

## PART III. NATIONAL REPORTING GUIDELINES FOR CSD-14/15 THEMATIC AREAS

### C. INDUSTRIAL DEVELOPMENT

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Czech industry has been recording an uninterrupted growth for the fifth year in line. In 2004, of closed with a significant improvement of all basic indicators, such as industrial production and revenue, as well as direct exports by industrial businesses, productivity of work and average nominal wages. Most favourable factors to mention have been distinct growth of production with increased added value, in which both the industrial and human potentials of the country's economy has been efficiently enhanced, and also capital projects implemented by international investors (technology transfers to the Czech territory from the other EU Members) and modernisations of technologies of local companies. The GDP growth has not been driven merely by consumption but in particular by investments and exports.

In the Czech Republic, the industry shared by 27% in the GDP generation in 2004. Manufacturing industry segments record the highest share in the overall industrial revenue: while their share was 90.2% in 2004, the share of power, natural gas and water generation/production and distribution represented 7.2% and mineral resources extraction represented 2.6% out of the total. Thanks to an increased investment activity, specifically the manufacturing industries and lines creating improved added value have been developing dynamically (e.g. manufacture of rubber and plastic goods, transport means, electrical machinery and appliances), while stagnation has been noted in industries with demands on labour (such as manufacture of textile goods, apparel and footwear). Thanks to that, the Czech manufacturing industry has been gradually levelling its pace with the structure of the corresponding segments of the advanced European and overseas economies. Sales, too, recorded clear revitalisation in 2004 (with 10.7% year-on-year growth in 2004 - 2003). The manufacturing industry saw notable results also in trade. The turnover, due to 23.2% year-on-year, totalled to CZK 3,260 billion, with exports showing a faster pace (+5.1%) than imports (+21.3%). According to the survey by Lehmann Brothers, investment bankers, Czech domestic exports were developing at the fastest rate among the European countries, the Czech growth dynamics being surpassed only by China and South Korea. The incoming flow of direct international investment has been a major impulse for development of the manufacturing industry during the last two years. The inflow practically doubled in 2004 as compared to the previous comparatively weak annual period, and reached CZK 114.7 billion (approx. USD 4.463 billion). That was mainly due to the proven system of investment incentives, as well as the qualified labour, a low inflation rate, robust infrastructure and favourable geographical location of the Czech Republic. During the last twelve years, the Czech Republic has attracted more than CZK 1 trillion worth investment by foreign firms. It should be noted that growth of the manufacturing industry made its positive addition also to the Czech accession of the EU as of 1 May 2004 that ushered in the EU common trade policy, facilitated marked acceleration of all key foreign trade indicators and enabled an improved success rate of the Czech products also on third country markets. There is yet another fundamental aspect gradually playing an important role - use of resources of the Structural Funds under the Operational Programme Industry and Enterprise (OPIE), focused on support for the entrepreneurial environment and development of enterprise. In June 2005, the Czech Government adopted the National Cluster Strategy that should, *inter alia*, assist also business development of selected regions and industries. Clusters, i.e. regionally linked firms and associate institutions (mainly universities) should contribute to improved competitiveness of micro, small and medium-sized enterprises. Practical foreign experiences will be applied at their formation, both of the European states and other countries. With the objective of support for development of the innovative

environment in the Czech Republic on mind, the National Innovation Policy of the Czech Republic was adopted by the Government in July 2005. The document has set objectives of economic policy for the innovation area and measures for their achievement during 2005 – 2010.

Strategic documents have been prepared in the departmental policies form: Raw Material Policy, Energy Policy, Pro-export Policy, Consumer Policy, Industrial Policy, Industry and Enterprise Innovation Concept, Ministry of Trade and Industry's Research and Development Concept and Small and Medium-Sized Enterprise Support Concept (can be found at [www.mpo.cz/eng/](http://www.mpo.cz/eng/)). The below summaries of priorities, objectives and measures set out in these concept documents provide an overall outline of approach to application of the sustainable development principles across all branches of industry. The aim of the new approach is to infuse sustainability elements into all strategies, concepts, programmes, plans and other significant documents.

