our commitments to the European Union, which presume the existence of such concepts.

3. The starting situation

The current state of the Czech society is the result of developmental trends which bear the influence of the period of approximately forty years of communist regime and of the first eight years following the fall of that regime. Under communism, the discrepancy between the economic performance of the then Czechoslovakia on the one hand and of the developed countries on the other continued to deepen and grow. Compared to the period before the second world war when Czechoslovakia was one of the ten most successful countries in the world, its ranking gradually declined under the communist regime and eventually dropped significantly. There is no need to repeat the reasons which led to this state: the constitution of a subjugated society under bureaucratic dictatorship, a society with no feedback, one that did not lean on democratic control over power, a society which made room for the average and sub-average and oppressed any individual who dared to voice a different view.

We still lack a systematic evaluation of the first eight years following the November revolution of 1989. It is understandable that at the time of the change democratic instincts had been weakened by forty years of communist dictatorship, creating space for often naive and one-sided solutions. Too soon did we proclaim ourselves the top of the class in central Europe without there being any rational reasons to do so. Describing the current situation it is necessary to point out that countries which we used to outdistance continuously in the past - namely Poland and Hungary - are currently distinguished by a rapid economic growth while in the Czech Republic we have, in actual fact, economic stagnation, called an economic depression by some.

The incoming Government has inherited a situation marked by a drop in economic performance (in 1997 the gross domestic product has been growing by a mere one per cent, and in the first quarter of 1998 growth was actually negative), by a declining standard of living measured by a drop in real wages (especially in the public sector), by a growth in unemployment with resulting regional consequences, and by a twofold increase of the national debt compared to the official figures published a year ago (due to the losses of the Konsolidacni banka, ceska inkasni, ceska financni and other institutions). The lack of transparency of the capital market resulted in an outflow of foreign investors. The standard of living of significant social groups - namely old-age pensioners and young families - is lower today than in 1990. There is growing social tension, reflected in action by trade union associations. Revenue collected from the yield of "large privatization" has been spent without achieving the desired restructuring of industry and agriculture. The previous Government has estimated the budget deficit for 1998 at twenty billion crowns. In short, things have gone to pot.

The Government is not quoting these details to set an alibi for an austere budget and for its economic policy in general. It merely considers it necessary to inform the public about the true state of affairs and has therefore decided to present, by the end of 1998, to the public and to the Chamber of Deputies, a comprehensive inventory of the state of Czech society, unburdened by ideological ballast and leaning on hard statistical data. This inventory should map the scope of our internal debt and define the distance separating us from the average standard of European Union countries with the aim to avoid being overcome by illusions about the extent to which we are lagging behind. The Government believes that any, even the most complicated situation can be resolved; what it requires is not sugaring the pill, not concealing problems behind fine facades and being able to admit albeit even very unpleasant facts.

4. Proposed Government measures

The Government of the Czech Republic supports fully the idea of social transformation launched by the November revolution of 1989. It is also firm in its decision to contribute by its policy to the amendment of the errors and mistakes that have accumulated during the transformation and have aggravated the mentioned loss of dynamics in the economy and the growing social tensions. In the following sub-chapters the Government proposes specific measures in individual spheres. It believes however that it is useful to present an outline of the measures it considers essential:

- A. Stepping up the fight against economic crime demonstrated by tax and credit fraud, money-laundering, corruption and otherwise; elimination of circumstances in which the debtor has an advantage over the creditor and when those who default on their payments are inadequately penalized. More consistent control over the capital market to achieve greater transparency, more severe sanctions and law enforcement, closing gaps in legislation which allow enrichment that is in contradiction with traditional business ethics. Investigation of suspect financial operations, including past privatization cases. Legal amendment of the funding of political parties to prevent their dependence on economic pressure groups; fight against political corruption carried out in a similar manner as in European Union countries (e.g. the Italian Clean Hands campaign). At the same time the Government emphasizes unequivocally that such activities must not assume the nature of any kind of political purge. That, too, is another reason why the Government has decided as a matter of principle that the Minister of Justice should be a person with no party affiliation.
- B. Reform of public administration including the commitment of a number of new bills for the implementation of the already adopted constitutional act on the establishment of self-governing regions. Depoliticizing the state administration by the adoption of a new Civil Service Act to stabilize the state apparatus, enhance its effectiveness and remove its dependence on short-term political pressure. To reduce state administration in spheres where there is rampant bureaucracy. Commitment of draft legislation allowing the extension of citizen participation (referendum, ombudsman, employee stakeholding). Tax and budget reform reinforcing the economic powers of local and regional government.
- C. Revival of economic growth by applying active industrial, agricultural and pro-export policies. Support to inflow of foreign investment. Accomplishment of the privatization of the banking sector by the end of 2000 and using the yield from privatization mainly to support housing development. Accomplishment of the deregulation of prices by the end of 2002 in a socially feasible manner and on the basis of regulation of natural monopolies. Change of budget priorities by increasing the share of education spending and by high multiplication impact investment into infrastructure;
- D. Acceleration of the approximation of our legislation to European Union law. Cooperation within NATO not only in the military field but also in the spheres of science, research and economy, including the utilization of new opportunities for our arms industry. Extension of regional central European cooperation including the effort to develop special relations with the Slovak Republic;
- E. Adoption of the Social Charter of the Council of Europe. Increase of the minimum wage to secure, in compliance with the Charter, a life not dependent on social benefits

and to motivate the acceptance of employment. The extension of job offer opportunities by systematic organization of work on community projects. Boosting the mechanism of tripartite bargaining and the establishment of a permanent social dialogue with the aim of securing social peace even in difficult economic conditions.

4.1 Democratic state governed by law

The foremost priority of the Government is attaining in the Czech Republic all the attributes of a democratic state governed by law. The Government perceives a democratic state governed by law as a state which, by its legal code and the latter's real enforceability, provides equal access to the rights and liberties guaranteed by the Charter of Fundamental Rights and Freedoms and ratified by human rights conventions to all citizens and legal persons; as a state that is defined unconditionally by law, that serves citizens and that provides them with the assurance of their free decision-making about their presence and future. As a state in which the centerpiece values are freedom, equality, justice, democracy, tolerance for diversity and, especially, solidarity with the weak, people at risk and the defenseless as the basic principles of a policy striving to establish an emancipated society. The matter at issue is setting up a legal framework restricting the generation of various forms of discrimination and unemployment and of the exclusion of large groups of citizens from the civilization environment. The goal of the Government is the humanization of social relations and changes leading to a deepening of the social dimension of transformation and democracy as a guarantee of the free self-determination of citizens.

The Government, aware of the deep deficit in the process of overall harmonization of the legal code with that of EU law, does not intend to comply with the current, absolutely unsatisfactory state of law enforcement. It is also aware of the justified criticism by our own and foreign public relating to the inadequate legal regulation of privatization, enterprise and administration of national property which has contributed, together with other factors, to a decline of the gross national product, to the arrest of economic growth and to the loss of competitiveness of local businesses accompanied by lack of confidence on the part of foreign investors. The Government therefore considers its main task to be an immediate intervention against economic crime and against the penetration of organized crime into additional social structures, and against all forms of economic crime. Applying all available means, the Government is determined to improve the work of the courts before submitting legislative proposals aiming at the achievement of their generally greater effectiveness. As a part of the necessary transformation of the legal code it shall draft a comprehensive plan of legislative activity for a period of four years, including among the basic legislative steps taken by the Parliament of the Czech Republic also the following measures which will require constitutional acts:

- The accession of the Czech Republic to the European Union will require an amendment of the Constitution, establishing the principle of precedence of European Community law over national law;
- The Government will submit a proposal for the supplementation of the Constitution with the institute of public defender of human rights and freedoms ("ombudsman"), who, as in most EU Member States, will follow continuously the state and standards of observation of human rights, propose necessary changes of the legal code and, in specific cases, initiate proceedings of the administrative, ordinary or constitutional court;

- The Government will prepare a general reform of administrative proceedings and, as a follow-up, also a reform of administrative courts to make them generally accessible and to allow them to also review acts relating to self-governing regions (municipalities and regions). The Government will deliberate, in this context, whether it is necessary to establish a Supreme Administrative Court, as provided for by the Constitution, or whether it will ask Parliament to delete this institution from the Constitution and keep administrative courts as part of the system of universal courts.

