

**Edition 2023**

# **BUSINESS GUIDEBOOK**

## **Czech Republic**

Back to Heart of Europe

**Czech**  
**Business**  
**Guide.com**





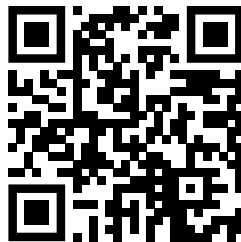
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## Association for Foreign Investment

is non-governmental, non-profit organisation established in 1996 at the instigation of the Czech government (Ministry of Industry and Trade and CzechInvest). The AFI is composed of a group of leading global and regional firms with key competences in supporting new and existing investors in all areas of their activities and promoting the Czech Republic as an investment destination of choice. The AFI cooperates closely with the Czech government, CzechInvest – Business and Investment Development Agency and all relevant public authorities.

## Czech Business Guide

Do you want to get more information about the Czech Republic? Visit website Czech Business Guide **[www.czechbusinessguide.com](http://www.czechbusinessguide.com)** where you can find even more information than in this publication.



AFI Partner



AFI Patron



AFI Supporting Partners



## What we can do for you

We provide expert support for investors and exporters in all key phases of investment decision-making and implementation:

- Support in the area of country comparison and the selection process
- General information relating to the country and investment environment
- Advice on site selection
- Comprehensive services related to getting established on the market
- Necessary information from all sectors of the economy
- Organisation of investors' visits to the Czech Republic
- Personal consultation
- Mediation of contacts with business partners and other relevant entities on the market
- Facilitation of contact with the public sector, the academic sphere and science and research organisations
- Expert support in the area of visas and work permits
- M&A advisory, target selection



Association  
for Foreign  
Investment

# **BUSINESS** GUIDEBOOK

Czech Republic  
Back to Heart of Europe  
Edition 2023



This is the eighth edition of the publication Business Guidebook: Czech Republic – Back to Heart of Europe. The purpose of this guidebook is to provide newly incoming and existing businesses with comprehensive information about investing in the Czech Republic. The authors of the individual articles are leading experts in their respective fields and come from the ranks of AFI member and partner companies, governmental institutions and other organizations.

## Forewords

Petr Fiala, Prime Minister of the Czech Republic  
Kamil Blažek, Chairman of the Association for Foreign Investment  
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Petr Očko, Acting CEO of CzechInvest

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# Petr Fiala

*Prime Minister of the Czech Republic*

## Dear Readers,

Over the past few years, time seems to have accelerated. Changes in the world are putting us to ever more serious tests. The Covid-19 pandemic reminded us of the importance of innovation and robust economy in a changing world. Putin's war on the West has left Europe facing an energy crisis that is strangling our economy and threatening our future.

It is absolutely clear now that no European state can afford to be dependent on unpredictable third parties. National and European energy sovereignty must become our main objective. That is why the Czech Republic has made it a priority to fundamentally transform our energy sector. At the same

time, we are moving towards a higher value economy. This requires major investments in our infrastructure and a series of key changes in the areas of education, innovation, and strategic support for new sectors such as electromobility.

All these objectives have one ultimate goal: not just to survive this crisis but to get through it as a more resilient country. A better place to live and do business. As a free and open economy in the heart of Europe, we can only achieve this in partnership with companies that choose to invest here. The government of the Czech Republic is therefore committed to make investing here easier and more attractive.

What I wrote in the previous edition of this yearbook still holds true: together, we will emerge from this crisis stronger and more competitive than ever.



Kamil Blažek

Chairman of the Association for Foreign Investment

## Dear Readers,

I have the greatest pleasure of bringing you already the eighth edition of the *Business Guidebook, Czech Republic*. We have chosen a new motto for this year: *Back to Heart of Europe*.

The covid pandemic and then the Russian aggression in Ukraine have significantly distorted many industrial supply chains and led to line-stops or worse troubles across several sectors of industry. Europe has realized that self-sufficiency is extremely important. Near-shoring and getting manufacturing of some key components back to Europe are becoming a trend.

And we say loud and clear: come back to Heart of Europe, welcome to Czechia! We provide an ideal mix of good return on investment, reasonable costs, strong ideas, potential for future development, superb human capital and an enthusiastic working environment.

This guidebook is a very special publication, as it provides substantive and sought-after help to international investors and their advisors searching for the most suitable place for investments globally and in Europe in particular. We present contributions of leading experts and institutions in each of their respective fields in the Czech Republic.

The next two years will bring about a restart of investment activity and our country will be at the forefront of it. Our well-educated people, institutional and political stability, excellent access to major European markets, safe environment, and high quality of living – none of that has disappeared, nor will any of it disappear any time soon. All these factors will still

be here to ensure a stable return on your existing or future investment, which is something that you may not see in many other countries.

Europe needs more reinvestment on the continent and there are few places that are better suited for that than the Czech Republic. Vast sums of money will be spent on recycling and other parts of the circular economy, investment in energy independence and new energy sources, as well as in modern technology in general.

And I wish to highlight one area. The European Green Deal policy is changing as you read this article, but it is here to stay and will have a massive impact on our economy. There are many fields where investing in the Czech Republic may start a continent-wide venture utilising the Green Deal challenges.

For all these reasons, I remain optimistic about our future and your future with us as well. Our Association for Foreign Investment will be here to help you succeed, working hand in hand with our institutional partners including CzechInvest, the Ministry of Industry and Trade and the Ministry of Foreign Affairs.

Finally, I would like to thank everyone who played a role in creating this publication. We highly value your support.

I am convinced that this unique guidebook (and its sister platform, [www.czechbusinessguide.com](http://www.czechbusinessguide.com)) will serve as a trustworthy source of information that you find useful in your strategic decision-making. We will welcome your feedback, opinions, and suggestions on how to improve it. Please get back to me at [kamil.blazek@afi.cz](mailto:kamil.blazek@afi.cz) with any ideas or comments you may have regarding this guidebook, or the topics covered or not covered in it.





*Jiří Kozák*

*Deputy Minister of Foreign Affairs*

## Dear Readers,

Situated in the heart of Europe, Czechia has been a prosperous country throughout its modern history. As a developed country with an open, trade-oriented economy, Czechia is one of the thirty most advanced and competitive countries in the world, with an excellent position in the index of economic freedom. It is also the eighth safest country in the world. Having an effective legal environment, healthy banking system and stable political culture, Czechia is the sixth most complex economy in the world, which provides you with favourable conditions for investments.

Our country's accessions to the EU, NATO and the OECD are undoubtedly important historical milestones on our path to democracy. At the end of the last year, we have symbolically closed the door behind a successful presidency of the Council of the European Union. All these events have had a significantly positive impact on the Czech economic development and have shaped Czechia's position in relation to other countries.

However, as important as it is to remind ourselves of our history and celebrate milestones, it is essential, especially with respect to investments, to focus on the future. Even though the Russian aggression in Ukraine and the energy crisis as its consequence have affected Czechia and its economy, we can still rely on our modern export-oriented economy. Our companies focus on modern technologies, R&D and innovations in the long term. Our main goals include cultivation of an effective start-up environment, innovation centres, smart investments, digitalisation of the public sector and more, all while profiting from the most industrialised environment in the EU. Regarding the energy crisis, our key step on the way to recovery are structural changes in the field of renewable sources of energy that will require further investments. Furthermore, we want to take advantage of our ongoing tradition of manufacturing,

advances in innovation, open investment climate and advantageous location in Central Europe. Our economic diplomacy builds on qualities such as scientific potential and advanced research, well-developed industry, favourable accessibility and highly skilled people in various fields of industry.

Based on estimates for 2023, Czechia should continue to maintain the status of a country with favourable macroeconomic stability. For this year, Czech economy is expected to maintain on the same level as the previous year with the prospects of a 3.5% growth in upcoming years. Not even our country could avoid a slight increase in unemployment. However, it still keeps the lowest rate in the EU of around 2.7%. In terms of world trade, Czechia confirmed last year its position as an eminent world exporter based on the world trade rankings, where it was ranked as the 28<sup>th</sup> largest exporter and 29<sup>th</sup> largest importer of products worldwide. The Czech share in total exports is also remarkable, reaching 1.0% despite the fact that Czechia is a small country with only 0.13% of the world's population.

Even though the aforementioned qualities draw a certain picture of the Czech economy, potential foreign investors need to analyse further many different variables before investing. Keeping this in mind, Czech economic diplomacy has undergone progressive development while interconnecting the work of governmental and non-governmental actors, employing diverse instruments, working on new strategies and supporting Czech companies inside and outside the borders of our country. This collaborative environment has shaped Czechia into one of the most successful transition economies in terms of attracting foreign direct investments. On behalf of the Ministry of Foreign Affairs, I highly appreciate all of the activities and initiatives that the AFI, CzechInvest and other institutions are taking on to support companies based in Czechia. I thank you for your devoted work and wish you a lot of success in the upcoming years.





# Petr Očko

Acting CEO of CzechInvest

## Dear Readers,

Looking back at 2022, it was very challenging year for the Czech Republic. I assume that we all anticipated the 2022 to be the year when we could return to normal life as we knew it before the COVID-19 pandemic outbreak back in 2020. Nevertheless, the opposite was true. The economic growth after the pandemic was slightly hampered by problems in supply and demand chains and then, it has been negatively impacted by the war in Ukraine. The Russian Federation attacked sovereign country and by that determined subsequent actions and events not only for 2022 but also for years to come. The year 2022 was marked by rapidly rising inflation, surging energy prices influencing prices of other goods and increasing level of uncertainty for all of us amid large reductions in Russian energy supply, specifically supply of gas, oil and coal. It is evident that Russian aggression against Ukraine has profoundly affected everyone, including our citizens and businesses, especially by exposing the weakness of our economy - dependency on energy sources from unreliable supplier. We can tackle this issue only by strengthening the resilience of the supply chains especially - but not only - in the energy sector. To reduce the vulnerability of economy, we have to diversify the supply chains among our reliable partners and strengthen our own capacities in strategic areas. In this regard, our businesses have an indispensable role and we are there to support them by improving business environment, including research and innovation. Competitive production in the EU, which is essential particularly for building capacities in strategic sectors, can be supported by fostering digital transition and development of digital economy. At national level, we reflect this approach in our policies and also in particular actions to incentivize businesses to harness the power of digital tools. We have been implementing the Resilience and Recovery Facility to financially support our objectives aiming to boost digital economy despite the crisis. Over

22 % of financial resources are targeted at digital transition, including digital transformation of companies. Since the Czech Republic assumed the Presidency of the Council of the European Union in the second half of 2022, it allowed us to set the agenda discussed on the EU level based on our priorities. The main topic at the forefront of discussions was how to address challenges connected to the war in Ukraine. In this regard, we emphasized strengthening of the strategic resilience, targeted support for technological competitiveness based on own production capacities, together with the deepening of free trade with democratic countries. We were successful in presenting solutions, negotiating compromises and keeping the EU united on critical issues, which had shown that we are reliable and trustworthy partner and active player in the EU and beyond. Looking at the 2022 from the bright side, the challenges we have been facing are opening up unprecedented scientific, innovation, business and investment opportunities. When we were overcoming the negative impacts of the pandemic in 2021, interest in private investment increased, the Czech Republic's economy took off despite all of the difficulties facing it, and the unemployment rate practically did not increase and remains among the lowest in the EU. Now, we have to face even greater challenge. The war in Ukraine is an unprecedented act of aggression that cannot be accepted in the global community of democratic nations. This crisis, similarly as the previous one, can unite us even more than before and I believe that the democratic world will be stronger in the end. In the Czech Republic, we will support a wide range of activities that will increase the resilience of society and the economy in Europe. It will also bring forth new investment opportunities and modernize our country with the help of businesses, while also playing an active role in the future reconstruction of Ukraine. The 2023 will be challenging in many aspects, however I am sure that together, we can come out of the ongoing crises stronger, more resilient, competitive and innovative.

Did you know?

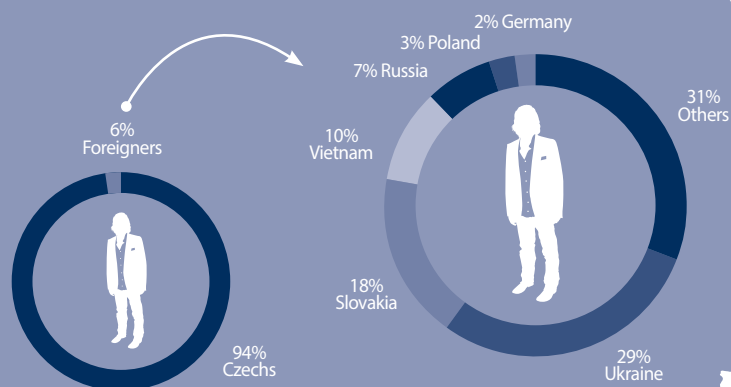
# The Czech Republic

## Location



**10.5 mil**  
Population

**78,866 km<sup>2</sup>**  
Area



Note: Percentage of foreigners in total population  
Source: Czech Statistical Office, 2022

Note: Percentage of foreigners, by citizenship  
Source: Czech Statistical Office, 2021

## Recent history

### Velvet Revolution

In November and December 1989 the people of Czechoslovakia held a series of non-violent demonstrations against the communist government, which resulted in the regime's collapse. The leading figure of the events, Václav Havel, was later named the first president of the free, post-communist Czechoslovakia.

### Velvet Divorce

The federated Czechoslovakia was divided into the Czech Republic and Slovakia on 1 January 1993 through a bilateral political decision. Due to the peaceful course of the breakup, the event was called the Velvet Divorce.

### Accession to NATO

The Czech Republic became a member of NATO in 1999.

### Accession to the EU

The Czech Republic joined the European Union in 2004.

1989

1993

1999

2004

## Political system - Parliamentary republic



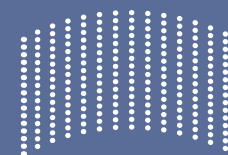
Petr Pavel  
President

Petr Fiala  
Prime Minister



Government

**18**  
members



Chamber of Deputies  
200 members/4 years

**200**  
members  
**4**  
years



Senate  
81 members/6 years

**81**  
members  
**6**  
years

## Economy

**2.4%**  
GDP growth  
in 2022

**15.1%**  
average inflation  
rate in 2022

**3.5%**  
average unemployment  
rate in 2022

**EUR 1,695**  
average gross monthly  
wage in 2022

## Capital Prague

Language  
**Czech**

Currency  
**Czech koruna (CZK)**

**1 EUR = CZK 24.56**  
average exchange  
rate in 2022

# Quick facts about the Czech Republic





# Czechia – Heart of Europe

The Czech Republic, also known as Czechia, is a small country in the heart of Europe. It has an advanced economy and a high standard of living. In fact, it is one of the most stable and prosperous of the post-communist states. You can find there the oldest university in Central Europe and more than 2000 castles and chateaux which is more than in any other country in Europe. This small country is significant for its nature, historical cities and good beer. It attracts tourists and professionals from all over the world who come to visit, live, work or study to this beautiful country.

## Czechia is a member of these organisations

- United Nations
- European Union
- NATO
- Organisation for Economic Cooperation and Development
- World Trade Organisation
- International Monetary Fund
- World Bank
- Council of Europe
- Organisation for Security and Cooperation in Europe
- European Customs Union
- Schengen Agreement
- Visegrad Group

## Location

Czechia is a landlocked country in the middle of Europe. It is bordered by Germany to the west, Poland to the north, Slovakia to the east and Austria to the south. Thanks to its location, which makes it a notional gateway between Western and Eastern Europe, the country is often referred to as the “Heart of Europe”. Czechia is comprised of parts of historical territories which for a significant part of history were the Lands of the Bohemian Crown, namely Bohemia, Moravia and part of Silesia. Administratively, the country is divided into 14 self-governing regions. The capital city, Prague, is also one of the regions. Approximately 10.5 million people live in Czechia. The population of Prague is 1.3 million.

## The country’s most populous cities

- 1. Prague (Bohemia)**  
1.3 million inhabitants
- 2. Brno (Moravia)**  
379,466 inhabitants
- 3. Ostrava (Silesia)**  
279,791 inhabitants

Czechia landscape comprises mainly highlands and rolling hills. Sixty-seven percent of the country’s territory is at an elevation of up to 500 m above sea level, 32% in the range from 500 to 1,000 m above sea level and approximately 1% above 1,000 m above sea level.

## The highest point

Sněžka Mountain (Krkonoše),  
1,603 m above sea level

## The lowest point

Hřensko, 115 m above sea level



## Modern history

### The Habsburg monarchy

From the 16<sup>th</sup> century, the Czech lands were ruled by the Habsburg dynasty, which gradually incorporated the territory into the Habsburg monarchy, later the Austro-Hungarian Empire. In response to Germanification, the Czech national revival began at the end of the 18<sup>th</sup> century as an effort to restore Czech culture and language and, later, to foster the acquisition of power by Czech political parties. The Czech lands underwent major economic development in the second half of the 19<sup>th</sup> century – approximately 70% of industry in Austria-Hungary at time was concentrated in the Czech lands.



## Czechoslovakia

At the end of the First World War, Czechoslovakia was established through the joining of the Czech lands with the geographically and linguistically close Slovak nation. Tomáš Garrigue Masaryk was elected the first president of Czechoslovakia. During the interwar period from 1918 to 1938, Czechoslovakia became the last remaining democracy in Central Europe and enjoyed a rich industrial heritage and high quality of life.

## Communism

The Communist Party of Czechoslovakia seized power in February 1948. The country became a totalitarian state and part of the Eastern Bloc. The structures of civil society, free association and economic life were suppressed. The end of the 1950s saw the start of a gradual liberalisation, which came to an end on 21 August 1968, when an invasion by the Soviet Union and other Warsaw Pact countries crushed the reform movement known as the Prague Spring.

## The Velvet Revolution

The Velvet Revolution, which began on 17 November 1989, overthrew the communist regime and enabled the return of democracy and restoration of free enterprise. Václav Havel became the first president of the free, post-communist Czechoslovakia. On 1 January 1993, the Czechoslovak Federative Republic was dissolved through a bilateral political agreement, the result of which was the establishment of two independent successor states: Czechia and Slovakia. Czechia was gradually accepted into Western European political structures, joining significant World and European organisations.



## Political system

### Parliamentary democracy

Czechia was established on 1 January 1993 in connection with the dissolution of Czechoslovakia. Since that date, the country has had a constitution according to which it is a parliamentary democracy with a liberal political system based on free competition of political parties and movements.

The head of state is the country's president, whereas the supreme and only lawmaking body is the Parliament of Czechia.

Parliament is a bicameral body composed of the Chamber of Deputies and the Senate. The Chamber of Deputies has 200 members elected every four years on the basis of proportional representation. The Senate's 81 members serve six-year terms, with two-round majority elections held for one-third of seats every two years.

The president and the government (i.e. the prime minister and cabinet) hold executive power, whereas the government is the supreme executive body. The government is accountable to the Chamber of Deputies. The president, who is elected through direct voting, appoints the justices of the Constitutional Court with the consent of the Senate. Under certain conditions, the president can dissolve the Chamber of Deputies and veto bills. The president also names the prime minister, and other members of the government are named at his suggestion.

The Constitutional Court, with 14 justices, is the guarantor of constitutionality, ensures protection of fundamental rights and can repeal laws or provisions of laws. However, it is not part of the system of general courts. The Supreme Court is the highest body in civil and criminal justice as well as in the area of administrative adjudication.



## Economy

Czechia is a developed country with a market economy. According to a number of economic, social and political indicators, it ranks among the world's most advanced countries. Since 2006, Czechia has been part of the group of the thirty most advanced countries according to the World Bank, to whose budget it has become a contributor. The country is considered to have the most stable and most prosperous economy of all post-communist states. According to Eurostat, it was the eighteenth richest country of the European Union in 2022 in terms of per-capita GDP based on purchasing power parity. It was the second most successful of the new EU members.

## National holidays in Czechia

1 January	New Year's Day, Restoration Day of the Independent Czech State	28 September	Czech Statehood Day
Varies	Good Friday, Easter Monday	28 October	Independent Czechoslovak State Day
1 May	Labour Day	17 November	Struggle for Freedom and Democracy Day
8 May	Victory in Europe Day	24 December	Christmas Eve
5 July	Day of Slavic Missionaries Cyril and Methodius	25 December	Christmas Day
6 July	Jan Hus Day	26 December	St. Stephen's Day

## Investment risk rating

Country	Standard and Poor's	Moody's	Fitch
Czechia	AA-	Aa3	AA-
Hungary	BBB	Baa2	BBB
Poland	A-	A2	A-
Slovak Republic	A+	A2	A

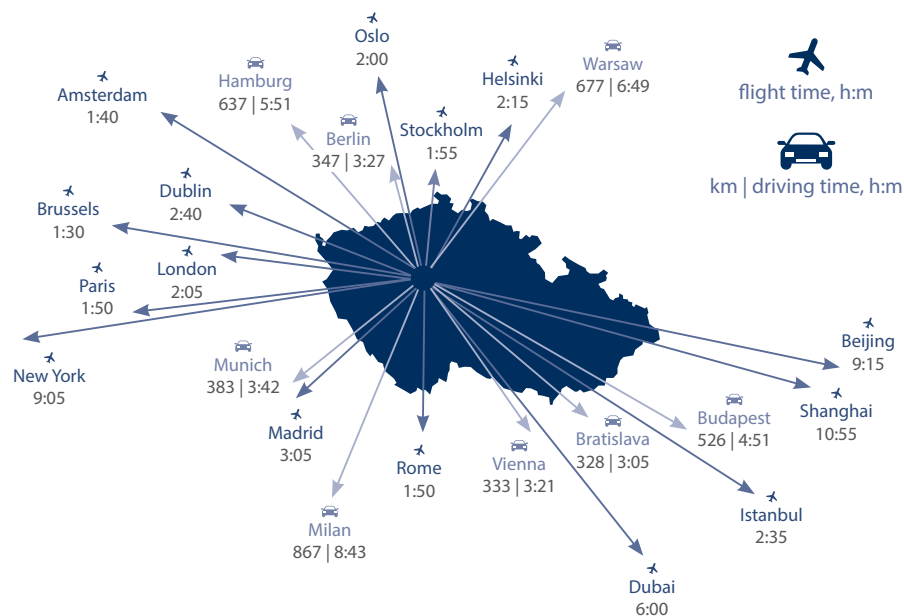
Source: Czech National Bank, 2022

In 2022, industrial production increased by 1.4% year on year, which was due mainly to increases in motor-vehicle and trailer manufacturing, production of machinery and equipment, and manufacturing of metal structures and products. Industrial production increased in the areas of paper and paper products, wood processing, manufacturing of wood, cork, wicker and straw products, and basic pharmaceutical products. The most important branch of Czech industry is vehicle manufacturing, including

motorcycles and trailers. The other main pillars of Czech industry are the mechanical-engineering, metals, chemical and food sectors. The energy, construction and consumer-goods industries are also important components of the Czech economy. Germany is the country's biggest foreign trade partner.

Czechia's currency is the koruna. Due to a foreign exchange intervention carried out by the Czech National Bank, the koruna-euro average exchange

### Travel distances from Prague



Source: Google Route Planner, 2022  
Source: Václav Havel Airport Prague, 2022

### Motorway network in Czechia



Source: Road and Motorway Directorate of the Czech Republic, 2021

rate in 2022 was CZK 24.56/EUR 1. Upon accession to the European Union in 2004, the country committed to adopting the single European currency. Czechia's national debt is low in comparison with that of other EU member countries. The development and current state of the country's finances are also judged favourably in comparison with other European countries. In August 2011, Standard & Poor's raised its rating of Czechia by two places, from A to AA-, which is the fourth-best possible rating.

#### Infrastructure

Czechia has a well-developed network of motorways and expressways. The motorway network is under construction and is constantly being refurbished. The most significant motorway

in Czechia is the D1 joining Prague and Brno with Ostrava and Poland (toward Katowice). Construction of another section of the D11 motorway is being under construction since 2017 with the purpose of connecting the Polish border. Another motorway under construction is the D3 linking Prague to České Budějovice and Austria; the D3 will follow the route of the E55 backbone international motorway. The country's motorways that have already been completed are the D2 connecting Brno and Slovakia (toward Bratislava) and the D5 connecting Prague, Plzeň and Germany (toward Nuremberg). The amount of goods transported on Czech roads and motorways in 2022 was 334,680,000 and via rail transport it was 93,385,000 tons according to statistics from Czech Statistical Office.

Together with road transport, rail transport

in Czechia makes up the backbone of the domestic transportation system while also serving for international transit. With more than 9,500 km of track, Czechia has the densest rail network in Europe. The corridor routes of the nationwide lines leading to the European rail system for long-distance and transit service cover 1,402 km. The Railway Infrastructure Administration is the administrator and operator of the absolute majority of railway infrastructure in Czechia. The biggest rail transporter is Czech Railways, whose subsidiary, ČD Cargo, is the fifth-biggest rail freight operator in European Union. The rail freight market has been liberalised; liberalisation of the passenger transport is ongoing. Czechia is connected to the EuroCity international rail network, while some international connections are covered by SuperCity trains, for

which the busy Prague-Ostrava line is a core route. Czech Railways operates on the same routes as the high-speed Pendolino trains. Other private railway companies also provide passenger transport.

Czechia has public international airports in Brno, Karlovy Vary, Ostrava, Pardubice and Prague. Václav Havel Airport in Prague is the most important Czech airport and is also the biggest airport among the new EU member countries. Its operator is the company Prague Airport. Václav Havel Airport annually handles almost fifteen million passengers carried by approximately 50 airline companies connecting Prague on direct routes to roughly 120 destinations around the world. Eight freight carriers also operate out of Prague's airport and dozens of other companies provide charter services. ■

# Myths and misconceptions about the Czech Republic

## Infrastructure is poor

Actually we have metros, trams and buses that run 24/7 and very much on time, unlike places in Western Europe or the US, where scheduled times and departure frequencies are quite often completely unknown.



Czech

Slovak

## The Czech and Slovak languages are the same

No, actually they are not. Though there are many similarities, they are in fact two separate languages with different rules and a lot of different vocabulary. But Czechs and Slovaks can understand each other with enough exposure to each other's languages.



## The language is difficult

Actually, this one is true! However, using English is becoming easier and easier in major cities. Many people try to learn Czech but have a hard time practicing because locals so often want to practice their English.

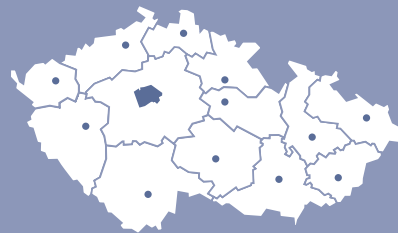
## The Czech Republic

Czech Republic

Slovakia

### Czechoslovakia still exists

Czechoslovakia peacefully split into two sovereign nations – the Czech Republic and Slovakia – in 1993, a little more than three years after the Velvet Revolution.



### Outside of Prague, there is not much else in the Czech Republic

While Prague is the centre for a lot of commerce and tourism, the country offers a lot of other beautiful tourist destinations and great places to do business, including Brno, Ostrava, Plzeň and Liberec, among many others.

### Eastern European country

The Czech Republic is part of Central Europe. In fact, Prague is located farther west than Vienna.



## The euro is the currency of the Czech Republic



There are countries in the European Union that have adopted the Euro as their currency and many that have not. The Czech Republic has not and therefore we have and use Czech korunas. However, euros are quite widely accepted at many official locations.

## Everything is so cheap

Yes, some things are cheap, especially outside of Prague, but other things are definitely not (cars, apartments, houses, rent).



## Technology is way behind

The Czech Republic achieved full, nationwide mobile phone penetration (every man/woman/child with a mobile device) several years ahead of the US (approx. 2005-06 in the Czech Republic, compared to 2009-10 in the US).



# Czechia – **A country of unforgettable experiences**

Come to Czechia and discover hidden gems. Czechia is an excellent destination for lovers of culture and history. Visit countless towns and villages, some of which are on the UNESCO World Heritage List. If you need to relax and put stress behind you, visit one of our spa facilities. Treat yourself to good relaxation and switch off for a while. Do you like to be active? You will enjoy the countless hiking and cycling trails all over the country, but let's not forget the great golf resorts. The offer is really diverse, so we believe you will find something to choose from!

**W**ork hard, travel harder! Business is business and only money counts. Still, Czechia offers you more than business and money. This beautiful and safe country in the middle of Europe offers myriad cultural and entertainment options, so you will never get bored here. History enthusiasts will appreci-



## Six oldest Czech entries on the UNESCO World Heritage List

- Kutná Hora: Historical centre with the Church of St. Barbara and the Cathedral of the Assumption of the Virgin Mary at Sedlec
- Historical centre of Prague
- Lednice-Valtice Cultural Landscape
- Pilgrimage Church of St. John of Nepomuk at Zelená Hora
- Historical centre of Telč
- Historical centre of Český Krumlov

ate Prague, the most beautiful city in the world according to the travel magazine Time Out, sixteen UNESCO heritage sites and hundreds of historical castles and chateaux throughout the country. Culture enthusiasts know not only that Dvořák, Smetana, Janáček and Mahler composed their

famous classical music masterpieces in what is now Czechia, but also that Wolfgang Amadeus Mozart's opera Don Giovanni was first performed at the Estates Theatre in Prague. If you prefer to explore places from books and literature, you should start with the works of Franz Kafka, Umberto Eco, Michael Chabon, Milan Kundera and Johann Wolfgang von Goethe, all of whom fell in love with the beautiful Czech lands and used it as a setting for their stories.

Do you find classical music boring, or are you too lazy to read? Then explore Czechia from a different perspective by watching Mission: Impossible, the James Bond movie Casino Royale and xXx, or wait for the most expensive Netflix movie, The Gray Man with Ryan Gosling and Chris Evans, all of which were at least partially filmed here.

## Must-see tourist destinations or hidden gems?

If you like to do business in Czechia and invest your money here, you should definitely take a break and



## Travel tips for undiscovered gems of Czechia

- Bouzov Castle
- South Moravia wine region
- Crystal Valley
- Třeboň region
- Loket Castle

tick off all of the highlights on your TOP 10 travel bucket list. The obvious places to visit are Prague Castle, the State Opera, Charles Bridge, Český Krumlov and Karlovy Vary. However, Czechia has more to offer. Do not get stuck at the most touristy and crowded spots, as many international tourists do, but instead discover the local cultural heritage of undiscovered locations.

## Stay overnight at a chateau!

Do you want to become a king or queen for a few days and try living like a royal at least once in your life? In Czechia, you will discover high-class accommodation full of romance and history. Choose from stylish apartments and chateau hotels, such as the Baroque Chateau Jemniště. Experience romantic interiors and chateau tours with a glass of champagne, or have a picnic in the chateau park. A secret tip for lovers of fairytale accommodation is the small Klokočov Chateau in the unspoiled natural paradise of the Iron Mountains.

Chateaux that have been turned into hotels will surprise you with their modern equipment. Period interiors and historic furniture together with modern comforts like a flat-screen TV, Wi-Fi, air conditioning, a sauna and a whirlpool give you an extraordinary connection of two eras. Chateau Mcely, Chateau Herálec Hotel, Liblice Chateau, the Chateau Hotel Maxmilián, Loučeň Chateau and many other hotels are equipped with amazing wellness facilities that offer an exceptional space for relaxation.



## Enjoy the greens

Most Czech cities and towns are famous for their historical and architectural jewels. Surprisingly, Czechia also offers a large number of luxury golf resorts located throughout the country. Do not hesitate to pack your clubs when coming to Czechia to close a deal.

### TOP 10 golf resorts in Czechia

- PGA National Czech Republic, Oaks Prague
- Karlovy Vary Golf Resort
- Loreta Golf Pyšely
- Royal Golf Club Mariánské Lázně
- Karlštejn Golf Resort
- Albatross Golf Resort
- Prosper Golf Resort Čeladná
- Panorama Golf Resort Kácov
- Ypsilon Golf Liberec

PGA National Czech Republic – Oaks Prague was opened in 2020. As the country's only PGA National licensed golf course, Oaks Prague has been recognised as the best course in Czechia as well as in Europe at the 2020 World Golf Awards. The course was designed by the world-renowned golf-course architect Kyle Phillips, a pioneer of environmentally sustainable design and creator

of four golf courses ranked in the world's top 100. The PGA National Czech Republic is managed by Troon Privé.

A round of golf straight from the airport? No problem. Not far from Václav Havel Airport Prague is the Albatross Golf Resort, an 18-hole course of the highest standard. The resort offers a 6,827-metre Championship layout, which was named the best in the country by the American magazine Golf Digest magazine. Thanks to its elevation, the venue enjoys one of the longest golf seasons in Central Europe. The Albatross Golf Resort is the host venue of the D+D Real Czech Masters on the European Tour. Altogether, there are more than 100 golf courses in Czechia.

## Recharge your batteries

Ethereal scents, calming massages, relaxing baths and soothing wraps, all while listening to relaxing music. Welcome to the magical world of spa and wellness treatments, which blend a deep knowledge of human health with a feeling of relaxation, as well as an escape from stress, fatigue and an unbalanced lifestyle. Which of the dozens of Czech spas will you choose? Will you opt for Teplice, the oldest spa town in Central Europe, or will you decide to visit the more famous spa in Karlovy Vary?

The city of Karlovy Vary was founded by Bohemian King and Holy Roman Emperor Charles IV in the 14<sup>th</sup> century. The significance of the spa

## Superlatives of Czech spas

UNESCO-listed and best known spas	Czech spa triangle: Karlovy Vary, Mariánské Lázně and Františkovy Lázně
One of the most visited spas	Třeboň Spa
The highest spa and oldest radon spa	Jáchymov Spa
The best spa for children	Kynžvart Spa
The smallest spa with the cleanest air	Karlova Studánka Spa
The youngest spa	Lednice Spa
The oldest spa	Teplice Spa

## UNESCO jewels in Czechia



- 1:** Historical Centre of Prague, **2:** Historical Centre of Český Krumlov, **3:** West Bohemian Spa Triangle, **4:** Church of St John of Nepomuk at Zelená Hora **5:** Historical Town Centre of Kutná Hora, **6:** Lednice-Valtice Cultural Landscape, **7:** Gardens and Castle in Kroměříž, **8:** Historical Centre of Telč, **9:** Holašovice Historic Village, **10:** Holy Trinity Column in Olomouc, **11:** Tugendhat Villa in Brno, **12:** Jewish Quarter in Třebíč, **13:** Litomyšl Castle, **14:** Krušnohoří Mining Region, **15:** National stud farm Kladruhy nad Labem, **16:** Jizerské Mountain beechwoods

in Karlovy Vary became known to the whole world during its development over the centuries. Figures such as Goethe, Beethoven, Gogol, Paganini, Casanova and Mozart, along with dozens of kings and czars, were impressed by this beautiful spa city. The Karlovy Vary International Film Festival is held here every summer with many Hollywood stars in attendance. Are you ready to be impressed by Czechia?

## Time to live, time to travel

We will be incredibly happy if your travel plans include a few pleasant days spent in Czechia. Enjoy some culture at museums and galleries, go to a concert at a club, have some fun at science centres and zoological gardens, or just go out to a restaurant for an excellent dinner. We are looking forward to seeing you! ■

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**#VisitCzechia**

# A great place for your investment

Czechia has maintained its position in numerous country rankings from the previous years. Even though the ongoing war in Ukraine has dimmed the prospects of a post-pandemic economic recovery, Czechia remains a great location for foreign direct investment. A medium-sized, open economy, safe and peaceful environment, and political stability, together with an educated and skilled workforce are just some of the aspects that make Czechia a valuable location for investment.

**S**trategic location  
Due to its strategic location, stable economy and human-capital resources, Czechia is an attractive destination for foreign investors planning to enter the European market or expand their businesses to more countries in the region. The country's convenient location in the middle of Europe makes it possible to reach all European capitals very easily. The country's EU membership makes it an ideal gateway to the single European market of over 500 million consumers and 21 million SMEs. Given the fact that Czechia is at the crossroads of European trade, advanced transport infrastructure was naturally developed here. Czechia is ranked among the world's most advanced countries in terms of transport network density and several projects involving modernisation and extension of the network are currently underway.

**Stable and transparent business environment**  
A stable political situation, a well-developed private sector, an effective legal environment, and a healthy banking system with a strong and independent central bank are the key features of a society in which business can be conducted effectively and safely. Czechia's open investment climate was a key element in the country's transition, which is reflected in its investment rating from international credit-rating agencies, putting it on an equal footing with Japan and Taiwan and opening the door to early membership in the OECD. Czechia is a fully fledged parliamentary democracy and one of the most advanced new members of the European Union, which it joined in 2004. Its currency, the Czech crown (CZK), is fully

convertible and extremely stable. Under Czech law, foreign and domestic entities are treated identically in all areas, from the protection of property rights to investment incentives. The tax system offers the lowest rates in Europe and has remained stable over the long term.

#### Investment protection

Czechia is a member of the Multilateral Investment Guarantee Agency (MIGA), an international organisation for the protection of investments, which is part of the World Bank-IMF group. The country has signed several bilateral treaties that support and protect foreign investments, for example with the United States, Germany, Canada, France, Austria, Switzerland, Italy, Belgium, Luxembourg, the Netherlands, Finland, Norway, Denmark, Japan and China. Czechia has also concluded agreements for the avoidance of double taxation.

#### Educated and skilled workforce

Czechia combines an outstanding level of general education with a strong tradition and experience in science and engineering disciplines. It is not an optimal country for labour-intensive investment projects. In recent years, Czechia has had one of the lowest unemployment rates in Europe. The country's low employment rate has persisted even after two years of the global COVID-19 pandemic. On the other hand, the availability of graduates educated in technical fields at a lower labour cost compared to that found in western countries makes Czechia especially advantageous for advanced and progressive manufacturing and R&D-oriented companies, whose operations are usually not labour-intensive.