The Raw Material Policy (adopted in 1999) addresses resources of fuels, ores and non-ore minerals and construction raw materials obtained from the primary and secondary sources. It is based on the sustainable development principles. Altogether 13 specific goals have been set down in order to implement the key objectives of the Raw Material Policy, including, without limitation: relation of the raw material policy with land development planning; development of production with high added value and low in energy consumption; directing of demand for raw materials from primary resources; optimum utilisation of renewable energy sources; implementation of low-waste processing technologies; higher degree of utilisation of secondary materials; sensitive utilisation of raw material resources available on the country's territory; lowering the demand for import of mineral materials; achievement of energy savings and also enforcement of legislative measures supporting better utilisation of secondary raw materials. The Raw Material Policy should be implemented through programmes of energy savings; improved energy utilisation rate; support for introduction of new, environmentally considerate technologies; and, introduction of extraction methods ensuring the best complete utilisation of a mineral resource.

The State Energy Policy (adopted in 2004) is implemented based on the State Energy Concept of the Czech Republic, prepared for the period until 2030. The cornerstones of the Energy Policy include three basic priorities: independence, safety and sustainable development that together establish the initial point for definitions of key goals, the listed in their order of importance:

- maximising energy efficiency;
- ensuring an effective amount and structure of primary energy sources consumption;
- maximising environmental friendliness; and
- completing the transformation and liberalisation of the energy sector.

The other priorities include, without limitation: maximising of energy utilisation and efficiency in acquiring and converting energy sources; support of new production technologies with minimum demands for energy and raw materials and maximum utilisation of inputs; promotion of electricity and heat generated from renewable energy sources; optimising the use of indigenous energy sources; minimising environmentally harmful emissions and environmental burden on future generations; and, minimising prices of all types of energies.

The Pro-export Policy Concept for the period 2003-2006 has defined the following key strategic goals:

- increase the per capita value of Czech exports and improvement of the indicator so that it is in line with the levels achieved by comparably sized EU Member States;
- support exports growth, especially relating to exports with a higher added value, and develop positive influence on the results of the Czech balance of trade; and
- increase the share of the small and medium-sized enterprises in the total exports of the Czech Republic.

The role of the state pro-export policy in enhancing the export performance is unique and represents a major economic tool of national governments even of third countries. It needs to be emphasised, though,

that the following factors deliver the critical influence on the amount of exports: an overall level of the entrepreneurial environment; competitiveness of core industries of the country's economy; adaptability of the educational and research&development potential; managerial and marketing abilities of companies' management; Czech currency exchange rate; the level of socio-economic cohesion; and, last but not least, financial possibilities of the state budget. Obviously, the responsibility for the performance of exports is cross-sectoral, i.e. shared across the entire socio-economic environment and must be a centre of attention to all governmental departments of the Czech Republic.

The Consumer Policy Concept has set down the following goals:

- protect the citizens' lives, health and economic interests;
- contribute to the protection of the country's national market against fraudulent practices;
- develop activities of non-governmental consumer organisations;
- improve the citizens' awareness of their rights at purchasing goods and services and of the ways of asserting their economic interests on the market;
- contribute to the achievement of the Czech national market compatibility with the EU internal market; and
- participate in raising of the confidence in the e-market and share in its continued development.

With respect of the environment, the Consumer Policy has been focused on establishment and fulfilment of sustainable consumption patterns, in particular through improved information and through influencing desirable behaviour of consumers. Close cooperation is being developed with the non-governmental not-for-profit organisations whose programmes include, as part of the sustainable development issues, also environmentally considerate consumption issues. The sustainable consumption issues have been also obtaining financial aid for the non-governmental not-for-profit organisations operating in the consumer protection area.