In the field of development and application of the legal code the Government considers its main priority to be strengthening legal awareness by establishing real law enforcement. The main cause of the current, totally inadmissible state is, in the Government's view, first the confused and unsystematic legal code and, last but not least, the unsustainable protraction of court proceedings which has led to the loss of confidence of the citizens in law and order. The Government has therefore decided to take up a number of measures leading to a fundamental change of the current state. The steps considered are the following:

- To prefer, during the draft of the new legal code, new comprehensive legislation instead of continuous amendments, to ensure the compliance of this legislation with the constitutional order and international human rights and freedoms conventions. The new legal code will link up to work done so far on new private and criminal codes to allow the commitment of the new codes to Parliament within four years. The draft and transformation of the legal code will be subjected to the unconditional requirement for the harmonization of Czech law with EU law;
- The Government intends to achieve an improvement of the situation in the field of economic and violent crime and in the fight against organized crime by legislative changes on the one hand (restoration of the institute of criminal prosecution in such cases, the introduction of sanctions for torts by negligence, transfer of powers to the state prosecution to investigate offences by the police and the restoration of the institute of general supervision by the state prosecution in the non-criminal area) and, further, by increasing the number of members of the armed units of the police and consistent control of their activities. The CR Police and all bodies of the state administration shall be required to adopt an uncompromising attitude to all demonstrations of racism or ethnic intolerance;
- Drafts of currently non-existent laws (on the mass media, on the scope of protection of personal data and control of information systems) shall be submitted to implement the constitutional right to information, thus creating conditions for the application of the right to information about the activities of the public administration and the state management of common funds. The Government will support the draft law moved by the Senate on free access to information;
- To enhance the effectiveness of the court system, the Government will on the one hand support the establishment and development of judicial self-governance and shall not hesitate on the other hand to adopt systemic measures for the acceleration and quality improvement of court proceedings (an amendment of the civil court code and of the criminal code and, possibly, also an amendment of the law on courts and judges and of the law on the disciplinary responsibility of judges) and for the unification of court decisions to consolidate trust in the law and legal certainties. Control of the quality of court decisions in the non-criminal sphere will have to be secured by the restoration of the institute of complaint against violations of the law or by the extension of legal conditions and terms of appeal. Special attention will be devoted to

the execution of court decisions to ensure the provision by the state to the citizens of effective protection of their rights and the attainability of these rights within a reasonable period;

- By a new legal amendment on state ownership and management of its property, on the control of state administration and local government bodies, the Government intends to prevent arbitrariness, abuse of power, enrichment and corruption of civil servants and members of self-governing authorities;
- Special and permanent attention is due to the amendment of conflict relations - between employers and employees, producers and consumers, landlords and tenants, etc., to ensure a democratic, legally regulated solution of conflicts, including their extreme expressions;
- The Government intends to set up specialized teams for the fight against economic and financial criminal activity, i.e. to establish financial police forces. The government shall establish a financial prosecution office for the protection of the property interests of the state.

The Government considers the consistent observation of human rights and freedoms an inseparable part of the effort to build a democratic state governed by law. The Government will strive to create the broadest possible space for a society of freedom and solidarity, founded on mutual tolerance and respect, religious freedom and political plurality. It will therefore promote the creation of a mechanism for monitoring the observation of human rights, linked with the legislative process. It will secure monitoring by state bodies of violations of human rights and the provision of effective protection against attacks on fundamental human rights and liberties.

The Government will propose an amendment to the law on the acquisition and loss of Czech state citizenship to allow all former Czechoslovak citizens, who at the time of the break-up of the Czechoslovak Federal Republic lived and until this day continue to live on the territory of the Czech Republic, to acquire Czech citizenship. In accordance with the current legal amendment, the Government considers the Czech state citizenship of the several dozen Czechs who after the break-up of Czechoslovakia acquired by choice also Slovak state citizenship unquestioned. The Government will discuss the commitment of a draft amendment allowing double citizenship in justified cases. It thus wishes to help especially those Czech citizens who have been residing permanently as aliens in Slovakia ever since the break-up of the CSFR and who, due to no fault of their own, enjoy fewer rights in the Czech lands and in Slovakia than other citizens. In this context the Government will seriously weigh the legal institution of a possibility also for those citizens who have gained a new nationality in exile - which after 1992 became an obstacle for the renewal of Czech citizenship - to acquire Czech citizenship.

The current membership of the Czech Republic in the Council of Europe and our future integration into the European Union will help Czech society overcome some of the negative attitudes to foreign-speaking, looking and living people which are a hallmark of all isolated communities. The Government will do everything possible to make Czech society open itself up to the greatest reasonable extent to Europe and the world and transform into a multicultural society. The Government will complete work on a new legislative draft concerning refugees which will bring the current law in compliance with international norms. The aim is to reach a state which will balance respect for humanitarian solutions with the requirement for limitation of the negative effects of migration flows.

The Government will promote the enforcement of rights of national and ethnic minorities. It shall follow the consistent observation and enforcement of commitments and obligations ensuing from the Charter of Fundamental Rights and Freedoms and especially from the Framework Agreement on the Protection of Ethnic Minorities. It shall therefore devote attention to all ethnic groups living in the Czech Republic, although the most serious, and undoubtedly most complex, issue is, in the Government's view, the coexistence of a part of the majority society with the Romany minority. The Government considers the Romany community a natural component of Czech society. The civic principle, as the basis for the solution of this problem, will be complemented by specific programmes designed for the Romany minority in those cases where the hitherto existing handicaps cannot be overcome by measures aimed at the society as a whole. The Government shall prepare programmes to improve information about the Roma among the Czech public and to enhance the education of the Roma. During the solution of these issues it intends to cooperate with the broad Romany community.

The Government considers the right to the protection of life, property and health from perpetrators of criminal offences an indispensable component of fundamental human rights and shall therefore be resolute in its confrontation of all forms of criminal activity irrespective of the position or origin of the perpetrator. In the implementation of legal as well as factual protection against racial discrimination and other racially motivated acts it will promote the application of not only criminal prosecution of particularly dangerous attacks according to the provisions of the criminal code in effect but also of administrative means of protection against discrimination. The Government is determined to consistently meet all its obligations ensuing from the International Convention on the Elimination of All Forms of Racial Discrimination and enforce their observation. It will prefer prevention and various social and cultural programmes designated not only for the Roma but also for other ethnic groups of the population. It will stand resolutely and consistently against xenophobia, cultural and social intolerance and any demonstrations of racism. It shall also ensure that state bodies take consistent repressive steps against perpetrators of racially motivated offences.

4.2 Economic policy

The basic prerequisite for the achievement of a desirable turn in the development of the economy is a substantial improvement in the transparency of the economic environment and of economic relations in the Czech economy. Besides the enforcement of the rule of law, other essential components include the creation of a transparent economic environment, the expeditious completion of the State Information System (SIS) which will significantly improve the situation of the business community and general public during the establishment of commercial and other economic law relations by providing access to data on all business entities, their activities and ownership structures in a quality compatible to the system used in EU countries. In a principal move, the Government will also introduce transparency of public financial flows including subsidies, government credit guarantees and financial flows within "transformation institutions", grants, and also public financial flows from non-governmental sources including EU sources (within the PHARE programme and in the future also other EU funds).

Another essential component in the enhancement of the transparency of economic relations is the sphere of ownership rights. The Government will perform firm administration of remaining ownership shares of the state in commercial companies. For this purpose it will prepare and carry out the transformation of the National Property Fund, the content of which will be the conversion and, should it prove appropriate, also the development of a completely new institution to achieve active execution of ownership rights by the state. The consistent

enforcement of ownership rights by the state and their active execution will be the prerequisite for further restructuring and activation of enterprises with state participation and for their privatization which will normally be a part of the restructuring process. During the privatization process the Government will follow tested procedures applied by advanced market economies. The Government will also work for the elimination of the remaining negative effect of the coupon privatization experiment. Individual ownership sectors will be given equal rights in the economy, which will eliminate, particularly, the remaining discrimination of cooperative ownership and introduce the modern European concept of cooperation and mutual collaboration of the private and public sectors. Complying with the world trend towards strengthening participation forms of governance and ownership, the government will promote elements of employee stakeholding in commercial companies and will propose a bill on tax advantage for employee ownership of shares in joint stock companies. The Government will encourage achievement of greater clarity in the rules of corporate governance, especially by bringing them in line with European models of corporate governance as corresponds with our historical traditions and experience.