Czechia is a country with great talent potential, as it is ranked 21<sup>st</sup> overall among the 134 economies in the eighth edition of the Global Talent Competitiveness Index from 2022. In the academic year 2021/2022, over 300,000 students were enrolled in the country's 60 universities (Ministry of Education, Youth and Sport, 2022). Roughly half of Czech university students study STEM, while more than 80,000 students are enrolled in technical programmes. Because Czechia is a relatively small country, studying foreign languages is a necessity. According to the latest STEM survey, more than 72% of Czechs know at least one foreign

#### Czechia's global rankings

##### 2<sup>nd</sup> most attractive country

According to German companies in the CEE region (German-Czech Chamber of Industry and Commerce, 2021)

##### 3<sup>rd</sup> best country for expats

Expatriate Insider 2021

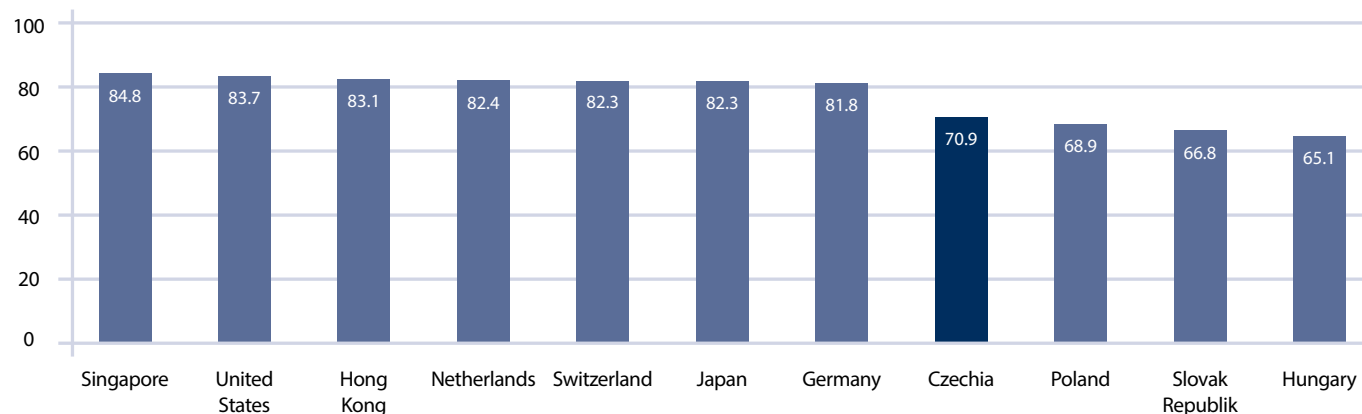
##### 9<sup>th</sup> safest country

Global Peace Index 2021

##### 24<sup>th</sup> most innovative country

Global Innovation Index 2021

## The IMD World Competitiveness Ranking 2019



Source: World Economic Forum, Global Competitiveness Report, 2020

language (predominantly English or German); this figure rises above 93% for those in management positions. Czechia has strong technological potential thanks to its pool of well-educated science workers and its skilled workforce, which have given rise to several rapidly growing industries such as biotechnology and software development. Using financial resources obtained from the EU structural funds, new research centres are being established with the objective of becoming prestigious European science centres with state-of-the-art infrastructure and conditions making it possible to employ the best researchers. Czech employees are very loyal, hardworking and precise. The local workforce is considered to be very reliable and stable.

### Well-developed infrastructure

Besides the country's transport infrastructure, its energy distribution and telecommunications networks also contribute to the creation of an ideal environment for doing business. However,

Russia's ongoing aggression against Ukraine has had a significant impact on commodity markets and the energy supply chain. The war has also highlighted the importance of energy security and the reduction of dependence on the importation of key energy raw materials from Russia. As a result, Czechia is facing a significant increase in energy prices. The Czech telecommunications market is one of the most developed and most liberalised in Central and Eastern Europe and is distinguished by the growing demand for data, internet access and other communication services. The country's advanced fibre-optic network is part of the European backbone and is being further developed. No exclusive rights exist in the area of electronic communications and the competition environment is sufficiently robust in the context of the European Union. In terms of the business-property market, the country is quite advanced with respect to the number of industrial zones and parks as well as office premises.

### Quality of life

The country's urban centres and beautiful countryside offer countless possibilities for leisure activities for both tourists and locals throughout the year. Municipal public transport systems are well managed and efficient, while trains provide a popular and easy way to travel around the country. Czechia is an expat-friendly country with plenty of organisations helping foreigners with everyday issues and organising networking events. Furthermore, in larger cities, it is easy to find international schools for children at all grade levels.

## Global Peace Index

Rank 2021	Country	Score
1	Iceland	1.100
2	New Zealand	1.253
3	Denmark	1.256
4	Portugal	1.267
5	Slovenia	1.315
<b>9</b>	<b>Czechia</b>	<b>1.329</b>
17	Germany	1.480
19	Hungary	1.494
24	Poland	1.524
26	Slovakia	1.557

Source: Institute of Economics and Peace, 2021

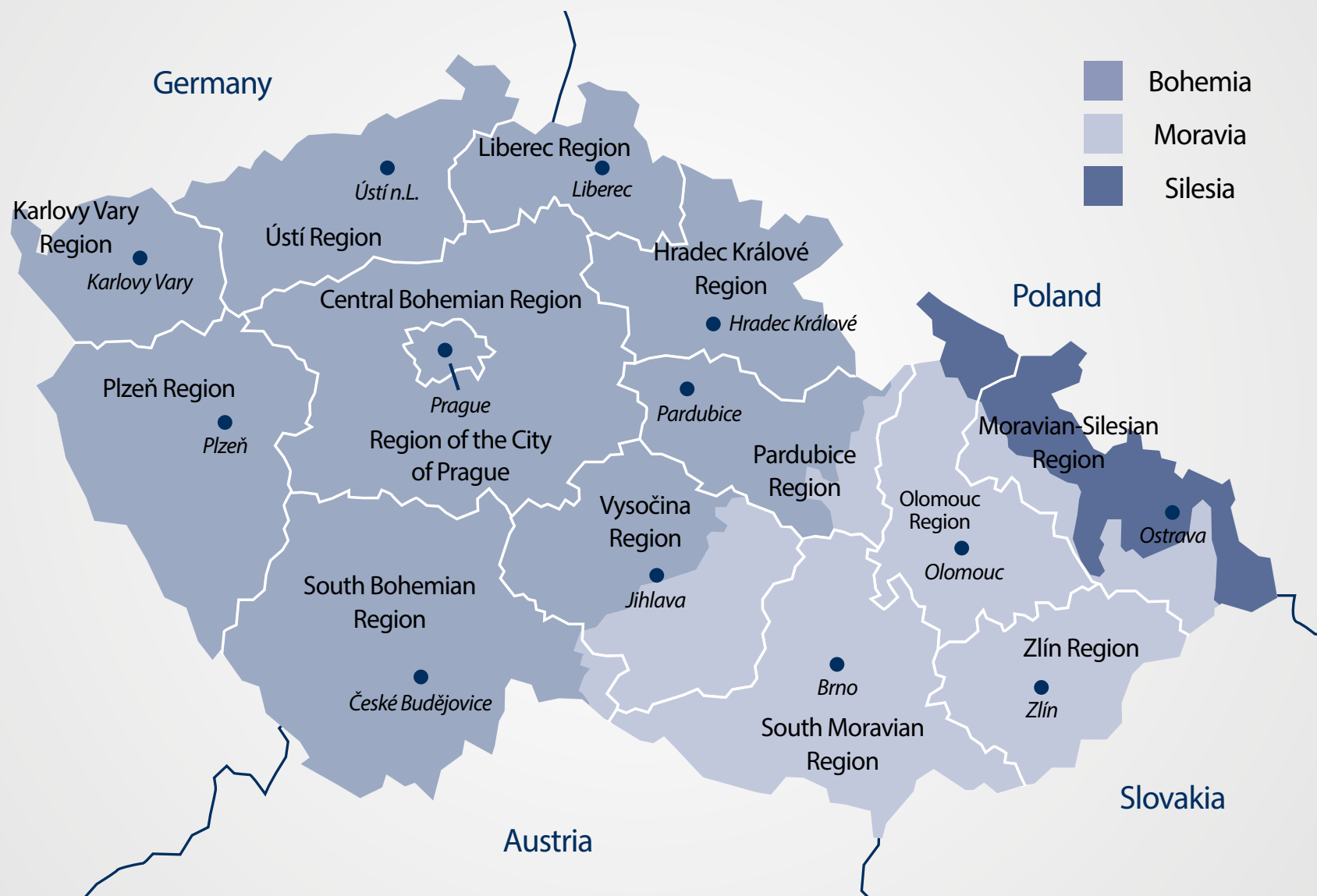
The country is close to Western Europe not only geographically, but also in terms of social and cultural values. Together with its sustainable business environment and its ability to harness the potential to respond to the needs of the global economy, Czechia's high quality of life is yet another factor making it an ideal investment location. ■

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# Regions of the Czech Republic





## Region of the City of Prague

**Name:** Region of the City of Prague

**Regional capital:** Prague

**Total area:** 496 km<sup>2</sup>

**Population:** 1,275,406\* (as at December 2021)

**Working-age population:** 869,149 (as at December 2020)

**Unemployment rate:** 3.04% (as 30 September 2022)

**Institutions of higher education – type, number of students:**

more than 120,000 students enrolled in eight public and at least twenty-two private universities, forty-nine public research institutions (67% of the country's total)

**Sectors in which the region excels:** artificial intelligence, gaming, space technologies, cultural and creative industries, financial services

Note: \*preliminary data

## Central Bohemian Region

**Name:** Central Bohemian Region

**Regional capital:** none; the seat of the Regional Authority is in Prague

**Total area:** 10,928 km<sup>2</sup>

**Population:** 1,386,299\* (as at December 2021)

**Working-age population:** 888,538 (as at December 2020)

**Unemployment rate:** 2.98% (as at December 2021)

**Institutions of higher education – type, number of students:**

Charles University, Czech Academy of Sciences, Czech Technical University, Faculty of Biomedical Engineering in Kladno, Škoda Auto University (private university), research institutions, other universities and research institutions located in Prague.

**Sectors in which the region excels:** engineering and automotive industry, aerospace industry, biotechnology, biomedicine, chemical industry, laser technologies, additive technologies, new materials, civil nuclear research, agriculture, and food production

Note: \*preliminary data

**Highlights:** Central Bohemia is the largest region of the Czech Republic and encompasses the nation's capital, Prague. The region contains a total of 1,144 municipalities in 26 administrative districts. The region has strong ties with Prague and its location has a significant influence on its economic characteristics. There are many important and valuable historical sites in Central Bohemia, including two UNESCO heritage sites and several protected landscape areas.

Several major companies, such as Škoda Auto, Toyota, Valeo, AERO Vodochody AEROSPACE, Eaton, RIGAKU, Hewlett Packard Enterprise, Foxconn, LINET, Lego, Amazon, Philip Morris and Procter & Gamble, have either their headquarters or operations facilities in Central Bohemia. The region's current development is aimed at making it a leader in the implementation of technologies and innovations.

The region has attracted significant investments in science and research, and top research centres of transnational importance have been established here, e.g. ELI Beamlines and HiLASE in the field of high-power laser technologies, BIOCEV – Biotechnology and Biomedicine Centre of the Academy of Sciences and Charles University in the area of medical research and drug discovery, and the University Centre for Energy Efficient Buildings of the Czech Technical University in Prague (UCEEB). In addition, the Central Bohemia Innovation Centre (SIC) supports the implementation of innovations and the local business environment, from start-ups to expansions of companies to foreign markets. Its task is to bring together research centres and companies with the aim of developing the region's innovation potential. Since 2015, SIC has helped more than 260 companies with the innovation of their products and services. SIC is a coordinator of digitalization activities within the European Digital Innovation Hub Brain4Industry, the aim of which is to help business make the best use of the benefits and possibilities offered by digital technologies and artificial intelligence.

The Central Bohemian Region offers a wide range of investment opportunities with support targeted especially at prospective fields and services with high value added.

**Petra Pecková**  
Governor

[www.kr-stredocesky.cz](http://www.kr-stredocesky.cz)



## South Bohemian Region

**Name:** South Bohemian Region

**Regional capital:** České Budějovice

**Total area:** 10,057 km<sup>2</sup>

**Population:** 636,937\* (as at December 2021)

**Working-age population:** 407,042 (as at December 2020)

**Unemployment rate:** 2.82% (as at December 2021)

**Institutions of higher education – type, number of students:**

approximately 16,000 students enrolled in four public universities (University of South Bohemia in České Budějovice, VŠTE, Faculty of Management of the University of Economics, Department of the Faculty of Mechanical Engineering of the University of West Bohemia in Plzeň) and three private universities (VŠERS, FAMO, CEVRO Institut Český Krumlov)

**Sectors in which the region excels:** services, construction, tourism, industry, fisheries, agriculture, forestry

Note: \*preliminary data

**Highlights:** The South Bohemian Region is located in the southwestern part of the Czech Republic and shares its southern border with Germany and Austria. The total area of South Bohemia is 10,057 km<sup>2</sup>, which accounts for 12.8% of the total area of the Czech Republic. More than one-third of the region is covered with forests, while 4% is covered with water.

South Bohemia has a long history of fish farming, with 25,000 hectares of ponds accounting for half of the Czech Republic's fish production. Agriculture also remains very important to the region's economy. Strong emphasis is placed on sustainable agriculture, which is very often associated with the production of locally specific foods. Agriculture is presented annually at the Země Živitelka international trade fair. Brewing is a traditional sector that today is represented not only by large breweries such as Budweiser Budvar, but also by small local mini-breweries. There are many industrial enterprises in the region (for example, Motor Jikov, Bosch, Jihostroj, Engel, Schneider Electric and Viscofan, among others), as well as companies operating in the food industry (Madeta, Budvar, Fruko-Schulz). Other large companies include KOH-I-NOOR Hardtmuth and Stabilo.

South Bohemia is a frequent destination for tourists, who take advantage of the region's extensive tourism infrastructure. The renown of South Bohemia's historical monuments reaches beyond the region's borders, as the city of Český Krumlov and the unique village of Holašovice are on the UNESCO List of World Heritage Sites. The region is also a place for active leisure; in particular, the Lipno Lake area offers year-round activities, including a popular ski resort focused on families with children. The region also has a strong science and research base supporting collaboration between universities, scientific institutions and the business environment. In the field of natural sciences, South Bohemia is an important centre at the national and, in some extraordinary cases, global levels.

In the future, the South Bohemian Region wants to focus on projects in the areas of infrastructure, education, healthcare and the environment, as well as development of historic sites and smart regions.

**Martin Kuba**

**Governor**

[www.kraj-jihocesky.cz](http://www.kraj-jihocesky.cz)

## Plzeň Region

**Name:** Plzeň Region

**Regional capital:** Plzeň

**Total area:** 7,649 km<sup>2</sup>

**Population:** 578,573\* (as at December 2021)

**Working-age population:** 377,106 (as at December 2020)

**Unemployment rate:** 2.78% (as at December 2021)

**Institutions of higher education – type, number of students:**

more than 13,000 students enrolled in three universities (University of West Bohemia in Plzeň, Charles University Faculty of Medicine in Plzeň, Metropolitan university Prague in Plzeň)

**Sectors in which the region excels:** manufacture of electronic components and consumer electronics, machinery and equipment, electrical equipment, motor vehicles, railway locomotives, rolling stock and other transport equipment, aircraft and spacecraft and related machinery (aircraft interiors, aircraft seats, aircraft engine parts), medical and dental instruments and supplies (eyeglass lenses, plastic products for the medical industry)

Note: \*preliminary data



# Karlovy Vary Region

**Name:** Karlovy Vary Region

**Regional capital:** Karlovy Vary

**Total area:** 3,314 km<sup>2</sup>

**Population:** 283,184\* (as at March 2022)

**Working-age population:** 145,700 (as at December 2022)

**Unemployment rate:** 4.25% (as at March 2022)

**Institutions of higher education – type, number of students:**

branches and dislocated workplaces of four public universities and regional workplaces of two private colleges, dozens to several hundred students (official numbers are not publicly accessible)

**Sectors in which the region excels:** mechanical engineering and custom metalworking, automotive industry, traditional industries – glass, ceramics, porcelain, other non-metal mineral products, power industry and use of renewable energy sources, spas and tourism, beverage production

Note: \*preliminary data

**Highlights:** The Karlovy Vary Region's geographical location on the border between Bohemia, Bavaria and Saxony has always presented and remains a challenge for logistics e.g., limited transport infrastructure. For example, 500 years ago, its natural wealth gave birth to the precursor of the dollar, the Jáchymov silver tolar, and later was instrumental in the discovery of the element radium. It also offers materials for production of porcelain and glass and is home to the world-famous Karlovy Vary International Film Festival. The region offers an international airport and, of course, is well known for its mineral waters and spas. The spa industry and balneology are characterised by the so-called spa triangle formed by the cities of Karlovy Vary, Mariánské Lázně and Františkovy Lázně, which is also on the UNESCO List of World Heritage Sites. The significance of traditional industries, such as glass and porcelain production, cannot be ignored, and local companies such as Moser and Thun are globally renowned in the field. The largest industrial employers in the region include Sokolovská uhelná, which produces electricity and mines brown coal, and WITTE Nejedek, which develops and manufactures automotive locking systems. Traditional engineering production has great potential in the region and the portfolio of traditional companies has been enriched by the arrival of the prominent automotive brand BMW, which is constructing a testing centre with a polygon for autonomous cars.

Though the Karlovy Vary Region is distinguished by its low long-term unemployment, it also is taking the necessary steps to remain an interesting location for the development of industry as well as for the development of scientific research and development. Especially the Sokolov area, which is now facing the challenges of the "post-coal" era, offers great potential for the arrival of new, interesting investors.

**Petr Kulháněk**  
Governor  
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# Ústí Region

**Name:** Ústí Region

**Regional capital:** Ústí nad Labem

**Total area:** 5,339 km<sup>2</sup>

**Population:** 796,842\* (as at December 2022)

**Working-age population:** 508,479 (as at December 2021)

**Unemployment:** 5.76% (as at February 2023)

**Institutions of higher education – type, number of students:**

Jan Evangelista Purkyně University in Ústí nad Labem - the only public university having its registered office in the region, eight faculties, 8,500 students, three detached facilities of other public universities and three private universities in the region

**Sectors in which the region excels:** energy, chemical industry.

The Ústí Region is the first region with its own hydrogen strategy.

Note: \*preliminary data

**Highlights:** The Ústí Region has a fine industrial past. Historically, industry in the region was built on the mining of brown coal and its subsequent use for energy. The chemical industry also has a long history here. However, the region now focuses on research and development and modern technologies. Given the need to move the economy away from coal mining, the key vision is to use hydrogen as a source of clean energy. The Ústí Region and 17 other entities have concluded a so-called hydrogen memorandum, the aim of which is to prepare and implement activities supporting the comprehensive use of hydrogen in the Ústí Region, particularly the hydrogen that is already produced in the technological processes in place at local companies. Hydrogen will be processed, distributed and used in the region as a clean, carbon-free energy source (e.g. for the development of emission-free transport). Focusing on modern technologies is also crucial for the future development of the region. The PORTABO project, a digital data platform for the Ústí Region, is being created through unique cooperation between the regional government, the local university, municipalities and The Innovation Centre of the Ústí Region. This is a web portal where data from various fields and places – transport, culture, sports, individual municipalities, etc. – will be uploaded in a uniform format. Such data will also be available to third parties in open reports for further evaluation and processing for the purpose of creating smart applications, statistics, comparisons within the region, etc. In the coming years, the Ústí Region will face major socio-economic and environmental challenges associated with the transition to a climate-neutral economy. The region faces major challenges, particularly in the areas of providing jobs for workers leaving the coal industry, improving public services and restoring landscapes affected by mining.

**Jan Schiller**  
Governor  
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## Liberec Region

**Name:** Liberec Region

**Regional capital:** Liberec

**Total area:** 3,163 km<sup>2</sup>

**Population:** 437,391\* (as at December 2021)

**Working-age population:** 278,969 (as at December 2020)

**Unemployment rate:** 3.66% (as at December 2021)

**Institutions of higher education – type, number of students:**

one public university - Technical University of Liberec (approximately 6,000 students - of which PhD students: 272)

**Sectors in which the region excels:** nanotechnologies, advanced machinery, mechatronics, glass industry, optics, optoelectronics, automotive industry, electronics, ICT, advanced remediation, separation and membrane technologies, textile industry, plastics industry

Note: \*preliminary data

## Hradec Králové Region

**Name:** Hradec Králové Region

**Regional capital:** Hradec Králové

**Total area:** 4,759 km<sup>2</sup>

**Population:** 542,163\* (as at February 2023)

**Working-age population:** 346,227 (as at December 2020)

**Unemployment rate:** 3.28% (as at February 2023)

**Institutions of higher education – type, number of students:**

two public universities – University of Hradec Králové (6,500 students); Charles University Faculty of Medicine in Hradec Králové (1,014 students)

**Sectors in which the region excels:** industry, agriculture and tourism

Note: \*preliminary data



## Pardubice Region

**Name:** Pardubice Region

**Regional capital:** Pardubice

**Total area:** 4,519 km<sup>2</sup>

**Population:** 515,036\* (as at December 2022)

**Working-age population:** 331,606 (as at December 2020)

**Unemployment rate:** 2.54% (as at December 2022)

**Institutions of higher education – type, number of students:**

approximately 7,000 students at one public university - University of Pardubice

**Sectors in which the region excels:** electrical engineering, chemical industry, mechanical engineering, transport - Pardubice is a transport hub combining air, rail and water transportation

Note: \*preliminary data

**Highlights:** Located in the centre of the Czech Republic, the Pardubice Region will be ranked among important transport hubs in the near future due to the development of road, rail, air and water transport. It is an attractive region thanks not only to its high degree of safety, housing quality, health and life satisfaction, but also to its long industrial tradition. The decision two nearby cities – Pardubice and Hradec Králové – to join forces in the implementation of Integrated Territorial Investments in the Hradec-Pardubice agglomeration, thus further enhancing the area's attractiveness, has proven to be the right step. The dominant role in the region's economy is played by the manufacturing industry, which is driven by enterprises buttressed by their own research. The region is home to large companies that develop, produce and sell innovative final products and are competitive on the European and global scale, as well as innovation champions among small and medium-sized enterprises with a significant proportion of their own research at the international level, particularly in radio technology, chemistry and biomedicine. A positive aspect is that three-fourths of research funding comes from the private sector. Basic research is conducted at the University of Pardubice, which is developing successfully and where new space for collaboration is being opened. The P-PINK business incubator, whose operation is focused on active support for start-ups, was established in 2018. The Pardubice Region offers a combination of beautiful countryside and magnificent history, arts, captivating music and all possible kinds of sports. The most important events undoubtedly include Smetana's Litomyšl Festival, the Grand Pardubice Steeplechase and the Golden Helmet. The region is also associated with the taste of Pardubice gingerbread and the presence of horses, which are an essential part of the region. When visiting the Pardubice Region, you will be able to familiarise yourself with the local traditions including handicrafts, see numerous castles and chateaux, ancient military forts and fortifications, urban conservation areas and many attractive examples of Renaissance, Baroque, Art Nouveau and modern interwar architecture.

**Martin Netolický**  
Governor  
[www.pardubickykraj.cz](http://www.pardubickykraj.cz)

## Vysočina Region

**Name:** Vysočina Region

**Regional capital:** Jihlava

**Total area:** 6,796 km<sup>2</sup>

**Population:** 503,747\* (as at December 2022)

**Working-age population:** 317,437 (as at December 2021)

**Unemployment rate:** 3.1% (as at December 2022)

**Institutions of higher education – type, number of students:**

one public university - College of Polytechnics Jihlava (2,300 students)

**Sectors in which the region excels:** automotive industry, metal-processing and mechanical engineering

Note: \*preliminary data

**Highlights:** The Vysočina Region is situated in the centre of the Czech Republic. Thanks to its strategic location between the two biggest Czech cities (Prague, Brno) and near the border with Austria, it is easily accessible both by road and by rail. There are also two international airports – Prague and Brno – within easy reach.

The region's well-developed industrial manufacturing comprises traditional sectors such as the automotive industry, metalworking, mechanical engineering, wood processing and the furniture industry, as well as the newly growing sectors of industrial automation and IT. There are a number of highly innovative companies that are competitive on the European and global scale not only in these sectors, but also in the electrical engineering and energy industries. More than 98% of the region's R&D funding comes from the private sector. There are also several R&D centres and research facilities in the region, including, for example, the Institute of Theoretical and Applied Mechanics of the Czech Academy of Sciences in Telč, the College of Polytechnics Jihlava, the Forestry and Game Management Research Institute in Pelhřimov, the Potato Research Institute in Havlíčkův Brod, the Institute of Vertebrate Biology of the Czech Academy of Sciences in Studenec and the Nuclear Research Institute in Dukovany. These centres naturally cooperate not only with enterprises, but also with educational institutions. The Vysočina Region has a well-educated and flexible workforce. As for tertiary education, there is the young but rapidly developing College of Polytechnics Jihlava, which offers study programmes in the fields of electrical engineering and informatics, technical engineering and applied technology, economics and management, tourism, midwifery, healthcare and clinical social work. Many other benefits are derived from international cooperation with partner regions such as Lower Austria, Grand Est (France), the Nitra Self-Governing Region (Slovakia), Transcarpathian Ukraine, the European Region Danube-Vltava, etc. Further international cooperation is being established with the Tampere region of Finland and Taiwan. The Vysočina Region has many positive attributes including its rich cultural and natural heritage, beautiful landscapes and a pristine and safe environment. Together with the region's talented population, these are among the many good reasons to invest here.

**Vítězslav Schrek**  
Governor  
[www.kr-vysocina.cz](http://www.kr-vysocina.cz)



## South Moravian Region

**Name:** South Moravian Region

**Regional capital:** Brno

**Total area:** 7,188 km<sup>2</sup>

**Population:** 1,184,345\* (as at December 2021)

**Working-age population:** 760,010 (as at December 2020)

**Unemployment rate:** 4.02% (as at December 2021)

**Institutions of higher education – type, number of students:**

approximately 61,500 students enrolled in five public, four private and one state university (2019)

**Sectors in which the region excels:** information technology, life sciences, electron microscopy, the space industry, precision instruments, mechanical engineering, production digitalisation, cybersecurity

Note: \*preliminary data

## Olomouc Region

**Name:** Olomouc Region

**Regional capital:** Olomouc

**Total area:** 5,271 km<sup>2</sup>

**Population:** 622,570\* (as at November 2022)

**Working-age population:** 398,548 (as at December 2020)

**Unemployment rate:** 3.24% (as at November 2022)

**Institutions of higher education – type, number of students:**

approximately 22,000 students enrolled in one public (Palacký University in Olomouc) and two private universities (Moravian Business College Olomouc, College of Logistics)

**Sectors in which the region excels:** tourism and the spa industry, science and research, mechanical and electrical engineering, optics and fine mechanics, optoelectronics, industrial chemistry, advanced agricultural technologies for sustainable development and new materials and technologies, water-management and pump technology, biomedicine, life sciences and health care, software development

Note: \*preliminary data

**Highlights:** Located in the very heart of Europe, the Olomouc Region is easy to fall in love with. Visitors are captivated by the rugged alpine beauty of the Jeseníky Mountains and the gentle charm of the flat Haná region with the beautiful city of Olomouc. The region's identity is woven from its rich cultural heritage, breath-taking landscapes and skilled people. From roots dating back a thousand years, Olomouc has grown into a modern region.

The real wealth of the Olomouc Region lies in its picturesque landscape, which captivates with its diversity, mysterious caverns and the world's deepest freshwater pit cave. The exceptionally well-preserved environment forms an ideal foundation for top-quality spa care using the latest methods. Beautiful monuments are scattered throughout the region resemble precious pearls. Among them, the mighty Helfštýn Castle and fairytale Bouzov Castle shine the brightest. The Olomouc Region also has the largest number of church buildings in the Czech Republic, highlights of which include the important pilgrimage sites at Svatý Kopeček, Zlaté Hory and elsewhere. Numerous museums showcase the skills of our ancestors and massive forts are silent witnesses to the times when Olomouc was an impregnable fortress.

The region's extensive history of engineering and the high level of expertise among its people form a combination that is of great benefit to top technology companies and facilities. Such companies export optical systems, lighting technology for the automotive industry, high-end electric motors, parts for aircraft engines and much more to developed European countries and overseas markets. The course of development is being set by the region's technology leaders, which are making a name for themselves in the world. Success creates the conditions for innovation, which in turn gives rise to new companies with high-quality jobs and modern technology.

The Czech Advanced Technology and Research Institute (CATRIN) of Palacký University in Olomouc attracts leading experts from all over the world to collaborate. Olomouc University Hospital is one of the best in the Czech Republic thanks to its state-of-the-art medical facilities equipped with the latest medical technology and its broad scientific and educational base.

**Josef Suchánek**  
Governor  
[www.olkraj.cz](http://www.olkraj.cz)



# Moravian-Silesian Region

**Name:** Moravian-Silesian Region

**Regional capital:** Ostrava

**Total area:** 5,430 km<sup>2</sup>

**Population:** 1,173,771\* (as at December 2022)

**Working-age population:** 751,965 (as at December 2021)

**Unemployment rate:** 4.87% (as at December 2022)

**Institutions of higher education – type, number of students:**

more than 26,000 students enrolled in three public (Silesian University in Opava, Technical University of Ostrava, University of Ostrava) and two private universities (The College of Entrepreneurship and Law, Prigo University)

**Sectors in which the region excels:** IT industry, iron-ore processing, mechanical engineering, vehicle manufacturing, biomedicine technologies, chemical industry, smart – agriculture, new materials, hydrogen technologies, e-health, food industry  
Note: \*preliminary data

**Highlights:** Moravia-Silesia is a dynamically developing region with a changing image. Originally reliant on heavy industry and infamous for the negative effects of that, the region is being transformed into an important technological centre. Digitalisation and young technological companies are transitioning the region away from coal and steel towards Industry 4.0. Currently, the number of people working in the region's IT industry is equal to those working in metallurgy. The region welcomes innovations and focuses on research and is enhancing its enterprising approach while keeping pace with the times and development. The Moravian-Silesian Region is on the right path and is taking specific steps in the area of environmental protection, developing healthcare and social care, strengthening its communities and interconnecting generations. It stresses education, supports culture and sport, and generally strives hard to be more attractive and a great place to live.

The Moravian-Silesian Region uses the Just Transition Fund for acceleration of its development.

Ivo Vondrák  
Governor  
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# Zlín Region

**Name:** Zlín Region

**Regional capital:** Zlín

**Total area:** 3,963 km<sup>2</sup>

**Population:** 571,757\* (as at February 2023)

**Working-age population:** 372,805 (as at December 2019)

**Unemployment rate:** 3,06% (as at February 2023)

**Institutions of higher education – type, number of students:**

one public university – Tomáš Baťa University in Zlín (approximately 9,500 students)

**Sectors in which the region excels:** plastics processing, rubber, machinery, aerospace, electrical engineering, product and industrial design

Note: \*preliminary data

**Highlights:** The Zlín Region is situated in the eastern part of the Czech Republic, on the border with Slovakia. The motorway network connects the region with the main development centres in the Czech Republic (Prague and Brno) and construction of new motorway infrastructure within the Trans-European Transport Network (TEN-T) in the direction of Slovakia and Austria is ongoing. In terms of per-capita GDP growth, the Zlín Region ranks among the more successful regions of the Czech Republic, as it possesses a professional and flexible workforce and a high-quality education system.

The economy of the Zlín Region is distinguished by a strong basis comprising innovative companies, especially in the segment of small and medium-sized enterprises, a large number of which operate in industrial and significantly export-oriented sectors. The plastics industry holds a particularly strong position in the region due to the presence of Tomáš Baťa University in Zlín and its Centre for Polymer Systems, which is an important research partner of companies associated in the Plastics Cluster. The aerospace industry, which is represented in the region by manufacturers of aircraft and aircraft components and related technologies, also holds a significant position. These companies are associated in the Moravian Aerospace Cluster. Other strong sectors in the region include the mechanic-engineering, electrical-engineering and metalworking industries, as well as ICT, which is a developing part of the services sector. Furthermore, the Zlín Creative Cluster supports the region's dynamically growing creative companies, whose success is based on the design of their products and technologies.

The Technological Innovation Centre and its partners in the ZLINNOVATION platform offer a broad range of support services for entrepreneurs and investors in the Zlín Region. An important part of this offer is the Holešov Industrial Zone, which is one of the largest development areas in the Czech Republic, with the entire necessary infrastructure for investors in the industrial, research and development, and business support services sectors. Moreover, there is the Progress Technology Park, which is situated in the heart of the zone and, in addition to production facilities, offers spaces for laboratories, offices and other facilities for entrepreneurs.

The Zlín Region also offers a number of popular tourist areas with natural, cultural and historical diversity, including monuments included on the UNESCO World Heritage List, spas and a variety of folk traditions. The local folk culture and the region's distinctive gastronomy are unique in the Czech Republic.

Radim Holíš  
Governor  
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# Air Hub in the Heart of the Czech Republic

Václav Havel Airport Prague is the gateway to the Central Europe region. It is also an airport in one of the most popular tourist destinations in Europe and at the same time the largest aerodrome in the Czech Republic.

**B**efore the COVID-19 pandemic, this international air hub handled almost 18 million passengers annually. In 2023, the airport expects to handle 13 million passengers. During the year, travellers can on average choose from the offer of over 50 airlines connecting Prague via a direct route with more than 130 destinations around the world. Furthermore, eight regular cargo carriers operate the destination and dozens of other companies provide charter flights there. Prague Airport employs approximately 2,400 people, with an estimated more than 14 thou-

sand people being employed by companies active at the airport or linked to its operations. Prague Airport supports the development of air connectivity, which contributes to the further expansion of business and investment activities. Vice versa, the existing and new foreign investors in the Czech Republic create an environment for enhanced business and corporate travel demand and freight forwarding opportunities, which are important for the development of new air services. In this regard, the main focus is on the development of long-haul air connections prioritising non-European markets in the USA, Canada, Japan, South Korea, and Taiwan. In its activities, Prague Airport works closely in particular with the Ministry of Transport of the Czech Republic, the Civil Aviation Authority, the Air Navigation Services of the Czech Republic, air carriers, public administration bodies inside and outside the aviation sector, and other airport users. Last but not least, it also works closely with the Capital City of Prague and the municipalities in its vicinity. Four carriers use Václav Havel Airport Prague as their base, namely Smartwings, Ryanair, Eurowings, and Czech Airlines. Prague Airport places great emphasis on doing business in accordance with the principles of sustainable



development. The operation of an international airport includes a wide range of activities with an impact on various interest groups and areas. Voluntary integration of the principles of corporate responsibility into the company's daily operations and future development plans has become an integral part of our business conduct. We see the success of the company not only in economic profit, but also in the path that leads to it. As a large company, we feel a great responsibility towards all stakeholders and the future world. ■

## 2023 Outlook - Important Connections of Selected Routes

NEW YORK	Delta Air Lines returns with daily JFK flights (May-Sept.)
SEOUL	Resumed Korean Air flights up to 4x weekly (March-Dec.)
TAIPEI	New China Airlines connection 2x a week
KEFLAVÍK	New Icelandair connection 4x a week
LONDON	British Airways increase to 5x a day
AMSTERDAM	KLM increase to 5x daily
PARIS	Air France increase to 4x a day
BRUSSELS	Brussels Airlines increase to 3x daily
MADRID	Iberia increase to a daily service
GENEVA	New Eurowings flights up to 5x weekly
HELSINKI	Finnair increase to 3x daily
WARSAW	Lot Polish Airlines increase to 5-6x a day

Source: Prague Airport, 2023

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# Foreign investment screening in the Czech Republic

Certain investments made by foreign investors in the Czech Republic may be subject to screening. The controlling authority for the foreign investments is the Czech Ministry of Industry and Trade. The control may apply even to already completed investments and the Ministry may initiate the control within 5 years from the completion of the investment if it assesses the investment as security-threatening. If the investment is made in violation of the law, the foreign investor faces serious penalties.

Are you wondering if your investment in the Czech Republic is subject to investment screening? If so, the following article will provide you with answers.

## Conditions for the investment screening

If the investment into the Czech target entity is **directly or indirectly** made by a non-EU citizen or by an entity with its seat outside the EU, the investor is considered foreign investor under Czech law, and if further conditions are met, may be subject to investment screening.

Another condition for the investment screening is the way in which the investment is made. The law determines the following forms of influence:

- exercising of  $\geq 10\%$  of the voting rights or a corresponding influence in the target entity;
- membership in a corporate body of the target entity;
- ownership of assets used for the economic activity of the target entity; or
- other form of influence allowing access to information, systems, or technologies important for the protection of the security of the Czech Republic.

The law further distinguishes between the obligation to obtain a **permit** prior to the investment execution and the obligation to **consult** the investment with the Ministry.

The permit is required for the investments into:

- production, research, development, and innovation of defence equipment;
- operation of critical infrastructure (e.g., energy distribution, large scale agricultural operation, healthcare industry, data centres, networks);
- information or communication systems of critical information infrastructure;
- development or production of dual-use goods.

On the other hand, the consultation is mandatory only in the case of investment into the largest Czech media houses, in other cases there is an option to **voluntarily consult** the investment with the Ministry.

## Sanctions

If the investor violates the conditions set out in the Ministry's decision or carries out the investment in breach of the Ministry's prohibition of the investment, the Ministry may prohibit or restrict the investor from exercising its ownership or

voting rights in the target entity. Further, the sale of the target entity, the assets, or the participation in the target entity may be ordered by the Ministry.

The Ministry may also (even together with the above sanctions) impose fines on the foreign investor which may amount to 2% of the total net turnover of the foreign investor for the last completed accounting period or up to EUR 4,250,000.

## Conclusion

According to the annual report issued by the Ministry in 2022, there were a total of **12 domestic cases** of investment screening in the first year of the effectiveness of the law. During this period, no investment prohibition was issued. However, given the serious penalties, it is always necessary to assess whether an investment permit or consultation is required. For this reason, voluntary consultation is a useful tool to increase legal certainty. If the Ministry decides that the investment is not security-threatening, it excludes the initiation of the control in the future. ■

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**EVERSHEDS  
SUTHERLAND**

# Benchmarking of the Czech Republic in the V4 context

## Czech Republic

  
**10.5 mil**  
Population in 2022

  
**78,866 km<sup>2</sup>**  
Area

  
**Czech**  
Language

  
**Czech Koruna**  
Currency


  
**1 EUR = 24.56 CZK**  
Average exchange rate  
in 2022 (EUR)

### Basic facts

GDP (EUR billion)	264.47	Consumer price inflation (%)	15.10
GDP (PPP) per capita (EUR )	46,852	Labor force (million)	5.29
Real GDP growth (%)	2.50	Current account balance (% of GDP)	-5.35

## Slovakia

  
**5.46 mil**  
Population in 2022

  
**49,035 km<sup>2</sup>**  
Area

  
**Slovak**  
Language


  
**Euro**  
Currency

### Basic facts

GDP (EUR billion)	107.85	Consumer price inflation (%)	12.80
GDP (PPP) per capita (EUR )	34,432	Labor force (million)	2.78
Real GDP growth (%)	1.80	Current account balance (% of GDP)	-8.78

## Poland

  
**38.2 mil**  
Population in 2022

  
**312,679 km<sup>2</sup>**  
Area

  
**Polish**  
Language

  
**Polish złoty**  
Currency


  
**1 EUR = 4.68 PLN**  
Average exchange rate  
in 2022 (EUR)

### Basic facts

GDP (EUR billion)	636.79	Consumer price inflation (%)	14.40
GDP (PPP) per capita (EUR )	40,754	Labor force (million)	17.24
Real GDP growth (%)	4.60	Current account balance (% of GDP)	-2.20

## Hungary

  
**9.7 mil**  
Population in 2022

  
**93,030 km<sup>2</sup>**  
Area

  
**Hungarian**  
Language

  
**Hungarian Forint**  
Currency

  
**1 EUR = 400.91 HUF**  
Average exchange rate  
in 2022 (EUR)

### Basic facts

GDP (EUR billion)	170.69	Consumer price inflation (%)	15.16
GDP (PPP) per capita (EUR )	40,013	Labor force (million)	4.88
Real GDP growth (%)	3.30	Current account balance (% of GDP)	-7.86

Note: Basic facts data refer to 2022 Source: IMD World Competitiveness, 2022

## About

The Visegrad Group (also known as the "Visegrad Four" or simply "V4") reflects the efforts of the countries of the Central European region to work together in a number of fields of common interest within the all-European integration. Czechia, Hungary, Poland and Slovakia have always been part of a single civilization sharing cultural and intellectual values and common roots in diverse religious traditions, which they wish to preserve and further strengthen.