The Industrial Policy Concept, drawn down in 1999 as part of the negotiation process of the candidate state, was focused on development of industry while applying non-intervention tools, compatible with the single market principles. The defined key priority, i.e. enhanced performance and competitiveness of industry, has survived also for the period following the Czech accession of the EU, still more because there has been a probable risk of deindustrialisation of the European economy. With reference to the country's full EU membership an updated Industrial Policy of the Czech Republic is under preparation. This policy, while retaining the previously staked out strategy focused on the growth of performance and competitiveness of industry, reflects new methods and approaches applied by the EU Member States. It is fully respecting the principles of sustainable development. The Industrial Policy is horizontal by description from the EU perspective and its mission is to provide for framework conditions for industrial competition. Implementation of the policy should establish conditions enabling the enterprises to assume their share of initiative, make use of their ideas and build on their opportunities.

Attention therefore gets concentrated on the following three drivers of industrial competitiveness:

- gear the knowledge in the economic process;
- introduce innovations and utilise results of the research and development; and
- develop enterprise and the abilities and will to enterprise.

The goals of the Industrial Policy of the Czech Republic are coupled, in substance and time terms, with the industrial policy of the enlarged EU. They have been shaped for the mid-term horizon, harmonised with the subsequent EU planning period, i.e. until the end of 2013. They are building on four key themes, while specific goals of the Czech Industrial Policy may be further detailed for each of the themes:

- increase labour productivity and the share of added value in revenue;
- develop major and prospective sectors of the manufacturing industry;
- cultivate the entrepreneurial and investment environment; and
- unbound the human and innovation development potential throughout industry.

Industry and Enterprise Innovation Concept for the period 2005 – 2008 has set down the following priority areas for formulating of the policies in support for development of the innovative environment in the Czech Republic:

- infrastructure development for industrial research, development and innovation;
- funding, development and cooperation of innovation businesses;
- human resources development; and
- practical implementation of research and development results.

The following tasks are particularly crucial within the priority areas:

**State administration:** Based on the National Innovation Strategy, adopted by the Government on 24 March 2004, the state administration has been tasked with preparation and adoption of the National Innovation Policy.

**Education:** The education area should primarily focus on support to education in entrepreneurship and on developing of a functional lifelong learning system.

**Finance:** An impulse for innovative firms in the Czech Republic should be driven by tax incentives made available to newly forming companies of the start-up and spin-off types. It is also desirable that conditions be set up for financing of businesses during initial stages of their development through the venture capital.

**Support for enterprise:** Efficient use of support of innovation should be aided by transparent reporting of the research and development (R&D) and innovations. One of the core measures in support of competitiveness consists in establishing of a functional system of transferring the R&D results into practice.

Research and Development Concept sets down the below principles in order to define the plans for achieving of the key goal in industrial research and development:

- provide financial aid to industrial research and development, while prioritising specificity of purpose at funding;
- create conditions for a closer relationship of basic and applied industrial research and development;
- support cooperation of enterprises, including micro, small and medium-sized ones and research and development organisations, research workplaces of universities, separate institutes of the Academy of Sciences of the Czech Republic etc.;
- disseminate actively information on the research and development programme aided from the Czech state budget EU resources; and
- create conditions for transferring of the research and development results for industrial application, both to micro/small and medium-sized enterprises.

There has been already provided long-term support to the R&D projects addressing either directly or indirectly utilisation of secondary raw materials, prevention of waste generation and reduction of its hazardous features.