A policy of gradual deregulation of "natural monopolies" and the development of a competitive market environment will be an important factor in the enhancement of transparency of economic relations. In the sphere of the "natural monopolies" (especially in the distribution of energy, heat, water, etc.) the Government will promote legislation allowing a legal regulation of prices to avoid exorbitant prices; the Government plans to propose later an amendment permitting business activities in these spheres also on a non-profit making principle, maintaining profitability in dependence on the amount, the quality of the product and the lowest possible price for the consumer. As far as other monopolies are concerned the Government will ensure consistent observation of the rules of competition law and market protection by an anti-dumping law. Both types of monopolies must be continuously controlled both from the point of view of prices and costs. The Government will prepare, within a short time, the creation of an effective regulation framework and establish the institution of an independent regulator for telecommunications and power and natural gas production and distribution. The regulation of local heat generation monopolies will be transferred as far as it is possible to the competencies of regional government bodies. These steps will be followed by a liberalization of entry of competition into these industries and gradual price deregulation. The prerequisite for the implementation of the deregulation of "natural monopolies" is the draft of long-term state concepts of the development of the mentioned spheres. In 1999 the Government will present a new telecommunications and energy bill to attain the objectives mentioned above.

An essential task of the Government is the conceptual foundation of national economic policy within a mid-term macroeconomic and fiscal framework and of long-term strategic concepts in individual fields of the national economy (energy, transport, housing development). For this purpose the Government will set up a permanent government body for economic strategy as a coordination body to work out long-term and mid-term forecasts from which, in the future, it will be necessary to devolve the formation of a comprehensive state economic policy, in accordance with the requirements of and practice in the EU.

4.2.1 Public finance

In the field of public finance the Government will strive in the long term for a balanced system of public budgets in the long-term. The Government will also prepare the necessary reform of the system of public finance.

The Government will propose the basic legal framework for the reform of the system of public finance defined by new budget rules for the state, regions and municipalities. Prospects for the next couple of years will become an integral part of the budgets. It will be absolutely necessary to stipulate correctly the amount of the state debt as well as unequivocal rules for its servicing; similarly, it is necessary to quantify during the stocktaking of the current economic situation in the CR the scope of the "hidden" material indebtedness of the economy rooted especially in long-term inadequate capitalization of public infrastructure.

The basic element of the public finance reform will be a reform of the taxation system. The objective of the taxation system reform is mainly, besides accounting for the planned organization of independent regions, the approximation of the Czech taxation system to the gradually harmonized taxation systems in the EU. To a considerable degree regions will be financed directly, and that through shares in direct taxes. The Government is aware of the fact that the objectives of the taxation system reform will require changes in current legislation which will be moved in steps by the Government to the Parliament of the CR. In its proposals the Government will draw on the following principles:

- The Government does not intend to increase the income tax rate. In the long-term horizon, on condition of an adequate rate of self-financing by regional and local governments, the Government intends to allow their eventual reduction. At the same time the allocation of tax revenue from natural person income tax from employees will be executed according to the address of the permanent place of business of the employer; a similar key will be used also in the case of a portion of the tax revenue from the income of legal persons. The Government will promote an early introduction of a system of accelerated depreciation of fixed assets and a considerable tax advantage on lease of integrated assets (including buildings);
- In the case of VAT the Government will promote the gradual harmonization of rates with EU standards. It is also the strategic objective of the Government to move VAT rates into a band correlating with the relevant EU directives;
- The Government will propose such changes of the consumer tax needed to approximate EU rate of taxation standards, especially in relation to fuels;
- The real estate tax as a significant source of revenue of municipalities will be reviewed by the Government with the aim of strengthening this source, not however to have disproportionate social effect;
- The Government plans to apply the mechanism of environmental taxes in harmony with the accomplishment of the taxation reform, to comply with EU directives.

Together with the reform of the taxation system the Government will take steps for the substantial improvement of the effectiveness of tax and duty administration. Besides a legislative amendment, it is necessary to carry out consistent organization changes in tax administration with a gradual transfer to the model of an independent state body. The tax administration reform will include a restoration of property declarations for properties exceeding the value of 10 million crowns by a proposed Government amendment of the Tax and Duty Administration Act.

The Government will also commit a bill on the mandatory introduction of cash registers with the aim of minimizing VAT evasion. The Government will propose the application of flat tax rates to simplify the collection of taxes from the income of natural persons. In this context the Government considers it necessary to present to the Parliament of the CR a draft

amendment on a mandatory non-cash payment system for amounts exceeding a limit stipulated according to analogical amendments in EU Member States.

The Government will strive vigorously to achieve effective regulation and the further development of financial markets which also require considerable cultivation. The improvement of the regulation and legal provisions relating to financial markets will require extensive legislative work (Banking Act, Insurance Industry Act, Bonds Act, Securities Act and a number of others) including the completion of the system of supervision over financial markets. It is necessary to emphasize in this context the necessity of further privatization of a part of the current shares of the state in commercial banks where the main criterion will be provision for the long-term national interests of the CR within the framework of its integration into the EU.

Finally, one of the first tasks of the department of finance will be a review of disputed privatization cases and the fight against corruption.

4.2.2 Industrial policy and support for businesses

Without losing view of the importance of internal and external equilibrium, the economic policy of the Government will be orientated in support of economic growth based on investment into modernization and the growth of total productivity of the national economy as well as of all partial "productivities".

For this purpose, the Government will adopt measures in support of direct investment, both foreign and local. Linking up to the policy of previous Governments it will develop the existing system of support of foreign direct investment, including support for the development of the CzechInvest agency. The Government will also carry out a reform of the policy of amortization of tangibles and intangibles, based on a significant acceleration of amortization.

The Government will create a comprehensive system of pro-export policy based on the development of the activities of the CzechTrade agency, of the Export, Guarantee and Insurance Company (Exportni, garancni a pojistovaci spolecnost, EGAP), and of the Czech Export Bank (ceska exportni banka, cEB). The Government will draft a concept of territorial export policy. In this context the Government will strengthen the importance of trade missions attached to embassies abroad and will support the establishment and development of foreign representations of the CzechTrade agency. The Government will apply effort to ensure participation of the CR in international territorial development banks (Asian Development Bank, etc.). The Government will develop a system of support to export via long-term credit on accommodating terms for specific export projects as well as via other direct and indirect forms of support which will be in compliance with the international commitments of the CR.

The Government will draft expeditiously a concept of a policy supporting competitiveness of Czech producers and service providers with special focus on the manufacturing industry as the decisive source of the export performance of the Czech economy. The key component of the policy supporting competitiveness will be a programme to restructure and revitalize a group of most important industrial enterprises involving the privatization of eventual ownership shares of the state in such companies. The Government will support the further activities of the Czech-Moravian Guarantee and Development Bank (ceskomoravska zarucni a rozvojova banka) and in the case of need will initiate the establishment of other specialized development institutions.

Further, the Government will draft a comprehensive programme of support for small and medium-sized enterprises in accordance with the practice developed in the EU countries. The Government will pay special attention to the support of small innovative companies. The Government will support the activities of the Agency for the Development of Enterprise and of regional development agencies. The government considers support for small and medium-sized businesses as one of the fundamental components of its regional policy.

As a part of its internal and foreign policy, the Government will strengthen the prestige of Czech industry and will draft a concrete industrial, energy and trade policy, a part of which will be specific development programmes. The role of local industrial research and development will be reinforced. Targeted off-budgetary funds, including structural funds, will be used to support, especially, the manufacturing industry. It is expected that EU funds provided within the framework of accession partnership will be used for this purpose. The Government will also focus on such modern forms of industrial policy and policy in support of competitiveness as the development of a system of national quality policy.