Source: visegradgroup.eu

## What is trending in the Czech Republic

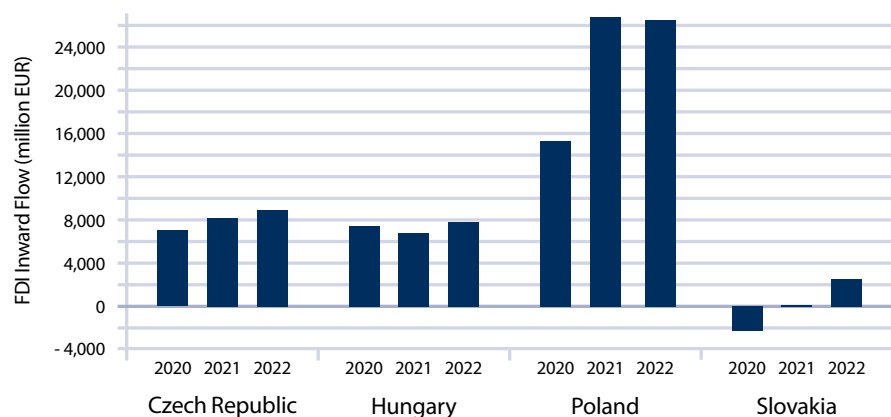
- Nearly two-thirds of companies employ or plan to employ foreign workers. (Hofmann Personal Survey, 2021)
- Remote working and hybrid teams are an established practice in the labour market and one of the essential requirements of job seekers. The absence of this benefit can often mean that a candidate does not enter the selection process (Hays Czech Republic).
- In 2022, the transaction volume was €1.7 billion, almost the same (+2%) as in 2021. Looking more closely, 2022 was split into two distinct halves. In H1, investment volumes were high (the highest since H1 2020) and exceeded €1.23bn. However, the situation changed in the 2<sup>nd</sup> half of the year, with only €470 million worth of properties sold. Office buildings remained the best sellers, accounting for almost half (46%) of the annual investment volume with a total value of €789 million. The total value of industrial assets sold was €414 million (24% of all investments) and was only 13% lower compared to the 2017-2019 average before Covid. However, offices fell by 35% and retail space by as much as 60%. Retail property accounted for 23% of total investment in 2022 (€395m in total). (Market in Minutes, Savills Research 2022)

## Overall rank



Source: IMD, 2022

## Foreign Direct Investment



Source: OECD, 2022

## Global Innovation Index

Rank 2022	Country	Score
30	Czech Republic	42.80
34	Hungary	39.80
46	Slovakia	34.30
38	Poland	37.50

Source: WIPO, 2022

## Global Talent Competitiveness Index

Rank 2022	Country	Score
21	Czech Republic	60.96
35	Slovakia	51.34
39	Poland	50.28
37	Hungary	51.03

Source: INSEAD, 2022

## Quality of Life Index

Rank 2022	Country	Score
23	Czech Republic	163.60
33	Slovakia	149.70
38	Poland	139.90
40	Hungary	134.30

Source: Numbeo, 2022

# Foreign direct investment in Czechia: developments and trends

Selected key investors in Czechia by the industrial sector

Sector	Investor (country/region of origin)	Sector	Investor (country/region of origin)
Aerospace	GE Aviation materials (US)	High-tech mechanical engineering	Bombardier (CA)
	Honeywell Aerospace (US)		Daikin (JP)
	Latecoere (FR)		Edwards (UK)
	Bell Helicopters (US)		Ingersoll Rand (US)
	UGMK (RU)		Siemens (DE)
Automotive	Hyundai (KR)	Information and communication technologies	Microsoft (US)
	Nexen Tire (KR)		Pure Storage (US)
	Robert Bosch (DE)		Red Hat (US)
	Toyota (JP)		Solarwinds (US)
	Volkswagen (DE)		Tieto (FI)
Business support services	Accenture (US)	Life sciences	Lonza (CH)
	DHL (DE)		MSD (US)
	Anheuser-Busch InBev (BEL/US)		Otsuka Pharmaceutical (JP)
	Infosys (IN)		Synthon (NL)
	SAP (DE)		Teva Pharmaceutical Industries (IL)
Electrical engineering and electronics	ABB (CH)	Nanotechnologies and advanced materials	AGC (JP)
	ThermoFisher Scientific (FEI) (US)		ThermoFisher Scientific (FEI) (US)
	Foxconn (TW)		Fibertex Nonwovens A/S (DK)
	On Semiconductor (US)		Saint-Gobain (FR)
	Panasonic (JP)		Toray Industries (JP)

Source: CzechInvest, 2021

Czechia offers an excellent environment to support investments with higher value added, i.e. investments that are technologically oriented or related to research and development, sometimes also referred to as high-tech investments, in key sectors (creative industries, healthtech, mobility, AI and digital, advanced industrial technologies, ecotech, space, aerospace and defence)). In 2022, more than two-thirds of arranged investments involved expansions

of the operations of companies already established in Czechia.

The change in the structure of foreign direct investment in the past ten years indicates a new trend in Czechia. The number of projects in the fields of research and development, technology centres and business support services is rapidly increasing.

Other trends in the area of investment include autonomous driving, electromobility, virtual and augmented reality, cybersecurity, artificial intelligence and advanced materials. ■

Investment in individual years, 2012-2022

Year	Number of projects	Investment (EUR mil.)	Number of jobs
2012	81	970	8,530
2013	108	2,296	10,412
2014	147	4,144	16,842
2015	106	1,720	14,040
2016	101	2,405	12,102
2017	106	2,622	12,116
2018	82	1,587	6,146
2019	94	2,241	6,948
2020	27	622	2,734
2021	53	1,105	4,121
2022	24	776	2,655
Total	929	20,488	96,646

Source: CzechInvest, 2021



## Top 6 investments, 1993-2020

Investor	Sector	Country of origin	Investment (EUR mil.)
Volkswagen	Motor-vehicle manufacturing	Germany	739
Nemak	Motor-vehicle manufacturing	Mexico	443
Denso	Motor-vehicle manufacturing	Japan	373
Toyota/PSA	Motor-vehicle manufacturing	Japan	915
Hyundai Motor Company	Motor-vehicle manufacturing	South Korea	1,341
Nexen Tire Corporation	Rubber	South Korea	887

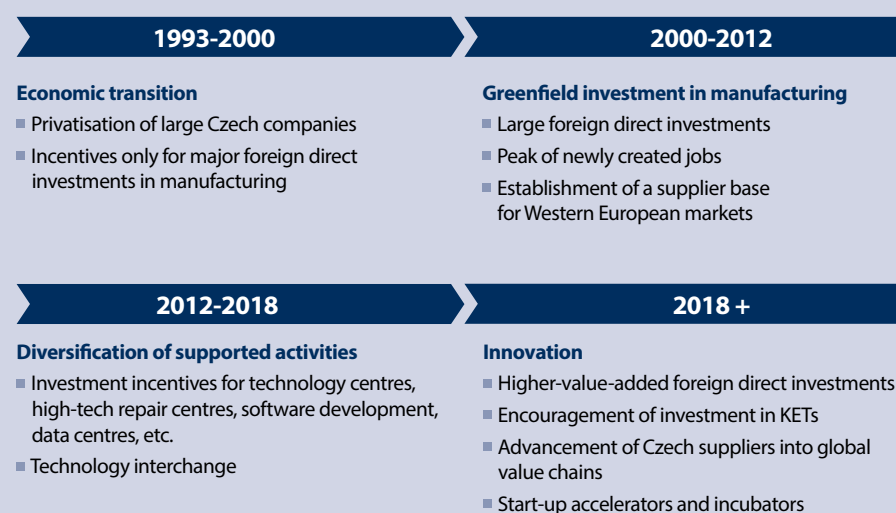
Source: CzechInvest, 2021

## Top 10 investment by country of origin, 2010-2022

Country of origin	Number of projects	Investment (EUR mil.)
Czechia	282	4,897
Germany	185	4,379
United States	124	2,203
Netherlands	43	1,648
South Korea	19	1,459
Japan	59	1,421
Austria	37	1,351
Switzerland	45	613
France	31	511
China	22	479
Total	847	18,961

Source: CzechInvest, 2023

## Change in the structure investments



## Top 10 investment by sector, 2010-2022

Sector	Number of projects	Investment (EUR mil.)
Motor-vehicle manufacturing (automobiles, buses, trailers)	252	6,541
Metalworking and metal-processing	123	2,314
Paper and wood-processing	43	2,097
Advanced Engineering	104	1,554
Rubber	17	1,432
Plastics	73	1,317
Electrical devices (batteries, generators, cables, appliances)	42	1,122
Food Industry	50	1,042
Miscellaneous	50	941
Electronics (computers, optical instruments, electronics)	32	868
Total	786	19,228

Source: CzechInvest, 2023

# Education in the Czech Republic

The Czech Republic's education system has a long history, as well as a dynamic present. Charles University was the first university in Central and Eastern Europe at the time of its establishment in 1348. Since then, higher education has spread throughout the country. Compulsory school attendance was introduced in 1774, after which a system of lower levels of education gradually evolved. In recent decades, the education system has undergone numerous and profound changes focused on decentralisation, diversification, and inclusion.

**A**part from public schools, the Czech education system at lower levels comprises many private and church schools, as well as a few state schools established by various ministries for special purposes. The same conditions apply to all pupils, including foreign citizens. The language

of instruction is Czech, although some schools may be allowed to teach in other languages. In addition to the national system, several foreign schools operate in Czechia. Care for the youngest children is generally provided outside of the education system, most commonly at children's group.

## Pre-primary education

Nursery schools provide pre-primary education for children from two to six years of age. Municipalities guarantee places for children from the age of three. From the beginning of the school year following the child's fifth birthday, education at a nursery school is compulsory and free of charge. There are almost 4,900 public nursery schools; the fees are regulated in lower years. There are also more than 450 private/church nursery schools, with average monthly fees of around EUR 200.

## Primary and lower secondary education

School attendance is compulsory for nine years, usually from age six to fifteen. Primary and lower secondary education is provided mainly by single-structure basic schools, which are divided into a five-year first stage and a four-year second stage. There are about 4,000 public and over 300 private/church basic schools. At the lower secondary level, there are also other education opportunities. After successfully passing the admission examination or aptitude test, gifted

pupils may be admitted to an eight-year or six-year secondary general programme provided by more than 300 schools or one of the five eight-year conservatoires. The fees at private schools vary, e.g., at multi-year general schools, the average tuition is around EUR 1,800 per year.

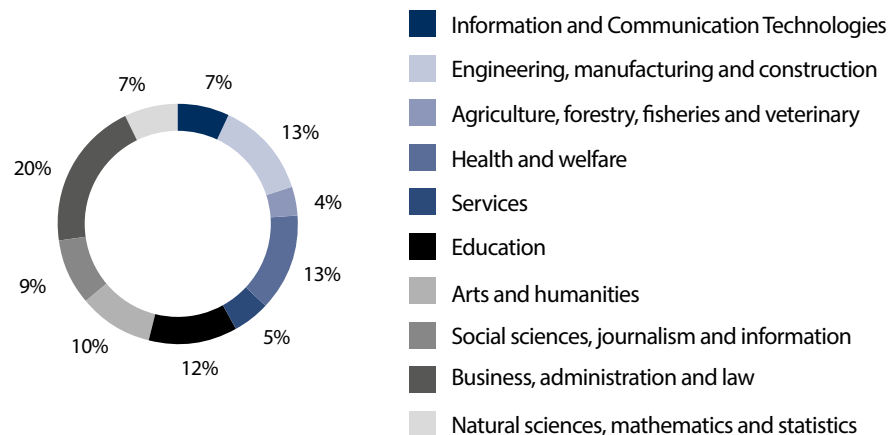
## Upper secondary education

Upper secondary education is provided by almost 1,000 public and over 300 private/church upper secondary schools. Another 18 conservatoires provide education in the arts.

## There are two main study pathways:

Four-year general and vocational programmes, multi-year general secondary programmes and conservatoires provide upper secondary education with the *Maturita* examination which entitles graduates to enter the tertiary level of education (most of them do so). The admission procedure includes a centrally organised admission examination and/or an aptitude test; the head of the given school may set other (school-specific) conditions. In two- and three-year vocational programmes, pupils attain upper secondary education with a VET certificate based on the VET final examination. Graduates cannot proceed directly to tertiary education; however, there are some flexible arrangements for those wishing to continue their studies, including acquirement of the *Maturita* examination

Fields of study at higher education institutions in 2021



Source: Database of the Ministry of Education, Youth and Sports, 2021

certificate (even later in life). The admission criteria are set by the head of the given school. Education is provided free of charge at public schools; at other schools, the fees vary (the average fee in four-year programmes is around EUR 800 for the first year).

### Higher education and current trends

With its nearly 700 years of academic tradition, the Czech higher education system consists of more than 60 institutions in over 20 cities, of which 26 are public, 33 are private and two are state institutions. Czechia is also home to 17 branches of international universities and colleges. There is at least one institution in almost every regional capital, stimulating regional development and providing local industries with good access to skilled labour. In addition, there are approximately 150 tertiary professional schools which offer professionally oriented non-university programmes.

Higher education institutions (HEIs) may be of a university or non-university type. Universities may offer all types of study programmes (i.e. bachelor's, master's and doctoral programmes) and carry out associated activities in science and research, development and innovation, as well as artistic or other creative activities. Non-university institutions offer mainly bachelor's study programmes.

As the higher education institutions enjoy a high degree of autonomy, the admission procedure falls within their competence. Currently, there are over 300,000 students at public, state and private HEIs. Roughly 90% of students attend public higher education institutions.

Study outcomes at higher education institutions are assessed mainly by a system of credits. Most HEIs use the ECTS credit system (European Credit Transfer System).

At public HEIs, fees are paid in some cases, e.g. study in a foreign language. At private HEIs, the fees vary; the average fee is around EUR 1,100 for the first six months of a bachelor's programme. Two Czech universities rank in the top ten (with

Charles University ranking second and Masaryk University seventh) and eighteen in the top 300 institutions of the QS EECA University Rankings® 2022, a dedicated ranking of top universities in Emerging Europe and Central Asia. Ten Czech universities are included in the QS World University Rankings® 2022. Business is the most popular field, followed by engineering, health and welfare and education. Every year, about 7,000 new, skilled master's-level engineers and experts in natural sciences enter the labour market, together with over 1,000 Ph.D. graduates in the same fields.

Today, Czechia is also an attractive destination that is increasingly popular among international students who can choose from over 1,000 diverse accredited bachelor's, master's, and doctoral programmes in English and other foreign languages. More than 150 offered programmes are joint or double degree. Students also have a great number of other possibilities, such as study stays within the framework of various European and non-European mobility programmes, tailored-made study-abroad programmes, cooperation arrangements between higher education institution networks, summer schools and so on. Currently, there are around 52,000 international students enrolled in full degree programmes. Before the pandemic, about 15,000 students chose to study in Czechia in exchange for short-term study programmes every year.

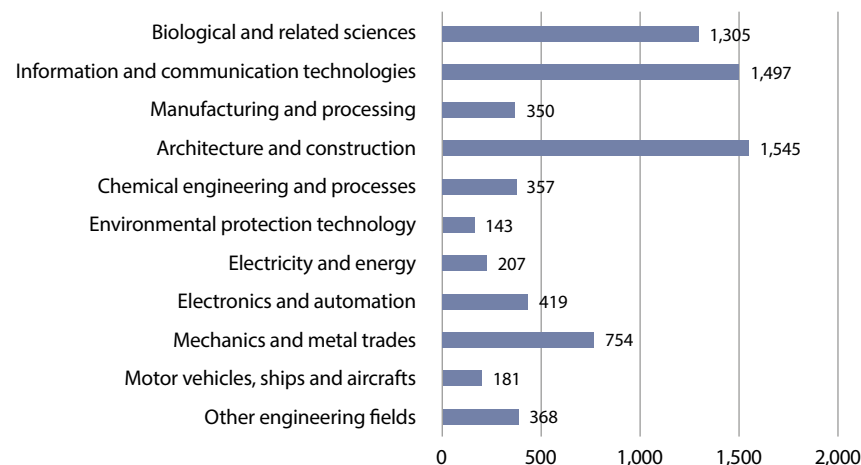
Public HEIs play an important role in research development and innovation. Czechia has achieved international renown in areas ranging from Egyptology to high-tech fields such as non-woven nanofibers, as well as a success in, for example,

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### Graduates of Master STEM fields in 2021



Source: Database of the Ministry of Education, Youth and Sports, 2021

new treatments for cancer and haematological and urological diseases. The country's university-based research focuses on the development of laser systems, biomedical and materials science, energy research and complex mathematical modelling in the natural, medical and technical sciences. Czech HEIs are also widely involved in cooperation on international projects.

A detailed description of the Czech education system is available in English in the **National**

**Education Systems** database administered by the **EURYDICE** network ([https://eacea.ec.europa.eu/national-policies/eurydice/content/czech-republic\\_en](https://eacea.ec.europa.eu/national-policies/eurydice/content/czech-republic_en)). More information on study opportunities at Czech HEIs is available on a specialised webpage (<https://www.studyin.cz/>). The sources of statistical data in the text above are the database of the Ministry of Education, Youth and Sports and a survey conducted by the Czech Statistical Office. ■



# Legal environment



Investor-friendly  
Western democracy  
with a stable and modern  
legal environment



Predictability  
of the law



Party to 76 bilateral  
investment treaties



Most legislation is  
aligned with other  
European Union  
countries



## The Czech Republic is a member of:

- World Trade Organization
- European Investment Bank
- International Monetary Fund
- Bank for International Settlements
- European Patent Office
- International Energy Charter
- World Intellectual Property Organization
- World Customs Organization
- United Nations UNCITRAL
- The World Bank
- International Center for Settlement of Investment Disputes
- The Multilateral Investment Guarantee Agency

## Core legal concepts recognised

- |   |  |
|---|--|
| <input checked="" type="radio"/> ON Contractual freedom   | <input checked="" type="radio"/> ON Whitewash procedure  |
| <input checked="" type="radio"/> ON Choice of law   | <input checked="" type="radio"/> ON Contractual subordination  |
| <input checked="" type="radio"/> ON Choice of court jurisdiction  | <input checked="" type="radio"/> ON Reorganisation   |
| <input checked="" type="radio"/> ON Enforceability of foreign judgements (EU)                                   | <input checked="" type="radio"/> ON Marketability of contracts, receivables and claims                                       |
| <input checked="" type="radio"/> ON Alternative dispute resolution – arbitration                                | <input checked="" type="radio"/> ON Trusts   |
| <input checked="" type="radio"/> ON Attorney-client privilege   | <input checked="" type="radio"/> ON Common corporate vehicles and structures   |
| <input checked="" type="radio"/> ON Contractual limitation of liability   | <input checked="" type="radio"/> ON Single-tier board in joint-stock companies   |
| <input checked="" type="radio"/> ON Protection of intellectual property rights                                  | <input checked="" type="radio"/> ON Different types of shares with different rights  |
| <input checked="" type="radio"/> ON Proprietary (in rem) security rights (e.g. pledge, lien, security transfer) | <input checked="" type="radio"/> ON Very small mandatory registered capital in limited liability companies (less than EUR 1) |
| <input checked="" type="radio"/> ON Security agent  | <input checked="" type="radio"/> ON Transformations  |
| <input checked="" type="radio"/> ON Parallel debt structure (if governed by foreign law)                        | <input checked="" type="radio"/> ON Criminal liability of legal entities   |
| <input checked="" type="radio"/> ON Prohibition of financial assistance   | <input checked="" type="radio"/> ON E-identity and e-signature   |
|   | <input checked="" type="radio"/> ON Investment incentives  |

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# Main things to do first



# Establish your **business**

There are multiple ways to establish a business in the Czech Republic. Here is what you should know before you decide which way you want to go.

**Suitable investment vehicle**  
When starting a business in the Czech Republic, one must decide in what form the business should be established. There are essentially two basic ways of starting a business – setting up a branch office of a foreign entity or establishing a company under the laws of the Czech Republic. It is important to mention that foreign entities have the same rights to conduct business in the Czech Republic as domestic ones. The key differences between branches and newly established entities are shown in the table below.

## Legal entities

Most investors choose to establish a Czech legal entity. The two most popular forms are limited liability company (LLC) and joint-stock company (JSC). The main differences between the two are:

- The obligatory minimum amount of registered capital, which is CZK 1 (approx. EUR 0,04) per shareholder in an LLC and CZK 2,000,000 (approx. EUR 78,500) in total for a JSC.

■ Corporate governance is more complex in the case of a JSC.

■ Transfer of shares in a JSC can be simpler than transfer of ownership interests in an LLC.

■ Shareholders of an LLC are liable for the company's debts up to the amount of their unpaid contributions, whereas the shareholders of a JSC are not liable at all.

Overall, the JSC form is usually recommended for bigger businesses with multiple investors, where small numbers of shares are transferred more frequently. LLC is the most frequent starting point of most entrepreneurs, as it is cheaper and easier to establish.

## Representing the branch office/company

A branch office is represented by its appointed branch manager. On the other hand, representation of a company can be modified in various ways. Members of the statutory body can act either independently or collectively (two or more together) in some or all

instances, or some of them may be allowed to act independently and some of them collectively. There can also be only a single member of the statutory body. It is up to the shareholders how they modify the company's representation within the boundaries of the law.

## Time and costs of establishment

The timeline varies in different situations, but it usually takes 1-2 weeks after the initial decision to establish and register the branch office/company in the Czech Republic. First of all, the articles of association are adopted – this has to be carried out in the form of a notarial deed. After that, a couple of initial steps must be taken, such as opening a bank account in the Czech Republic, transferring contributions to the registered capital and registering a trade licence. Once all necessary steps have been completed, the company can be registered in the Commercial Register and can officially start conducting business. The company can be registered in the Commercial Register by a notary directly or by filing a registration motion with a registration court. The estimated costs of establishment are shown in the table below. ■

	Branch office of a foreign entity	Czech legal entity (company)
Legal capacity	No legal capacity by itself	Full legal capacity
Contracts	Enters into contracts on behalf of the parent entity	Is a party to contracts itself
Governing law	Governed by the laws of its parent entity	Governed by Czech law
Founders/shareholders	Can be established by a single entity only and cannot be established by a natural person	Can be established by an unlimited number of persons/entities
Contribution during establishment	No contribution required	Obligatory contribution (monetary/in kind)
Ownership	Ownership of property held by the parent company (through the branch)	Ownership of property held directly by the company

	Branch office	LLC	JSC
Estimated local fees (excluding legal, tax and other advisory services)	No less than EUR 300	No less than EUR 470	No less than EUR 1,100 + registered capital of EUR 78,500 (minimum)

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— **ZACHA.**

# Investment opportunities

Commercial real estate is still an attractive asset class even in the times of economic slowdown and increasing cost of financing. Real estate is perceived as a natural inflation-hedge as the majority of commercial leases are indexed based on annual inflation.

**E**quity-rich investors could source some opportunities this year as repricing takes place in the market. In 2022, total investment volume reached approximately EUR 1.7 billion in the Czech Republic, which is a slight decrease compared to 2021. Foreign investors accounted for less than half of the annual investment volume. Domestic capital has been very active similarly as in the previous year. Due to increasing cost of financing, we have seen a slowdown in investment activity since the second half of last year and further slight yield decompression is still expected in 2023, similarly with the trends observed in other European markets. Yields moved out by up to 75 to 100 bps. year on year in 2022. In Q1 2023 yields moved out further by about 25 bps. In Q1 2023 quarterly investment volume reached almost 430 million EUR. This represents an increase of 31% q/q but a drop 54% y/y. The volume was however significantly boosted by the sale of the Trei Real Estate portfolio acquired by Plan B Investments including 60 supermarkets in the Czech Republic and 10 retail parks of the Vendo brand in the Czech Republic and Slovakia. If this transaction was discounted, the quarterly investment volume would drop to almost a half.

## Industrial sector

Industrial market again proved its resilience to negative economic development. After COVID-19 pandemic it overcame the energy crisis from late 2022 when European industrial market was influenced by energy insecurity due to Russian invasion of Ukraine and coming winter. The market showed good results in the first quarter of 2023 despite the energy crisis and other negative factors

such as high interest rates or lower consumption by households. There were 1.12 mil. sq m under construction, 231 thousand sq m were delivered to the market and vacancy rate reached 1.53%. Leasing activity remained healthy, and rents stopped in their dynamic growth that lasted for the past two years. Total stock of premium industrial premises for lease is on course to reach 12 mil. sq m by the first quarter of 2024.

## Retail sector

The Covid-19 pandemic has caused a major disruption in the retail market and also accelerated some trends, which were present already before its outbreak. However the performance of the sector has been very diverse by type of retail. While prime shopping centres have recovered well, secondary locations have failed yet to return back to pre-covid performance. Retail parks have also proved to be crisis-resilient and are expected also to cope well in the economic downturn, due to their tenant structure, which is focused on convenience retail covering daily shopping needs. New development remains limited and the focus remains on refurbishment and remodelling of existing centres. New development is largely restrained to smaller retail park concepts.

## Office sector

The Prague office market has strong fundamentals, in 2022 around 75,000 sq m were completed, in 2023 more than 130,000 sq m could be completed. Occupier demand remained strong last year. Key demand trends include a stronger push for flexibility both in terms of lease length as well as flexible conditions of the lease and flexibility of space to cater for the changing needs of the companies in connection with hybrid working styles being adopted by companies in the wake of Covid-19. Prime rents have been increasing considerably during the last year up to 28 EUR/sq m/month. Some city centre projects however already exceed the above mentioned rental level. Rental growth will be primarily driven by indexation this year. Occupier demand persists despite the economic backdrop. Gross take-up grew by 43% year-on-year to 550,000 sq m. Most recently in Q1 2023 total leasing activity reached 137,800 sq m, representing an increase of 3% year-on-year and a decrease of 9% quarter-on-quarter. Increasing occupancy costs and very high relocation costs nevertheless weigh on occupier demand and we may see an increasing share of renegotiations and subletting going forward. ■

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# Find out more about the labour market

Excellent human resources, a central location and a stable political and economic environment are the main reasons that foreign investors frequently choose the Czech Republic as the country in which to implement their investments. However, the labour market in the Czech Republic is facing uncertainties, which were caused by the pandemic crisis and the war conflict that Russia has provoked against Ukraine. While the labour market has learned to live with the pandemic in many areas, the state of war did not allow it to develop as originally expected and even slowed down the planned growth of the economy.

**W**hether this concerns R&D centres, ICT companies, business services centres and manufacturing enterprises, the Czech Republic has an indisputable advantages thanks to its central location, advanced infrastructure, high quality of university education, excellent quality of life and high level of safety. The good news for investors considering locating their business activities in Central Europe is the fact that the Czech Republic and other countries here demonstrate long-term political and leg-

islative stability, which is why this part of the world is slowly becoming a synonym for nearshoring.

## Human resources

Human resources are the key aspect of every successful business project. Labour costs are not the only issue to be addressed; access to workers and, in the case of investments based on intellectual activities, the educational level, language skills and so-called soft skills of potential employees are also important. It is apparent that Czechs possess these skills and traits in abundance, as they are very adaptable and compatible with a number of cultures.

## Labour market

The pandemic strongly affected the labour market, especially in traditional Czech export industries such as the automotive, engineering and electrical-engineering sectors. In contrast, however, certain market segments, notably e-commerce, logistics, IT, business services, the pharmaceutical

industry and nanotechnology, are booming. The development of salaries has been significantly influenced by the level of inflation, which is the highest since 1993. If we take into account the rate of inflation, the current and expected development of commodity prices, the energy crisis, disrupted supply chains, the development of the exchange rate of the Czech koruna against the Euro, the level of interest rates and the absence of a qualified workforce, and add the incalculable uncertainty of the future period, it is obvious that many employers, although they would like to, are not able to increase the salaries of their employees in such a way that this increase covers the level of inflation and satisfies the expectations. However, there is no need to be only negative, the Czech Republic is a strong industrial country within Central Europe. It will keep its position even in this difficult time, in which negative external factors do not allow significant economic growth or more fundamental investments, either in technology or in employee salaries. ■

## The most desired benefits

White collar	IT	Blue collar
Bonuses	Bonuses	Bonuses
Annual inflation-adjusted salary increase	Flexible working hours	5 or more weeks of vacation
5 and more weeks of vacation	5 and more weeks of vacation	13 <sup>th</sup> /14 <sup>th</sup> salary
Flexible working hours	Annual inflation-adjusted salary increase	Christmas bonuses (other than performance based)
Health leave / Sick days	Health leave / Sick days	Meal vouchers or allowance

Source: Grafton Recruitment, 2022

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recruitment



# 4

## The following conditions apply for all types of investments

- Acquisition of assets for the project, including construction works, cannot start before the application for incentives is submitted.
- Implementation of environmentally friendly activities, buildings or facilities.
- Retention of the investment at the location of the investment project in the amount and structure corresponding to the claimed state aid.

### Investment incentives are provided mainly in the following forms:

- Corporate income-tax relief for ten taxable periods.
  - Cash grants for creation of new jobs (only for selected regions).
  - Cash grants for training and retraining of employees (only for selected regions)
  - Cash grants for acquisition of fixed assets for strategic investments.
- There are also other types of state aid available, especially for prioritised investments in R&D, innovations, energy savings and the circular economy.

### Main conditions

The following types of investments can obtain investment incentives:

- **Manufacturing industry** – launch of new production, expansion of existing production (supported only in selected regions) or expansion of the product range through introduction of new products or a fundamental change in the production process.
- **Technology centres** – establishment of a new technology centre, expansion of an existing one or expansion through the introduction of new products.
- **Strategic service centres** – establishment of a new strategic services centre, increase of capacity or launch of new services covering software centres, data centres, repair centres or shared-services centres

Incentives for each type of projects are subject to further conditions (e.g. minimum investment). Moreover, projects in the manufacturing industry have to achieve higher value added, which relates

to R&D activities and wage conditions in selected regions. Every project is subject to the government's approval, although there is a proposal to shift decision power back to the Ministry of Industry and Trade at least for part of the projects.

### Strategic investments (large projects)

Large projects can qualify for strategic investment status. The main benefit of this status is the possibility to obtain a larger portion of incentives in the form of cash grants instead of tax relief. Investment projects involving the production of selected strategic products (e.g. pharmaceuticals, nanotechnologies, advanced technologies etc.) should be regarded as strategic investment projects without having to meet the requirements such as the minimum investment amount and the minimum number of new jobs as stated above.

### Income-tax relief

The calculation of tax relief is different for green-field projects (tax holiday) and expanded facilities. However, tax relief may be applied for ten taxable periods for both types of projects.

### Permissible level of state aid

For large companies, the maximum amount of state aid is set at the level of 20%-40% (the amount varies

depending on the region in which the investment is implemented) of eligible costs (investment in land, buildings, machinery and equipment and selected intangible assets).

### Cash grant

#### Job creation

Cash grants can be provided to an investor that creates new jobs in a region where the unemployment rate is higher than 7.5%. The cash grant for job creation amounts to approx. EUR 7,800 – 11,700 per new job based on the type of position and the region where the investment is carried out.

#### Training and retraining of employees

Cash grants for training and retraining employees can cover up to 50% of the eligible costs expended on training and retraining.

### R&D tax allowance

Companies performing R&D activities can apply a special tax deduction for such activities. The R&D deduction in fact allows companies to claim internal R&D costs twice, both within their profit-and-loss account and as a special tax deduction. However, companies are newly obligated to notify the tax administrator of their intent to claim an R&D allowance in advance. ■

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# 5

## Lease or purchase of business premises

Every business operation needs a suitable space for growth. Among first things to consider when starting business in the Czech Republic is choosing offices and premises for operation.

The investor thus faces a choice, whether to lease or purchase such property. While leasing is easier to arrange with lower initial costs, purchasing property may be a more cost-efficient solution in the long run. The final decision, of course, depends on the individual circumstances, expectations and investment plans.

### Lease of business premises

Leasing an office space, manufacturing or storage facilities, or retail property in the Czech Republic is governed by the Civil Code (Act No 89/2012 Coll.), and legal rules applicable to lease are generally flexible, so parties may deviate and agree their own legal terms. Prior to leasing any property, it is always recommended to inspect the property, and examine its legal and technical status to ensure the property is fit for the intended purpose, and free of legal and technical defects. Proper definition of the property in line with the registration in the Cadastral Register, specification of purpose of the lease, means of removal of any defects and regular maintenance, liability for damage, insurance and property tax payments, compensation for investments in the property are among the key terms which need to be carefully crafted in the lease agreement to avoid issues. The rent is usually payable on a monthly basis in CZK or other currency (EUR, USD). Considering current energy prices, the tenant should pay close attention to provisions regarding rights and obligations regarding supply and payments for utilities (electricity, water and sewage, gas, etc.) and services (waste removal, security etc.). Should the leased premises be used as the registered office of the tenant, it is also convenient

to include landlord's consent with such placement of the tenant's registered office in the lease agreement for the purpose of registration with Commercial Register. Generally, lease agreements may be concluded for a fixed or an indefinite period. If not agreed otherwise, the notice period for a fixed term commercial lease is three (3) months, and six (6) months for an indefinite term lease.

### Purchase of business premises

The purchase might be done via an asset deal or a share deal. Czech Civil Code requires the transfer deed to be in a written form. Acquisitions are typically financed by a combination of debt and equity, and the financing banks usually require establishment of a pledge over the property to secure its receivable. Purchase price is most often settled via an escrow account. Prior to any acquisition, it is highly advisable to conduct both legal and technical due diligence

to ensure clear title of the transferee, absence of encumbrances, sufficient access, and absence of technical issues and environmental burdens. Depending on the DD findings, various seller's representations and warranties and/or certain price adjustment provisions may be implemented in the contractual documentation. Further, the position of the purchaser under the seller's reps and warranties may be secured via a bank guarantee, mother company guarantee, or any form of reps and warranties insurance (incl. title insurance). Please note that under Czech law, the ownership title is effective as of filing of the transfer deed to the Cadastral Register, and the registration process takes approx. 30 days. Following registration of the ownership title, handover of the property shall be based on written protocol indicating utility gauges values and other details. Assistance of legal and technical advisors helps to ensure smooth property lease or transfer and avoid issues. ■

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30 YEARS



# Moving to the Czech Republic

## (housing, education and medical costs)

The Czech Republic has a number of attributes that make it attractive to foreign corporate and individual investors, not the least of which are its investment incentives, low taxes, strategic location and affordable cost of living. Housing, education and medical costs are all essential considerations that dramatically affect the cost of living and quality of life in any country. So, just how affordable is the Czech Republic?

### Cost of living in the Czech Republic

According to Numbeo, one of the world's largest databases focusing on cost-of-living expenses, Prague ranks 266<sup>th</sup> out of 559 cities in the world in the Cost-of-Living Index. Brno ranks 294<sup>th</sup>, followed by Ostrava at 305<sup>th</sup>.

### Housing

The costs of short-term serviced apartments, which can be used as temporary accommodation, vary from EUR 1,400 to EUR 3,800 per month depending on location and the scope of provided services.

#### Cost of living index

New York	100
Paris	76.50
Munich	72.90
Berlin	69.50
London	65.30
Vienna	62.80
Barcelona	57.60
<b>Prague</b>	<b>56.50</b>
Liubiana	54.70
<b>Brno</b>	<b>50.80</b>
Bratislava	<b>50.00</b>
Budapest	49.70
Warsaw	44.20

Source: Numbeo, 2023

#### Average monthly rental costs

Studio flat	Two-bedroom flat
<b>Prague</b>	
EUR 546	EUR 1,305
<b>Brno</b>	
EUR 435	EUR 874
<b>Ostrava</b>	
EUR 305	EUR 698

Note: Prices of furnished and unfurnished apartments excl. utilities  
Source: Sreality.cz, 2023

### Education

Needless to say, school is very important. It is not only a place for education, but also for students to socialise and build a network of peers, which leads to good physical and mental health. Education at public schools/preschools is free of charge in the Czech Republic. Students are required to speak Czech in order to enrol. For expat students who do not speak Czech, international schools/

preschools can be a perfect solution. Average annual tuition of private international schools/preschools (for ages range 3-18) cost from approx. EUR 5,000 to EUR 20,000 in Prague, Brno and Ostrava.

### Healthcare

Czech citizens, permanent residents, EU nationals and those contributing to the public healthcare system are entitled to medical care in the Czech Republic (which is funded by mandatory health-insurance contributions). Moreover, there are many private health-insurance plans available for those who need them (e.g. third-country nationals who are not employed in the Czech Republic). The average annual price of comprehensive private health insurance varies from approximately EUR 1,000 to EUR 2,700, depending on the age of the insured person, level of coverage, insurance policy, etc. If you are seeking individualised healthcare and a language you are familiar with, you can also register at private medical facilities in the Czech Republic. The annual membership fees at such facilities vary from approximately EUR 600 to EUR 4,000 depending on the facility and the scope of provided services. ■

#### The Czech education system

Pre-primary education	2 to 5 years old
Primary and lower secondary education	6 to 15 years old
Upper secondary education: high schools, grammar schools, colleges and training colleges	16 to 19 years old
Higher education: universities	19 and above

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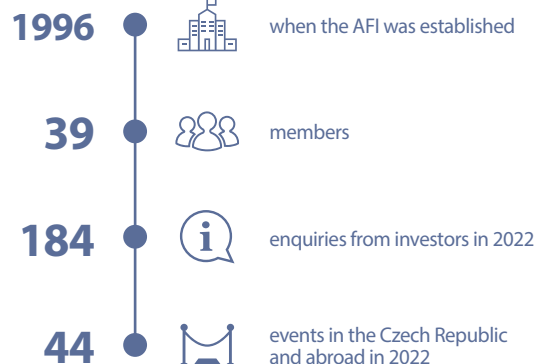


Association  
for Foreign  
Investment

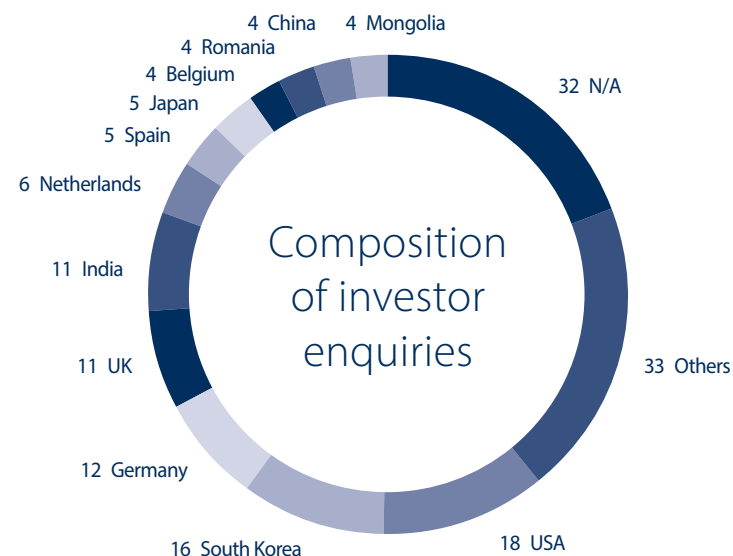
# We support investors and investments in the Czech Republic

## About the AFI

The Association for Foreign Investment (AFI) is a non-governmental, non-profit organisation representing a selection of the best international and purely Czech companies actively supporting investors. The AFI focuses on improving the Czech investment environment, the conditions for investors, legislation, communication and exchange of information. Its mission is also to bring new foreign investors to the Czech Republic and to promote the Czech Republic as a country that is ideal for new investments and business.