Small and Medium-Sized Enterprise Support Concept initiates competitive dynamics of the Czech national economy and impact, whether directly or indirectly and has set down the below key goals:

- simplify and facilitate starting of a business by removing administrative barriers; providing for a range of offered accessible education and training, advice and start-up capital ensuring the desired regeneration of micro enterprises as a natural basis for development of the entire SME sector teamed with support of positive attitudes among the public towards enterprise,
- fully utilise the options for increasing sources in support for enterprises with the help of the European Union resources and in support of active participation in new initiatives of the European Union concerning enterprise development,

- define a network of information and, gradually, also advisory services in the manner best covering the needs of enterprises in terms of territorial accessibility and natural concentration of enterprises,
- support for enterprise in regions, delivering special assistance by the state aimed at reducing of regional differences,
- maintain space for initiatives of regions responding to specific needs of enterprise development in regions in the manner effectively using the structure of specialised nation-wide institutions during the implementation stage;
- implement the pro-export policy, together with support for prospective export branches, competitive businesses and also including international networking, establishment of networks and pools of businesses in the interests of increased exports, provision for specialised services in support of exports,
- set up innovation networks between SMEs and research and development workplaces, including support to development of technological parks, and,
- resolve environmental legislation to enhance development of the entrepreneurial environment.

As the material and energy intensity of the production process are still unacceptably high one of the basic principles declared in the Framework of Programmes on Sustainable Consumption and Production of the Czech Republic (<http://rvur.vlada.cz>), approved by Government Council for Sustainable Development in June 2005, is to reduce the material intensity of production and consumption systems. Another important principle mentioned there is to decouple the economic growth from environmental degradation.

### **National system of information exchange on integrated prevention**

Each of the EU Members are required to establish a body responsible for exchange of information on the Best Available Techniques (BAT). Such body provides information to the European Commission bodies and it intermediates the feedback information flow on the Reference Documents on Best Available Techniques (BREFs) to the authorities and institutions, industrial sector and the public. The national system of information exchange provides space for negotiations between all affected entities and interest groups on the measures on effective protection of the environment, i.e. for achieving of the required emission limits in the environmentally and economically most efficient manner.

Legal framework of the integrated prevention (IPPC) - The Czech Republic has transposed into its system of law the Council Directive 96/61/EC, concerning integrated pollution prevention and control, having done so by the Act no. 76/2002 Coll., on integrated prevention and control, on integrated register of pollution and on amendment to some Acts (Integrated Prevention Act, as amended). The Act requires to ensure the system of information exchange on the best available techniques. Details of the system have been laid down by the Government regulation no. 63/2003 Coll., on the manner and scope of exchange of the best available techniques by means of an information system.

The Czech Republic has built the most extensive involvement in the EU information exchange system the IPPC out of all new Member States, at the following levels: a) technical work groups whose membership includes experts on the relevant category of equipment, handling with the relevant BREF documents, b) gateway [www.ipcc.cz](http://www.ipcc.cz), c) information exchange forum on best available techniques, d) education and training activities.

The IPPC Gateway provides information on BATs and their application in the IPPC process, makes accessible originals and Czech translations of BREFs, publishes overviews and composition of separate TWGs, sets out the offered range of services by experts for operators of facilities and their references,

overview of legal provisions relating to the issues of integrated prevention, current overview of the process status for separate categories of facilities and regions, provides support services for the Forum and TWG members through closed workspaces etc.

Information Exchange Forum on the best available techniques - The Forum has been contributing to fulfilment of one of the core IPPC principles, i.e. negotiating at the nation-wide level. It is a place where open exchange of views takes place between the state administration, TWG members, civic associations, public service corporations, employer unions, production associations and unions. The Information Exchange Forum is run regularly twice a year (in spring and autumn). A specific team is discussed in each of the Forum's sessions and based on that measures are proposed of predominantly technical and legislative description.

Education and training activity - There has been good cooperation with professional unions and professional in preparation of professional conferences, seminars or training events (e.g. with Association of Energy Managers, Czech Society of Chemical Engineering, Association for District Heating and companies CERT Kladno, EKONOX Pardubice, Hutnictví železa, ORGREZ and TECHEM Praha etc.). As part of the ENVIBRNO international fair and other exhibitions separate accompanying programmes are organised, including seminars and lectures on the IPPC issues.