The Government will draft expeditiously a long-term energy conception orientated at the reduction of energy demands of both the company sphere and households and respecting the strategic interests of the state as well as the interests of the final consumers. Energy policy is closely linked to the concretization of raw material policy with focus on the reduction of raw material demands of production.

An important sphere to which the Government will devote systematic care is consumer protection and the adoption of a consumer policy corresponding with the common practice in the EU. Another sphere for which the Government will be responsible is the accomplishment of harmonization of legislation and institutions in the field of standardization, metrology and testing.

Czech industry must participate in opportunities presented in the context of our entry into NATO. The Government will promote the participation of Czech industry in the provision of supplies not only for our own army but also, potentially, to satisfy the needs of the armies of NATO Member States. It is namely in this field that the Government will apply offsetting policy.

An important aim of the Czech economy and industry is the integration of our country into the economic and political structures of the European Union. The Government will continue the harmonization of legal regulations, the adaptation of trade policy and of the industrial sphere. These steps must be chosen to avoid, during integration, the destruction of whole spheres of local industry and of other branches of the national economy and upheavals in the society. The Government will therefore follow attentively the negotiation process and weigh it against the actual reality of the internal conditions of the integration process.

4.2.3 Transport and communications

In the department of transport and communications the Government will secure the drafting and completion of the transport policy in the field of railway, road, water, air and integrated passenger and freight transport. It will further adopt extensive measures for the improvement of services in the area of telecommunications, radio communications and postal services.

The Government will carry out a transformation of Czech Railways respecting the separation of the books of the railway infrastructure and actual railway services. It will

provide simultaneously for a partnership between the public and private sectors in the development field - private capital will allow the substitution of otherwise unavailable public funds.

The Government shall devote care to the enhancement of the safety of traffic and adequate availability of services, and to the environmental aspects of transport.

To provide for the above-mentioned objectives, the Government, extending the scope of earlier adopted general measures for the implementation of the resolution of the CR Government on transport policy, will :

- a. submit draft legislation on the establishment of a CR Transport Fund in follow up to the phased introduction of full payment of charges for use of the transport route (with special accent on road transport) and of other elements of harmonization of the taxation system with the EU. It will also provide for the improvement of the situation in the basic availability of transport to which every citizen is entitled as a part of his/her social and civic rights. A prerequisite for the utilization of assistance offered by the European Union is the creation of a local state fund;
- b. complete the conditions for the participation of public budgets in developing territorial transport availability in accordance with principles adopted by the EU;
- c. draft, on the basis of the adopted transport policy, a long-term strategy for the development of railway, road, water, air and integrated transport, including relevant legislation and economic and other tools for its enforcement;
- d. devote attention to compliance with technical parameters of vehicles, their permissible loading, and to measures against excessive dominance of supply of transport capacity over demand.

Also, the Government considers communications a sphere of public service accessible to all citizens. It will create conditions for the transfer to an information society and for the development of telematics as an application of information for enhancing the quality and economy of transport processes. The government places emphasis on enhancing the quality of the communication system, on the gradual application of information highways, on the greatest possible accessibility of the Internet and on marked improvement of postal services.

To provide for the attainment of the listed tasks the Government will present to the Parliament of the CR a draft amendment of the law on railways, on the transformation of Czech Railways, an amendment of the law on terrestrial communications, of the law on integrated transportation systems, of the law on telecommunications and of the law on postal services. It will provide for the supplementation of all currently adopted laws applying to transport and communications necessary for the elimination of variance with EU legislation that would be an obstacle to the drawing of EU grants for programmes and projects in support of the national programme of preparation for accession to the EU. Finally, it will also be necessary to provide for the compensation of cost and environmental load to which the CR will be exposed due to the transport consequences of European integration.

4.2.4 Agriculture

The basic policy objective of the Government of the CR in the sphere of agriculture is to end the reduction of the dimension of agriculture and its economic decline and prevent further

devastation of the rural area. Complying with regional development programmes the Government will therefore create conditions for the enhancement of the level and scope of good quality agricultural production, especially in production regions. It will, on the other hand, support environmental stability, settlement and the functioning of rural areas also in marginal agricultural conditions.

Harmonization of legal norms and regulations will take place due to the approaching date of CR accession to the EU. Programmes to promote investment and modernization will be developed with the aim of approximating the competitiveness of these industries to EU standards.

Drawing on the principles of the EU Common Agricultural Policy, the Government will draft a concept of agrarian policy aiming at:

- safeguarding basic food supplies from local resources;
- elimination of the unequal situation of agricultural primary producers as price receivers on the market;
- regard to the entrepreneurial disadvantage of agriculture due to the conditions of a given location, restriction for reasons of public interest and mandatory regimes of farm management;
- promotion of the non-productive environmental functions of agriculture, including environmental farming and non-food use of agricultural produce.

The Government will strive for the enforcement of effective regulation of the market with basic agricultural commodities, securing at the same time a reasonable price level for both producers and consumers. A new intervention organization will be set up for this purpose instead of the State Fund for Market Regulation. Support will be provided also to the process of setting up marketing cooperatives, trade associations and organizations working for the establishment of balanced relations between producers, processors and trade outlet networks. Legislative measures will be proposed for the amendment of the payment regime for agricultural products and food industry produce.

The concept of agrarian policy will include also the enhancement of the effectiveness and scope of grants and subsidies serving as a systemic non-price tool of reimbursement of the multifunctional aspect of farming, for the stabilization of food prices and maintenance of farmers' incomes. The introduction of "green fuel" will be proposed as a factor in bringing local conditions into harmony with those in the EU.

The Government will promote export of agrarian goods and the penetration of produce to new markets by applying a licencing policy and creating comparable conditions for foreign trade in agricultural and food products to those existing in developed countries. Applying agricultural law and effective international agreements, a more effective prevention of the local agrarian market will be applied to prevent the penetration of low quality, excessively subsidized or fraudulently declared agricultural and food produce to our market.

Necessary legislative and other measures will be adopted to complete the restitution and transformation processes. Conditions will be created for the sale of state-owned land on favourable terms for users - primary producers. Needed legislation will be drafted for the elimination of speculative sales and purchases on the land market.

The Government of the CR considers forests to be an item of important national ownership due to their not only economic but also environmental and social dimension. Forest management will be oriented at sustainable development of the productive and non-productive functions of the forest. It will support purposeful restructuring of the local wood-processing industry.

The Government is also aware of the necessity to harmonize interests relating to the protection of water as an irreplaceable component of the environment, and their significance in meeting the needs of both individuals and the whole population. A priority will be the draft of new water management legislation including the enhancement of the quality of the flood protection system.

Specialized education, research and science will be supported to secure the continuity and prospects of business activities in agriculture, forest and water management.

4.2.5 Regional development and housing

The Government will draft a strategy of regional development in the CR taking into account also the importance of an economically and socially stabilized rural area. Regional policy, which is an important factor of economic growth, will become a significant priority, the same as in EU countries. The Government will implement, within the framework of its national economic policy, close European regional and cross-border cooperation. It will also secure, via programmes for difficult regions, a rational and efficient utilization of PHARE funds and of EU structural funds. The role of the Government in regional development will be implemented in cooperation with all the relevant ministries and in close collaboration with regional bodies.

The financing of public investment, its spatial allocation, and effective utilization of the building industry is a significant tool of regional policy.

Flats and housing have irreplaceable value for citizens, which cannot be left purely to the elemental influence of the market. The market in flats is both in the public and private interest. The housing market must therefore be regulated by the state. Housing policy will ensue from obligation of the Government to do everything possible for the provision of accessible and acceptable housing for all citizens. One of the intentions of the Government is a broad amendment on housing similar to that commonly applied in developed countries.

An overriding task is to overcome the long-term depression in housing development while respecting all forms of ownership. The Government will therefore strive to achieve a significant increase in the GDP share of investment into housing by way of indirect and direct support to the construction of private as well as rented and cooperative flats.