## Countries from which investors turn to the AFI



**Sang Young Lee**

Business Management Team Manager  
NEXEN TIRE Europe

“We have been cooperating with AFI members for years in a wide range of areas – tax, legal, HR and construction issues. The service they provide us is always on a high professional level that we can rely on and is crucial for such a huge investment project as ours. To a certain extent, the AFI's members are like our guides helping us to understand the local business environment. I am happy that the AFI has become the first point of contact for foreign investors in the Czech Republic.”

## Notable events

### The AFI Annual Conference

This event is organized to support the investment environment of the Czech Republic, where speakers from among private and public sector experts discuss current topics and news from all key areas for foreign investors.

### Regional seminars

In cooperation with CzechInvest and other partners, the AFI regularly organises seminars, especially for aftercare clients, in areas such as visas, permits and HR.

### Investment seminars

In cooperation with CzechInvest and other partners, the AFI regularly organises seminars for investors in the Czech Republic but also abroad.



Tomáš Ctibor



Jan Ámos Havelka



Martin Slabý



Jan Bobek



Kamil Blažek

Chairmen of AFI

1996

2000

2005

2008

2010



# Finance your investment

A black and white photograph of a man in a light-colored shirt and dark trousers standing on a ladder. He is reaching up with his right hand towards a large, complex line graph drawn on a wall. The graph features multiple lines, some with arrows pointing upwards, suggesting growth or investment. The man is looking at the graph, and his shadow is cast on the wall behind him. The overall scene conveys a sense of financial planning and investment.

# How **investment incentives** work in Czechia

Investors who place their investments in Czechia can obtain aid in the form of investment incentives, which are provided pursuant to Act No. 72/2000 Coll., on Investment Incentives, as amended.

Czech and foreign legal entities and natural persons engaged in business can apply for investment incentives. Only a legal entity with its registered office in Czechia can be a recipient of investment incentives.

## General eligibility criteria

For all types of activities, it further applies that the recipient shall not start work on the given project (i.e. shall not acquire any assets including orders of machinery and equipment and shall not commence construction works) prior to submitting the incentives application to CzechInvest. All of the conditions must be fulfilled within three years from the issuance of the Decision to Grant Investment Incentives and the recipient shall retain the assets and created jobs throughout the entire period of utilising state aid, at least for a period of five years.

## Sample calculation

The investor (large enterprise) plans to invest a total amount of EUR 6 million in assets in a technology centre. The state-aid intensity is 40% of eligible costs. Therefore, the maximum state-aid ceiling is EUR 2.4 million. The maximum amount of state aid may be utilised in the form of corporate income-tax relief for ten years and cash grants for job creation. Cash grants for training and retraining of employees are provided above the state-aid ceiling, i.e. as cash in addition to the previously mentioned EUR 2.4 million.

## Application process

The process of applying for investment incentives differs depending on whether the investor is initiating a new investment or an expansion of an existing investment. In both cases, the incentives application has to be approved by the Czech government based on the anticipated benefits of the project for the region and for the state budget. A recent amendment to the Investment Incentives Act extended the application process.

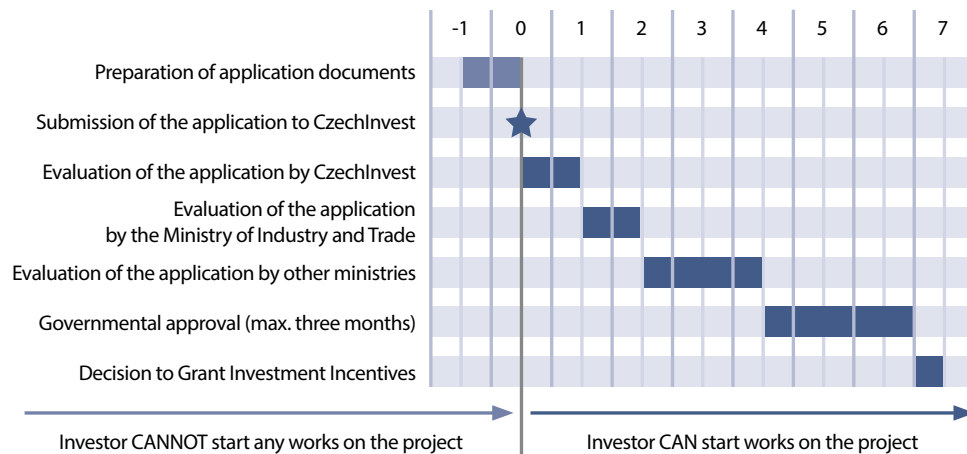
**In the case of expansion of an investment, it is a single-round process described in the scheme.**

**Extended two-round process in the case of initiating a new investment:** This process involves the establishment of a new Czech legal entity. The Decision to Grant Investment Incentives is issued within roughly ten months following submission of the application to CzechInvest. The investor can start implementing the investment immediately after submitting the application; it is not necessary to wait for issuance of the aforementioned decision.

## Forms of investment incentives

**Corporate income-tax relief** for companies for

## Expansion of a Czech entity



The approval process takes approx. seven months.

Source: CzechInvest, 2022

## State aid

Size of company	% of eligible costs
Large	20-40
Medium-sized	30-50
Small	40-60

*\*In the case of large enterprises, only new economic activity can be supported in the following regions: Plzeň, Central Bohemia, South Bohemia, Vysočina, South Moravia. This restriction does not apply to other regions.*



## Supported areas

Manufacturing industry	Technology centres	Business support services centres
Introduction or expansion of production	Construction or expansion of R&D centres	Construction or expansion of shared-services centres
		Construction or expansion of software-development centres
		Construction or expansion of high-tech repair centres
		Construction or expansion of data centres

Source: CzechInvest, 2022

## Definition of the high-value-added condition

Minimum 80% of employees are paid at least the average wage in the region	+ one of the following conditions A) or B) or C)	A) At least 10% of employees must hold university degrees and active collaboration with R&D institutions must account for 1% of eligible costs
		B) R&D employees must comprise at least 2% of the staff
		C) Investment of 10% of eligible costs in machinery for R&D purposes

Source: CzechInvest, 2022

a period of up to ten years. For new companies, this incentive is provided in the form of full tax relief; for existing companies, in the form of partial tax relief.

**Cash grants for job creation** in technology centres in the amount of EUR 7,800 per each new job created. An investment in production can receive a cash grant for job creation only in regions with an unemployment rate of at least 7.5%.

**Cash grants for acquisition of assets** for

strategic investments in the manufacturing industry in the amount of up to 10/20% (depending on the region) of eligible investment costs; in technology centres and high-tech repair centres, up to 20% of eligible investment costs. This type of support must be approved by the Czech government.

**Cash grants for training and retraining of new employees** in technology centres in the amount of 50% of training costs. An investment in pro-

## Eligibility criteria for strategic investments

	Minimum investment in EUR million	Minimum number of new jobs
Manufacturing industry	81	250
Production of strategic medical products	3.2/1.6	n/a
Production with high technological complexity*	3.2/1.6	n/a
Technology centres	8	70
High-tech repair centres	8	100

Source: CzechInvest, 2022

Note: Half of the investment must go into new machinery.  
Note: \*(CZ NACE sections 21 and 26 and group 30.3)

duction can receive a cash grant for training and retraining only in regions with an unemployment rate of at least 7.5%.

## Eligibility criteria

**Manufacturing industry:** Investment of EUR 1.5-3 million depending on the region, half of which must be invested in new machinery + the condition of high value added in developed regions.

**Technology centres:** Investment of EUR 0.4 million, half of which in new technology + creation of 20 new jobs.

**Business support services centres:** creation of 20-70 new jobs depending on the type of BSS. Services must be provided in at least three countries.

The required investment is reduced to one-half of the stated amounts for medium-sized enterpris-

es and to one-quarter for small enterprises. The required number of new jobs is reduced to one-half of the stated amounts for SMEs.

## Eligible costs

■ **Long-term tangible and intangible assets,** whereas the value of machinery must comprise 50% of eligible costs.

■ **Two years' gross wages** of employees in newly created positions.

The investor must select one option.

In the period from 1998 to 31 December 2022, a total of 1,320 Decisions to Grant Investment Incentives were issued on the basis of registered applications. In the period from 1998 to 2022, investors committed to investing more than approx. EUR 41 billion and creating 202,945 new jobs. ■

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# Financing foreign investments in the Czech Republic

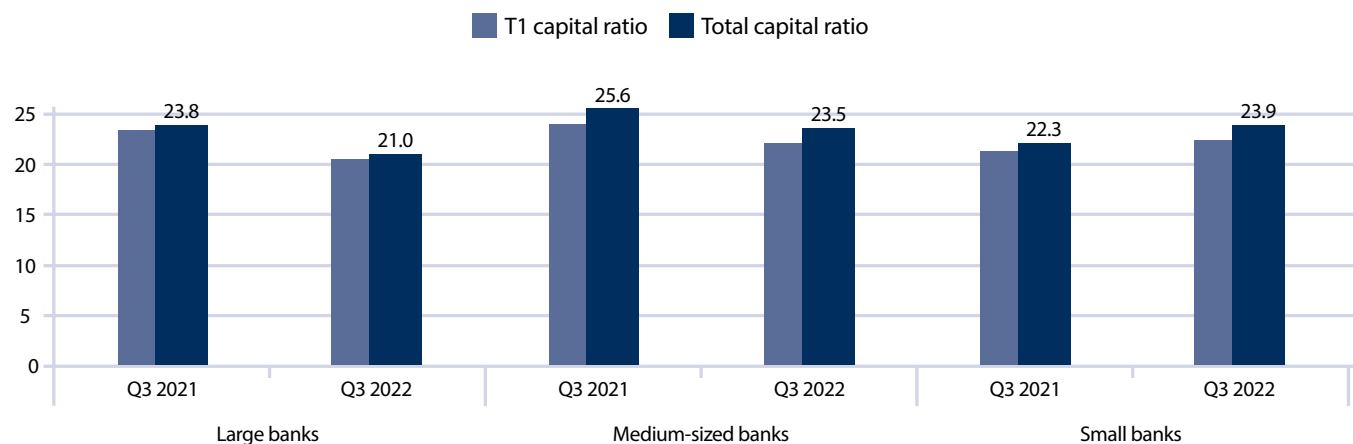
Many countries strive to attract foreign direct investment (FDI), as the knowledge brought by multinationals is likely to spill over into domestic industries and increase their productivity. Local governments typically use different investment incentives to support FDI inflow. However, incentives need to be complemented with liberal exchange control rules, a healthy banking sector and functional financial and capital markets to allow for efficient financing of individual investments.

**T**he Czech Republic has been a member of the European Union since May 2004 and it fully complies with the key principles of free trade and capital flows. Therefore, there are virtually no restrictions or administrative burdens for foreign investors with respect to providing equity contributions or

intercompany loans to finance their investments and, conversely, to repatriating profits from their investments through payment of dividends or to repaying intercompany loans. The country's legislation and regulations also permit the utilisation of liquidity management structures and investors can efficiently manage their intragroup funding through all types of local and cross-border

target balancing and cash pooling systems. If investors need external funding in the Czech Republic, they will find a very modern, safe, and competitive banking sector. There are 45 entities with banking licenses on the Czech market (as at September 2022). Two of these are owned by the Czech state, while most of the remaining 43 institutions are either branches or subsidiaries

The Czech banking system's capital adequacy ratios, in %



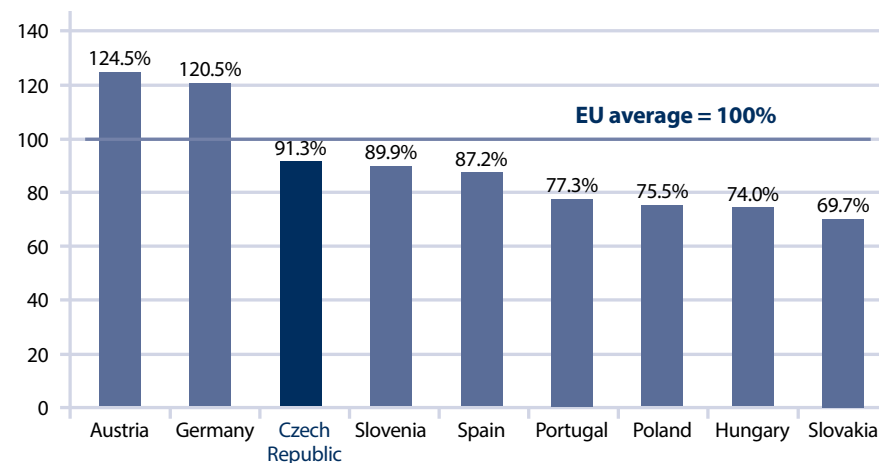
Source: Czech National Bank, 2022

of foreign banks. In terms of market share, the local banking sector is quite concentrated on loans and roughly 61% of all loans are held by the four leading banks (as at September 2022). The Czech banking sector is very safe, with strong liquidity (average loan/deposit ratio of 65% in 2021), high capital adequacy (average Tier I capital ratio of 21.8% as at September 2022; see chart) and good asset quality (average share of non-performing loans to resident and non-resident clients of 2.0% as at November 2022). As a result, local banks are able and willing to extend financing to all viable foreign investments in the Czech Republic at very competitive prices in domestic and foreign currencies. Local banks offer all types of funding products, from plain vanilla financing (investment loans, working capital financing, overdrafts) through trade, export, and asset-based finance (buyer's credit, factoring, forfaiting, structured trade finance, real estate financing, leasing), to structured finance (club and syndicated loans, acquisition and leveraged finance, project finance), all of which support foreign investments throughout all stages of their lifecycle. Larger investments can be financed through debt and equity capital markets that offer deep and liquid distribution to both domestic and international investors. The Czech Republic boasts the best ratings (S&P and Fitch: AA-, Moody's: Aa3) of all the CEE countries and its sovereign strength is positively reflected in sought-after corporate issuance in CZK and EUR. Thus, the local capital market has proven to be the most active when compared to its CEE peers. The individual funding instruments are typically used in combination to create the optimum capital structure and to minimise financing costs. Corporate issuers can also make use of hedging of the interest-rate and FX risks related to the chosen funding structure. The Czech Republic is an open, export-oriented economy with liberal exchange control regulation, a competitive banking sector and efficient financial and capital markets. As such, it offers a broad range of financing instruments to foreign investors, which can efficiently fund and manage financial flows related to their investments in the Czech Republic. ■

## The Czech Republic: a converging economy with opportunities

Due to lower initial starting conditions, the degree of economic development in the Czech Republic measured by GDP per capita in purchasing power standard is still somewhat lower than the European Union average. However, the Czech Republic, thanks to its higher average growth, has been converging towards EU levels and, in terms of GDP per capita, it has already overtaken several older EU and euro-area member states. The country's growth potential is expected to remain strong for the foreseeable future. The Czech Republic has benefitted from its membership in the European Union and from its close economic integration with the euro area. The share of trade with the euro area is around 65%; the country's largest trading partner is Germany, followed by Slovakia. Skilled and competitive labour is one of the comparative advantages of the Czech economy, along with political stability and geographical and cultural proximity to its euro-area trading and business partners. The Czech economy has therefore attracted a sizable regular inflow of foreign direct investment. Close ties with German manufacturing create strong demand for the quality of Czech production and have contributed to rapid technological advances. The Czech economy's potential is supported by its economic policies. The country's independent monetary policy proved an advantage in the economic crisis and its aftermath. Since its introduction in 1998, the central bank's clear

GDP per capita (in purchasing power standard, EU15=100)



Sources: European Commission, 2021

strategy of inflation targeting has proven effective in steering long-term inflation expectations in the economy towards healthy levels. While the figures on general government debt have been worsening in recent years throughout Europe due to the COVID-19 pandemic and then governmental support for households and busi-

nesses in relation to high energy prices, the Czech Republic is likely to keep its position near the low end of spectrum, reflecting a long-term tendency toward a relatively disciplined fiscal policy. The ratio of government debt to GDP is expected to peak well below 50% in the mid-2020s and then decline thanks to economic growth.

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# Assessment of aid possibilities for companies – programming period 2021-27

In 2022, the long-awaited aid calls for the 2021-27 programming period were issued on a large scale, as the Operational Programme Technology and Applications for Competitiveness (OPTAC) was finally approved and subsequently launched.

The main subjects of the calls were energy projects and research and development, which were complemented by digitalisation and the circular economy. OPTAC stands alongside the Modernisation Fund, which made its first calls accessible in 2021, and the National Recovery Plan, which was opened to interested parties in March 2022. For companies (including large enterprises), we identified the five most significant programme resources for companies (including large enterprises). We will now briefly present and assess them.

## Operational Programme Technology and Application for Competitiveness

With an allocation of CZK 81.5 billion, OPTAC ranks among the most important aid programmes for businesses from the European Structural and Investment Funds thanks to the fact that it is targeted almost exclusively at the corporate sector. However, a certain drawback of the programme is the fact that it does not support the implementation of projects in Prague. Calls are currently launched for energy saving and wind power projects, innovation vouchers, clusters, networks and knowledge transfer between businesses and the research sector. By the end of 2023, OPTAC calls will be issued in the area of support for digitalisation, marketing, technology acquisition within projects supported by micro-regions, small hydropower plants and biomethane injection, as well as support for energy distribution networks, water saving, the circular economy and improved high-speed internet coverage.

## Modernisation Fund

Within the Modernisation Fund (MF), photovoltaic power plants have received extensive support and it is anticipated that such support will continue. Other

interesting areas of support include improving energy efficiency and/or reducing greenhouse-gas emissions in industrial production for facilities included in the EU Emissions Trading System and modernisation of heating plants. An advantage of this programme is the possibility to implement projects in Prague.

## National Recovery Plan

Like the Modernisation Fund, the NRP has provided massive support for the installation of photovoltaic power plants. A total of 5,839 applications have been submitted, requesting aid in the aggregate amount of more than CZK 9.5 billion, which the provider, the Ministry of Industry and Trade, aims to satisfy financially, though the original allocation of the programme was half that amount. Unfortunately, this marks the end of support for this activity within the programme, which had the least administratively burdensome aid applications. Potential applicants requesting subsidies for photovoltaic power plants will be referred to the other programmes mentioned above. Similarly as in the case of support for photovoltaic power plants, water savings in enterprises and the circular economy will no longer be subsidised within the NRP, as OPTAC will take over support for these areas in the future. This is of course bad news for applicants who want to implement their projects in Prague. Support for the digitalisation of companies has also

been a significant activity within the NRP. The initial calls are already closed and the first projects are currently being approved, but the next opportunity should open up in the first half of 2023. Implementation of projects in Prague will still be possible.

## Operational Programme Environment

An opportunity to receive aid from the Operational Programme Environment is open for operators of waste-sorting facilities until the end of the year. Such entities can receive a subsidy for up to 85% of eligible costs for recycling lines for recovery of sorted materials.

## Operational Programme Just Transition

This programme is focused on aid opportunities in the so-called "coal regions", i.e. in the Karlovy Vary, Ústí and Moravia-Silesia regions. Applications are currently being accepted in relation to strategic projects. In general, the following are supported: small and medium-sized enterprises, research and innovation, digitalisation, clean energy and energy savings, the circular economy, land reclamation and reuse, retraining and job-search assistance. Large enterprises will also be eligible to apply for aid within certain fields of activity.

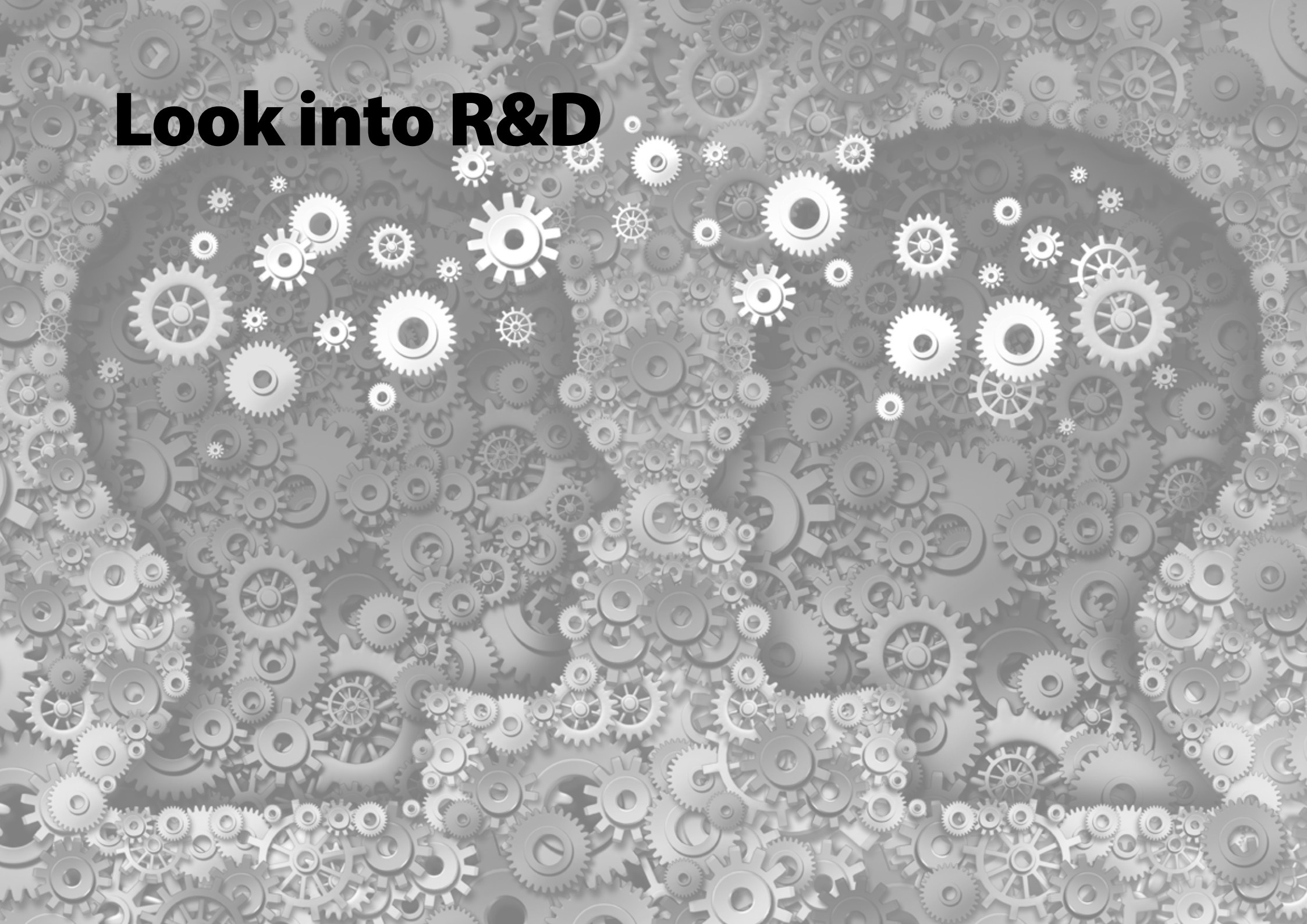
Aid schedules are constantly evolving and being updated, so please do not hesitate to contact us for the latest information. ■

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**GRANTIKA** 

**Look into R&D**



# The future of the Czech Republic lies in innovation.

## Our research makes collaboration attractive for businesses

Innovation in industry and other sectors of the Czech economy is an increasingly important driver not only for the many companies operating in the Czech Republic but also for research institutes and universities that work with business.

In this respect, the Czech Republic's research and innovation potential has strengthened significantly in recent years. With effective government support, bilateral cooperation between the business sector and researchers is becoming one of the pillars of the Czech economy. Not only have we succeeded in increasing private sector expenditure on research, but we have also stabilised public spending. The public administration uses the research sphere's results to exercise its competence. A long-term plan to increase the institutional component of research funding by 4% year on year has been adopted.

The Czech Republic offers a high-quality network of scientific infrastructure facilities whose construction was financed in the past through European funds. In terms of the number and quality of its research centres, the Czech Republic is one of the EU's leaders. The ecosystem of European research infrastructures has evolved over the past two decades. Research infrastructures are a place of global, European and national cooperation, a place for unique experiments, and a source of knowledge used by industry and other research organisations on the principle of open access across the international research area. The Czech Republic strives to provide Czech and foreign researchers with state-of-the-art equipment to achieve excellent results. In addition, Czech research infrastructures have also become an important part of the expert response to the SARS-CoV-2 pandemic.

In the current context, the Ministry of Science and the Council continue to give full support for the stability and development of the R&D system

to strengthen its capacity to respond appropriately to unexpected risks and threats. Subsequently, the National Research, Development and Innovation Policy 2021+ was adopted, which enables flexible financial support for specific research programmes aimed at addressing defined threats with a global impact.

The RD&I environment has been developing vigorously in the Czech Republic in recent decades. Total expenditure on research and development in the Czech Republic has increased over the long term; in 2021, EUR 4.75 billion (2% of GDP) was spent on R&D, and the growth of funding from the business sector mainly caused the long-term growth. Businesses invested nearly EUR 2.83 billion in research and development in 2021 (1.19 % of GDP), and EUR 1.86 billion was funded from public money (out of which EUR 1.53 billion was paid from domestic public funding and EUR 0.32 billion was paid from international public funding). However, the main objective of the funding is to create conditions for R&D expenditure to be 2.5% of GDP in 2025.

The involvement of respected foreign scientists in Czech research institutions is one of the most important forms of international cooperation that we have been able to develop recently. With ongoing support from the government, RD&I Council is reinforcing its emphasis on scientific diplomacy with the aim of presenting the Czech Republic in selected regions as a country supporting public-private cooperation, including support for foreign investment. Research is now an important employer in the Czech Republic. In 2021 around 85 000 people (FTE) worked in research and development.

Furthermore, a government-approved change in the methodology for evaluating research quality in accordance with international standards (Methodology 2017+) became a key step in strengthening effective cooperation between the research sector and business.

In line with the state investment policy, only those companies whose activities are linked to R&D will receive investment incentives in the Czech Republic. All of the aforementioned achievements of Czech science policy are supported by the Innovation Strategy of the Czech Republic 2019-2030. At the same time, science and research comprise one of the declared priorities of the government. Research infrastructures and support for them undoubtedly belong to this priority. However, it is important that they bring forth cutting-edge science and, where possible, that they are attractive partners for innovative private companies. Traditional Czech industry must take advantage of the challenges of, among other things, IT, robotics, cybernetics and biotechnology, and strengthen its competitiveness on the international scale by introducing new technologies. Connection to the digital economy, where most private-sector R&D

expenditure is heading, can help in this respect, as can existing support for the growth of the national start-up and spin-off environment. The automotive sector has the largest share of Czech industry and its exports; this is also reflected in its research and development.

### Inducements for foreign scientists

Today the Czech Republic can boast numerous excellent research organisations and research teams at universities, which are beginning to significantly impact the quality of research. Currently, research centres aim to be able to generate top-level results over the long term, employ top foreign scientists, and to be attractive to private innovation firms, which should also increasingly participate in their operation and financing. Research facilities would then complementarily provide technological expertise that keeps step with the advanced international environment. Research infrastructure facilities and centres thus offer a suitable opportunity, for example, to form consortia with international participation or other forms of cooperation where larger and smaller companies will join together with research institutes and universities. ■

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# Digital and innovations – flourishing digital ecosystem

The Czech Republic is creating a prosperous and sustainable national digital ecosystem. Based on the main strategies (e.g. Digital Czechia, the National Artificial Intelligence Strategy, RIS3 Strategy and the 5G Strategy), the plan is to interconnect all of the main stakeholders in the field of digital technologies (e.g. AI, HPC, quantum-computing and cybersecurity) and data economy and together contribute to the development of flourishing digital ecosystem. With the help of digital tools and smart solutions, the Czech Republic aims to boost competitiveness of its economy that has been negatively affected by ongoing crisis.

The Czech Republic is a country that has great tradition of high-level education, research or top-edge industry. To stay among the most progressive countries the government and the business invests high amounts of financial means into support of research, development and innovation. The amount of investments is close to 2% of GDP and these investments are accompanied by additional support in the area of digital technologies and digital transformation generally. In this text I would like to present more detailed view of the Czech digital innovation environment.

## Support of the Czech digital ecosystem

Czech government recognises the importance of new digital technologies which have a great potential to improve quality of our life while increasing the performance of the economy. The Czech Republic emphasizes human-centric and innovation friendly approach to digital technologies that is essential for upholding our democratic values and human rights while creating thriving digital ecosystem that enhances competitiveness of our businesses. This approach is reflected in the main strategic documents concerning digital economy, specifically in the conception Digital Czechia and in the National AI Strategy which is currently being evaluated and will be updated based on the recent developments in the area of AI. To achieve ambitious goals set in the strategic documents, the Czech government has committed to fund projects aimed at boosting innovation and digitalization, with focus especially on SMEs. This approach is supported by Czechia's resilience and recovery plan under the Recovery and Resilience Facility (RRF) where 22 % of the budget is dedicated to digital transformation of businesses, improvement

of connectivity and development of advanced digital skills. At European level, the Ministry of Industry and Trade is the national coordinator of the Digital Europe Programme, which provides funding for projects aiming at bringing technology to citizens and private and public bodies. Therefore, the Ministry of Industry and Trade is heavily involved in building an interconnected and sustainable digital ecosystem in the Czech Republic which consists of three main pillars - European Centre of Excellence in AI, network of European Digital Innovation Hubs (EDIHs) and the AI Testing and Experimenting Facility (AI TEF) in manufacturing.

## Digital Europe Programme and National Resilience and Recovery Facility – Projects to support innovation and digitalization of small and medium enterprises (SMEs)

To support the development, deployment and use of new technologies that underpin innovation in areas of public and private interest and recognising the importance of digitalisation, the European Commission has launched the Digital Europe Programme, which is focused on the development and deployment of new technologies such as AI, HPC and emphasizes importance of cybersecurity. One of the most important implementation tools comprises the AI TEFs. European reference testing facility focused on Manufacturing will have a Czech representation, since one of the candidates was successful in the European call on AI TEF Manufacturing. Moreover, all six nominated candidates from the Czech Republic succeeded in the European round of the call for European Digital Innovation Hubs. EDIHs foresee to provide necessary services for the digital transformation of SMEs and public administration. These projects are envisaged to be financed

from the National Recovery Plan. Furthermore, with support from the National Recovery Plan, the Czech Republic plans to establish regulatory digital sandbox which supposed to help businesses to test new technologies before introducing them to the market. It is also one of the tools how to support businesses to comply with regulation in respective areas. At the national level, the project entitled "AI for Citizen's Safety and Security vs. Covid-19" (ECE), which was governed by a consortium of research organizations consisting of Czech Technical University in Prague, Masaryk University and Charles University, was completed in 2022. The project was financially supported by the Ministry of Industry and Trade of the Czech Republic and created the additional conditions for the development of Czech AI ecosystem.

## Czech Startup ecosystem

For the development of the Czech innovation ecosystem in digital (but not limited to digital) technologies we realize many activities to increase the efficiency of the technology and knowledge transfer, especially in the area of innovative startups and spinoffs. The main body that supports this ecosystem on the national level is the CzechInvest Agency that has been supporting innovations and startups since 2011.


By 2022, it has supported more than 430 startups through several different projects. One of the most important ones called Support for Startups ran from 2016 to 2022, sending an average of 5 startups abroad per month and supporting more than 200 of them. In 2022 CzechInvest launched its largest project to date Technology Incubation which plans to support up to 250 startups in seven promising areas for the economic development of Czechia, including AI, mobility, and EcoTech. The future of CzechInvest will be shaped by support for innovation and investment in projects with high added value. In addition to the Internationalisation project, which will complement the Technology Incubation and help startups expand abroad, the agency plans to continue with the Investment Academy for Startups. Recently the Ministry of Industry and Trade together with CzechInvest has also boosted the cooperation with European Investment Fund entitling it with mandate to operate three funds focusing on preseed investment, technology transfer and also on innovative solutions under the heading of regulatory sandboxes. CzechInvest sees the future in innovation, technology, and startups and will continue to help the Czech startup ecosystem so that the Czech Republic can become one of Europe's technology leaders. ■

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MINISTRY OF  
INDUSTRY AND TRADE



# The Czech Republic's **research infrastructures at a glance**

Involving high levels of knowledge and technological expertise, large research infrastructures are unique facilities that are operated based on an open access policy for all of their potential users coming from both research organisations and industrial enterprises. Large research infrastructures enable their user communities to achieve ground-breaking results in basic and applied research and to develop state-of-the-art technologies with strong potential for application in innovative products and services.

## **S**ocietal and economic benefits and impacts

Besides fulfilling their primary scientific goals, large research infrastructures represent an environment in which all elements of the knowledge triangle interact intensely, implying their essential importance also for the education and industrial sectors. In this regard, large research infrastructures are places where the frontiers of human knowledge are being pushed beyond previously unknown horizons and where newly acquired knowledge is disseminated to the academic sphere, particularly to institutions of higher education. At the same time, large research infrastructures also interact with economically active stakeholders.

From the point of view of industrial firms, large research infrastructures offer unique opportunities at several levels. Procurements for the production and supply of experimental equipment stimulate companies to produce the most advanced technologies, while newly learned production methods can also be applied in other areas of their production. In addition, companies use large research infrastructures directly as commercially as their primary users; more frequent, however, is the use of advanced know-how arising from research carried out in large research infrastructures in the subsequent stages of the innovation

cycle, when businesses, in cooperation with users of large research infrastructures in the public research sector, enter as partners in collaborative research and development projects.

Knowledge generated in large research infrastructures is applied in follow-up research, technological development and innovation projects, which take place outside the research infrastructure platforms, but feed directly off of the research infrastructures' expertise. Such projects make it possible to address major societal and economic challenges through science-based solutions. In addition, large research infrastructures are a catalyst for macro-regional development in terms of offering qualified scientific, technical, managerial and administrative jobs, creation of science and technology parks, development of the transport, technical and other civil infrastructure, etc. Large research infrastructures have direct and secondary impacts on regional development, including impacts on regional strategies and economies.

## **Policymaking**

The Czech Republic has responded to the growing importance of research infrastructures through a number of policymaking measures aimed at providing research infrastructures with a legal framework and a stable, reliable and predictable financial environment for their operations and investments. In 2009, an amendment to Act No.

130/2002 Coll., on the Support of Research, Experimental Development and Innovations from Public Funds, introduced a specific funding instrument to finance large research infrastructures and entitled the Ministry of Education, Youth and Sports to become the Czech national policymaking body and public funding provider in the respective field. The first edition of the Roadmap of Large Research Infrastructures of the Czech Republic was released in 2010 and updated in 2011, 2015 and 2019. The Czech road-mapping procedures have been brought into alignment with the pan-European approach coordinated through the European Strategy Forum on Research Infrastructures (ESFRI). International peer-review assessment and monitoring are carried out on a regular basis (2014, 2017 and 2021) to deliver independent expert inputs for the purpose of adopting informed and evidence-based political decisions by the Government of the Czech Republic on the public funding of research infrastructure projects.

## **Public funding**

The Ministry of Education, Youth and Sports has developed a multi-source model of the public funding of Czech research infrastructures by combining state budget expenditures with EU cohesion policy funds in a close synergy and complementary way. While the operating costs of the facilities are financed by the national

public budget, their investment costs are funded using the EU cohesion policy instruments. These investments have enabled major upgrades of experimental equipment of research infrastructures that are already in operation. In addition to that, brand-new facilities of national, macro-regional and global importance and impact have been constructed, e.g. the Extreme Light Infrastructure pillar ELI Beamlines, and RECETOX RI, the Czech national node of the EIRENE research infrastructure. Besides the instruments for financing research infrastructures located in the Czech Republic, the Ministry of Education, Youth and Sports has introduced tools to enable participation of Czech research infrastructures in European and other international research infrastructures, including in-kind deliveries of experimental and other technical devices to facilities, such as the Jules Horowitz Reactor and the European Spallation Source.

#### Research infrastructure landscape

The research community of Czechia gathers a broad portfolio of knowledge and expertise, which have enabled the construction and operation of numerous research infrastructures. The fields are as follows:

- physical sciences and engineering,
- energy,
- environmental sciences,
- biological and medical sciences,
- social sciences and humanities,
- e-infrastructure.

The e-infrastructure supports the research community of Czechia through providing both research infrastructure operators and their users with top-quality ICT services. Czech research infrastructures are operated in accordance with good practice examples of user access policies. They are open to scientists, as well as innovators from Czech, foreign and international research institutes

#### International cooperation

##### Member State of 8 international R&D organisations:

- |        |         |
|--------|---------|
| ■ CERN | ■ ESO   |
| ■ EMBC | ■ ITER  |
| ■ EMBL | ■ VKIFD |
| ■ ESA  |         |

##### Member State of 16 European Research Infrastructure Consortia:

- |               |                       |
|---------------|-----------------------|
| ■ AnaEE ERIC  | ■ Euro-Biolmaging     |
| ■ BBMRI ERIC  | ERIC                  |
| ■ CERIC ERIC  | ■ European Spallation |
| ■ CESSDA ERIC | Source ERIC           |
| ■ CLARIN ERIC | ■ EU-OPENSOURCE       |
| ■ DARIAH ERIC | ERIC                  |
| ■ EATRIS ERIC | ■ ICOS ERIC           |
| ■ ECRIN ERIC  | ■ Instruct ERIC       |
| ■ ELI ERIC    | ■ SHARE ERIC          |
| ■ ESS ERIC    |                       |

The Czech Republic also participates in a number of other international single-sited, distributed and virtual research infrastructures established under the national legal frameworks of their host countries in Europe, e.g. FAIR, JHR and LSM, and the Americas, e.g. BNL, Fermilab and Pierre Auger Observatory.

#### Extreme light infrastructure – the “CERN of lasers”

The Extreme Light Infrastructure (ELI) is the **world’s leading laser-based research infrastructure**, which serves for cutting-edge basic and applied research in physical, chemical, material and medical sciences, as well as breakthrough industrial innovations. Implementation of ELI Facilities, including ELI Beamlines in Dolní Břežany, Czechia has been completed with commissioning well under way and initial operations with early users. The **European Research Infrastructure Consortium (ELI ERIC)** has been established by the European Commission in May 2021 to manage the ELI operations for the benefit of international academic and industrial users. The establishment of ELI ERIC with the statutory seat hosted in Czechia brings together the countries of the major ELI user communities and enable them to access the **world’s most intense and shortest-pulsed lasers for research and innovation**. ELI ERIC shall ensure long-term sustainable operations, as well as further technological development of ELI as an international flagship research infrastructure initiative. ELI ERIC will provide environments for the **collaboration of thousands of leading scientists** from all around the world and enable **high-tech industries and innovators** to be involved in the development of state-of-the-art technologies. From the macro-economic point of view, the ELI Facilities situated in Central and Eastern Europe increase cohesion within the European Research Area by bridging the research and innovation divide in the EU.

and business establishments, and offer attractive job opportunities for top-class managers, excellent scientists, skilled technicians and qualified administrators in the high-tech fields and international environments.

#### ESFRI partnerships

- Czechia has been involved in a total of 32 European research infrastructures (included in the 2021 update to the ESFRI Roadmap):
  - 25 of which are ESFRI Landmarks,
  - 7 ESFRI Projects.

- Czechia has become a Member State and the hosting country of the statutory seat of ELI ERIC (operating the Extreme Light Infrastructure).
- The RECETOX RI Czech national node has been coordinating the EIRENE research infrastructure.