The Government will also submit draft legislation for the establishment of a state fund for housing development and adopt measures for a broader application of housing development funds by municipalities. The money from these funds may be used for the support of the following programmes:

- by municipalities for the development of technical infrastructure;
- to support the construction of accessible rented accommodation;
- for owners of dilapidated apartment flats to finance repairs and modernization, including repairs of defects of prefabricated "panel" houses. The funds will be

provided on the basis of an objective assessment of the state of the buildings and of a justified individual application.

The government shall further draft:

- a body of proposals relating to the tax sphere, extending an advantage to housing development, repairs and modernization of housing facilities;
- a draft amendment of housing legislation, allowing a more effective function of the housing market, a balanced provision of the rights and duties of landlords and tenants and of the rights and duties of lodgers. The Government will also adopt measures against speculation with housing funds;
- a provision to secure a comprehensive system of information on housing funds and their utilization;
- a draft amendment of law No. 72/1994 Coll., on ownership of flats, aiming at the elimination of shortcomings in the current legal amendment applying to the status of the owner and housing cooperative communities;
- a measure to provide markedly increased support for the construction of rented accommodation on the basis of the non-profit principle;
- a proposal for a new legal amendment and the development of an economic environment for access of cooperatives to government subsidized housing development and investment into existing cooperative housing fund;
- a proposal for rational price regulation in housing, keeping in line with the development of wages and the amendment of the law on government housing contributions, taking into account the real costs and maintaining at the same time the function of motivation to seek more appropriate housing;
- a measure to strengthen the co-responsibility of municipalities for housing policy;
- measures which will evidently improve access to housing, especially for young people ("starting-line" small flats);
- in cooperation with representatives of local self-government, a long-term comprehensive programme of housing development and policy drawing on our economic possibilities and needs.

The Government of the CR considers the building industry an important growth industry of the national economy. The development of this industry has significant multiplication effects in connected industries. The prerequisite is the restoration of its economic growth and the achievement of a similar intensity of construction as is common in EU countries. This should be backed by promotion of investment into housing construction, transport and technical infrastructure and by public investment.

Tourism contributes important budget revenue. The Government of the CR shall therefore draft a concept of the state policy for tourism to secure the development of this industry. The Government shall provide for the attainment of this goal the necessary legislative environment, a system of economic tools and the principles of an inter-departmental approach.

4.3 Social sphere

4.3.1 Social policy

The key factor in the healthy development of a society is, in the view of the government, a balanced social system. In close cooperation with the social partners the Government will increase the significance of tripartite talks and intends to sign a long-term pact of social stability with the partners. The Government will present expeditiously the European Social Charter to the Parliament of the CR for adoption. It will prepare the draft of the new labour code.

By promoting new job opportunities the Government will strive for the greatest possible reduction of the unemployment rate. It will focus special attention on regions afflicted by a high unemployment rates and on population groups most exposed to the risk of long-term unemployment. The Government will adapt the system of requalification to the new needs of the labour market. It will develop a comprehensive system of education, rehabilitation and lifelong work and social integration of the disabled.

The Government's income policy priorities are the achievement of a state in which all groups of the population are affected more equally by the cost of and revenue from economic transformation, and, second, the growth of real wages. The Government, together with its social partners, will agree on a system of wage bargaining within budget organizations. The Government will increase in gradual steps the minimal wage to a level above the subsistence minimum. The Government will promote the intention to increase health insurance contributions and adapt them to the development of wages and will prepare a new system of accident insurance.

During valorization the Government will strive to increase the purchasing power of pensioners and its gradual return to the 1989 level. It considers a pay-as-you-go basic system of old-age insurance to be the decisive tool for securing a dignified standard of living for people of pension age. It will also continue to eliminate the shortcomings of this system and strive to achieve its long-term stability. The Government will separate the financing and organization of old-age insurance from the state budget, preserving at the same the guarantee functions of the state. It will allow the establishment of employer pension funds based on the non-profit principle.

The Government will strive to eliminate all forms of discrimination, it will especially strive to ensure that women enjoy - not only legally but also in reality - equal opportunities on the job market, in the family and in public life. The state, together with parents, will participate in the creation of favourable conditions for the rearing of the young generation and its successful start in life; it will therefore restore, inter alia, the payment of child benefits to all children.

Social aid will be permeated by the principle of creation of dignified conditions for human life, applying simultaneously the principle of free choice of social services by all citizens, including ethnic and other minorities. The Government will discuss an amendment of the system of social benefits and social aid with the intention of making it more motivating for seeking education, enhancing one's qualification and exerting effort to find work.

4.3.2 Education

The Government considers care for education its priority. The creation of conditions to make the largest possible number of people desire and be able to develop to the greatest possible degree their abilities is the key to the knowledge and information society of the third millennium.

The Government understands education as the outcome of the optimal activity of institutions and of personal effort. It considers education a decisive factor in economic development and a source of political stability in the society. It recognizes the controlling influence of education over the value orientation of the citizen, his manner of thinking, behaviour and conduct. The Government therefore declares its responsibility for educational policy and its results. The role of the state in the creation of conditions for the provision of equal access to education, for the quality and concept of education, and in the protection of children and youth against unfavourable influences is irreplaceable.

The priority of education will be reflected by the Government in its budget policy by strengthening the education chapter with the aim of achieving its 6% share of the GDP by the year 2002. Increased budget resources will be designated especially for:

- the development of science and higher education;
- the solution of the motivation issue and salary status of teaching staff;
- the solution of the long-term deficit and for the stabilization of the situation in the area of operational costs;
- increasing investment into infrastructure.

The Government will strive for the attainment of a situation in which the education system in the CR can contribute its share to the acquisition of full EU membership of the country, especially by utilizing our participation in EU educational programmes. The Government will support the further development of universal and vocational education, with the aim of facilitating the full application of awarded qualifications on the European labour market. It will complete the transformation of the school system to make it meet the changing requirements of a socially and environmentally oriented market economy and, simultaneously, correspond with the prepared regional set-up of the Czech Republic.

The Government will therefore:

- carry out - in coordination with the social partners at the regional level - such changes in the network of schools and branches of study as correspond with real requirements, with emphasis on the development of technical and vocational education and the needs of the labour market;
- commit an education bill, by which it intends to present a comprehensive solution to the problem of regional education and by which it wishes to replace the repeatedly amended three school acts;
- in follow-up to the law on institutions of higher learning adopted this year, complete legislative and organization changes in the area of higher education.

4.3.3 Science and research

The ability of a society to make new findings and adopt them, use modern technologies and train specialists at a world level is the prerequisite for increasing both the material and spiritual level of the country.

The Government will therefore prepare, together with the scientific community, businesses and users, a national scientific and research policy drawing on internationally adopted commitments, which will be comparable with the policies of developed countries and will focus namely on:

- the definition of the priorities of science and research targeted at the top-performing export industries and industries needed for a long-term environmentally oriented economic development;
- support to branches of a high international standard - especially at institutions of higher learning - needed to promote the level of education of the people, the health and safety of citizens and other needs of the society;
- support to transfer of scientific and technical knowledge;
- harmonization of the system of state support and legislation with the European Union in the form of a new Research and Development Bill and provision for the conditions of its enforcement.

4.3.4 Physical education and sport

The Government is aware of the importance of sport and physical education. It considers them to be a significant social phenomenon and means of achieving health protection of the citizens and consequently lower demands for health care. For this reason it will support active pursuit of sports as a means of purposeful utilization of free time - with special regard to the youth activities - which helps significantly in the prevention of socially pathological phenomena. The Government perceives sport representation of the state as an important tool for the promotion of the Czech Republic and as a motivational factor in national pride and patriotism. With view to our direction towards the European Union, the Government considers it necessary to accede to the European Sport Charter. Activities of sport associations and sport unions will be supported especially by a legislative amendment, including the amendment of the taxation system, to reflect the nature of sport organizations as non-profit entities and facilitate their activities financially, especially the operations of physical education and sport facilities. A foremost task in the context of the public administration reform is, in the Government's view, the preparation of a comprehensive system of support for sport and physical education as well as for out of school interest activities of children and youth (including the resolution of issues relating to the property administered by the Children and Youth Fund [Fond deti a mladeze, FDM]) by applying all legislative, financial and institutional tools.