#### Web portal

The latest news on achievements and development of the research infrastructures agenda in Czechia is available at <https://research-infrastructures.cz/en>. ■

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LARGE RESEARCH  
INFRASTRUCTURES



MINISTRY OF EDUCATION,  
YOUTH AND SPORTS



# How TA CR funds science and research

The Czech Republic has always been a country of innovation. Czech researchers are among the best in the world. Our country is a world leader in electron microscopy, which is a key tool for the development of nanotechnologies. The Czech Republic has a strong scientific base in the field of lasers, which paves the way for new technologies for the treatment of materials used e.g. in the surface hardening of metals or for increasing the resistance of optical components. Czech companies and research organisations are also intensively involved in the development of space rockets and satellites.

**T**he Technology Agency of the Czech Republic is the main provider of state funding for research and innovation. Its objective is to promote cooperation between research organisations and businesses in order to ensure that practical uses are found for the results of applied research. State-funded projects generate unique products, patents and other outputs that make it possible to quickly apply the results of research in practice. We help to increase the competitiveness of the Czech economy, which is growing thanks mainly to innovative domestic and foreign companies. ■

## Main TA CR programmes

**SIGMA** - a new, comprehensive, and long-term instrument to support applied projects. The main vision is the consolidation of several current TA CR programmes into a single programme, enabling regions to be supported according to their innovation potential, and support for cross-cutting and systemic measures, while leaving space to support areas/themes not identified at the time of programme preparation. The SIGMA programme will ensure the implementation of activities from ZETA, ETA, GAMA 2, and DELTA 2 programmes, and EU instruments (in which the provider will be involved).

**THETA** – focuses on new technologies and key trends in the energy industry. A subsequent

version of the programme is currently being prepared.

**BETA 2** – aims to satisfy the research needs of the public administration and helps ministries and other institutions carry out research that should improve the functioning of the state. A subsequent version of the programme is currently being prepared.

**National Centres of Competence** - ensures efficient collaboration between research organisations and businesses through virtual research centres focused on progressive disciplines that are crucial for increasing the Czech Republic's competitiveness.

## International cooperation support tools

International collaboration and shared knowledge are essential and we have several tools for promoting bilateral and multilateral collaboration.

The **DELTA 2 programme** is focused on funding bilateral projects between Czech researchers and their foreign partners, mainly from countries outside the European Economic Area. The **KAPPA programme** is financed from

the EEA and Norway Grants and aimed at financing bilateral or multilateral cooperation of entities from the Czech Republic with partners from Norway, Iceland and Liechtenstein. **ERA-NET Cofund** within Horizon 2020 and **European Partnership** within Horizon Europe are mechanisms that enable Czech entities to establish multilateral research cooperation in various thematic calls every year.

TA CR is a member of the TAFTIE European network of innovation agencies, which gives us the opportunity to share experience and information with partner organisations that also support research, development, and innovation in various parts of the world. In addition TA CR is involved in smaller international projects under the European Union's Horizon Europe and Horizon 2020 Programme, for instance in coordination support actions (CSAs), which have the role of internal projects aimed at improving the functioning of the agency.

## Programmes managed by TA CR for ministries

As the main provider of state funding for research and innovation, TA CR also administers the programmes of individual ministries.

**TREND programme** of the Ministry of Industry and Trade, which aims to increase the international competitiveness of enterprises through new products, manufacturing processes and services.

**Ministry of Transport's Transport 2020+ programme** aims to modernise transport while emphasising sustainability, safety and social needs.

**Environment for Life programme** of the Ministry of the Environment is aimed at creating a healthy environment and promoting the sustainable use of natural resources.

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# CzechInvest – Your port of entry for **R&D-related investment** and more

CzechInvest is a well-known partner of investors coming to Czechia. However, it might be less obvious that it also provides considerable support in the field of research and development (R&D). These efforts are concentrated especially in the agency's Innovation Department, which provides, advice on issues such as funding, the legal and institutional framework, and successful matchmaking for R&D projects. It also organises missions and seminars that cultivate the Czech R&D scene.

CzechInvest bases its support for R&D on solid analysis of massive amounts of data. The agency makes use of public information about nationally funded R&D activities, analysing the register of research projects and identifying targeted actors. Furthermore, data on international cooperation is also used to track “who does what with whom and where,” as the department commonly refers to its monitoring activities. The data include joint publications with individual countries and participation in Horizon and other programmes of international cooperation in R&D. CzechInvest also proactively collects data, not only through continuous contact with Czech research

[www.czech-research.com](http://www.czech-research.com)

The website was officially launched by CzechInvest in December 2016. Its main goal is to provide an overview of the Czech R&D system and its important players to foreign investors and other interested parties. The sections of the website cover the R&D system, R&D environment, funding, news and events, and a series of articles on key sectors and trends in applied research.

facilities, but also through a unique internal database of excellent R&D entities in various fields ranging from information technologies to medicine, chemistry and other fields. Moreover, the database of these entities has been publicly available on CzechInvest's website in the form of an interactive map since the first half of 2019. Insight into this wealth of collected information about Czech R&D can also be found on the website at [www.czech-research.com](http://www.czech-research.com), which CzechInvest created to help foreign investors and other partners to navigate the system of Czech research. The website serves as a gateway to specific domains of R&D, allowing interested parties to find out who the key players of Czech R&D are, see the system's key main documents and become familiar with the institutions and companies that form the backbone of Czech research. These include, among others, 19 technical universities and universities with STEMM-oriented faculties and the Czech Academy of Sciences with its 54 outstanding institutes and selected research organisations. The website also provides an overview of new R&D infrastructure comprising eight top-notch European Centres of Excellence and 40 regional R&D centres that are actively building cooperation with international partners and industry. The information about the various entities provided on the website is complemented with relevant news from Czech R&D and calls issued

within programmes that financially support international research cooperation. The official partners of the website are the Ministry of Education, Youth and Sports, the Czech Academy of Sciences, the Technology Agency of the Czech Republic and the Ministry of Foreign Affairs of the Czech Republic. Apart from providing information services, CzechInvest also supports the internationalisation of Czech R&D. The agency has a long history of organising technology missions to foreign countries, thereby bringing Czech firms and institutions together with partners in specific fields, primarily in applied research. Since 2005, more than 60 outgoing and incoming missions of this kind have been carried out and have resulted in valuable endeavours and projects. The concept of technology missions involves a very hands-on approach, where selected researchers and innovative companies along with universities embark on a “door-to-

door” roadshow and visit carefully selected foreign partners, thus enabling practical discussion and establishment of new partnerships. CzechInvest then complements these efforts with activities in Czechia, such as local seminars and conferences on relevant technologies and trends in research. In this way, CzechInvest bridges the gap between the industrial sector and academia and facilitates dialogue between all of the parties involved in R&D. Czechia offers a sea of excellent R&D that is gaining great recognition for its world-class quality. CzechInvest is continuously mapping this sea in order to facilitate collaboration between foreign companies and researchers on projects with high value added. Therefore, if you are interested in sailing off into Czech R&D, do not hesitate to contact the experts at CzechInvest, who will provide their services to you free of charge as part of the Czech government's business support measures. ■

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about properties**



# Establishing your business premises in the Czech Republic

From the perspective of multinational business entities, the Czech Republic remains a favourable country for foreign investments due to its relatively cheap workforce and lower cost of property construction and leasing in comparison with western countries.

## Office & Industrial Premises (built-to-lease)



countdown to start

## Industrial Production Premises (built-to-own)



The response to COVID-19 was generally quite turbulent, but we have seen different reactions in the office and industrial sectors. The office demand cooled down almost instantly with the rise of working from home, but it seems that the companies were able to find out the right mix of working from office and home since then. That can be seen on the high volume of office demand, which is again reaching and even surpassing pre-covid highs. We haven't seen any decline on the industrial market and the last two years were the best in terms of demand, resulting in a rapid decrease of vacancy rate. If you are planning to start a business that requires establishing new office or warehouse premises, you should follow some guiding principles that are common on the local commercial real estate market. Most importantly, it is to some extent necessary to have a strategy that takes into account current and future capacity needs and an acceptable lease duration, as well as a workplace strategy and a rough budget estimate.

### Office premises

Most offices are leased with the assistance of real

estate advisors. The largest office market, quite naturally, is Prague, which currently offers approx. 3,8 million sqm of leasable premises with a stable vacancy rate of about 8 %. If you plan to open new offices, you should start your search 12-24 months prior to market entry in order to have enough options to choose from so that you will be able to find the best suitable premises for your needs.

### Industrial premises

Due to Covid and the supply chain crisis, there has been a record-high demand on the warehouse market in the Czech Republic in 2021, that was almost equalled in 2022 as well. Vacancy rates are staying at record lows and rents and energy prices are rising by double-digit figures in the most popular locations. If you plan to build a production facility, you should start as early as 30-36 months prior to the planned start of operations, because the permitting process is generally quite slow and land resources are very limited. On the other hand, the workforce is still significantly cheaper than in western countries and the cost of construction as well as the rent levels can be 10-15 % lower. ■

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COMMERCIAL REAL ESTATE ADVISORS

# Where to look for an office in Czechia

The market for office premises in the Czech Republic has continued to prove its resilience throughout the recent challenging years. With the current geopolitical situation and right-shoring trend emerging from the pandemic, the country is becoming even more attractive to foreign investors.

**P**rague, the obvious choice  
The capital city is the obvious first choice for many. Serving as the heart of cultural, economic and political life, many market newcomers are looking for offices here. The market comprises approximately 3.8 million square meters of modern office space. Despite the lower new supply levels over the last two years, developers are able to provide a constant inflow of modern properties with very high standards. Together with further strengthening in the most sought-after locations in Prague 1's historic core, the Karlín and Rohan areas of Prague 8 or Pankrác and Brumlovka in Prague 4, developers are also establishing new locations with projects such as New Roztyly, Hagibor and Smíchov City. Efforts to create a connected city of short distances are also evident and will continue. The market availability remains at around 8% and

was not significantly affected by any of the challenges we have been forced to live through. Some micro-locations could feature lower office availability, as the established submarkets often draw attention with an excellent choice of amenities.

## Brno, the leading regional city

Brno is a stable market with a modern office stock six times smaller in comparison to Prague, but there is surely no lack of modern office buildings and impressive architecture. The office market is condensed around and south of the city centre and historical core, but interesting projects are scattered also towards north and east. Newly built office hubs like Vlněná Office Park, Spielberk Office Park and many others form a resilient core for further growth. In future, we can expect impressive new projects like Dornych, and new additions to Ponávka and Vlněná Office Park. The activity comes mainly from local developers and with their market knowledge, their goal is always to bring the highest possible quality and added value with their projects.

## Ostrava and other cities

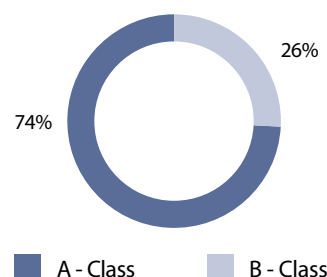
Ostrava is the third largest city in the country, and so is its office market. The modern office stock is

relatively small, yet modern properties comparable to the ones in Prague and Brno can be found throughout the city. Established office centres are home to world-class business service centres and new projects, like the upcoming Organica, will become home to renowned brands. For the rest of the country, local developers are pushing through many projects, especially in well-connected cities like Pilsen, Hradec Králové and Olomouc. Such projects, already existing or proposed, are of high-quality and offer excellent services to their clients. Thanks to lower operating costs, choosing to establish the office in smaller cities can prove economically viable, but also more difficult to find.

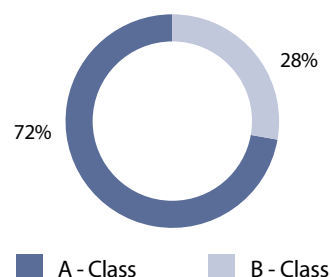
## Summary

Despite the European wide economic slowdown, the Czech office market is able to attract new tenants through competitive market conditions such as high property standards, an innovative environment and a skilled, well-educated and talented workforce. Supported by the beautiful, picture postcard looks of Czech cities, high standards of living and its location in the heart of the European continent, the Czech Republic should always be on the list for expansion options. ■

Prague office market composition



Brno office market composition



Source: Colliers Research, Prague Research Forum, Regional Research Forum, 2022

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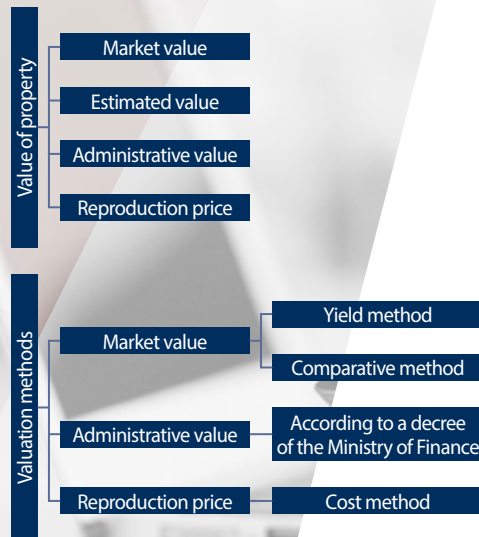
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# Valuation of property in the Czech Republic

The value of property is a quantity that often affects the economic decision-making of investors. Each investor encounters the need to determine the value of assets. That may involve the valuation of real estate, machines, intangible assets and much more. We will take a closer look at real-estate valuation in the Czech Republic.



## Factors

- Location
- Size
- Parking
- Equipment
- Transport accessibility
- Data network
- Construction
- Capacity
- Purpose
- Surroundings

Investors face the need for valuation when deciding whether to buy or lease premises for their businesses. The investor also encounters the need for valuations of various types of corporate transactions, investment decisions, loan drawdowns, pledges and tax calculations for the acquisition of immovable property.

## Price of real estate

Every property has several different price categories which vary according to the purpose and the user of the valuation. The market value for the purchase or sale of property may be different from the estimated value for a bank considering financing the purchase of the property or for the purpose of securing the property as collateral for a loan, or from the administrative value for calculating the tax on the acquisition of immovable property. The property price with respect to the purpose and user of the valuation can be determined either by an expert or an appraiser.

## Real-estate valuation methods

Several methods are used to determine the value of real estate. Determination of the market value is most often used for the valuation of a property for the purpose of ownership transfer. The most commonly used methods of calculating market value include the comparative method and yield methods.

The comparative method compares the realised prices of a number of similar properties. It is important that this is the price actually realised, not just the offer price. This method is also applicable in practice to determine the usual rental rates.

There are several types of yield methods of property valuation. Their common denominator is the valuation of the benefit deriving from ownership of the property as rent collected by the owner or landlord.

## Factors influencing the value of real estate

The key factor that is common to almost all real estate is location, which is not only the geographic location, but also the prestige of the locality, transport accessibility and the surroundings. Specific factors that affect land prices are the land's area, shape and slope, as well as its orientation. When it comes to building land, the presence of utility networks, or the possibility and difficulty of building them, is also important. Specific factors that affect the cost of office buildings are the area of office space and its layout. The price is also influenced by the design of the building, number of parking places and the building's equipment, such as air conditioning, blinds and distribution of electrical and data networks.

A particular factor for the price of production facilities and warehouses is their construction, including the height of the facility, the number

of floors and the load-bearing capacity of the walls and individual floors, as well as the possible uses of the facility. A specific requirement regarding location is accessibility for freight transport, particularly proximity to motorways or railways.

## Specifics of real-estate valuation

A separate aspect of real-estate valuation is taxes. The basis for calculating tax on the acquisition of immovable property in the Czech Republic is the value of the property. This value can be determined either on the basis of the purchase price or on the basis of a target value according to a decree of the Ministry of Finance or an expert opinion. The rules that apply to prices are determined by the applicable laws.

## Conclusion

Real-estate valuation has many specific details and the determination of a property's value depends on many factors that can affect its price. Therefore, when a real-estate transaction is being planned and a calculation of the property's value is needed, we always recommend contacting experts to help you determine the price in the most appropriate way. ■

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# The energy consumption of industrial buildings in the Czech Republic is declining and can be declared transparently

In practice, it has been shown that the energy consumption for the operation of a modern industrial building completed this year with an area of about 30,000 m<sup>2</sup> is only half that of a comparable building built 20 years ago. If we convert this into direct energy calculations, we are talking about a saving of 280,000 EUR per year and 54 tons of CO<sub>2</sub> that would otherwise have been blown into the air. In the Czech Republic, information about the energy efficiency of a building is verified by a PENB certificate.

**T**he building energy performance certificate (PENB) is used to obtain information about the energy performance of a property's operation. The building energy performance certificate is part of the energy assessment. The Energy Performance Assessment (EP) is an analysis of the property in terms of energy management, including a proposal for structural measures, their cost and impact. The EPB is based on the European Energy Performance of Buildings Directive 2018/844/EU. The energy performance of a building is determined based on the calculated or actual energy consumption and reflects the typical energy consumption for space heating, space cooling, hot water, ventilation, built-in lighting and other technical building systems. The energy performance of a building is expressed as a numerical indicator of primary energy consumption in kWh/(m<sup>2</sup>.r) for the pur-

poses of energy performance certification and compliance with minimum energy performance requirements. Primary energy from non-renewable energy sources means energy that has not undergone any conversion process. Its quantity is calculated using the factors for non-renewable primary energy. Non-renewable primary energy expresses the overall efficiency and effectiveness of energy use in the whole process. The PENB Building Energy Performance Certificate contains a number of interesting data that

provide information about the most important parameters in graphical form. An example of an interesting category A industrial building is the Amazon Fulfillment Center in Kojetín. The example of the PENB Building Energy Certificate ([see figure](#)) shows that by using the latest technologies to reduce energy consumption (photovoltaics on the roof, heat pumps, etc.) it is possible to build a project with minimal electricity consumption and completely without gas, even in the Czech Republic. ■

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 **PANATTONI**

# Digitalization of the world of industry, business and entrepreneurship in Czechia

**Industry 4.0, digitalization and robotisation are areas that contribute to more efficient business and increased competitiveness of Czech companies.**

The world is changing. A company's own (private) 5G network makes it possible to take advantage of these changes to transform business, and slogans such as "Industry 4.0", "Internet of Things" or "Digitalization" will become an everyday reality for companies. It is essential to be included among the first in the Czech Republic to gain this critical competitive advantage.

## Campus 5G networks

**Up to 100x faster data transfer compared to previous generations, combined with high security, enables businesses to innovate in ways that are changing entire industries.**

Robotics in manufacturing, autonomous movement in logistics, automatic collection of machine health data in industry – all of this helps companies increase efficiency, reduce costs and come up with revolutionary products and services.

## How campus 5G networks are changing the game

Fifth-generation mobile networks bring unprecedented speed in data transmission. When used for private use, they now make things that were unthinkable not so long ago possible.

- **Own secure 5G network** – You can use the signal of your private 5G network to cover both indoor and outdoor areas of your company, use it to improve your business and rely on a high level of security.
- **High data transmission capacity** – The campus

5G network allows data transfer at a speed of up to 10 gigabits per second, which is hundreds of times faster than the previous LTE standard. This paves the way for entirely new ways of working with data – for example, collecting data from sensors in real-world environments, edge computing or using augmented reality.

- **Minimum time delays** – Fifth-generation campus networks have much lower latency than their predecessors. This allows even very complex operations to be performed in real time, thus making e.g. production management or inventory planning more efficient.
- **Millions of devices at the same time** – Literally millions of sensors, devices, phones and computers can be connected to the campus 5G network and the data transfer will still remain completely seamless. It doesn't matter how many devices you pack into your production or office space. The 5G network can handle it.
- **Central remote access and monitoring from anywhere** – Imagine, for example, that you equip your entire production area, machinery and devices with sensors and collect and evaluate data from them continuously in real time. You will have a perfect overview of everything that is happening from one convenient spot, allowing

you to gain valuable information used for process optimization and immediate decision making.

## Energy efficient

### Use of campus 5G networks in logistics

Fierce competition and labour shortages are forcing logistics companies to introduce innovations on a massive scale that are unable to work without a powerful campus 5G network.

What's so revolutionary about using a campus 5G network in logistics?

- **Precise localisation** – You get an overview of the location of any piece of equipment, machinery or material in the production hall or warehouse. And in real time, with the precision of 1 metre.
- **Autonomous movement** – Electric carts scouring the warehouse floor and placing goods on shelves without human operators? That's exactly what the premises of some companies already look like.
- **Augmented reality (AR)** – Augmented reality will help, for example, in remote assistance, easier guidance within a space or new employee training.

## The modern campus 5G network is already helping the industry:

- Increase in work efficiency by 200% to 300%
- Accuracy up to 99.99%. ■

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**T Business**



# The circular economy: recycling or prevention?

The circular economy has been perceived by many people as an approach that favours recycling of materials over their landfilling, which was the basis of the old 'take-make-dispose' linear approach. However, this is only partly true as recycling should in fact be considered only the last option among all circular solutions.

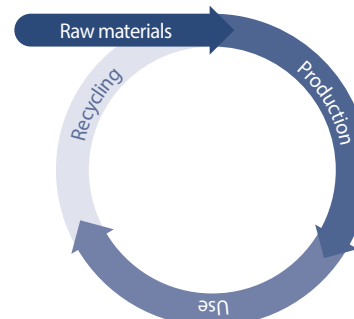
The Circular Economy Action Plan for a Cleaner and More Competitive Europe (COM/2020/98) is one of the main building blocks of the European Green Deal. According to the plan, the circular economy is defined as "a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products" with the aim to keep their value in the economy as long as possible. It shows that recycling is only the final stage of a product lifecycle and as such should be avoided whenever possible. It all starts with design of the given product or service that predetermines its future use, resource consumption, modularity, repairability,

etc. Nevertheless, the first step towards limiting the amount of resources used should be prevention so that a product actually never emerges in the first place. However, this is not easy to achieve because in the modern era, we have been orientated towards growth and increase of our living standard by consuming more and more products, where lower consumption is often perceived as uncomfortable.

Therefore, the greatest challenge of our current society is to find a way to maintain the level of comfort that developed countries possess, while decreasing our carbon footprint.

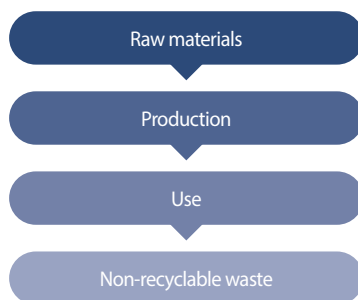
The European Circular Economy Action Plan is one of the initiatives aimed at achieving this. Its purpose is to redesign the system via regulatory incentives. Producers are encouraged to develop long-lasting products that are repairable and can serve various users throughout their lifecycle. Another step towards this goal is standardisation of parts and key components so that they are easily replaceable. This forces producers to change their business strategies and there are manufacturers across all sectors, from apparel to the automotive industry, that are experimenting with new ways of delivering the product experience. The important thing to keep in mind is that no matter how efficient the circular economy may be compared to the linear economy, it still consumes a lot of energy and resources. Furthermore, history has shown us many times that once we manage to do something more efficiently, it often leads us to even greater consumption than before (the so-called rebound effect). Therefore, together with the technical approach of the circular economy, it is also necessary to address the problem of lifestyles and overconsumption. ■

## Circular economy



Source: Research Gate, 2020

## Linear economy



## Reuse economy

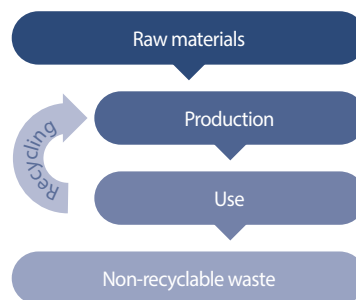


Figure: From linear to circular economy

Source: Research Gate, 2020

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Association  
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# The beauty of brownfields

Brownfields are both a unique opportunity and a challenge for the implementation of innovative projects. Brownfield sites are usually very well connected to transport infrastructure and utilities, while offering ideal locations for research and technology centres, co-working premises, state-of-the-art technologies and possibly even unconventional forms of housing (co-housing, lofts, etc.).

Situated at the intersection of European trade routes, the Czech Republic was exposed to two world wars and endured a forty-year period of totalitarianism under the former communist regime. Each of these periods was reflected to a significant extent in the development of the country's industrial production. What is now the Czech Republic was once the manufacturing base of the Austro-Hungarian Empire prior to the First World War. Following the establishment of the independent Czechoslovak state, manufacturers such as Bata, Škoda and ČKD grew into major industrial players.

The country was ruled by a totalitarian communist regime from 1948 to November 1989. Natural industrial development was halted in favour of centrally planned production quotas, with priority given to heavy engineering and the defence industry, while the competitive environment was completely eliminated.

The Velvet Revolution in 1989 brought forth a number of important changes. The democratic system was restored together with private ownership of property, the borders were opened and the market economy was reborn.

This fact and the country's overall stability spurred the establishment of foreign-investment programmes, which are frequently supported by government incentives. Investors entered the country either through acquisition of Czech companies or by building their own production facilities. In the intervening years, a number of industrial zones have been established, some of which are still not completely occupied.

Industrial zones allowed for the rapid development of the post-revolution automotive industry in particular (Škoda Auto, PTCA, Hyundai), as well as

all auxiliary industries complemented by rapid development of extensive logistics facilities and shopping centres located conveniently next to the most important transportation routes.

In comparison with greenfield investments, regeneration of brownfields is a far more complicated process. The country's brownfields arose through the long-term disuse of facilities previously used for energy- and labour-intensive industries that are now in decline. A separate category of brownfields comprises former military facilities that were re-

furbished and converted for civilian uses following the end of the Cold War.

However, brownfields are often found in strategic locations and thus offer opportunities for investments in new industries, IT, distribution, sales and leisure activities, as well as public-sector investment. Regeneration of brownfields with environmental contamination will also significantly improve the quality of the environment while being of real benefit for all activities in surrounding areas. ■

## Examples of successfully regenerated brownfield projects

- **Smíchov railway station (Prague)** – a new city district with apartments, offices and commercial outlets
- **Waltrovka (Prague)** – office centre and residential project located in one of the biggest former industrial sites in the city
- **Vysočany (Prague)** – a former industrial site turned into a multipurpose facility, shopping and social centre, including residential premises and service centres
- **Vítkovice (Ostrava)** – gradual transformation of former steelworks into a cultural, social and educational centre
- **TESLA Pardubice** – a transformation of a former manufacturing site into a residential quarter with services, shops and University of Pardubice laboratories
- **Šantovka (Olomouc)** – shopping and social centre on a former industrial site located in the city centre

## Benefits of brownfield regeneration

- Increase of economic activity in the regenerated area – business and trade, housing, services
- Inflow of foreign direct investments
- Decrease of unemployment through job creation
- Increase of competitiveness
- Increase of attractiveness of the given municipality and thus increase of tourism (brownfields are usually located within urbanised areas)
- Unlike greenfield projects, limited claims on agricultural land in line with the principles of sustainable development
- Improvement of the environment through decontamination of the given site
- Mobilisation of private capital
- Increase in property values within brownfield sites and the surrounding areas
- Positive influence on crime prevention and thus reduction of crime rates

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# **Handle the permit and construction processes**





# Permitting processes in the Czech Republic

If a company is planning a construction project in the Czech Republic, it should be aware of the complete approval process before the start of construction and the subsequent inspection process for construction use and operating agreements, which are strictly governed by the Building Act and other related regulations.

It is highly recommended that the services of an experienced consultant and construction company be used to assess the risks of the proposed project. Risk assessment is the process of collecting available information on a hazard or a set of hazards in order to estimate actual or potential hazards to persons or places close to the site. The risk assessment should be a standard step during the pre-acquisition process, as it can make a significant contribution to the decision-making process as a whole and reduce the cost of remedial measures. The first thing to find out is the current zoning plan of the area in which the project is to be placed. In addition to verifying that the proposed building complies with the zoning plan, it is necessary

to further assess the project in accordance with the Nature and Landscape Protection Act. Most new investment projects in the industrial sector are large-scale and, in most cases, require an assessment under the Environmental Impact Assessment Act. An environmental impact assessment (EIA) is thus, in addition to the assessment of the zoning plan of the site of interest, the initial phase of each construction project. The EIA assesses the effects of planned buildings or structures and installations on public health and the environment (effects on animals and plants, ecosystems, soil, rock environment, water, air, climate and landscape, natural resources, material property and cultural sites and their interactions and context). The whole assessment is public. The competent authorities and the public must be informed of all upcoming projects and may express their opinions. At the same time as the start of the environmental impact assessment, work on planning permit documentation can start. This documentation deals with the location of the building with respect to the surrounding land plots and the buildings on them and the connection of the building to the technical networks. In this documentation, the opinions of all concerned authorities and

utility providers must be stated in accordance with the legislation in force.

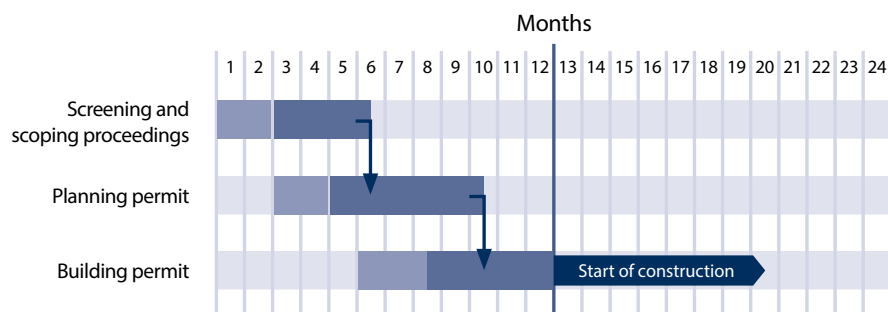
After obtaining a valid decision on the location of the building, a building permit can be applied for. Once again, the documentation for the building permit is submitted to the relevant government authorities and to the owners of the public technical infrastructure for review. At the same time, the project is assessed from the point of view of integrated pollution prevention and control.

Following the completion of construction, an inspection of the structure is carried out by all participating authorities. During such inspections, the investor must demonstrate compliance with the conditions specified in the building permit and obtained opinions. If all conditions are fulfilled, a permit for test operation shall be issued. Alternatively, if test operation is not required, it is possible to apply directly for approval.

A new Building Act has recently been approved and will come fully into force including two amendments in July 2024. Some particular changes have been applied. The new act is intended to significantly reduce the time required for obtaining a building permit and to simplify and digitalise the permitting process. ■

## Permitting procedures in the Czech Republic

### Standard procedure with short EIA



Source: Bilfinger Tebodin, 2021

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# Specifics of construction on brownfield sites

Revitalisation of brownfields provides opportunities – particularly for large and experienced investors. The Czech Republic has more than 3,000 brownfields—being the unused remains of industrial, agricultural, residential, or military areas—with over 1,600 having investment potential.

## Related Czech legislation:

- 406/2000 Coll. Energy Management Act
- 225/2017 Coll. Act amending Act 183/2006 Coll. Building Act or 283/2021 from 1 July 2023
- 134/2016 Coll. Public Procurement Act
- 114/1992 Coll. Act of the Czech National Council on Nature and Landscape Protection
- 100/2001 Coll. Act on Environmental Impact Assessment
- 89/2012 Coll. Civil Code
- 85/2012 Coll. Act on the storage of carbon dioxide in natural rock structures
- 500/2006 Coll. Decree on spatial analytical documents, spatial planning documentation and on the method of registration of spatial planning activities or 283/2021 from 1 July 2023

Reusing a brownfield site initially presents a more challenging and lengthy process compared to building on a greenfield site, but in the long run it is a more sustainable and lucrative development. This relieves the investor of the urban burden of managing the site, which the Czech Republic is aware of and trying to motivate investors with subsidies from relevant ministries. Other support programmes are offered by the Agency for Enterprise and Innovation (API) or banks. Furthermore, brownfield revitalisations are well covered by the BREEAM and LEED environmental certification schemes.

### re-conversion analysis

Before starting a brownfield conversion process, a detailed analysis of the site is needed. In terms of spatial planning, it is advisable to make use of the information contained in the regulatory plan and spatial studies or municipal planning documents. Brownfields are often characterised by ecological burdens that must first be remediated. Similarly, the investor must not forget about any restrictions imposed by the conservation authority, as dilapidated buildings are often considered as part of technical or cultural heritage. The structural and technical condition of existing buildings can be hazardous, and the use of original structural elements may not make economic sense to use. On the other hand, it can also be an opportunity to implement new construction into an existing one and

preserve some of the site's heritage. Furthermore, standard surveys (hydrological, biological, etc.) are in the solution to ensure the viability of the final project. Some brownfields are also natural assets in terms of biodiversity. Higher bird species, rarer pollinating insects, or endangered animal species have been documented on many sites. Specific habitats (small pools, temporary wetlands, sandbanks, etc.) can be created. Not only for the above reasons, but the new project is also subject to a buffer zone analysis and other legally protected interests to identify the main potential problems within the environmental impact assessment (EIA, IPPC). The selection of an architect and designer and the preparation of a design brief is followed, as with other projects, by the creation of project documentation. Property rights, such as ownership of utilities or easements, are also often a challenge for brownfield revitalisation.

### A full-fledged territory part of its surroundings

Brownfields also require a detailed study of their

relationship to their surroundings, not only in terms of traffic, noise or amenities, and therefore active public participation is strongly recommended. In revitalised brownfields it is good to incorporate cafés, galleries, co-working, and community centres etc. It is advisable to look at brownfield revitalisation from the point of view of the principles of the circular economy. It is a material bank with great potential to fulfil the Reduce - Reuse - Recycle principle. If a brownfield site has been contaminated in the past, the investor should not forget to carry out an ecotoxicological analysis of a representative sample.

Even in these locations, according to Czech legislation, every new building must meet energy performance requirements of a so-called near-zero energy building. It is recommended to take this into account at the design stage and integrate selected renewable energy sources, such as solar systems, into the project. In multifunctional buildings, the synergistic effect of waste heat can also be exploited. ■

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# Cost planning:

## The first step

No two building projects are the same and clients have varying priorities; this is as true in the Czech Republic as it is in the rest of the world.

**T**he client could be a manufacturer requiring a new facility in which to operate its core business or a developer whose core business is generating return on investment by adding value to an existing asset.

Each project is defined by a unique combination of factors and determining what, where, when and how allows us to determine how much.

### What

Most clients who come to the Czech Republic have a precise idea of the scope of their project. Local knowledge will highlight the opportunities for added value through the use of local materials and the tailoring of the design for a given location.

### Where

Some industrial zones have pre-approved permitting processes for appropriate projects, thus enabling commencement of site works in a very short time. Other locations may require a comprehensive planning service including zoning changes and environmental impact assessments.

### When

The timeline of a given project depends greatly on its location and the stage that the client has reached in the development of the project documentation. Time constraints may also influence how the project is implemented.

### How

The most common contractual arrangements

in the Czech Republic are contracts based on a bill of quantities (BOQ) with a guaranteed maximum price (GMP), engineering, procurement and construction (EPC) and engineering, procurement and construction management (EPCM) contracts. Experience in the Czech Republic shows that the following conclusions can be drawn: The EPC/GMP approach reduces risk and the administrative burden for the client by placing responsibility for project delivery with the contractor. The downside of this, however, is that the project costs will be higher, as this risk is factored into the price and it is often not possible to finalise detailed specifications for the works prior to appointment of the contractor. Once the contract is awarded, the contractor controls the detailed design and construction process and will aim for the minimum compliant standards with a natural tendency to select the cheapest subcontractors.

With the EPCM approach, the project is divided into several trade packages and the packages are awarded to specialist companies. This system gains time for the design process, thus allowing for the production of more comprehensive project

documentation, especially for later packages. This in turn yields benefits for the management of the budget, with savings on early packages adding to reserves and potentially allowing for upgrades to the later packages. The downsides here are that more risk lies on the client side and with more contractors to manage, project management is more complex and more expensive. However, the client maintains tighter control over the design and budget, and in our experience the overall costs can be 5% to 10% lower compared with procurement via a general contractor.

### How much

Whatever the procurement route, it is important to maintain control of costs at all stages of the project.

### Typical cost structure

The costs of project implementation can be divided between labour, services and materials (direct costs) and the intrinsic costs associated with the project (indirect costs). ■

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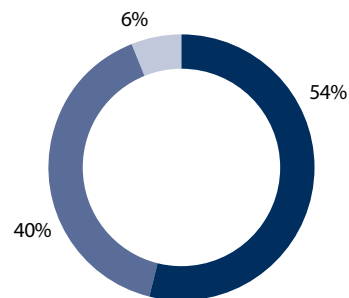


# Development of **renewable energy sources** is emerging

Energy supply has become vital for nearly every European nation over the past year, as the region shifts away from its dependence on Russian fuel imports. The Czech Republic has been transitioning towards renewable energy sources with considerable progress over the last decade.

In 2021, Czech gross electricity production reached 84.9 TWh, while domestic consumption was around 73.6 TWh. The Czech energy mix was made up of 54.03 percent fossil fuels (43.89 percent lignite, 9.89 percent natural gas, etc.), 40.41 percent nuclear power, and 5.56 percent renewables (3.31 percent biomass, 1.65 percent solar, 0.61 percent water, etc.). The European Union's aim is to generate 32% of electricity from renewable resources by 2030. The Czech Republic is less ambitious in its energy and climate plan, aiming for 22%.

The Czech energy mix



■ Fossil fuels   ■ Nuclear power  
■ Renewables

Source: Glatzová & Co.

The rapidly growing energy prices and generous subsidies have triggered growing interest in renewable energy projects among businesses and private consumers. In 2021 the Czech Ministry of Environment has introduced the RES+ incentive program with an initial budget of CZK 4.5 billion (€182 million) supported by the EU's Modernisation Fund. Since then the budget was repeatedly enlarged. The projects with various installed capacity are available to apply for funding. Due to high energy costs and generous government subsidies, the return on investment into these systems is tempting, currently ranging around eight years or less (as the subsidies cover up to 50% of investment costs).

Among the renewables, photovoltaics is currently one of the most demanded resource. Here is a summary of the permitting procedure needed for **commissioning a photovoltaic power plant (PV plant) in the Czech Republic**:

## 1. Zoning and building permit

- Needed for PV plants over 50 KWp and for their connection to the grid
- Rooftop PV plants on an existing building – no zoning permit needed

## 2. Connection to the grid

- Power plant can be connected to the grid directly, via another plant or via a customer's point of consumption
- Contract on connection with the grid operator must be signed (beware of capacity problems) with an obligation to cover a connection fee

## 3. Licence

- Issued by the Energy Regulatory Office for all PV plants above 50 KWp
- General prerequisites - integrity, right of use of the power plant
- Financial prerequisites - business plan, solvency
- Technical prerequisites - inspection report, permit for use, evidence of professional competence

## 4. Public Authorization

- Issued by the Ministry of Industry for all sources above 1 MW
- Formality for conventional PV plants

## 5. Electricity supply

- Electricity supply contract with a trader or a customer must be signed
- Electricity delivery must be measured and reporting to the electricity market operator ■

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# Key recommendations for implementing photovoltaic projects

In recent years, the Czech Republic has experienced remarkable growth in solar power plants, thanks to affordable technology, increased electricity costs, and policies that support renewable energy.