4.3.5 Health care

The health of citizens is, in the view of the Government, a public interest, the source and wealth of the society and a condition of a good quality of life, not only a private interest and

goods. The goals stipulated by the World Health Organization for European countries are considered binding by the Government, especially the achievement of greater equality of health care for individual groups of citizens. Significant limitations of solidarity in the financing of health care is therefore unacceptable for the Government in relation to people with low income, to the aged and the sick. On the other hand the Government rejects solidarity in the provision of funds and services from public resources allocated to health care for the provision of luxury services or treatment which does not significantly contribute to the preservation of life and maintenance of health.

The Government wishes to prevent by rationalization measures the growth of costs and the decline in the quality of provided care. The priority will be the elimination of the existing chaos and arbitrariness. Public funds allocated to health care must be subject to strict public control. The Government will therefore insist on economic management of public funds by health care facilities. The Government intends to introduce standardization of accessibility, of personnel and material equipment and of the quality of provided care. It will lay stress on the rationalization of the network of those health care facilities in which expensive forms of care are concentrated by clearly defining their status and responsibility. The Government will promote legal guarantees of health care accessibility, for which the state and respective territorial regions are responsible, as well as efficient zoning of health care facilities, observing at the same time the possibility of free choice of health care facility. Special attention will be devoted to zoning in the area of pharmaceutical policy. The planning and regulation of the network must be fair and governed by objective rules. The Government will support the provision of availability of services and of employment opportunities for qualified health care personnel even in the event of possible closures of facilities.

The Government will lay stress on the long-term development of care on the basis of concepts of individual branches and of systematic lifelong education of health-care workers.

The Government will strive to achieve minimization of non-effective costs, linked for example with the administration of the insurance fund, also by possibly merging health and sickness insurance.

The Government will promote the development of application of information technologies in health care, assuring at the same time the protection of personal data.

The Government will improve conditions for the promotion of prevention, of a healthy lifestyle, for support of a healthy environment, and will control these conditions. The Government will promote the introduction of European patients' rights standards into legislation and practice. The Government's aim is for health care to provide quality services to the citizens, to guarantee professional qualification, ethical behaviour and respect for the human dignity of patients.

The Government will strive to achieve a ratio of salaries of health care workers to the average wage similar to that in EU countries.

4.3.6 Culture

Czech culture is free and democratic, incredibly broad, diverse and multi-layered. Cultural activities do not by far include only those supported by the state whose role, of course, rests in the creation of conditions for cultural plurality, for the development of culture, including non-professional cultural activities.

Although it is not possible in the current difficult economic situation to expect a substantial increase in funds allocated to the department of culture, the Government, on the other hand, is aware of the fact that a reduction of the budget for culture would be a serious threat to the real existence of certain state cultural organizations, that it would impair to an even greater degree the currently inadequate financing of the restoration and maintenance of cultural monuments, cause the disintegration of the cultural infrastructure and exclude basic cultural functions from the life of the society.

Thus one of the basic tasks in the field of culture confronting the Government is the provision of financing from multiple sources. The Government therefore intends to present draft legislation to the Parliament to assist a solution to this situation, to allow, if adopted, the financing of culture also from non-budgetary sources.

Another important task of the Government is to introduce order into legislation relating to the sphere of culture, to supplement absent legal norms, amend outdated laws dating the period of real socialism and provide drafts of comprehensive media laws, including the stipulation of effective control of the media by Parliament, without however compromising their independence, and to assure of the compatibility of all these laws with EU legislation.

In the field of culture the Government will also deal with the basic transformation of all budget departments and of institutions funded from the budget of the ministry, taking into account the planned establishment of self-governing regions.

As for the issue of the preservation of the cultural heritage, the Government faces an unpopular, yet necessary decision. The criterion for the evaluation of an immovable cultural monument should be not only its age but also its cultural and historical value. Within the regime of care of monuments the Government will not differentiate between church monuments and others and will, in this context, fully respect expert opinions. In this connection it rejects any ideological lobbying and politicization of the issue.

The Government does not intend to continue the executive transfer of state property to the churches, with the exception of Jewish property confiscated during the war. The transfer is conditioned by the adoption of a law on state property. The Government calls on churches to participate in a dialogue and discussion, the outcome of which should be a legislative draft resolving the relations between the state and the churches, including the manner of their financing.

4.3.7 The environment

As for the protection of the environment, the Government will promote the principle of sustainable development while taking into account the economic, social and international context. Leaning on one of the principles of EU Member States - the principle of integrity of the protection of the environment with economic activities - it will include environmental aspects in the drafted economic concepts.

The Government will link up to all the positive work accomplished so far in the field of the environment and of considerate management of natural resources. Nevertheless, it is aware of the fact that the stipulation of concrete, targeted measures in the sphere of management of raw material economy or of energy conservation programmes still lies ahead. The same as it is not possible to consume more than is produced, it is also not acceptable, in the management of

natural resources, to live off the future generations. That is why the first measure taken by the Government in the amendment of legal regulations applying to the management of non-renewable natural resources - raw materials - will be the commitment of a draft amendment of the law on the protection and utilization of raw material wealth and of a law on geological work. The Government will thus emphasize the rational utilization of raw materials and at the same time strengthen the influence of municipalities and property owners in decisions on the survey and mining of raw material deposits.

In the field of waste management and utilization of secondary raw materials it is necessary, besides legal provision for the management of municipal waste, to define in an amendment to the current law the concept of secondary raw material. By taking this necessary step the Government will support the utilization of waste in market economy conditions.

The deliberate utilization of the landscape and deliberate exploitation of natural resources is a condition of the sustainable development of the life of the individual, community and whole society. The Government will therefore review the powers of central state administration bodies in land-use planning and forest and water management, with emphasis on balanced natural conditions, taking into account the utilization of an increasingly sparse natural resource - space. A new Water Bill will be presented in connection with the review. In this context the Government will also move a proposal for the amendment of the law on land-use planning, with the draft containing a new definition of the powers of the Ministry of the Environment in the area of land use. With such legally stipulated regulation of land use bound to other environmental factors - soil protection and water management - it is possible to restrict the rules for land-use, including use of flood plains.

A new bill on environmental impact assessment will be committed in the context of the assessment of the environmental impact of activities and construction on the environment.

Czech industry has not adequate funds for the necessary modernization of technology, to consume smaller amounts of natural resources and cause less pollution. An existing off-budgetary source, the State Environmental Fund, will be applied to much greater degree than in the past to reduce the credit burden of the aforementioned requirements.

One of the tools which may be used simultaneously for environmental protection and for achieving greater effectiveness of production are environmental management systems. The Government will support the introduction of these systems and will submit a draft amendment on the prevention of industrial accidents

New principles will be adopted for the provision of financial aid during natural disasters. Regulations will be adopted, incorporating protection of natural resources into the prepared law on crisis management. The law on crisis management will apply not only to the protection of human lives but will also define protection of important natural resources, like for example sources of water.

As far as protection of nature is concerned, the Government will focus its activity on improving the role of the state. For example, it will submit a law on the administration of protected landscape areas. After deliberation of the matter, it will propose further large protected landscape areas, e.g. the foundation of a new "Bohemian Switzerland" natural park. The Government will promote the protection of ecosystems.

4.4 Internal security, defence, foreign policy

By appointing a specialized deputy prime minister, the Government has created the basic precondition for a close and permanent coordination of competent departments in this area.

The priority is the discussion and adoption of the National Security Strategy and ensuing legislative provisions. This is mainly legislation linked to the constitutional act on the security of the CR. One of the debts of the previous governments will thus be settled. The State Security Council will prepare and present qualified ground documents for decisions by the Government in the field of foreign policy, defence and internal security.

4.4.1 Security

The protection of citizens' rights, freedom, lives, health and property is one of the fundamental duties of the state and the Government is firmly determined to fulfil this duty. In the same resolute manner the Government will also defend national interests, the interests of the state, including the protection of national property, and, within the framework of fulfilment of international commitments, also the interests of foreign entities, persons, investors and states.