Studies estimate that the technical potential for rooftop and facade systems is around 25 GW, while brownfields and vacant land offer tens of GW in potential, making it an attractive destination for foreign and domestic investors. Suitable areas for solar projects include buildings, such as logistics sites, factories, commercial centers, and office buildings, or vacant land on or off-site. Investing in solar projects is driven by four main motivations, each with slightly different business models. The first is investing in a solar project located on one's property to cover maximum electricity consumption and supply any surplus to the grid. The second is providing a plot of land for a solar project to an external investor to secure a favorable electricity price for own consumption through a PPA\* contract. The third is providing unused real estate for a solar project to generate rental income. Lastly, developing and constructing a solar project to trade in the electricity market, enter into a PPA, or sell the completed project to a third party. All of these models aim to generate new revenue or cost savings.

It is always recommended to contact a professional firm to request an assessment of the entire project and ideally the preparation of an initial study that takes into account the technical, legislative and economic aspects of the project. The design work and approval processes can take months and costs 10-15% of the total project budget. About one-third of the external budget for the preparation phase should go towards clarifying

the brief and design for building permits, another third towards implementation documentation, and the final towards permitting processes. Once permits are obtained, implementation can begin. A turnkey project with a single contractor can simplify the process and reduce complications and risks, but it's important to comply with subsidy call conditions.

The following are key recommendations that can help company managers in implementing some form of solar project:

- **Clear clarification of intent and priorities** – It is important to understand if the goal is cost reduction, energy independence, investment opportunity, revenue generation, or dependent on obtaining the subsidy.
- **Defining the role of your own organisation and managers** – The role of your own organization and key managers who will be involved in the project must be defined in advance.
- **Timing and sequencing of steps** - Creating a realistic timeline and understanding the sequencing of sub-steps is crucial, as internal or

external disagreements can cause unnecessary damage.

- **Subsidies** - Understanding subsidies and modeling financial scenarios
- **Bidding and contracting process** - Selecting a quality contractor and implementation partner requires sufficient time, as does the contract negotiation phase.
- **Input and cooperation from the contracting authority** - Anticipate that contractors will require considerable cooperation and input, and define the person responsible for tracking down and handing over required documents
- **Technical, operational, and organisational constraints** - Address technical, operational, and organizational constraints early, such as loading and handling areas, rooftop containment systems, and fire equipment access areas.
- **Control of property and contractual relationships** - Clarify property and contractual relationships with parties such as the tenant or building owner, financing entity, existing electricity supplier, and distribution company to avoid legal, tax, accounting, or insurance implications. ■

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# What expats say about the Czech Republic



**Bert Hesselink**

Group Client Relationship Director  
CTP

*The Czech Republic offers the perfect conditions for enjoying a comfortable family life and having plenty of exciting opportunities at work and in business.*



**Sándor Bodnár**

Managing Director  
Czech Republic & Romania  
Hays

*I always enjoyed coming to Prague for business in past years. As life has now brought us here permanently, we have had the chance to more thoroughly explore the city and the country, and I must say the experience has become even better. It has been strange with all the lockdowns, but we have probably spent more time exploring the fantastic countryside in the Czech Republic than we would have done otherwise.*

*The Czech Republic is a great place to have a business. People have very strong technical skills, are motivated at work to do new things, and have great language skills. And the Czech Republic, being the heart of Europe, is close to many other potential markets. I have thoroughly enjoyed living and working here for the last 20 years!*



**Tewfik Sabongui**

Managing Partner  
Colliers

*I'm not exactly a pure expat, as I'm privileged to be both a Czech and Egyptian national who is at home in and a resident of both worlds and cultures. There is so much that connects both of my worlds. The Czech Republic is an amazing country offering so much to enjoy and appreciate, as well as tons of opportunities to evolve and become more metropolitan and international.*

*The Czech Republic was once considered Eastern Europe, but in the past ten years, I've watched this country surpass many Western European countries in any number of areas, from safety to services to general quality of life.*



**Blake Wittman**

Director  
GoodCall



**Mike Jennings**

Partner  
PricewaterhouseCoopers  
Česká republika s.r.o.

# Hire people



# The New Human Age

Amidst the growing digitalisation of work and the workforce, ManpowerGroup's new 2023 report on trends, titled The New Human Age, finds that although technology may be the great enabler, humans are still the catalyst for the future. This research, which features input from 13,000 decision-makers, identifies four key forces (divided into 14 key trends) shaping the future of work and impacting today's employers and the people they employ.

## 14 trends driving the new human age



### Shifting demographics

#### Trend 1

A generational shift in employment expectations

#### Trend 2

A priority issue for workers: The issues they care about

#### Trend 3

To what degree should you consider a college degree?

#### Trend 4

It's time to retire our concepts of retirement



### Individual choice

#### Trend 5

Not a life filled with work, but a life fulfilled

#### Trend 6

Women want work to work for them

#### Trend 7

Has the five-day workweek had its day?

#### Trend 8

Turn down the heat to reduce burnout

#### Trend 9

Seeking fulfillment, not just advancement

### Four key forces impacting the future of work:

#### Shifting demographics

Birth rates continue to decline while populations age, thus creating acute talent shortages and reduced labour-force participation in many countries. Skills shortages are concentrating in growth sectors and more Gen Z workers are placing greater emphasis on issues that matter to them, from DEIB (Diversity, Equity, Inclusion and Belonging) to climate change.

#### Individual choice

The pandemic made flexible work a reality for many employees, causing a paradigm shift in how



### Tech adoption

#### Trend 10

Growth industries will need to grow their own talent

#### Trend 11

Rehumanise, don't dehumanise

#### Trend 12

Still working on a definition of hybrid work



### Drivers of competitiveness

#### Trend 13

Talent knows no borders

#### Trend 14

Risk and resiliency in a changing world

people balance their professional and personal lives. They want more choices about when, where and how they do their jobs, without working from home becoming endless work. And they value things like personal fulfilment, learning and growth over simple career advancement.

#### Adoption of technology

The marriage of technological innovation and human ingenuity will create broad economic

growth and help overcome society's challenges. As organisations continue to invest in technology, they will need to foster digital skills from within while seeking external talent to maximise their return on investment.

#### Drivers of competitiveness

In a digital-first global economy, access to highly skilled talent is a distinct competitive advantage. And you need to meet that talent wherever it can be found — the marketplace for the best and brightest is truly borderless. Competing — and winning — is also about managing risk and building resiliency in the face of ongoing economic and geopolitical uncertainty. ■

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# Mediation - tool for prevention or dispute resolution in HR & business topics

Small local businesses or international corporations anywhere round the world, both face various tough situations, which might cause some serious consequences including litigation process. For this case, there is a great alternative of dispute resolution. It brings the chance to gain a very promising result, which respects both individual and common needs of both parties.

# M

## mediation in the Czech Republic

The mediation as one of the strong and frequently used alternatives to the litigation or arbitration, is also

promoted and legally regulated by local government. It secures a professional, safe and fast neutral way how the mediator guides both parties throughout the process to find the ideal solution to their business disputes. The first regulation is the international Directive 2008/52/EC of the European Parliament and of the Council on certain aspects of mediation in civil and commercial matters. The other regulation is the Mediation Act (Act No. 202/2012 Coll), which determines conditions of mediation process, forms of mediation agreements and requirements on the mediator qualifications, under which it is executed by the registered mediators. Mediators in the Czech Republic need to pass the exam with the Ministry of Justice to become registered and their quality is also supervised.

## What is it all about - a managed process with essential principles

Mediation is based on a professional guidance by a trained mediator, who follows some strict rules and principles to keep the mediation process effective. Mediation offers a very secure, safe and discrete platform for both parties of conflict to listen to each other and to have the chance to speak about anything related to the issue arisen and finally to find the ideal solution if possible. Just to come up with mutually

beneficial agreement, it is a matter of a long way from digging deeper in what has happened, what affects the presence and even the future. The mediator assists effectively during each stage of conflict resolution with the sense of future impact.

## Local or international usage?

Mediation is applicable to various conflict resolution / dispute resolutions. It is more universal, no matter if used only for local or international issues. Also in the Czech republic, there is a reasonable increase of attention to this way of dispute resolution. The success rate of business mediation to find the mutually acceptable solution is approximately 70-75%.

## Examples of business mediation- efficacy in time, money and reputation

- Business issues (restructuring, mergers, acquisitions, intellectual property, conflicts with suppliers, vendors)
- Consumers' complaints
- Workplace & HR disputes (downsizing, team collaboration issues, hybrid working conditions, remote man-

agement, conflicts between a boss and subordinate etc)

All above mentioned areas can be affected by unrevealed interests, influence, politics or needs. Mediation offers sufficient and secure space to examine all hidden needs and also to calm down strong emotions in order to find mutually acceptable solutions. People in their "frozen" positions don't even hear each other. Conflicts are full of massive emotions, different expectations and hidden interests. That is where mediation is a suitable tool to involve both parties, to let them discuss, make their own decisions and agreement consensually and the mediator remains as a guide and process manager. Mediation can help parties in comparison to litigation process to get to a faster solution, for less money while securing respect and keeping good reputation of both parties.

**To sum it up, even Czech legislation offers the chance to solve business disputes in a smooth, effective way. ■**

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# The Czech Republic:

## Stable opportunities during challenging times

### Salary levels in selected jobs

Sector / position	Min.	Max.	Typical
<b>Finance</b>			
Financial Accountant	1,852	2,263	2,058
Senior Accountant	1,934	2,881	2,407
Senior Controller	2,881	3,704	3,292
Business Analyst	2,469	3,292	2,881
<b>Construction &amp; Property</b>			
Site Manager – General Contractor	1,523	2,881	2,469
Project Manager – Development	2,881	5,350	3,704
Property Manager	2,263	4,115	3,086
Asset Manager	2,881	4,938	3,704
<b>Business Services - Finance AP/AR</b>			
Junior	1,646	1,852	1,770
Specialist	1,852	2,140	1,975
Senior	2,058	2,469	2,263
Team Leader	2,469	3,498	2,881
<b>IT / Telco</b>			
Cloud engineer	3,292	5,350	4,527
Developer / Java, .NET	2,469	5,350	4,115
DevOps engineer	2,881	5,350	4,733
IT manager	4,527	6,584	5,350

Currency: Euro (EUR 1 = CZK 24.30)

Source: Hays Czech Republic's Salary Guide 2023

The labour market has once again experienced several twists, turns, and challenges in the past year. The rapid recovery of the global economy after the pandemic was sharply slowed by the energy crisis and the war in Ukraine. All this is reflected in the strategic decisions of organisations and influences the planning of financial and human resources. Cost and operational efficiency were major theme, however, the number of open jobs in the country and demand for skilled professionals remains high.

**H**iring trends  
Organisations are reviewing their recruitment strategies and looking to expand their recruitment methods to increase efficiency and be more effective particularly in the industries hardest hit by the skills shortage such as IT, manufacturing, and research & development centres. These include headhunting employees from competitors or recruiting from abroad. Another way the skills shortage can be addressed is to re-evaluate role requirements and target more junior candidates and graduates. Any skills gaps are filled through training programs.

### Motivation and benefits

Organisations usually continued the trends set during the pandemic or tried to optimise the offer of benefits to remain competitive with their industry standards. From the employees' perspective, the most important benefits are those related to work-life balance and flexibility. Although the benefits package is one of the five main criteria aside from salary that candidates consider when accepting a job, they are looking for a role with a sense of purpose that aligns with their beliefs and circumstances. As a result, the nature of the work performed, and flexibility is becoming increasingly important.

### Wage trends

The increased stress levels that people now face contributed to the "quiet quitting" phenomenon, where employees are showing less engagement and lower productivity levels. This obviously creates a mismatch between increasing salary demands and organisations looking to find ways to protect their profitability. This is a very financially sensitive situation for both employers and employees. Employers are increasing their efforts to become competitive with their salaries so that the levels reflect the market but are not excessive. Employee salary requirements should therefore correspond to knowledge and experience, but also consider the current market availability. Salary growth in 2022 was faster than originally expected in the circumstances, reaching an average of 10% in skilled roles. Due to high inflation, some organisations decided to increase salaries in two phases during the year. Employers are looking at salary increases this year, most often in the range of 5-10%,

but up to one-fifth of them plan the increases on a case-by-case basis, rather than across the whole organisation.

### 2023 outlook

The demand for skilled employees and specialists will remain high across all industries. As we have mentioned before the lack of professionals is a major obstacle to achieving their business goals, so recruitment activity for key roles will intensify. To succeed it will be important to focus on effective and quality onboarding for new employees. With many people working remotely the challenge is having the right processes in place for this to be managed efficiently and maintaining organisational culture. Organisations that can offer stability and job security, interesting projects or products to work on, quality training and development programs, flexibility – and of course a competitive salary – will successfully attract the best talent. ■

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# 5 benefits of recruitment process outsourcing beyond cost savings

ROD, or recruiter on demand, is a recruitment outsourcing service that frees up your hands. ROD providers take responsibility for the selection and recruitment process of your core employees.

Cost efficiency has long been the main priority in recruiting programs, and a key reason businesses choose to adopt the ROD program. But the business benefits of ROD extend well beyond the recruiting budget. Today's sophisticated ROD models have the power to fundamentally transform each stage of the talent acquisition process, resulting in a streamlined, efficient and fully optimized recruiting strategy that drives measurable business impact.

## 1. expanded talent pool.

Today's market is plagued by talent scarcity, making it more difficult to engage with and attract qualified

candidates. ROD providers typically have extensive databases of candidates, the sourcing expertise and proven methodologies to ensure quality candidates are matched to their clients' crucial positions.

## 2. employer branding expertise.

Just as important as access to talent is projecting the company in ways that make the right candidates want to work there. HR leaders might not always have the time and resources to clarify their company's employee value proposition (EVP), or they may lack the internal expertise to deliver a robust employer brand strategy. ROD providers can fill this void, researching a company's brand and competitor positioning, aligning employer brand strategy with company brand and vision, and developing recruitment communications tailored to that messaging.

## 3. ensuring compliance and mitigating risk.

Complying with existing regulations around the hiring process – and staying up to date with any changes – can be a challenge for any busy organization. ROD helps by mitigating many of the risks that can result from non-compliant hiring practices. With an understanding of local and international labor laws, ROD providers are well versed in navigating

complex legal requirements and helping employers develop compliance-focused, low-risk hiring strategies.

## 4. enhanced speed of hire.

ROD providers work closely with hiring managers to understand specific job requirements, while also implementing service level agreements (SLAs) requiring requisitions be processed within tight time frames. Combined with rigorous screening and assessment, as well as streamlined offer presentations and onboarding, the result is a quick and efficient hiring process.

## 5. better insight through analytics.

ROD providers can apply historical data to reveal future trends and needs, while also helping businesses understand performance metrics, conduct more effective talent supply and demand modeling, and correlate metrics to business performance outcomes.

As a result, an ROD can transform talent data into business intelligence, ensuring employers will fill positions with right-fit candidates and helping inform business decisions – such as where to open new operations – that depend on availability of resources. ■

## ROD delivery models

Recruitment outsourcing service providers take responsibility for the selection and recruitment process of your permanent staff. They can manage only part of it or be completely in charge of its management and results.

### end-to-end ROD

service provider manages entire recruiting process

### selective ROD

management of distinct recruiting processes within your organization

### project ROD

service provider manages recruiting process short-term hiring goal

### recruiter on demand

provision of trained recruiters, equipped with our technology to supplement client team

- dedicated recruiters
- scalable resources
- service provider manages process and compliance
- strategic analysis and reporting
- tools & technology (ATS, recruitment marketing platform, mobile)
- flexible recruiters
- support client managed process

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# Outsourcing – potential value added

Outsourcing has become a concept that is permanently inscribed in the reality of the Czech economy. More and more companies are looking for this type of solution to secure non-core business activities, which allows internal resources to focus on activities with higher value added. While the greatest interest is in outsourcing of IT services, accounting and HR and payroll services, it is becoming increasingly clear that this type of solution is also present in widely recognised logistics and manufacturing processes.

**N**owadays, it is possible to outsource almost all business activities. The growing demand for outsourcing in more and more areas plus the increasing number of entities providing such services give rise to the need for continuous improvement and quality enhancement of the out-

sourcing solutions offered by their providers. More and more organisations today are looking not only for process reproducers operating in accordance with accepted standards and procedures, but also for professional outsourcing companies offering tailor-made business solutions and participating in creating value added as part of the services provided.

## Pros and cons

Outsourcing provides companies with many benefits such as flexibility, as well as access to the knowledge, experience and know-how of external experts. There are also risks that must be assessed – the most frequent ones relate to losing direct control over the process and the quality of the process, as well as possible security risks associated with direct access to the given company's internal network. Therefore proper actions must be implemented to mitigate possible impacts on the business. Companies should focus on concluding a proper contract with the outsourcing provider. A key part of the contract is the SLA (Service Level Agreement), where as the minimum the main service KPI's should be defined: availability, quality parameters and price of the service.

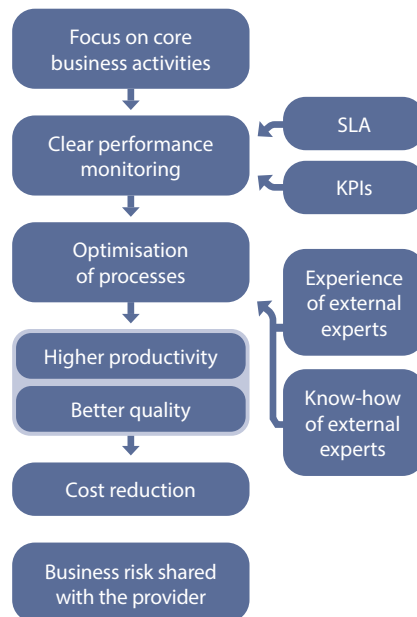
## How to create value added as part of the outsourcing service?

The first step should be definition of expectations and translating them into specific goals for the provider. These KPIs should be the benchmark for measuring the quality of the service and monitoring of service delivery. They are also a helpful tool for identifying losses and a starting point for identification of areas requiring improvement. Additionally, the degree to which the set KPIs are achieved should determine the level of remuneration paid for the outsourcing service. Only a supplier who is not afraid to make its remuneration dependent on the degree to which the set KPIs are achieved can earn trust and the confidence that it will not be merely a process reproducer, but will act in the spirit of continuous improvement and will deliver the expected value added.

## Remuneration options

Remuneration in outsourcing can be done by means of two main models. With the fixed cost model, the price is not affected by KPI results. Conversely, with the cost plus model, the provider's margin is dependent on the performance measured by the KPI results. In both variants, the remuneration can be paid by the hour, by service or by unit. ■

## Value Added of Outsourcing



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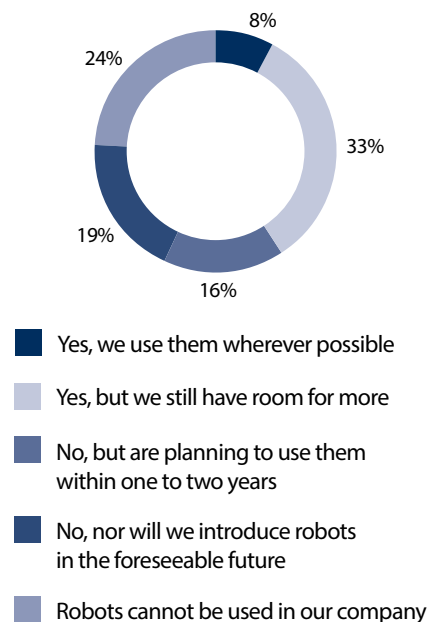


THE ADECCO GROUP

# Employment agencies and recruitment of workers in the Czech Republic

While the coronavirus crisis affected the market in 2021, the war in Ukraine had a negative impact on most surveyed companies in 2022, though the effects were not as strong as expected. The Czech Republic has still the lowest unemployment rate in the European Union, remaining at 3.5% in the last quarter of 2022. According to a recent survey, more than a quarter of manufacturing, wholesale and logistics companies have more employees today than they had last year despite the Ukraine crisis and 38% of the surveyed companies want to hire new employees in the coming months. Companies are mostly looking for professional technical employees, manual workers and qualified craftsmen.

## Do you use robots in your company



Source: Hofmann Personal, 2022

A trend in recent years has been the interest of companies in employing foreign workers. Foreigners are most often employed by larger companies, particularly in the automotive industry and mechanical engineering. Employers especially praise the willingness of foreign workers to work and adapt to shifts, for example on weekends and holidays and in relation to overtime. Despite the language barrier, according to HR professionals, foreigners have no problem fitting into companies' teams. The main disadvantage mentioned is extensive and demanding administration. However, this problem can be solved by using an employment agency, which will ensure all actions connected with the search for candidates abroad, visa processing and their arrival in the Czech Republic.

Automation and robotization are also proving to be a new trend. Robots are currently used by 40% of the surveyed companies, most of which see even more potential in the greater utilisation. Robots are expected to replace mainly lower-level workers. At the same time, however, there will be a demand for people who will be able to work in robotized workplaces, operate, service and program the ro-

bots. HR managers should therefore also prepare for the fact that they will need to recruit a different type of worker in the near future and the whole recruitment and education process will change. Finding a professional recruitment partner will then be even more important.

**The latest trends in recruitment of workers include extended cooperation with employment agencies, a comprehensive system of corporate benefits and special methods of selecting and education of new employees.** When cooperating with an employment agency, value added lies primarily in the following aspects:

1. Time savings during the recruitment process.
2. Flexibility – coverage of sudden fluctuations during holidays or illness, coverage of seasonal

peaks, quick help in case of increased production.

3. The complete personnel and payroll agendas are secured, including interviews, training, medical examination, provision of protective equipment, wages, advance payments, pay-slips processing and distribution etc.
4. The demanding induction training stage may be conducted through the agency.
5. 24/7 support and services.
6. Arrangement of transport/accommodation for employees.
7. Personnel/legal consultancy, know-how transfer.
8. Possibility of a fixed trial period including the possibility of hiring a proven worker as a permanent employee. ■

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# Alternative recruitment - Rent a recruiter

Most managers think of only the obvious solutions to hiring challenges, but there is an alternative way to recruit people that may be more cost-effective and efficient for companies starting to operate in the Czech Republic.

The typical view of the workforce has been one mass of full-time, in-office permanent employees delivering all the tasks and services we require to run our businesses. Yet the world has changed, even before the COVID-19 pandemic. A more relevant perspective would see companies and service providers as fluid places of knowledge, able to access gig workers, contractors and part-time and full-time employees, as well as strategic partners and remote workers – all using or capitalising on the technology and modern tools that exist today.

To hire people into your company, you also have a few options. You can advertise your jobs, you can pay a recruitment agency a success fee, or you can hire a full-time talent acquisition specialist. Obviously, many companies would love to have their own fully employed talent acquisition person, believing it would optimise costs and allow them to conduct multiple recruitments without having to pay a job board or agency such enormous fees. But what about headcount approval, what about the permanent employment costs, and how are you going to find a good recruiter?

Most importantly, have you started asking the critical questions? Do we really need a full-time recruiter? How many new positions do we need to fill and in what time period? An experienced recruiter can make 4-6 hires per month. Do we need two of them or just one part-time? A more future-proof solution may be to simply rent a recruiter instead. This service is offered by leading recruitment firms as an alternative to the typical success-fee structure to alleviate the stress of working with such a fully external partner. In the recruiter rental model, the person works for you, quite often bringing best-in-class experience from outside, which can be

a major boost for the organisation. The person will bring added value as an advisor and expert in areas such as employer branding, candidate experience and best practice for recruitment processes.

#### The recruiter will typically:

- Be experienced in HR/sourcing/recruiting.
- Be trained and certified in the latest methodologies.
- Come with technology – LinkedIn, ATS, etc.
- Offer exclusive coverage on job boards or mobile apps.

#### Benefits:

- Can stop and start as you see fit.
- No firing fee, no severance pay if the project ends early.
- Flex up or down as your needs change.
- Inject local market knowledge into the company/process.

#### What can they do?

- Compiling of a longlist of candidates and the client does the rest.
- Deep market sourcing and engaging, representation of your brand.

- Screening of already sourced candidates or CVs.
- Communication with internal resources, management, stakeholders.
- Entire recruitment process for junior or senior levels.
- Project management to kick off a recruitment drive.
- Building of an external talent pool.
- Running of community management for your existing candidates. ■

#### When to use it?

- You are starting up and need a recruiter to kick-start things.
- You want to hire a lot of people in a short period of time, then probably will not hire many after that.
- You need a project manager to lead some HR/recruitment projects.
- You are going through a transformation and need help to lead it and get people on board.
- You do not know how to hire but do not want to use agencies.
- You have a TA team but they do not have time for sourcing.

#### What structure can be used?

**5-50** hours in total

**Part-time** for a few months

**Full-time** more than 3 months

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# B

## Blue Staffing

We recruit temporary blue-collar workers. These are people who perform physical work (production worker, warehouse worker, etc.). This service temporarily assigns a worker with a user, where the employer is the agency, and the user is the client. The term 'blue collar' was not randomly created, it refers to the blue clothing - overalls the worker's wear

## Direct Search

This is the key method of work of Professionals teams, where recruiters and head-hunters directly address selected candidates for the positions of specialists, experts, and managers.

## Executive Search

As Executive Search, we refer to projects focused on the direct search of candidates for roles in senior management and top management. The roles are often not advertised, and candidates are always approached by a dedicated senior consultant. A standard part of the project is regular reporting including information on the status of the project, the situation of selected candidates and ongoing or planned activities.

## RPO

Outsourcing of part or all the internal recruitment process, including administration and onboarding.

Our specialists will take over or optimize your internal recruitment processes and work off-site or on-site together with your hiring managers. Our know-how, knowledge of the specific market, flexible capacity and precisely selected combination of resources allow us to quickly fill many positions and search for experts and managers

## Master Vendor

The main contractor, which will supply temporary

workers from its own workforce and manage the level of employment companies or employment agencies as needed in order to provide temporary workers with orders that it is unable to fulfil itself. For the customer receiving the managed services, provision is seamless, and the customer concludes contracts only with the main vendor and not directly with third-party employment companies or agencies. ■

## Legal obligations of the employment agency:

- Company registered in the Czech Republic <https://or.justice.cz/ias/ui/rejstrik>
- Permit from the Labour Office of the Czech Republic – pursuant to Section 13 (1) (a) (b) and (c) of Act No. 435/2004 Coll. <https://www.epi.sk/zscr/2004-435#cast2>
- Deposit – Section 60b of the Employment Act stipulates the obligation of a legal entity or natural person applying for a permit pursuant to Section 14 (1) (b) of the Employment Act to provide a deposit in the amount of EUR 18,700 (CZK 500,000).

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GROUP

# Being an employer in the Czech Republic

Insurance, support and assistance are the ingredients of a just social system for everyone. They are also the responsibility of employers, employees and the social-security administration in the case of unemployment, sickness, disability, care or emergencies in Czechia. What costs must be calculated when hiring employees? This article outlines the computation of wages and elements thereof, benefits and mandatory contributions in Czechia.

**Social-security system**  
In Czechia the social-security system is implemented through three main tools, namely social insurance, state social benefits and social assistance and services.

Contributions to social insurance are mandatory under the law. Czech social insurance is divided into the following systems: sickness insurance, accident insurance, health insurance and pension insurance. In other words, social insurance helps people prepare for possible life situations, for example, unemployment – citizens of Czechia contribute to the Employment Policy Fund, which is actually an unemployment benefit fund; ill health – citizens contribute to the health-insurance system; short-term disability – citizens pay sickness-insurance contributions; long-term disability – pension-insurance contributions; and work-related accidents – personal-injury insurance. **Health insurance** contributions fund basic healthcare. All employees and self-employed people as well as individuals without taxable income residing permanently in Czechia are obliged to pay contributions. Part of the insurance is paid by employees themselves and part is paid by their employer. Health insurance covers medical treatments, medical devices, medication, etc. It does not cover some drugs and services that are not part of basic healthcare. These are paid for by patients.

**Payroll accounting**  
Payroll accounting is part of employers' accounting and it is one of the basic sources of information about the financial situation of a company. Payroll accounting includes HR and payroll data, salary calculations, social and health-insurance deductions, taxes, garnishing of wages and other salary deductions. HR and payroll administration are essential for mandatory reports and summaries sent to social-security bodies, health-insurance companies, the Tax Office, the body responsible for statutory employer insurance, the Labour Office and other institutions. Payroll and HR administration can be outsourced and in Czechia these services are provided by a great number of companies.

**Salary tax**  
Since 2021, the gross wage has been used in the calculation of personal income tax. Includes basic salary and other non-cash income of the employee. The net wage is equal to the gross wage of the employee for the calendar month minus income tax plus tax relief minus social security premiums (6.5% of gross wages) and health insurance premiums (4.5% of gross wages). ■

## Example of salary calculation (in EUR)

Gross monthly salary	1,345	
	Employee	Employer
Health Insurance (4.5% / 9%)	61	121
Health insurance total	61	121
Sickness insurance (0% / 2.1%)	0	28
Pension insurance (6.5% / 21.5%)	87	289
State employment policy (0% / 1.2%)	0	16
Social insurance total (6.5% / 24.8%)	87	333
Insurance contribution total (11% / 33.8%)	148	455
Employee relief	105	
Tax relief	105	
2 <sup>nd</sup> Child tax credit	127	
Child tax credit	127	
Income tax deposit (15%) / *(if income exceeds EUR 6,573, tax is 23%)	202	
Income tax total	202	
Net monthly salary	1,227	
Monthly salary cost to the employer		1,799

Source: Adecco, 2023

Note: Currency: Euro (EUR 1 = CZK 24.54); The calculation is updated to 2023

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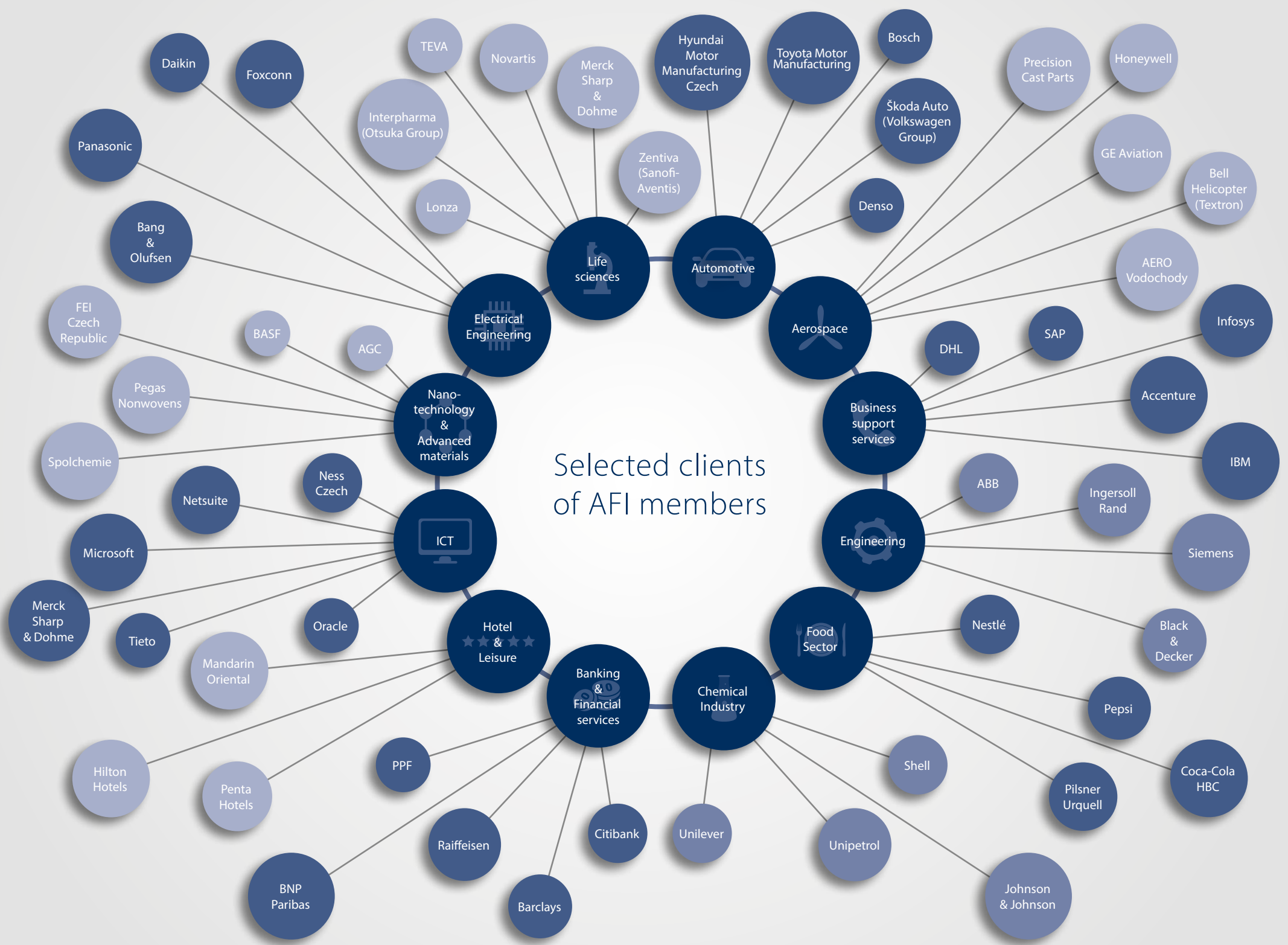
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The image features the CzechInvest logo, which consists of the word "czech" in blue and "Invest" in red, with a stylized white arrow pointing right. The background is a collage of red and blue geometric shapes, including triangles and rectangles, some with diagonal lines.

# czech Invest

*The CzechInvest Agency celebrated 30 years since its establishment. During its existence, it has negotiated, partially with AFI support, CZK 1.2 trillion worth of foreign and domestic investments in Czechia. In all Czech regions, these investments have created over 307,000 new jobs. Thanks to its intensive support for startups, CzechInvest contributes to strengthening Czechia's position among European technology leaders. In the future, it will further strengthen its position as a facilitator of innovation.*





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A black and white photograph of a desk with a calculator, a pen, and tax forms. The text "Find out more about taxes" is overlaid in the top left corner. The calculator is a standard desktop model with a numeric keypad and function buttons like "ON/C", "MRC", "M-", "M+", "OFF", "√", "%", "÷", "X", "=", and "+". A silver and black pen lies diagonally across the forms. The forms are labeled "1040EZ" and "Joint Filers Worksheet". The text "Find out more about taxes" is in a large, bold, black font. The background is a light gray, and the overall image has a professional, clean aesthetic.

# The Czech tax environment:

## Transparent and competitive

The Czech tax system is transparent and competitive, and offers a number of opportunities to investors.

### For individuals

Tax base below 48 times the average salary (approx. EUR 79,700) is subject to a 15% tax rate; tax base above this limit is subject to a 23% tax rate.

The final tax liability may be lowered by different tax deductions and forms of tax relief depending on the individual's personal situation. Participation in the Czech social security and health insurance systems is generally required but can be modified by applying EU legislation or a respective totalisation agreement. The Czech social security system covers a wide range of state support including high-quality public medical care, pension, disability insurance, sickness insurance and unemployment benefits.

### For businesses

Business income is taxed at a rate of 19%. A 5% rate applies to basic investment funds. There is no alternative minimum tax.

The corporate income tax base is determined in accordance with the Czech Accounting Standards with adjustments for tax purposes. The functional currency is the Czech koruna.

Withholding tax is applicable to limited types of payments to non-residents (e.g. dividends, interest and royalties); however, exemptions based on the respective EU directives and/or double taxation treaty can be obtained.

To support the business activities of domestic and foreign investors, new and existing benefits are available (see table for more details).

In year 2023 and onwards, some companies active in energy, oil and banking industries may be subject to so called windfall tax of additional 60% on the profits compared to the benchmark stipulated based on prior years profits.

### Indirect taxes

For VAT payers performing taxable activities, VAT generally should not represent an additional cost. The standard VAT rate is 21% and the reduced rates are 15% and 10%. Certain supplies are exempt. The Czech Republic implemented Directive 2006/112/EC on the common system of VAT and is thus generally in line with the principles applied within the EU.

The transfer of goods within EU member states is generally not regarded as export or import. Goods imported from third countries are subject to import customs duties, excise duties, VAT and other measures based on the EU customs tariff.

### Other taxes

Several rather immaterial taxes such as property tax and road tax are applicable in the Czech Republic. ■

R&D deduction	■ Eligible costs can be deducted twice: once as operating costs and further as a special R&D deduction (a 110% increase for incremental eligible costs is available)
Investment incentives	■ Job creation and training grants ■ Cash grants for strategic investments ■ Corporate income and property tax relief
Tax loss deduction	■ Carry forward for five tax periods ■ Carry back for two tax periods
Acceleration of tax depreciation	■ Tax amortisation of intangible assets equals to its accounting amortisation (for assets acquired from 1 January 2020) ■ Extraordinary tax depreciation of assets in the first and second depreciation groups acquired in the 2020 and 2021 tax periods

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# Paying corporate taxes in the Czech Republic

**Corporate income tax**  
**Rate:** There is only one corporate income tax (CIT) rate of 19% applied to the general CIT base (as an exception, certain investment funds have a special CIT rate of 5% and pension funds a 0% CIT rate). There are no state, municipal or other similar local income taxes. For years 2023 – 2025 a new “windfall tax” was introduced in connection with the spiking energy prices. The windfall tax applies to companies operating in banking and energy sector. The base of the new tax is the amount by which the corporate income tax base of the company generated in years 2023 – 2025 exceeds 120% of its average base reported in years 2018 – 2021.  
**Base:** The CIT base is calculated based on the accounting result determined according to the Czech accounting principles. The account-

ing result is then adjusted for non-tax-deductible costs and non-taxable revenues. If the CIT base is negative, the tax loss can be carried forward for five subsequent tax years or carried back to two preceding tax years (max. EUR 1.1 million).

**Capital income:** Dividends from abroad are generally subject to a reduced CIT rate of 15%. Capital gains from sale of shares is included in the standard tax base (19% CIT). Dividends and capital gains from EU subsidiaries can be exempt under the EU Parent-Subsidiary Directive. Dividends, interest, license fees and some other types of income paid to abroad are subject to a withholding tax (WHT) of 15%. The WHT can be reduced based on the applicable double taxation treaty or based on the EU Parent-Subsidiary or Interest/Royalty Directives.

**Transfer pricing:** The transfer pricing (TP) rules for transactions between related parties are compatible with the OECD TP guidelines. TP documentation is not obligatory; it is only recommended.

**Tax incentives:** Investment incentives in the form of CIT relief for ten years are available for certain new investments (manufacturing plants, technology development and shared-services centres). The maximum level of state aid is 25% of the costs of the investment. A generous tax incentive is also available for R&D activities; this incentive has the form of a double tax-deduction for costs incurred on R&D projects.

## Value added tax

**Value added tax (VAT)** is charged by all VAT payers as part of the agreed price when supplying most of goods or services locally. A customer that is a VAT payer may claim the input VAT back. In some cases, a “reverse charge” may apply, i.e. VAT is not charged by the supplier, but is self-accounted by the customer.

**Rates:** There are three VAT rates. The standard rate of 21% is applied to most goods and services. The first reduced rate of 15% is applied to, for example, public air transport, most food and construction works related to social housing. The second reduced rate of 10% is applied to, for example, accommodation, leisure activities and certain types of medication, books, newspapers, draft beer, etc.

There are also VAT-exempt goods and services, e.g. banking and insurance services, rent of apartments, education and health services, etc.

**Tax-administration obligations:** Besides the VAT return and EC Sales List (when EU sales of goods or services are carried out), a control statement (a Czech form of SAF-T) must be submitted by Czech VAT payers.