The Government will expeditiously draft and prepare the adoption of relevant legislation to speed up and improve criminal proceedings, introduce the possibility of more severe sanctions for economic crime, organized crime and drug trafficking, as well as laws protecting the capital market, small and big investors and depositors. The Government will strive to improve coordination between investigative and judiciary bodies to reduce the time needed to reach a decision on guilt and punishment, from the end of the investigation to the handing over of the accused to the court.

The Government will make provisions for the improvement of police activities, personnel composition and professional training of the police, and also the social and financial provision for members of the police. The Government will take resolute steps against the rampant bureaucratic apparatus of the Ministry of the Interior and of the Police, eliminate duplication of effort and, on the other hand, secure cooperation between their bodies. The relevant systemic, organizational and personnel requirements will be met in support of this goal.

The Government will provide for a permanent and effective fight against corruption at all levels and will in all cases insist on criminal law, financial and political consequences being drawn. It will ensure that the fight against drug trafficking and organized crime is carried out with resolution comparable to world standards. It will ensure that appropriate legal consequences are drawn in cases of privatization and other decisions on the transfer of state property where such property has been damaged because of law violations. It will ensure that such investigations and measures do not damage the certainty of ownership relations in the CR.

The Government considers prevention a task for all components of the civic society. It will devote attention especially to threatened and "problematic" groups and to regions with a high crime rate. The Government will prepare a system facilitating the incorporation of released prisoners into society. The Government will take resolute steps against demonstrations of racism, xenophobia and other demonstrations of intolerance.

The Government will also adapt its visa and immigration policy to European standards of protection of the interests of the state and will make provisions for the detection of criminal activity among foreign communities.

The Government will provide for the utilization of the opportunities of broad international cooperation in all spheres of fight against crime and money laundering.

The Government will provide for the permanent state of alert and ability to act of an integrated rescue system, of civil defence units and of the Administration of State Material Reserves, for the management of industrial accidents and natural disasters. It will prepare a permanent training system for rescue personnel and for teams providing humanitarian aid. To achieve this goal, relevant legislative norms will be committed to Parliament and the coordination centre of an Integrated Rescue System will be set up at the Ministry of the Interior.

An essential condition for our entry into NATO is the consistent enforcement of the new law on the protection of confidential information which will come into effect this autumn. In this context the Government is prepared to adopt fundamental measures relating to the establishment, status and actual operations of the National Security Agency which will guarantee an appropriate system of protection of confidential information. This system will require the fulfilment of tasks that differ quantitatively and qualitatively from those that have been carried out hitherto as part of the execution of protection of confidential information.

The simplification and greater effectiveness of the intelligence system will be comparable to similar systems in European states. The Government will present draft amendments to laws on intelligence services, on the Security Information Service, on the Military Defence Intelligence and a draft bill on the control of intelligence services by the Parliament of the CR.

The Government will use the intelligence apparatus to fight organized crime, economic and financial crime, the spread of nuclear, chemical and biological material, illegal trade in conventional weapons and international terrorism.

To achieve this goal it is necessary to improve the system of coordination and assignment of intelligence services.

Drawing on the above listed priorities and aiming to increase the effectiveness of the activity of intelligence services, and creating a comprehensive legislative framework for their activity, the Government:

- will process an analysis of the efficiency of the management of intelligence services;
- will process an analysis of the structure of the intelligence system and propose its restructuring from the point of view of stipulation of unequivocal political accountability for the activities of individual intelligence services;
- will improve cooperation between Parliamentary control bodies and the Government;
- will propose the optimal manner of incorporating intelligence services into the system of crisis management;
- will commit to Parliament draft amendments of laws applying to intelligence services;

- will commit to Parliament a draft bill on the control of intelligence services by Parliament;
- will propose a unified legislative framework providing for all spheres relating to intelligence services in a manner compatible with NATO and EU standards.

4.4.2 Defence

The foremost task in securing the external security of the state is, in the view of the Government, the Czech Republic's entry into North Atlantic Alliance structures in 1999 and its consequent full-fledged NATO membership. The Czech Republic will draw on commitments assumed during pre-accession talks in 1997 and the commitments ensuing from the Washington Treaty. Together with NATO Member States it will strive for the preservation of peace and stability in the world. It will provide required troops for collective defence and for individual missions of the Alliance, including a proportionate involvement in its military structure and collective defence planning. It will; participate in the humanitarian operations of the Alliance in accordance with the new tasks of NATO.

The Czech Republic will continue to support the Partnership for Peace programme and the development of cooperation with all countries with which we are joined by shared democratic principles. The Government will devote special attention to the development of relations with the Polish Republic and the Republic of Hungary. Together with these states it will solve specific questions of the military sphere which are directly related to the entry of our three countries into Euro-Atlantic and European integration structures.

The defence of the Czech Republic is in the view of the Government not only a purely army matter but the duty of the whole society, of all citizens. The Government therefore plans to preserve universal conscription. To secure the tasks of the defence department, the Government will promote the development of a modern army capable of securing the sovereignty of the state, of fulfilling its international commitments, an army which will be compatible with the armies of NATO Member States. The Government will implement the commitment to increase military spending gradually by 0.1% annually to reach 2% of GDP by the year 2000. At the same time it will create conditions for the development of the local defence industry.

The Government will adopt basic documents relating to the security, defence and military strategy of the Czech Republic and a concept for the development of the department of defence (until the year 2003 with a prospect until the year 2008). It will submit to Parliament the draft of a comprehensive legal amendment relating to the defence of the state, the armed forces and troops. An early adoption of these basic documents and their practical implementation will contribute to the trustworthiness of the Czech Republic as a future NATO member.

The main task of the army will be the preparation of the officers' corps and troops to be able to perform duties relating to their incorporation into NATO military structures, and such modernization of equipment and technology as to ensure compatibility with NATO arms. There will be simultaneous implementation of social programmes leading to an overall change of the military environment to bring, gradually, the conditions of service and of the life of soldiers closer to a standard comparable with NATO forces.

4.4.3 Foreign policy

The basic task of Czech foreign policy is the defence and promotion of the national interests of the Czech Republic. The Government will strive to bring the Czech Republic into the ranks of active proponents of European and, as far as it is possible, also world politics, leaning on cooperation, solidarity, human rights and cooperative security.

The Government supports the vision of a united, democratic, prospering and peaceful Europe without tensions and conflicts, a Europe of free citizens and cooperating regions.

The Government will focus on the improvement of its informative function to win significant support for its foreign policy from the Czech public, especially as far as the incorporation of the CR into the North Atlantic Alliance and the European Union is concerned. Next to good and stable relations with neighbouring states, the main priorities of Czech foreign policy are the incorporation of the CR into the European Union and membership in the North Atlantic Alliance.

The Government will strive to negotiate conditions for accession to the Union that comply with Czech national interests. Accession to the European Union will affect all spheres of life of Czech society and of every citizen. In view of the significance of this step the Government has decided to commit a constitutional referendum bill for adoption and consequently initiate a referendum on the accession of the CR to the European Union.

The Government will elaborate EU accession strategy with the aim of orientating individual industries to the anticipated changes. It will follow up on the existing national programme of preparation of the CR for EU membership and, also, perform annual updates of short-term and long-term priorities of preparation for EU membership. The Government will secure full and effective utilisation of enhanced economic assistance provided by the European Union to the CR under the Agenda 2000 programme. It will, especially, create conditions for the establishment of self-governing regional bodies whose existence is necessary for the CR to acquire and be able to absorb contributions from EU structural funds. The Government is also determined to fully apply opportunities created by the European Investment Bank for the funding of projects in countries which have applied for EU membership.

The Government will continue CR integration into the EU.

The Government will complete the preparations of CR entry into NATO. It is determined to do everything necessary for the CR to become a full-fledged member of this organisation and take active part in the discussion on the strategic conception of NATO. The Government will support the policy of openness of the Alliance.

The Government attaches great importance to good relations with neighbouring countries. It will focus on the development of special relations with Slovakia with which we are joined by a common history and common interests and economic ties. Relations with Germany are of fundamental importance for the CR. The Government shares the view that the prospects of mutual Czech-German relations are based on their orientation into the future and rooted in understanding and mutual agreement within a peaceful, democratic and prospering Europe. At the same time, the Government draws on the indisputable results of the second world war.

The Government will continue to develop and further extend the good relations with Poland and Austria. Together with the Polish Republic and the Republic of Hungary it will coordinate our preparations for entry into NATO and the EU. It will promote the development of all-round cooperation with the countries of central Europe, especially the deepening and extension of the Central European Free Trade Association.

The Government attaches great importance to the development of bilateral; relations with other countries, both superpowers and small states. It will pay continuous attention to the development of close friendly relations with the USA. It will not neglect the development of partnership relations with Russia, the Ukraine and the state of CIS. It will link up to the traditional cooperation with developing countries.

The Government is determined to strengthen the multilateral dimension of Czech foreign policy.

As a part of its European policy, the CR will take active part in the activities of the Council of Europe. It will sign the European Convention on State Citizenship and the Convention on the Protection of Persons During the Automatic Processing of Personal Data. It will accede to the Social Development Fund of the Council of Europe.

The Government will support reform efforts to strengthen the authority of the UNO. It is prepared to participate, within the scope of its possibilities, in peace operations approved by the UN Security Council and to support the national programme of humanitarian and development aid.

The CR will make more active use of the Organisation for Security and Cooperation in Europe as an important forum of preventive diplomacy and cooperative security.

To enhance the level and effectiveness of Czech foreign policy, the Government will promote the assurance of necessary coordination among constitutional agents and individual departments. It will promote effective involvement of the Czech foreign service in external economic relations and its focus particularly on support of bilateral economic cooperation.

The Government will take an active part in the activities of international economic organisations like the World Trade Organisation, OECD, the European Bank for Reconstruction and Development, the World Bank, the International Monetary Fund and others.

Relevant bodies will maintain close contacts with Czechs living abroad.

The Government will adopt measures for the enhancement of professional standards and of the stability of the foreign service. An important tool in this respect is, in its view, the law on foreign service which it will submit to Parliament for adoption.

During the implementation of foreign and security policy theses the Government is determined to strive for a consensus among all decisive political forces in the country and to create the necessary preconditions for this aim. It supports an open style foreign policy. It will respect the control function of the Parliament in the sphere of foreign and security policy.

4.5 Public administration

The most pressing task of both Government and Parliament in the area of public administration is the application of the constitutional act on the establishment of "higher territorial entities" (regions) to avoid endangering the deadline of its coming into effect which was stipulated for January 1st, 2000. The Government will therefore start work expeditiously on necessary territorial changes and on the creation of the necessary material support for regional bodies. The actual shape and form will be attached to the future self-governing regions only by the adoption of a whole number of laws defining, particularly, the financing and management of the regions, the powers in the fields of their independent and devolved competencies, the structure of regional bodies and form of election into these bodies, as well as the powers and competencies of the current territorial state administration bodies including district authorities which still play an indispensable role in the execution of territorial state administration. The Government is aware of the scope of this task and, should it become apparent that the state of preparatory work done by the previous Government does not allow the accomplishment of legislative and organizational work in a way permitting the execution of responsible steps within the stipulated term towards the implementation of the constitutional act, the Government will inform both public and Parliament, which in that case will request a deferral of the effect of the constitutional law. The Government has set the term of the debate on the state budget for 1999 as the term for the stipulation of any such a measure.

In the field of public administration the Government intends to stop the trend of unsubstantiated expansion, and at the same time bureaucratization, of public administration by adopting, especially, the following measures:

- Precise definition of the powers of both lines of public administration, i.e. self-government and state administration at central, regional and municipal level, controllable by the public. State administration will maintain only such powers as are needed for the unified execution of precisely defined activities on the territory of the whole country. To achieve a rational division of competencies the government will proceed from the citizen and his/her needs towards Government and Parliament, not vice versa;
- Strengthening the conceptual role of the Government which feels actually responsible of the further development of the society and for the promotion of positive development trends at the economic, social and political level of the country. The Government intends to carry out this role without further increasing the number of employees, mainly by a new division of competencies between central, regional and local government;
- The Government intends to create and introduce consistently, during its term of office, a unified state information system, accessible to the public and institutions, leading to an overall rationalization of state administration and of the decision-making processes within its framework. The Government intends to link the development of the state information system with the elaboration of a comprehensive system of professional and lay public control and thus enhance its effectiveness without increasing the number of bodies or staff;
- Within the system of central bodies, the Government intends to devote one position in the future to care for the overall quality of public administration, including solution of issues relating to its apolitical character, professional standard and coordination. One

of the first and main tasks is the drafting and implementation of a programme of change in the public administration which our country needs - and not only in the context of our preparation for accession to the EU.

The Government will apply the greatest possible effort to stop trends leading to the underestimation or even contempt for public administration and to contribute to a transformation of public administration from a bureaucratic body which citizens consider a nuisance to a public administration which serves the citizen by creating conditions for his life as an individual as well as a member of the public. To achieve this state the Government:

- will commit the civil service bill, which will on the one hand introduce high demands of professional employees in public administration and on the other hand protect them during the performance of their demanding office;
- will draft a system for the training of public administration employees, both of future employees now in secondary schools and, mainly, universities, as well as current employees within a system of lifelong education. The system of education will be coordinated by the body charged with care for the quality of public administration;
- at the level of regional bodies of public administration the Government will concentrate its effort on a good system of division of competencies in public administration, both within self-governing bodies and state administration, between central, regional and local bodies. During the division of these competencies the Government will be guided by the principle that state administration should govern matters that must be provided for in a blanket manner, that is in the whole society and on the whole territory of the state in a unified way. The remaining matters will be gradually entrusted to self-government. At the level of local public administration bodies the Government intends to strengthen considerably, by the wording of the law on municipalities itself, the competencies of municipalities, to allow them to create more efficiently, or to intervene into the creation of, conditions for satisfying citizens' needs. This applies mainly to the process of drafting and implementing territorial plans, permitting business activities, and management of social and technical infrastructure facilities. The Government considers it necessary to define in the law the term "basic property of the municipality" and to restrict and clarify rules for using the property of municipalities, especially to define the types of property that may not be sold by the municipality or be mortgaged without appropriate compensation. In this context the Government will discuss whether the law should not also stipulate a ceiling for municipal debt;
- during the amendment of tax legislation the Government intends to amend the method of tax revenue distribution to increase both the absolute amount of revenue of municipalities (in view of the extension of their competencies) and the rate of probability that tax liability will arise and the municipality will acquire the money; extension of possibility to collect local taxes and charges and consideration of the possibility of extending support to business activities of municipalities in areas beneficial to the public, especially in housing development and management of flats;
- by supporting associations of municipalities in the performance of certain activities - especially support from regional self-governing bodies - the Government intends to gradually create conditions for voluntary mergers of municipalities into larger entities, to achieve a reduction of the currently dispersed structure of municipalities for the better execution of their competencies;

In the governance of the public sector from the public administration level, the Government intends to:

- draft an overall concept of the public sector and its individual blocks and branches and to evaluate the conditions of its efficiency. The thus drafted and continuously updated concept will serve as the decisive ground document for drafting long-term budget programmes;
- erect barriers to trends towards deepening differences between individual regions and districts, by developing a system of standards for the equipment of an area with social and technical infrastructure facilities, guaranteed by public administration; to subject the standards to continuous analysis and to perceive them as dynamic indicators;
- redraft the taxation system to make it support the adopted concept of public sector development and strengthen the financial independence of territorial and local self-governing bodies; i.e. to launch a policy of devolution of public revenue from the adopted concept of public expenditure.

5. Conclusion

The Government of the Czech Republic expects to inform the Chamber of Deputies on the fulfilment of this Policy Statement once a year. During the draft of new legislation the Government is ready to communicate intensively with the specialized committees of the Chamber of Deputies. The Government believes that at the end of its four year term it will be able to hand over the country to its successor in a considerably better shape than that in which it had taken over