As from January 2023, the VAT registration threshold was doubled to approximately EUR 78,500 (i.e. CZK 2,000,000) in order to relieve small businesses of the associated administrative burden. ■

## Illustrative comparison of VAT rates in the Czech Republic and neighbouring countries

Country	VAT rates			
	Basic rate	1 <sup>st</sup> reduced rate	2 <sup>nd</sup> reduced rate	3 <sup>rd</sup> reduced rate
Czech Republic	21%	15%	10%	N/A
Slovakia	20%	10%	N/A	N/A
Poland	23%	8%	5%	N/A
Hungary	27%	18%	5%	N/A
Austria	20%	19%	13%	10%
Germany	19%	7%	N/A	N/A

Source: PwC online tool GlobalVATOnline which provides up-to-date information on VAT/GST rates, rules and requirements around the world.

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# Paying personal income tax in the Czech Republic

Czech tax law recognises five types of individual income that are subject to tax and stipulates specific rules for calculating the partial tax base from each of them. The total tax base of an individual is then represented by the sum of these partial tax bases. The personal income tax rate is progressive, with the first rate being 15%. The second increased rate 23% is applicable to income over CZK 1,935,552 (approx. EUR 79,002).

## Calculation of tax liability from the aggregate tax base

- Aggregate tax base
- Deductions  
(e.g. deduction of paid mortgage interest, contributions made to a private pension scheme and/or private life-insurance account, charitable donations)
- Tax base the nearest hundreds Czech korunas
- ✗ Tax rate
- Tax allowances
- Tax liability

## For each activity, the mostly used lump-sum deductions are set as follows

### Lump-sum deduction

#### Maximum limit for the lump-sum deduction for the taxable period 2023

60% in most trade-license activities

CZK 1,200,000 (approx. EUR 49,000)

40% e.g. lawyers, tax advisors, architects, doctors, artists

CZK 800,000 (approx. EUR 32,650)

**Tax residency**  
Czech tax residents have a duty to pay taxes in the Czech Republic from their worldwide income. An individual is a Czech tax resident if he or she has a permanent address in the Czech Republic or spends here at least 183 days in total per year.

### Types of taxable income

The following five general types of income are recognised in relation to individuals:

- employment income,
- business income,
- income from capital assets,
- rental income,
- other income.

### Employment

Employment income is mainly income from performing work based on an employment contract or remuneration of statutory representatives of companies. Tax base is calculated as follows:

**Tax base = gross salary and taxable benefits (i.e. employment income).**

A maximum assessment base applies to social security. For the taxable period 2023, the limit is set at CZK 1,935,552 (approx. EUR 79,002). However, there is no maximum limit applicable to health insurance.

### Business income

The partial tax base (or tax loss) in relation to business profits is represented by the difference between earned business income and related business

expenses. The individual may select the more convenient of the following methods of claiming tax-deductible expenses:

- paid expenses in the actual (documented) amount,
- lump-sum deduction.

### Capital income

Income from capital assets mainly comprises received dividends, interest and income from pension accounts and life-insurance policies.

### Rental income

This category includes income from leases excluding some exceptions. The mechanism for calculating the partial tax base (or tax loss) from leases is similar to that for business income i.e. the individual may choose between claiming actually incurred expenses or claiming a lump-sum standard deduction, which is 30 % with the maximum limit of CZK 600,000 (approx. EUR 24,500) for the taxable period 2023.

### Other income

Any income other than that described above falls within the scope of the partial tax base, e.g.

income from the sale of property or movable assets including shares, from occasional activities and leasing of movable property, non-monetary income, etc.

### Calculation of tax liability

An individual can also apply deductions and tax allowances, which are applied under the stipulated conditions available mostly to tax residents of the Czech Republic. The tax liability reduced by tax allowances is the final tax liability to be settled with the tax authority. The most frequently applied tax allowances are general annual allowance, allowances for students and children, and allowances for taxpayers with a low-income spouse.

### Tax compliance

The obligation of an individual to submit a tax return arises if the individual has earned taxable income (not subject to withholding tax) in the annual amount of at least CZK 50,000 (approx. EUR 2040). If the individual has earned employment income only, the related tax obligations are in most cases settled by the employer and no obligation to file a tax return arises. ■

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**Interested  
in M&A?**







# Legal aspects of M&A transactions in the Czech Republic

Within thirty years after the fall of the communist regime, the Czech Republic has firmly re-established its position as industrial and commercial powerhouse of the CEE region.

Thanks to the open market and long-term interest of foreign investors, the M&A market in the Czech Republic is alive and booming.

**D**ue to the steady stream of foreign investments, the M&A transactions in the Czech Republic are in general carried out in accordance with M&A international standards. However, there are certain local specifics arising, for example, from historical context or are based on specific local legal requirements which may caught a foreign-based investor by surprise. The aim of this article is to provide a brief overview of such most common local specifics.

## Structuring of M&A transactions

Most transactions in the Czech Republic are structured as a typical share-deal or an asset-deal type of transactions. However, Czech law also offers another alternative called “transfer of an enterprise” which combines some specifics of both of the above types of transactions.

An enterprise consists of a set of assets and liabilities which pertain to the performance of a specific business activity. By way of an example, an enterprise of a production company may consist of its machinery, stocks, employees, real estate (such as a warehouse or a production plant), business receivables as well as of its liabilities (such as financing debts or trade receivables). An enterprise also encompass contracts relating to such business. The transfer of an enterprise then consist of a concurrent transfer of all of such assets, liabilities and contracts as going concern by way of a single agreement.

The benefit of this type of transactions is the possibility to acquire a whole ongoing business portfolio

without the need to acquire the legal entity currently holding such assets. This transaction may therefore eliminate some of the risks relating to hidden liabilities pertaining to the target company or, for example, share title related risks.

## Due diligence specifics

The due diligence process in the Czech Republic does not substantially differ from such procedures in other European countries. However, there are certain areas or topics which may be rather unusual:

**Real estate cadastre** – Although the Czech real estate cadastre contains records dating back even several centuries and any new entries are being meticulously verified, Czech legislation does not provide any statutory warranty concerning correctness and completeness of the real estate cadastre records. Therefore, a prospective purchaser of a Czech real property should not fully rely only on the records publicly available in the real estate cadastre but should rather request a title warranty from the seller. In addition, a due diligence review of the ownership title chain is also advisable and a market standard.

**Restitutions** – During the former communist era, a vast number of real properties were confiscated by the state. Following to the fall of the communist regime, the Czech state started to transfer the properties back to their original owners in the so call “restitutions” proceedings. Although most of the restitution proceedings was already completed years ago, there may be a few specific cases which may be still pending nowadays.

**Pension scheme** – Although some Czech specifics require an additional due diligence work, there are also some areas which are very straight forward compared to other jurisdictions. The pension scheme is one of such topics, as the pension system in the Czech Republic is state-operated and funded by mandatory deductions from the employees’ salaries.

## Conclusion

As in any other jurisdiction, contacting an experienced M&A legal advisor familiar with both the local specifics and also the international standardd which will guide the investor through the transaction is a crucial element which may determine the potential success of the transaction. ■

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# Making informed investment decisions

Several studies indicate that investors identify sound due diligence as one of the most important factors in achieving a successful M&A deal. However, what elevates financial due diligence from a bare necessity to a critical success factor?

**Avoiding unpleasant surprises**  
Contemplating a potential investment, it is vital to look for weaknesses in performance measurement, changes in cost structure, dys synergies or creative accounting. A working capital analysis is not a checklist with several standardised tests. It is crucial for identifying oddities in working capital trends. Advisors attempt to calculate the expected impact of the transaction on working capital. Analysing net debt involves also finding risks that may not even be captured by financial statements. Underinvested fixed assets or unreported contingent liabilities may backfire if not identified prior to the transaction closing.

Interim performance reports of Czech SMEs are often affected by the limited scope of the monthly closing procedures. Consequently, interim results may not be indicative of full year results. When dealing with long term contracts, proper revenue recognition should be considered due to the inherent limitations of the Czech Accounting Standards. Apart from that, treatment of leases is commonly discussed in relation to cross-border transactions, as all leases are expensed under Czech accounting standards, which differ from IFRS or US GAAP standards.

market, putting more emphasis on making the purchase price as certain as possible. However, the economic uncertainty caused by COVID-19 restrictions and currently worsening economic environment calls for more flexible purchase price arrangements, such as earn-outs. These may often be the only way to overcome deadlock in negotiations, particularly when the gap between sellers' price expectations and bidders' risk appetite is too wide. Earn-outs are thus currently being widely adopted, though it is unclear whether this trend may persist once economic/business stability is restored.

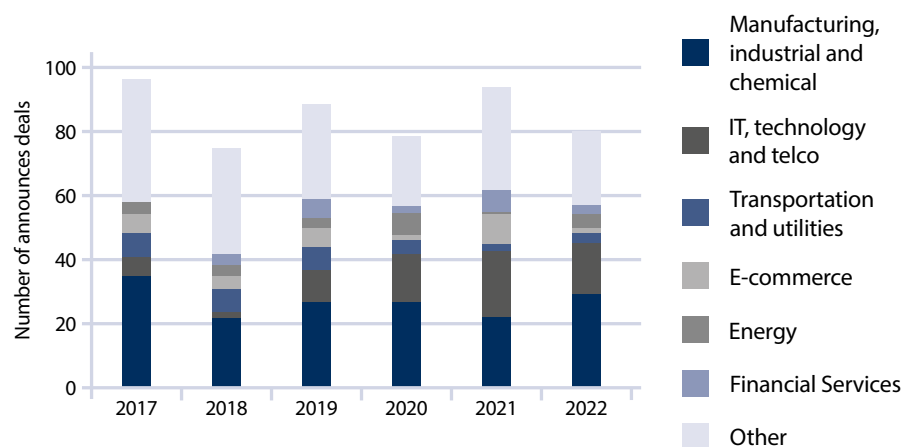
## Trends reshaping M&A in the Czech Republic

The M&A activity in the Czech Republic remained on relatively high levels especially during the first three quarters in 2022 despite economic slowdown in Europe caused by the high inflation and the increase in interest rates coupled with energy crisis. The preliminary data from Merger market indicates the overall deal count in 2022 was 80 (decrease by 15% compared to 2021). With a 71% share in small to medium-sized transactions, closing accounts are generally the preferred mechanism for determining prices in the Czech Republic. In the pre-pandemic period, however, the locked-box mechanism gained some popularity in the SPAs, as the Czech Republic became a "seller's"

## Not many changes in the origin of key bidders

Local deals comprised more than half of all deals in 2016-2022. US investors were the most active foreign investors (six deals in 2022) together with German (six deals in 2022). In the long run, German investors are the most active due to close commercial ties between the Czech and German economies. Although US investors were particularly active in 2022, investments from non-EU countries (incl. UK) are still rather rare and make up approx. 20% share (in volume) in Czech acquisitions over the past five years. The M&A market is dominated by strategic players as financial investors were involved only in 26% of total acquisitions in last 5 years. ■

Number of announced deals with target in the Czech Republic



Source: Deloitte, Mergermarket, 2022

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# From preparation to operation

When making decisions in the process of preparing and implementing an investment in the Czech Republic, foreign investors have the possibility to use the services of consulting firms connected with resolving various construction-technical and organisational issues. This pertains to both new construction projects and brownfields. The services are offered to foreign investors based on the service providers' past experience gained particularly in the Czech Republic.

**T**he character of provided services is fully dependent on the character of the given project. These services should minimise investors' risk associated with errors arising from a lack of understanding of the specific conditions and differences in construction-related legislation.

## Technical screening

Investors are offered services consisting in collection and assessment of information required for making a decision on the given project's location. This involves assessments of the following aspects:

- Proposed location of the structure with respect to urban development documentation and possible risks.
- Transportation infrastructure with respect to not only the implementation and operation of the structure, but also to accessibility for employees.
- Utilities networks, especially with respect to their long-term operability, quality, capacity and loading.
- Climatic conditions in relation to transport, energy intensity, operating costs and the scope of facility management.

It is necessary to check the following:

- Quality of given building and its individual parts and the utilised construction materials from the perspective of the structure's anticipated service life.
- Determination of the extent of the building's compliance with the technical standards and regulations.
- Condition of equipment and the location of all necessary energy sources for flawless and economical operation.

- Condition of the fire-protection system and assurance of occupational safety.
- Foreign investors commonly request this overview of analytical documents and information from consulting firms.

## Preparation and implementation

In this part of the project lifecycle, the project and cost management services are as follows:

Recommendation regarding the specific professional competence of the project manager and management teams, with focus on thorough knowledge of the technical and organisational conditions of the construction process in the Czech Republic.

Assessment of materials for selection of a general contractor alerting investors to risks that may arise. A technical audit of the documentation for selection of the contractor carried out by a consulting firm is extraordinarily beneficial for investors. Assistance with the actual selection and evaluation of bids is a natural part of the offered services.

Management services with focus on the key milestones of the construction project, the basic links between the structural and technological works and a statement of significant risk areas. The process should be as follows:

### Step 1:

The investor and consulting firm define the objectives and set up the time schedule and organisational assurance. Usually, a representative of the consulting firm explains to the investor all aspects of the agreed activities.

### Step 2:

The consulting firm forms a team of specialists according to the agreed requirements with the objective of precisely specifying the preliminary actions to be taken.

### Step 3:

The consulting firm's specialists verify individual areas and prepare partial reports including necessary documentation and recommendations.

### Step 4:

The management of the consulting firm submits a final summary report to the investor. Within this report, emphasis is placed on a comprehensive solution for determining the status with a statement of the degree of importance of the determined facts.

The process of providing such technical due diligence services as described above is common practice and is always the result of the initial discussions and the requirements precisely formulated by the investor. ■

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# Environmental due diligence –

## A cornerstone of new acquisitions assessment

Environmental due diligence (EDD), i.e., the so-called ecological audit of industrial companies, administrative buildings or undeveloped land plots intended for further developments, is an important element of making decisions about new property acquisitions.

The purpose of EDD is a comprehensive evaluation of given property regarding possible environmental risks. The audit provides the client with an assessment of whether the property complies with the applicable environmental laws, as well as a calculation of the possible risks and costs associated with remedial measures. Typical clients requesting EDD services include individual industrial companies and business chains, as well as important developers and companies providing facility management services.

As there is no specific EDD methodology in place in the Czech Republic and as majority of acquisitions involve foreign investments, most consulting companies provide EDD services according to the ASTM E1527-21 Standard issued by the American Society for Testing and Materials (ASTM). This approach ensures easy orientation and fulfilment of foreign investors' expectations.

Environmental due diligence is performed in two phases according to the ASTM methodology. The **Phase I** includes the evaluation of the site to identify the potential or existing environmental contamination liabilities of the site to assess whether it is in compliance with legislative requirements. The current state of the site and all activities taking place are assessed during a site visit and following desk study of materials, records, maps, and data. Based on the available information, the following points are assessed:

- historical use of the site with emphasis on uncovering old ecological burdens;

- environmental impacts of current activities (waste handling, use and storage of chemicals, technological operations, heating and cooling, etc.);
- review of all available documentation (public registers and databases, documentation at the site);
- particular consideration is paid to the assessment of waste, wastewater and handling of hazardous substances, as well as the amount of airborne emissions produced.

The guiding principle behind this approach consists in an attempt to establish links between a hazardous source and a potential receptor via an exposure pathway. Risk assessment is the process of collating known information on a hazard or set of hazards in order to estimate actual or potential risks to receptors. Receptors may be humans, water resources, a sensitive local ecosystem or future construction materials. Receptors can be connected with the hazard via one or several exposure pathways (e.g. direct contact). Risks are generally managed by isolating or removing the hazard, isolating the receptor or by intercepting the exposure pathway. Without the three essential components of source (hazard), pathway and receptor,

there can be no risk. Thus, the mere presence of a hazard at a site does not mean that there will necessarily be attendant risks.

The **Phase II** is carried out in the case that the first stage defines the necessity of further specialised research for the purpose of making a qualified decision about the environmental state of the site. The most frequently performed activities during the second stage are research of asbestos occurrence and taking samples (e.g. soil, groundwater or building materials) to analyse for quantitative values of various contaminants – the most frequent contaminant being petroleum products (hydrocarbons) or PCBs from the operation of old facilities and equipment, such as transformers and the like.

Performing environmental due diligence should be a standard step during acquisitions of properties, as it can significantly contribute to the decision-making process as a whole and reduce the costs of future remedial measures. The most important approach is to have EDD done by a high-quality company that knows the local conditions and all related circumstances. ■

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# Finding **a trustworthy** director in the Czech Republic

Nominee services are used when a nominee (fiduciary) looks after the assets on someone else's behalf and acts in their best interest.

Such a person is usually nominated based on a contract between the client and a professional provider, which means the nominee is not someone from the client's staff.

**T**he trust element

The nominee director service, which is probably the most common type of nominee service, is typically provided by independent trust firms or individuals. Clients recruit from various industries and business segments and use this service for different reasons. As the element of trust is of great importance in this relationship (which is why providers of such services are often referred to as "trust firms"), clients tend to look for reputable providers with a proven track record. Reputable trust firms serve as a sort of guarantor in this relationship, as they have adequate procedures in place ensuring that their directors will act strictly on the client's instructions only. This means that the client decides what contract to enter into and the director, in cooperation with the client's lawyers, tax advisers and other professionals, executes the client's wishes. It is for this reason that clients usually reach out to trust firms for this type of nominee service.

#### **Why and when to use a nominee director**

Why use a nominee director when many companies use their own staff? Why not use your own people when finding the right provider is not always an easy task?

To answer these questions, some commonly cited reasons for choosing this service are provided below.

**Local management and control** – If the client has its headquarters abroad, appointing

a foreigner as the director of a local company might lead to speculation with respect to where the real management and control are being executed. This risk is mitigated by appointing a professional local director who lives in the same country in which the company is registered.

**Independence and responsibility** – Having an independent trust firm with professional indemnity insurance and director and officers liability insurance appropriate to the size of its clients and which can also handle back-office management (accounting, payroll, compliance, etc.) is much more effective than using one's own employee, who not only has to deal with directorship tasks in addition to his/her primary duties, but may also go on holiday, become ill, leave the company unexpectedly or pursue his/her own interests.

**Limited presence in the country** – This is typical for inward investors who do not need many people locally and manage their investments in multiple countries from their headquarters

abroad. Having a local director with a proven track record who knows local legislation and the business community, can recommend local experts in other service areas and is used to daily operational matters such as how banks, the tax office and other governmental authorities operate saves the client time and resources and is more effective than having an expatriate dealing with these issues in multiple jurisdictions at once.

**Cost** – It is cheaper to outsource an experienced local director than to move one's own full-time employee with the required seniority and experience to a foreign country to serve as a director.

#### **Summary**

Nominee services are not a magic bullet that eliminates all concerns and problems associated with a new investment. However, if used in the right way and with the right partner, they can save a lot of time and financial resources and add an extra dimension of comfort and corporate governance. ■

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VISTRA 

# Sourcing and business partnership

Are you looking for a suitable supplier or a joint-venture or acquisition partner in Czechia? If so, CzechInvest's sourcing services are crucial for you.

## CzechInvest's Sourcing Services

CzechInvest established its Sourcing Department 26 years ago with the aim of seeking out suitable Czech suppliers and joint-venture and acquisition partners to ease the start of production for foreign investors in Czechia. Sourcing is frequently used by manufacturing companies that are considering establishing or expanding their manufacturing activities through either a greenfield investment, an acquisition or a joint venture. The Sourcing Department's services are provided free of charge.

## Supplier market screening

In 2022, sourcing specialists prepared 127 market screenings of Czech suppliers for 47 clients from 18 countries. The strongest demand for supplier market screening was from French companies, followed by Chinese, Czech, Japanese, Korean and Taiwanese firms. Market screenings are prepared based on CzechInvest clients' specifications and contain valuable information such as maps of locations and revenue-per-employee ratio charts of selected suppliers, as well as detailed company profiles comprising information on, for example, quality certificates, specifications of products and technical equipment, and major customers.

## Visits to Czech suppliers

Based on the market screenings, foreign companies shortlist selected Czech suppliers. Sourcing specialists are prepared to help foreign companies organise visits to selected suppliers and assist them during such visits. Services include formulation of itineraries of business trips in Czechia, interpreting and transport.

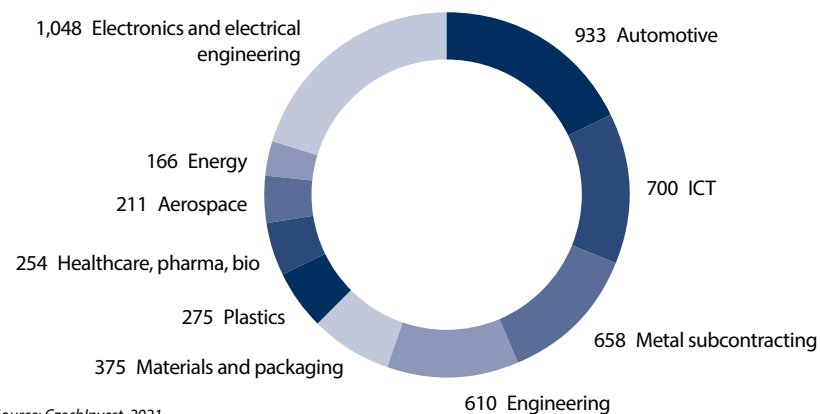
## Sectoral database of suppliers

Czech supplier companies as well as companies that are seeking a partner or investor are listed in CzechInvest's sectoral database of suppliers. The database

contains standardised profiles of more than 3,600 Czech manufacturing and ICT companies. Suppliers are classified into ten sectors (e.g. automotive, aerospace, engineering) and further sorted into subcategories. Typical suppliers are companies engaged in, for example, plastic injection moulding, metalworking, CNC machining or mechanical engineering. Registration in the sectoral database of suppliers is available

on CzechInvest's website and is free of charge. Investors and companies from all over the world use the database to find suppliers or joint-venture partners that best suit their needs and to get an overview of status of supply in relation to a specific sector. The database is used by global companies such as BMW, Boeing, Cisco, Microsoft, IKEA, DHL, Nikon, KPMG, Siemens and Jaguar Land Rover, among many others. ■

## Number of companies in the database by sector in 2021



Source: CzechInvest, 2021

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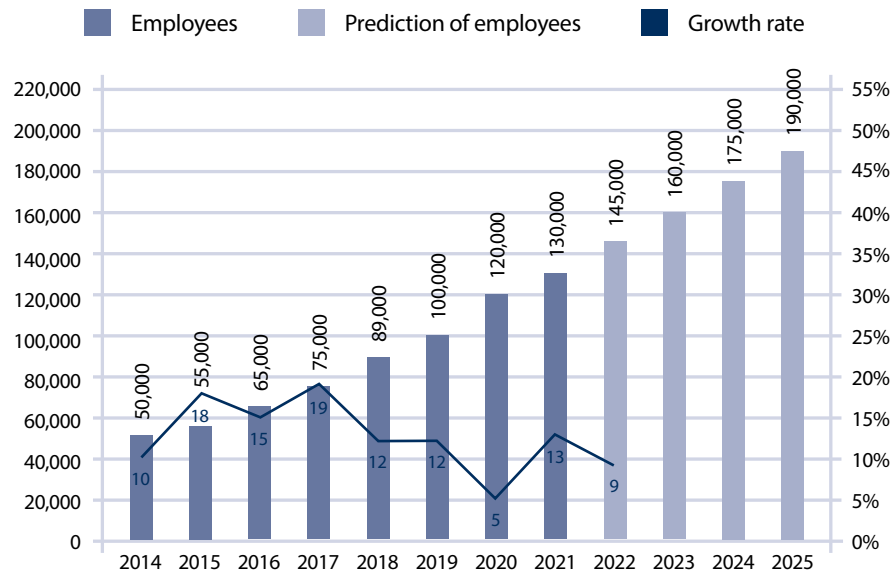




# Advantages of outsourcing to a business services centre

Czech Republic is a great location for business services centres. Most of them have a captive business model providing services to their respective internal organisations. However, if you find a BSC that provides business process outsourcing services to external clients, a spectrum of financial and operational benefits opens up in the case that you opt to outsource a part of your business to a business centre located in the Czech Republic.

Growth of business services in the Czech Republic



Source: ABSL Survey 2014 - 2021

An external business services centre can take over your firm's non-core administrative activities, insource them in a centre located in a country with lower income tax and lower labour costs, and then digitise and automate them. This fast, flexible and scalable end-to-end solution allows the following:

- Better positioning for **future growth**, as services are fully scalable and organisations do not have to worry about recruitment, training, onboarding, managing employees, retention, remuneration or planning of substitutes during vacation and sickness
- Increasing **customer satisfaction** through a dedicated multi-language customer service team, as well as increased quality and continuous improvement through benchmarking, CSAT, process analysis and improvement.
- Increasing **quality of service** and security standards thanks to an internal security manage-

ment department, 24-hour IT surveillance and help desks, continuous back-up of the entire IT environment, anti-phishing and anti-ransomware measures.

- Harmonisation of processes across territories.
- **Reduction of costs** by 15%-30% on average while eliminating the financial risks associated with the organisation's operations.
- Better financial and customer service reporting.
- Maintaining high ethical standards.

It is important to add that by outsourcing an organisation's non-core activities, resources can be allocated more effectively to the core competencies.

So why is the business services sector so successful in the Czech Republic and growing faster than any other sector here? That is primarily thanks to the rapid development of information technology and expansion of the scope of existing centres, as well as to global digitalisation and the attractiveness of the Czech Republic for investments in business services. ■

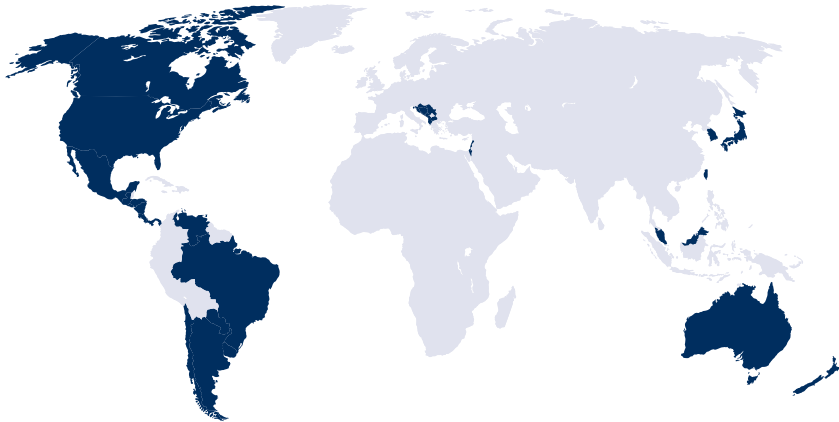
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Sony DADC

# Where to apply for Czech visa (ordinary passports)

## Exceptions listed in the Ordinance



- |                          |   |                            |
|--------------------------|---|----------------------------|
| * Albania                | * Hong Kong Special Administrative Region of the People's Republic of China | * Montenegro               |
| * Andorra                | * Chile   | * Nicaragua                |
| * Antigua and Barbuda    | * Israel  | * New Zealand              |
| * Argentina              | * Japan   | * Panama                   |
| * Australia              | * Macao Special Administrative Region of the People's Republic of China     | * Paraguay                 |
| * Bahamas                | * Macedonia   | * Saint Kitts and Nevis    |
| * Barbados               | * Malaysia  | * Salvador                 |
| * Bosnia and Herzegovina | * Mauritius   | * San Marino               |
| * Brazil                 | * Mexico  | * Serbia                   |
| * Brunei                 | * Monaco  | * Seychelles               |
| * Canada                 |   | * Singapore                |
| * Costa Rica             |   | * South Korea              |
| * Croatia                |   | * Taiwan                   |
| * Guatemala              |   | * United States of America |
| * Holy See               |   | * Uruguay                  |
| * Honduras               |   | * Venezuela                |

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### ith focus on long-term visas and long-term and permanent residence permits

A foreign national is entitled to submit an application at the embassy of the Czech Republic in the country of which he/she is a citizen or, if applicable, the country that issued his/her travel document, or in the country where he/she has long-term or permanent residence. Ordinance No. 429/2010 Coll. ("Ordinance") provides exceptions and allows the submission of an application for a long-term visa or a long-term or permanent residence permit at any embassy of the Czech Republic by citizens of countries that are listed in the Ordinance. Regulation (EU) 2018/1806 of the European Parliament and of the Council ("Regulation") lists the countries whose nationals must be in possession of a visa when crossing the external borders of the European Union. These nationals are listed in Annex I of the Regulation. Annex II of the Regulation lists the countries whose nationals are exempted from the obligation to be in possession of a visa when crossing the exter-

nal borders for stays of no more than 90 days in any 180-day period. Prior to joining the European Union, the Czech Republic entered into several bilateral visa exemption agreements with several countries, whose citizens are subject to a special regime based on these treaties (e.g. Argentina, Chile, Israel, Malaysia, South Korea and others). The special regime applies only when staying in the Czech Republic and not in other EU member states. In practice, the legal framework provides that there are many countries whose citizens may enter the EU, including the Czech Republic, without a visa and subsequently apply for a long-term visa or a long-term or permanent residence permit at one of the nearest embassies to the Czech Republic, i.e. the Czech Embassy in Germany (Berlin), Austria (Vienna), Poland (Warsaw) or Slovakia (Bratislava). This gives foreigners time to arrange their private and practical affairs in the Czech Republic prior to starting work in the country after applying for and obtaining the relevant long-term visa. It is highly recommended that you consult with a professional regarding the current legal practice. ■

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# Visa support provided to foreign investors

Relocating a company to a foreign destination is always a demanding administrative process. The Investment and Business Development Agency CzechInvest assists foreign companies with overcoming the challenges inherent in that process, including relocation of management and key employees. Visa support starts with tailored consultancy and continues with the administration of government visa programmes the accelerate visa processes.

Czechia offers three government visa programmes for investors and employers that have a significant impact on the Czech economy. Compared to standard visa processes, these programmes offer employers the benefit of faster and less administratively burdensome visa application and assessment processes.

## Programme for Key and Scientific Personnel

This programme designs the visa process for members of statutory bodies, legal representatives and employees of newly established companies in the period of up to two years from the date of incorporation in a commercial register. It substantially eases the process of arranging residence permits for key employees of companies coming to Czechia. Those eligible to register in the programme include newly established

Czech business entities of foreign investors, start-ups, technology companies, research institutes and Czech entities of foreign investors with at least 50 employees in the country and 250 employees worldwide. The programme is intended for statutory representatives, managers and key specialists who need to reside in Czechia for longer than 90 days. The benefit of this programme consists in accelerated issuance of a residence permit within 30 days following submission of the application, which is a significant reduction in comparison with the standard time periods of up to 90 days for issuance of an employee card and up to 120 days for issuance of a blue card or long-term business visa.

This programme also supports the relocation of employees' family members who apply for a visa for the purpose of cohabitation of a family. Individual applications of members of the same family are thus processed jointly.

Within the Programme for Key and Scientific Personnel, companies can use two means of relocating their employees and statutory representatives. These are **internal transfer**, whereby a foreigner is transferred on the basis of a contract to work at a Czech branch while remaining in an employment relationship with the foreign investor, and **localisation**, whereby the transferred employee enters into an employment relationship directly with the established Czech business entity.

## Where to apply for registration in the programme

The programme is administrated by **CzechInvest** for newly established companies, startups,

## New company visa process

### 1 Incorporation

Employee

Member of a statutory body

### 2 Open position – Labor office

Commercial Register

Labour market test – 10-30 days

Work permit (optional)

### 3 Optional: Enter government visa programme

Key and Scientific Personnel *Only visa programme available for new companies*

### 4 Schedule appointment and submit application at the embassy

Employee card (valid up to 2 years)  
Blue card

Long-term visa – Business (valid 1 year)

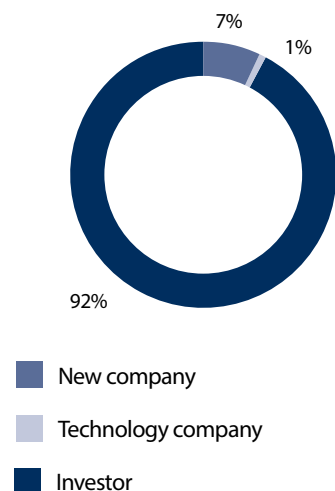
### 5 Application approved

- ✓ Collect entry visa
- ✓ Register with at MoI within three days
- ✓ Biometrics
- ✓ Collect employee card

- ✓ Collect visa
- ✓ Register at Foreign Police within three days



### Programme for Key and Scientific Personnel



Source: MoT, 2022

research institutes and technology companies. If the application is submitted by an investor that was incorporated more than a year prior, has at least 50 employees in Czechia and 250 employees globally, the application is administrated directly by the **Ministry of Industry and Trade**.

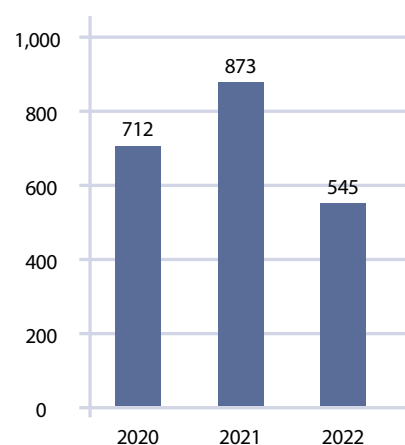
### How companies use the Programme for Key and Scientific Personnel

In 2022, more than 2,000 specialists, managers, statutory representatives and their family members enjoyed the benefits of the Programme for Key and Scientific Personnel. CzechInvest processed applications of 25 newly established firms and technology companies.

### Programme for Highly Qualified Workers

The Programme for Highly Qualified Workers enables applicants and future employees from non-EU countries and their family members to arrange

### Programme Highly Qualified Employee Number of applicants



Source: CzechInvest, Ministry of Industry and Trade, 2022

preferential appointments at Czech embassies and consulates, thus significantly accelerating the process. The number of available appointments for employee-card applicants granted within this programme is set by a government regulation. Employers apply for inclusion in the programme at the **Ministry of Industry and Trade**.

### Programme for Qualified Workers

The Programme for Qualified Workers enables applicants from designated countries to arrange preferential appointments at Czech embassies and consulates, thus accelerating the process. The annual quota for each of the designated countries is set by a government regulation. This programme is aimed at employers with at least a two-year history and at least six employees in Czechia in the area of manufacturing, services or the public sector that are recruiting citizens of Ukraine, Serbia, Montenegro, Mongolia, the Philippines, India, Moldova, Belarus or Kazakhstan to perform skilled labour. The programme is mainly

used by well-established large manufacturing and shared-services companies such as Daikin Device, Foxconn Technology and ATT. Unfortunately, this programme was negatively impacted by the suspension of services at the Czech embassy and consulate in Ukraine

### Quotas in the Programme for Qualified Workers

Country	Quota
Ukraine	40,000
Philippines	2,300
Montenegro (shares a quota with Serbia)	1,900
Serbia	1,900
Belarus	1,900
Moldova	1,500
Mongolia	1,000
India	600
Georgia	600
Kazakhstan	500
North Macedonia	400

Source: Government Regulation No. 220/2019 Coll.

in 2022. As the planned quota for Ukraine in 2022 comprised 78% of the total quota, it was decided to add new quotas for Georgia, North Macedonia and Armenia. ■

### Process of the Programme for Qualified Workers

#### Labour market test

10-30 days



#### Guarantors\*

Inclusion in the project

3-5 days



#### Ministry of Foreign Affairs appointment

14-60 days\*\*



#### Ministry of the Interior employee-card approval process

60-90 days

\* CzechInvest is one of the guarantors under the programme together with other business associations.

\*\* The waiting time for arrangement of an appointment at the Czech embassy is country-specific and can vary greatly.

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# EU Blue Card

## and its advantages

What exactly is EU Blue Card and why it is better than more common Employee Card? Let's take a closer look at the more valuable option for foreigner employees who fulfills the strict conditions to be allowed to get EU Blue Card.

**W**ork and stay permit named EU Blue Card is a long-term residence permit for the purpose of employment in the Czech Republic under special conditions. It must be clear from the very beginning of the process of preparing the employment Visa application for an applicant, if the applicant is entitled to apply and get EU Blue Card.

A foreigner who is EU Blue Card holder is entitled to reside in the Czech Republic and work at a concrete job position for which the EU Blue Card was approved and issued. Beign EU Blue Card holder gives several advantages but only if its holder fulfills the requirements. Let's take a look at those first.

EU Blue Card is meant only for employees with at least higher professional education. Only officially finished school education is acceptable. Different special courses not similar or connected to a regular levels of school education are not acceptable. Most often, the employees who are applying for Blue Card have Bachelor's or Master's degree.

The reason is that EU Blue Card is meant only for job positions of specialists, managers and leading personnel. (For those of you who are familiar with Czech job positions official Labor Office agenda, only job positions with CZ-ISCO 1-2 are meant for Blue Card.) It is a must that the job position must be properly available in the database of vacancies available for Blue Card holders.

This type of permit is for those who have an employment contract for fulltime job for at least one year and for employees whose gross monthly or annual salary amounting is at least a 1.5 multiple of the gross annual salary in the Czech Republic. For the time period from May 1, 2023 until April 30, 2024

the minimum required salary for EU Blue Card is CZK 60,530 a month.

It is necessary to remember that the minimum required salary encreases every same time period so if you are reading this after April 30, 2024, it is already much higher.

Those, who meets these requirements and conditions and successfully obtain EU Blue Card, have the advantage of a smoother living in the Czech Republic. Let's see what the advantages are.

First of all EU Blue Card application is processed and approved (if all is fine) much faster by the Ministry of Interior than ordinary Employee Card. Second, closest family members of the applicant are entitled to apply for Long-Term Residence Permits directly together with the Blue Card applicant, not only for Long-Stay Visas (or to wait 6 months to be allowed to apply for Long-Term Residence Permits) as the rule is for ordinary Employee Card holders families.

What are the other interesting advantages? ■

- EU Blue Card holders have simplified opportunity to obtain permanent residency in other EU countries. The required 5 year

period of residency is cumulative across all EU countries. To be counted as a resident of an EU Member State, you need to have lived there for at least 18 months.

- Holders of EU Blue Card only need approval from the Ministry of Interior to change of employer in the first two years of staying in the Czech Republic. If EU Blue Card holder lives here over two years, then only must report the change of employer to the Ministry of Interior but no need to wait of any confirmation or approval.
- A third country citizen with EU Blue Card can apply for Blue Card directly in another EU member country. Only must do so within the first 30 days from arrival in the new EU country.

One of the very few disadvantages is that EU Blue Card holders are allowed to have one employment. Its holders may not have a secondary or part-time employment. However, there is an alternative option that the EU Blue Card allows. Blue Card holder can work as a freelancer with a trade licence.

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# Czech discoveries and inventions



## Electron microscope

Czech physicist Armin Delong introduced the first Czech electron microscope into production in 1949, which later led to the fact that the city of Brno is considered to be the global centre of electron microscopy.



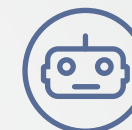
## Beer

The first pilsner-style beer was produced in Plzeň in 1842.



## Sugar cubes

This common form of sugar was first produced at a sugar mill in the town of Dačice in 1843.



## Robot

The word "robot" was coined by Czech writer Karel Čapek.



## Lightning rod

The lightning rod was invented by Czech inventor Václav Prokop Diviš in 1754.



## Blood types

Czech neurologist Jan Jánský discovered the four basic blood types in 1907.



## Laws of heredity

Moravian scientist Gregor Mendel discovered the basic laws of heredity and was the first to use biostatic methods in his work, the results of which were initially presented in 1865.



## Polarography

Physical chemist Jaroslav Heyrovský invented polarography in 1922 and is considered to be the father of electroanalytical chemistry. He received the Nobel Prize for chemistry in 1959.



## AIDS drugs

Drugs developed by Czech chemist Antonín Holý are part of the most effective available medications for fighting AIDS, as well as shingles, viral infections of the ocular mucous membranes and hepatitis B.



## Semtex

The plastic explosive is named after Semtín, where it was first manufactured in 1964. The plant was later renamed as Explosia, a subsidiary of Synthesia. Semtex was invented by Czech chemist Stanislav Brebera.



## Soft contact lenses

Czech inventor Otto Wichterle designed and produced the first soft contact lenses in 1961.



## Tatra

Established in 1850, the Czech company Tatra is the third-oldest car manufacturer in the world. One of the world's oldest factory-made cars is the Tatra Präsident, which was first produced in Kopřivnice in 1897.



## Kaplan turbine

In 1910-1912, Czech scientist Viktor Kaplan invented the Kaplan turbine, which became the most significant type of turbine used in large hydropower plants around the world.



## Screw propeller

The inventor of the maritime screw propeller, Josef Ressel, was from the Czech lands. Ressel had a ship-propulsion system comprising a steam engine and screw of his own design patented in 1827.



# Where Czechs excel

## Cardiology and heart surgery

Thanks to the extraordinary development of heart surgery here, the Czech Republic currently ranks among the most advanced European countries in terms of both the number of surgeries performed and the quality of care.

## Ultralight aircraft

The Czech Republic is among the world leaders in the production of ultralight aircraft and is one of the biggest producers in Europe.

## Musical instruments

Established nearly 160 years ago, the family-owned Czech company Petrof in Hradec Králové is the biggest European piano manufacturer.

## Footwear industry

Baťa, a family-owned global footwear and fashion accessory manufacturer and retailer was founded in 1894 in Zlín, Moravia by Tomáš Baťa, his brother Antonín and his sister Anna. Today, the company has a retail presence of over 5000 retail stores in over 50 countries. In 2004, Baťa has entered the Guinness Book of Records as the largest retailer and manufacturer of shoes of hole time.

## Automotive industry

The Czech Republic produced 1.3 million cars in 2022. The most significant Czech carmaker is Škoda Auto, which has been in existence for over a century. Czech trams are also well known elsewhere in the world.

## Nanotechnology

In 2003 Oldřich Jirsák developed a reliable method of spinning fibres measuring 200 nanometres in diameter. Based on his patent, the Czech company Elmarco became the first supplier of industrial-scale nanofibre production equipment in 2004.

## Defence industry

Already in the time of the First Czechoslovak Republic, the country was one of the world's biggest arms exporters. Nowadays, developed by the Pardubice-based company ERA, the Věra and Tamara passive radar systems are among the best in the world and can detect stealth aircraft.

## Cyber security

The anti-virus software companies AVG Technologies and AVAST have become a symbol of success for the Czech ICT sector. Together these companies currently provide protection against cyber threats to more than 435 million users worldwide.

## Plastic surgery

Czech physician František Burian laid the foundations of plastic surgery. In 1939, Czechoslovakia became the first country to recognise plastic surgery as a separate field of medicine.

# Top sectors for investment



# Automotive industry



The Czech automotive industry is a fundamental part of the Czech economy. The production of cars, parts and accessories, as well as the increasingly important sector of special-purpose organisations focusing on R&D, software engineering and other supporting services account for nearly one-tenth of the Czech Republic's gross domestic product, over one-quarter of industrial production and more than one-fifth of Czech exports. The automotive industry directly employs more than 180,000 people in all regions of the Czech Republic and accounts for up to half a million jobs overall.

## The Czech Republic as a global player

What followed the 2008 economic crisis can be described as unprecedented. As the number of companies operating in the Czech automotive industry grew and production volumes were gradually ramped up, the Czech automotive industry reinforced its position on the world map. Industrial tradition, skills, technical education, strong know-how and a relatively affordable workforce made the Czech Republic Europe's third and the world's tenth largest producer of passenger vehicles (in 2020). This strong growth was slowed by the COVID-19 pandemic,

which hit Europe in the spring of 2020. In March and April, production was halted on a scale that had been inconceivable until then. It was paralysed throughout the world to a varying extent for an average of about six to eight weeks. Although the Czech automotive industry recovered very quickly from that shock, driving the production to the limit of its capacities in the second half of 2020, the final production of motor vehicles saw a decline of 19.2% due to production losses, customer caution and other factors. The Czech automotive industry's total sales of EUR 40 billion reached the level of 2016.

The global automotive industry was supposed to enjoy a restart in 2021. However, the pandemic, disrupted logistics chains, increased demand for consumer electronics, adverse weather and the technological complexity of production have all contributed to the onset of a global chip shortage. The shortage manifested itself in full in the second half of 2021, slowing down and, in some cases, even halting car production in the Czech Republic and other countries. The year 2022 was also a year full of difficult challenges for the Czech automotive industry. In a globally closely interconnected industry, the global semiconductor shortage, continued difficulties in supply chains and logistics, the reverberations of the COVID-19 epidemic in China, and the problems caused by the impact of the war in Ukraine continued to manifest themselves. The extreme increase in energy prices and high inflation threatened the competitiveness and sustainability of production in the Czech Republic and, for a significant part of the supply sector, their very existence. Despite these extensive challenges, the Czech automotive industry overcame them in 2022 and achieved good results. After three years of declining production volumes, it has also once again recorded an increase in production of +9.4%. From January

to December, a total of 1,249,281 road vehicles were produced in the Czech Republic. By segment, these included 1,217,787 passenger cars, 5,322 buses, 1,347 trucks, 1,624 motorcycles and 23,201 trailers and semi-trailers. ŠKODA AUTO is the largest passenger car manufacturer, accounting for almost 56.9% of the total production volume, with 693,032 units produced at two Czech plants in Mladá Boleslav and Kvasiny. This is followed by Hyundai Motor Manufacturing Czech with 322,500 vehicles (26.5% share) produced at the Nošovice plant in the Moravian-Silesian Region and Toyota Motor Manufacturing Czech Republic in Kolín with 202,255 vehicles (16.6%). The largest bus manufacturers include IVECO Czech Republic (4,767 buses), SOR Libčavý (520 buses) and ŠKODA Electric (14 buses). The traditional TATRA brand produced 1,347 trucks at its Kopřivnice plant.

## The automotive industry at a crossroads

Affected by the COVID-19 pandemic, it's the resulting issues, the automotive industry has been in a profound operational crisis for almost three years. However, it is also facing the challenge of transformation triggered by technological progress and the pressure to decarbonise and make mobility green. One of the current challenges is the EU's proposal on CO2 emission standards for new passenger cars and light commercial vehicles, which calls for new vehicles to be allowed to be sold in the EU with only zero CO2 emissions from 2035. Although the automotive industry is a major investor in CO2 reduction measures, we consider the target set by the proposal to be very ambitious and will be unconditionally dependent on the fulfilment of several conditions, such as the sufficient development of recharging and filling infrastructure, the availability of raw materials or the real applicability of technology neutrality of powertrains.

A major challenge is the newly introduced Euro 7/VII proposal, which is completely counterproductive from the point of view of the car industry. Instead of improving emissions in transport, it effectively diverts the necessary resources from investment in battery and hydrogen vehicle technologies, and at the same time significantly reduces the range of affordable models available to consumers. Moreover, it is not only the product itself that is undergoing changes, but also production in general and the entire automotive value chain. ESG (Environmental, Social and Corporate Governance) sustainability is bound to bring new opportunities to many industries, including the automotive sector. While posing certain threats, these new trends represent a chance for many companies to strengthen their position in supply chains and advance towards production with a higher value added.

The Automotive Industry Association has monitored and spurred discussion on the main trends and challenges for several years. Zero-emission mobility and production, digitalisation and automation, connectivity, the use of artificial intelligence and the development of technologies for autonomous vehicles are fundamental issues for the Czech economy's future. Collaboration with players from other industries – energy, IT and telecommunications – as well as active cooperation with the government and other stakeholders at the national and European level are also crucial for the Czech automotive industry's success.

The Czech automotive industry has and will always have truly high aspirations. The industry is well prepared for both the actual production of future vehicles and the provision of comprehensive services across the sector. The Czech Republic has a chance to become an innovator and technological leader.

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## Mobility

Thanks to its more than one-hundred-year history of precision engineering and its exceptional location, good infrastructure and highly skilled workforce, the Czech Republic plays a significant role in the automotive industry and related sectors. The country is home to three key automobile manufacturers, namely ŠKODA Auto, Toyota Motor Manufacturing Czech Republic and Hyundai Motor Manufacturing Czech. The Czech Republic also offers outstanding business opportunities for suppliers and is prepared to strengthen its position as one of the leading European centres for design and research and development in the mobility sector.

The sector continues to struggle with a drop in production (especially ŠKODA AUTO) due to ongoing adverse affects of the global pandemic on supply chains from Asia and the war in Ukraine.

The transition of the Czech automotive industry to clean mobility is primarily driven by electric vehicles, as 2,600 EVs were sold here in 2021 and an estimated 5,000 in 2022, when a total of 13,000 EVs were in operation on the country's roads. This transition has been hampered by the lack of a gigafactory, though several interested parties are in talks regarding the establishment of one. The Battery Cluster initiative, which is aimed at supporting manufacturers of batteries and related infrastructure..."

The Czech Republic also includes other important mobility sub-sectors such as the production of railway equipment (ŠKODA Transportation), trucks (Tatra) and buses (SOR, IVECO), as well as agricultural equipment (Zetor) and aviation technology (Aero Vodochody, Aircraft Industries, Primoco), which is also undergoing major development due to war in Ukraine, major development.

However, other solutions are also being developed, e.g. for autonomous driving (Bring Auto, Vanilla robotics) and solutions for urban mobility, such as Road Twin and Citya.

The Czech Republic is a competitive location for establishing research and development centres. Its technical universities and research centres routinely collaborate with global manufacturers and provide services in the area of research, development and testing. Valeo already has research centres for autonomous technologies here and BMW and Accolade are currently working on such centres of their own.

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## Defence

The Czech defence and security industry is well known for its long history, unique structure, high-quality products, and strong innovation potential. Czech producers of military equipment have always struggled with the limited options of the domestic customer base resulting from the small size of our country and its armed forces. Therefore, the Czech defence and security industry is export-oriented, as exports account for approximately 90 % of its production. Czech producers of defence and security technologies have had to constantly innovate their products to be competitive, mainly in foreign markets. The Czech defence industry develops and manufactures some of the world's most unique and highly sophisticated technologies, including passive surveillance systems, light combat aircraft, and military jet-trainer aircraft.

Compared with foreign competition, the Czech defence industry excels primarily in high-tech innovations. Czech military technologies are very sophisticated, and it is always necessary to adapt them to the needs of customers and their technical requirements, which often involves integration with existing systems. Thanks to thorough care for delivered products throughout their lifecycle, continual modernisation, and a willingness to cooperate with local companies in export destinations, Czech defence companies can beat their foreign competitors in tenders worldwide. Two-thirds of Czech defence companies are, with a few exceptions, privately owned small and medium-sized enterprises. Altogether, this creates an ideal environment for foreign investors to find success in the further development of this industrial sector, which is gaining more and more importance in today's world. The Czech defence and security industry has an excellent reputation and tradition in Europe and globally. Thanks to the first-class quality of Czech products and the considerable flexibility and adaptability of Czech manufacturers, there is great interest in the Czech defence and security industry worldwide.

The Defence and Security Industry Association of the Czech Republic (AOBP, or DSIA) currently has more than 150 member companies developing, manufacturing, and trading with military equipment (accounting for 30 % of total turnover) and dual-use and civilian technologies. Czech companies have proven their enormous resilience and adaptability many times. Fortunately, even during the covid-19 pandemic, exports of military equipment were even higher than in previous years. Before the Russian invasion of Ukraine, the total turnover of AOBP member companies was nearly EUR 2 billion, with value-added reaching EUR 630 million. In total, AOBP member companies employ more than 20,000 people, roughly one-quarter of whom have a university degree. AOBP is an important contact point for Czech state authorities (Ministries of Defence, Interior, Industry and Trade, and Foreign Affairs), as well as for institutions, structures, and projects within the European Union and NATO, and similar foreign associations, and enterprises interested in cooperation with Czech companies and their products. AOBP also signed several agreements with ministries and foreign associations and is a member of or cooperates with several organisations and institutions within NATO and the European Union.

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## Aerospace

The domestic aerospace segment has been successfully building up its reputation on the global scale since the founding of Czechoslovakia in 1918. A shining example of this is the company AERO Vodochody AEROSPACE, a manufacturer of jet-powered training and light combat aircraft, which was established only a year later and today is an indispensable part of the backbone of domestic aircraft production. In addition to that, we can definitely mention the Czech Aerospace Research Centre in Prague, which is the third-oldest institution of its kind in the world (founded in 1922). After all, a number of global leaders that decided to establish operations in the Czech Republic or to utilise the capabilities of domestic entities have put their faith in the country's more than a century of tradition in aerospace and the corresponding quality of its industry professionals and products. Honeywell, Bell, GE Aviation, Latecoere and Safran are among those that took the opportunity to expand their activities in the heart of Europe. Thanks to the long and successful history of production of various aircraft parts, engines, avionics or hydraulic systems, the Czech Republic is also well integrated into global supply chains and is a traditional OEM of numerous civilian and military aircraft. Therefore, it is no wonder that domestic products can be found practically worldwide – from ultralights at aviation schools in Latin America, commuter aircraft operating in the harsh climates of Africa and the CIS, through UAVs in Southeast Asia, to radar solutions in Australia and New Zealand. Companies in this segment rely on experienced engineers and workers, as well as the key position of specialised secondary schools and universities. However, Czech representatives of the sector are no strangers to current trends and are successfully promoting themselves in areas such as advanced materials, electric motors, laser technologies, additive manufacturing, artificial intelligence, AR/VR and VTOL aircraft.

Taking a look at the field of research and development, Czech entities frequently enter into projects with sector leaders that appreciate the versatility of the domestic industry. An example of this is the partnership between the Czech Technical University in Prague and GE Aviation Czech, which was established in 2016. Since then, the partnership has been constantly evolving and, in addition to close cooperation within the Catalyst engine programme and the joint testing facility in Hradec Kralove, both entities have recently decided to expand their collaboration in the area of sustainable aviation fuel (SAF) testing. Czech companies do not lag behind even on foreign markets, where they have succeeded in the face of strong competition alongside leading players such as Airbus, Honeywell and Leonardo. Of no less importance, considerable participation in international frameworks such as Horizon Europe is further confirmation of the interest in R&D collaboration.

Taking into account all of the aforementioned aspects, it is once again proven that Czech aerospace is ready for the challenges of the 21<sup>st</sup> century. Join the world's elite and start doing business in the Czech Republic on the wings of success.

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## Space

The space industry is the industry of the future. Space activities bring together and combine different areas of industry, science and research to achieve the maximum possible parameters in all areas of our knowledge. Space activities are the engine of innovation and provide the comprehensive skills of our companies, institutions and universities in the development and production segments. The complexity of product assignments supports the development of fields such as electronics, computer technology, optics, artificial intelligence, cyber security and all other areas of the economy and society. In addition to traditional areas of space and space transport, space technologies can, for example, address environmental monitoring, contribute to intelligent transport, ensure general security etc. Space activities have a relatively long tradition in the Czech Republic, especially in the past 20 years, we have seen tremendous progress. In 2002, roughly four companies were engaged in space activities, whereas in 2022 there are 100 companies and institutions that are active in space-related areas in the Czech Republic.

The space industry has high value added and can bring great benefits to our country in terms of security, self-sufficiency and sustainability, while also providing an advantage in global markets. This is the basis of the third six-year National Space Plan (2020-2025) approved by the government for the development of the capacities and capabilities of industry and academia in the field of space activities. The aim of this plan is to ensure competitiveness and maximise the return on public investment in space activities and related areas.

In order to accelerate the development of national space activities and especially industry, it is necessary to take full advantage of our 14-year membership in the European Space Agency (ESA) and the fact that the European Satellite Navigation Agency (GSA) has been based in Prague since 2012. In 2021, it was transformed into the EU Space Programme Agency (EUSPA). Also other international companies dealing with satellite navigation (e.g. OHB, manufacturer of Galileo satellites) are setting up operations here.

ESA and international cooperation programmes give our companies and institutions access to the latest technologies and the opportunity to gain experience in international cooperation for subsequent business use. Space activities will significantly contribute to the Czech Republic's long-term goal and vision of having a knowledge-based economy, which is one of the key areas that, thanks to its broad application across various industries and sectors, can counteract all of the negative trends that pose a threat to the competitiveness of our industry, particularly the risk that the products produced here will not have sufficiently high value added.

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## Advanced industrial technologies

Czechia boasts unique know-how in particular technological fields within which it ranks among the technologically most advanced countries in the world.

The mechanical-engineering industry has been one of the cornerstones of the Czech economy since the beginning of the 19<sup>th</sup> century. The country's stable economic environment, high level of technological advancement and outstanding research and development programmes contribute to the creation of an optimal environment for the establishment and further development of companies. This fact is recognised by global players that have invested in Czechia, such as Siemens, Honeywell, Bombardier Transportation, Robert Bosch, Sandvik, Doosan, Komatsu, Rieter Group, Otis and many others which have already established their operations in Czechia.

The most significant areas in which Czech companies are highly competitive on the global scale include, for example, manufacturing of advanced machines and tools, monocrystalline materials, electron lithography for holographic applications, wound healing and tissue regeneration, research of nanostructured and crosslinked polymeric materials and production of nanoparticles for special purpose. Czechia is also the only CEE member country of prestigious CECIMO (European Committee for Cooperation in the Machine-Tool Industry).

With a decades-long tradition in chemistry, electronics, textiles and materials science, Czechia is also becoming a leader in applied nanotechnology. As a global supplier of equipment for the production of nanofibers, electron microscopes and monocrystalline materials, the country is now bringing innovative solutions to the market in the areas of nanomedicine and new types of batteries. The rising number of engineering students and the country's high-quality R&D infrastructure are also contributing to the development of the sectors applying know-how in practice.

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## Healthtech

Czechia has a rich history of discoveries in the area of medical sciences – from the laws of heredity formulated by Gregor Johann Mendel, through the first table-top electron microscope developed by Armin Delong and Otto Wichterle's invention of soft contact lenses, to pioneering antiviral drugs for treating AIDS, whose main compounds were developed by Professor Antonín Holý at the Institute of Organic Chemistry and Biochemistry of the Czech Academy of Sciences. Currently, the main areas of medical sciences are molecular genetics, development of cell and tissue therapies, diagnostics, medical chemistry and biochemistry, and bioinformatics. Due to the requirements placed on healthcare systems and the ever-rising expectations of the public in the area of medical services, the government of Czechia has set as one of its priority areas the development of new medications, diagnostic and medical devices, as well as development of human resources in the field of healthcare. In the past decade, the government has invested nearly EUR 3 billion of public funding in strengthening the country's research infrastructure. In Prague, Brno and Olomouc, new research centres have been completed and equipped with state-of-the-art technology, complementing the research capacities of the Czech Academy of Sciences and universities.

Czech research teams are recognised internationally thanks to their high-quality research in the areas of molecular genetics, immunology, analytical and medical chemistry and biochemistry, cardiology, neurology, metabolic disorders, diagnostics and, more recently, medical applications of nanotechnologies.

The development of this sector is currently supported also by effective patent protection, adoption of European GMP, GLP and GCP standards and government support for the transfer of knowledge between the science and business spheres. Furthermore, Czechia's membership in the European Union guarantees a regulatory framework that is compatible with that of all other EU countries, which together comprise a consumer market of more than 450 million customers.

Thanks to the government's fiscal measures in combination with the results of science and research activities, the country's traditionally high level of education and healthcare, tax relief for R&D and investment incentives for activities with high value added, Czechia has become an attractive location for cooperation in the field of healthcare-related research, development and production.

Examples of global companies operating in the pharmaceutical sector in Czechia include, among others, Teva Pharmaceutical, Lonza, MSD, Johnson&Johnson, Gilead Sciences, Novartis, Otsuka and Zentiva. Significant representatives in the area of medical and diagnostic devices are Olympus, TermoFisher Scientific, Kavo Kerr, Smiths Medical, Teleflex and Beckman Coulter.

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# AI

Czechia is one of the best European destinations for investments, where talent, level of education and innovativeness create suitable conditions for the growth of technology. All these externalities have enabled Czech companies such as Avast, for example, to grow while attracting a strong inflow of projects with high value added from leading global tech companies. It's not surprising that Czechia is still, even today, one of the countries where Google has a strong local competitor, in this case Seznam.cz, which for more than three decades has been making localised products that challenge/compete with those of Google. No other country where the Latin alphabet is used has such a local champion.

Artificial intelligence (AI) is coming to the forefront and Czechia is a remarkably strong and significant AI hotspot, especially when taking into account the country's size and its concentration of AI researchers, skills and talent. It's no wonder that many companies have their AI research teams and activities in Czechia and collaborate with world-class researches at local universities. And it's definitely no surprise that there are numerous innovative AI startups with global reach and international recognition. Companies like Resistant.ai and Rossum.ai have attracted significant investments in recent years and may soon be joined by others. CzechInvest is keeping step in this area, as AI is one of the main technologies that the agency supports within its AI HUB, while its Technology Incubation (TI) project is an effective tool for supporting startups. AI was the most prominent field in the first call of the TI project, when 35% of applicants referred to themselves as AI startups. The first twelve startups are being incubated in 2023 and many others are expected to follow in the coming years.

New trends and technical advancements, such as challenges in AI, are actively supported by numerous programmes, national strategies, outstanding research centres and universities. The noteworthy regional entities prg.ai and have assembled and actively participated in local AI ecosystems that have universities at their core. Academics and researchers are successfully coordinated within AI Czechia, an initiative that brings together AI researchers with an objective similar to that of CzechInvest, prg.ai and brno.ai, i.e., to make Czechia an outstanding location for AI innovation with global reach. Prague and Brno are the biggest hotspots for AI research in Czechia and the home of more than 80% of all AI companies and researchers. All of the companies supported within the first call of CzechInvest's Technology Incubation project were from these regional hubs. If you are an active user of AI or if AI is at the very core of your product, it's worth taking note of AI Days, an annual week-long event that offers the opportunity to approach the local AI community. The first edition of AI Days, which was held in Brno in 2022, was rated as a major success, and it is anticipated that future editions will take place in other regions of the country.

A recent survey of the Prague AI scene carried out by prg.ai in 2022 (downloadable from prg.ai) indicates that a typical AI company is up to five years old, while 80% of such companies have smaller AI teams of fewer than ten people. At CzechInvest, we believe there is huge potential in AI that is yet to be discovered, as Czechia has world-class researchers in NLP and machine perception, among other areas, and more of the country's world-class startups will provide their services around the globe in the years to come.

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# Creative industries

Emphasis on building an economy based on innovations, highly skilled workers, business and creativity has recently become a global trend. Representing a combination of technologies, research and development, culture and business, the creative industries comprise a rapidly growing sector in Czechia that is creating skilled jobs and supporting growth. The cultural and creative industries include design, fashion, architecture, advertising, software, gastronomy, film, television and radio, digital games, publishing and music. Regardless of the textbook definition, however, a significant role is played primarily by human skill, talent and creativity.

Thanks to its strong historical and cultural background, offer of study programmes and expansive ICT infrastructure, Czechia has a strong position in areas such as the gaming industry, virtual and augmented reality, design, architecture, the film industry and crafts.

A number of Czech designers, particularly industrial and product designers, have won the prestigious Red Dot Award and have collaborated with such important domestic companies as LINET and Škoda Transportation. Where smart cities and public space are concerned, there are numerous countries around the world that have incorporated products from the Czech company Mmcité into their cities. Domestic companies such as Bomma, Lasvit, Preciosa, TON, Rückl and Moser, among many others, are renowned global exporters of Czech glass products.

Czechia has built itself a strong position in the gaming industry thanks to successful games such as Beat Saber (Beat Games), Kingdome Come: Deliverance (Warhorse), Euro Truck Simulator 2 (SCS Software), Machinarium (Amanita Design) and Arma 3 (Bohemia Interactive Studio).

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## Ecotech

We are at the beginning of another industrial revolution, at the end of which Czechia may be a leader in green technologies. The country's robust science and research infrastructure, highly skilled workforce and innovative SMEs indicate that it has the best preconditions to succeed. Czechia believes in industry based on clean technologies and takes the current climate crisis as an opportunity for innovation. As a signatory of international commitments aimed at environmental protection, Czechia stands side by side with the other countries of the European Union in pursuing the EU's ambitious plan to make Europe the world's first climate-neutral continent through massive investment in the development of green technologies.

Czechia is the second most industrialised EU country behind Ireland, thus the aspiration to achieve carbon neutrality and meet European climate goals will be more challenging for Czech industry. The Czech economy awaits a number of essential changes, whether the end of black-coal mining, construction of a new nuclear reactor, development of renewable sources of energy, an increase of the share of recyclable materials or construction of a functional system for effective recycling following a ban on landfills. Despite these challenges, Czechia has kept its commitment to sustainability even during the coronavirus crisis. Last year, the Hydrogen Strategy and Circular Economy Strategic Framework for Czechia were approved, as was an amendment to the Act on Supported Energy Sources, opening the door to the possible inclusion of photovoltaics in auction-based support.

At present, Czechia is home to 67 universities, among which are significant research facilities focusing on environmental technologies. These include, for example, the Centre for Research and Utilisation of Renewable Energy in Brno, the SUSEN laboratory for nuclear energy research and the Institute of Physics of the Czech Academy of Sciences. The Centre for Energy and Environmental Technologies at the Technical University of Ostrava is an exemplary facility for presenting the commercial utilisation of the latest technologies in plasma-based waste treatment and its subsequent use.

Of the companies operating in the field of environmental technologies, we can mention, for example, Nafigate Corporation, developer of the unique HYDAL technology, which is able to process used frying oil into biopolymers. Together with the Czech company ERC-TECH, the Swedish firm Skanska uses recyclable materials in the production of concrete, thus addressing the problem of declining stocks of primary resources. We could name dozens of other successful companies dedicated to sustainability. Most importantly, however, these companies often meet on existing platforms and together they look for innovative solutions that are both cost-effective and nature-friendly.

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## Chemical industry

The chemical sector is one of the most important branches of industry in Europe. Though the Czech Republic accounts for only approx. 2% of the EU's chemical production (NACE 20), chemicals play a key role in the Czech economy. In terms of sales, the integrated chemical industry is the second-largest industrial sector in the Czech Republic after the automotive industry. The Czech chemical industry's products include inorganic and organic chemicals, fertilisers, basic petrochemicals, primary-form plastics, synthetic resins, synthetic rubber, paints, dyestuffs and pigments, agrochemicals, pharmaceuticals and cosmetics, soaps and detergents, chemical fibres and explosives.

The main chemical clusters are in northwest Bohemia, north Moravia and central Bohemia incl. Prague, but plants can be found throughout the country. Several Czech chemical plants (Deza in Valašské Meziříčí, Lovochemie in Lovosice, Precheza in Přerov, Synthesia in Pardubice) are owned by Agrofert, a domestic holding company focused mainly on fertiliser production, though foreign investors also play a significant role in the local chemical industry. Unipetrol, which is owned by the Polish-based Orlen Group, is engaged in oil refining. The Orlen Group has its own filling-station chain in the Czech market and is the majority owner of two other production complexes in Litvínov and Kralupy nad Vltavou (petrochemicals and refinery products) and Spolana in Neratovice (polymers and fertilisers). The Polish firm also owns another major plant near Prague, Synthos in Kralupy nad Vltavou (synthetic rubber).

Traditional Czech companies play an important role in the country's chemical industry. For example, Spolchemie in Ústí nad Labem produces resins. Fosfa in Břeclav is the largest processor of yellow phosphorus in Europe. Another Czech company, Draslovka, is focused on production of cyanide-based chemical specialties. The Hungarian firm Borsodchem manufactures base chemicals at its plant in Ostrava, while Synthomer engages in acrylic acid production in Sokolov, and Synthon produces active pharmaceutical ingredients in Blansko.

There are numerous examples of successful foreign investments in Czech chemical industrial parks, such as those of Cayman Pharma (API production) in the Spolana complex, Eurosupport Manufacturing (catalyser production), Air Products in the Unipetrol Litvínov complex, Dukol (adhesives production) at the Borsodchem facility and Central Glass (electrolyte production) in the Synthesia complex in Padubice.

There are several main challenges ahead for the chemical industry, such as low/zero emission production, the rise of the battery business and digitalisation. The Czech Republic has tremendous potential as a destination for investments in the chemical industry thanks to its infrastructure and workforce, as well as the space that it has available for such investments, especially brownfields. The industry is a crucial supplier of raw materials for a number of downstream domestic industries. It also ranks among the industrial sectors with the highest innovation potential.

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## Nuclear power and industry

The year 2022 marked the sixty-seventh anniversary of the first steps toward the peaceful use of nuclear energy and the establishment of the Faculty of Technical and Nuclear Physics of the Czech Technical University in Prague and the Nuclear Research Institute, thanks to which the Czech Republic (and the former Czechoslovakia) reached the peak of the nuclear-power industry in all of its aspects – operation of nuclear power plants, research and development, and nuclear engineering and services – as both a supplier and service provider.

Strong firms capable of delivering their products in practically the whole supply chain of nuclear facilities have been established and the Czech nuclear-energy sector possesses extraordinarily strong human resources and knowledge potential in all areas, from research and development to implementation of construction works.

In connection with the necessity to continue in the nuclear programme within the framework of governmental development plans, this extraordinary potential is maintained not only through activities related to the operation of the nuclear power plants in Dukovany and Temelin, but also through the expectation of continued development of nuclear power and construction of new nuclear plants.

To support the development of nuclear power, the State Energy Strategy and the Action Plan for Nuclear Power Development were approved by the Czech government a few years ago. The government's decision related to the commencement of new nuclear builds was adopted in 2019. This decision outlines not only the principles, schedule and milestones for preparation and construction of new nuclear builds, but also the main features of the upcoming project. ČEZ (the biggest electricity supplier on the Czech market) is set as the builder and the development of the project is supported by a special contract between the state and ČEZ. The current approach places emphasis on the construction of one unit with 1200 MW installed capacity in Dukovany, with the option to further construct up to four units (Dukovany and Temelin). The appropriate tender was opened on 2022 year inviting three of the strongest technology suppliers (EDF, KHNP and Westinghouse). The activities of Ministry of Industry and Trade and ČEZ are now focused on tender evaluation and notification from the European Commission. It is expected that the final decision will be presented during the 2024 year, and the licensing procedures will be commenced. The discussion will be also focused on the localisation of domestic industry and supplier/service companies.

Fulfilling the objective of the outlined plans (two units in Dukovany and two units in Temelin by 2036 and 2045, respectively) will require an investment of at least CZK 700 billion (EUR 30 billion), which is absolutely the biggest investment in Czechia and a major challenge for strong, world-leading companies. With respect to the indicated willingness to ensure the implementation of local projects with the greatest possible extent of domestic supplies, now is the best time to consider investment opportunities in both the areas of direct financing and improving the qualitative potential of Czech companies operating in the nuclear industry.

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## Energy efficiency services

Progress in energy management systems opens up new opportunities for the further growth of energy efficiency approaches. Energy efficiency services lead to a situation in which the costs of the actual implementation of an energy management system are soon covered by non-investment measures. Moreover, the Monitoring & Targeting (M&T) makes objective and accurate proof of saving possible, which applies to quite complex production processes as well. It can be stated that, due to this fact, utilisation of energy efficiency services could be considered a keystone of the management of every industrial site. The development of these systems has led to the creation of the ESCO scheme, which enables enterprises to finance the implementation of an energy management system by a third party, i.e. an energy service company (ESCO). The fact remains that the initial costs are often an obstacle preventing the implementation of modern procedures in the field of energy management, even though these costs are low in comparison with the savings potential. Companies focused on ESCO and related services (Energy Performance Contracting - EPC) are united in the Association of Energy Service Providers (APES). As of 2022, APES has 28 members.

Formation of the ESCO scheme was enabled by the development of standardised energy management systems. Czech companies that have implemented or are implementing an energy management system using the M&T approach include, for example, Plzeňský Prazdroj, Škoda Auto, Unilever, Kovohutě Příbram, Danone Benešov, Koramo Kolín, Mondi Štětí, Vishay Electronic and Eutit Stará Voda. M&T can be implemented in a small enterprise with simple technology or in a building, but its commercial use is best proven in the case of medium-sized and large enterprises paying high amounts for annual energy consumption (at least approx. EUR 380,000). The system's good economic return (usually within a year) is due to the fact that implementation costs are relatively small compared to the achieved savings, which amount to a certain percentage of annual energy bills and can reach as high as 15%.

A significant form of support for the implementation of energy efficiency services consists in the inclusion of energy management principles in the ISO 50001 standard. As well as the actual economic benefits, the relevant legislation allows enterprises to supersede the mandatory energy audit by implementing the standard, and enterprises that have the ISO 50001 standard implemented enjoy preferential points when their applications for grants from the EU structural funds are assessed. ISO 50001 certification is provided by all authorised companies operating on the European market, such as TUV, DNV and Bureau Veritas.

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## Food sector

Food production is one of the traditional industrial sectors in the Czech Republic. The broad structure of the sector is based primarily on processing of domestic raw materials comprising primary agricultural production of plant and animal origin complemented with other foreign raw materials. The main segments are dairy products, meat processing and preservation, other food products and beverages. A major part of the sector's output is produced industrially. Digitalisation and automation have been introduced into the sector.

The importance of the food production sector providing nourishment to the population is further emphasised by the recent COVID-19 pandemic and ongoing crisis in Ukraine. Czech producers show the great readiness for increased production in the period of limited imports. The vast majority of companies have developed not only a contingency plan, but also food safety standards, which includes a procedure to be implemented in the event of an outbreak of a contagious disease or other crisis in food production operations.

Food quality is another priority that is gaining importance both in the Czech Republic and in the EU. Food production and agriculture comprise one of the most promising sectors in the Czech Republic and thus represent a favourable investment opportunity here. The food and beverage processing sector in the Czech Republic employs 86,000 workers in 7,500 companies. It represents a 2.5% share of the country's GDP and a 2.6% share of employment.

The Czech Republic has long striven to further improve the food-supply chain and optimise it for consumers. Online grocery sales have been gaining in importance, especially these days in connection with the COVID-19 pandemic. The range of food is very wide, from fresh products with short consumption times to non-perishable food items. Organic food and farm-raised products are also available. Czech products are characterised by their high level of qualitative standards. Food safety remains the government's priority in this area.

Our government supports modernisation of production capacities in the food industry and innovative production processes, for which financial resources are drawn from EU structural funds and the national budget. One of the ways to achieve significant improvement in the sector is through foreign direct investments that bring forth not only technical solutions, but also new production and marketing methods. The innovation process is a subject of intense interest in the research sphere and the government is striving to ensure the improvement of the process of putting research results into practise. Food waste is an important issue in both the Czech and European contexts and is thus a subject of the innovation process.

Besides traditional segments such as brewing, winemaking and sugar production, the Czech food industry also features modern production technologies including biotechnology and extrusion technology.

Consumer protection is also at a high level in line with modern trends. Furthermore, the local industry boasts a large number of registered trademarks and a generally high level of protection of intellectual property rights.

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## Transport & Infrastructure

A key role in Europe's future travel and transport industry will be played by the newly prepared Czech high-speed rail (HSR) network comprising 700 km of railways based on the French TGV standard (maximum speed of 350 km/h) with an investment exceeding EUR 26 billion over the next 30 years. The significant reduction of travel times in the Northwest-Southeast corridor between Berlin, Prague, Brno, Vienna and Bratislava will boost international cooperation. The Northeast-Southwest corridor will also bring significantly shorter travel times between Warsaw, Ostrava and Vienna. Bringing the main Czech cities closer together will enable the establishment of a significant economic powerhouse in Central Europe. The massive HSR programme will require capacities, skills and financing, thus opening up opportunities for foreign contractors and investors with proven technologies and capabilities. Private financing models are being considered for the development of new stations and certain rail sections, such as the new rail connection between the airport and the centre of Prague at a cost of EUR 1 billion.

The Czech road network comprises more than 1,300 km of motorways and 54,500 km of roads. The main trunk motorway spanning 200 km between Prague and Brno has undergone a major upgrade over the past eight years. In the next ten years, an additional 700 km of motorways are planned to be built at a cost of EUR 28 billion. The pilot PPP project involving the D4 motorway entered the construction phase in 2021 with CAPEX of EUR 440 million. The DBFOM contract for 28 years includes the greenfield construction of 32 km of motorway and operation and maintenance of 48 km in total, including adjacent existing sections. It should open for operation in 2025. The PPP model is being considered for selected motorway sections, taking advantage of private sector's financing, inventiveness and capabilities. The government is considering private financing for 30-60 km of the D35 motorway, the northern section of the Prague ring road, and a significant part of the D3, among other projects.

The Czech rail network has 9,500 km of railways, of which 35% is electrified. The country has one of the highest-density road and rail networks in Europe. The opening of the newly built highspeed railways for passenger travel in the future will release a significant portion of the current network's capacity for freight haulage, thus enabling faster and more efficient transport of goods. The National Recovery Plan of the Czech Republic will place emphasis on infrastructure development, among other areas. An investment of up to EUR 4.5 billion may be used to support physical infrastructure and the green transition, which includes improving transport infrastructure and supporting new pilot technologies, such as battery- and hydrogen-powered trains. Significant investment will also be aimed at digitalisation of the building environment, including planning, design and construction processes.

The Czech Republic foresees huge investments in its public infrastructure. However, with EU funding being directed more toward climate-change mitigation and resiliency, the window of opportunity for private investors and infrastructure capital will increase significantly.

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## Czech industry has great potential to automate production

The Czech Republic is a country with a strong industrial tradition. After the establishment of Czechoslovakia in 1918, 70% of the industrial production of the former Austro-Hungarian Empire was located on its territory. During the period of communism, industry was the main sector in the expansion of the economy. Today the Czech Republic is the second most industrialised country in the European Union. The industrial sector accounts for almost 29 % of Czech economic output, which is significantly more than in neighbouring Germany (23,6 %) or far above the EU average (20,5 %). Production of motor vehicles and their components holds the strongest position and dominates Czech industry, accounting still for more than a quarter of total industrial revenues and a quarter of total exports from the Czech Republic.

### Industry 4.0 is on the rise, robotisation of production is accelerating

The industrial sector around the world has been undergoing major changes for several years. A frequently mentioned trend consists in the arrival of digitalisation of production and everything related to concepts such as Industry 4.0, the Internet of Things, big data, predictive maintenance or machine learning. Alongside this, a reduction in the prices of new technology, automated solutions and robotisation of production is occurring worldwide. The result is that the introduction of new robots into production is growing globally. Most of them are in the sectors that are also dominant in the Czech economy, i.e. in the automotive, electrical engineering and metalworking industries.

### The number of robots in the Czech Republic is growing, the potential is still high

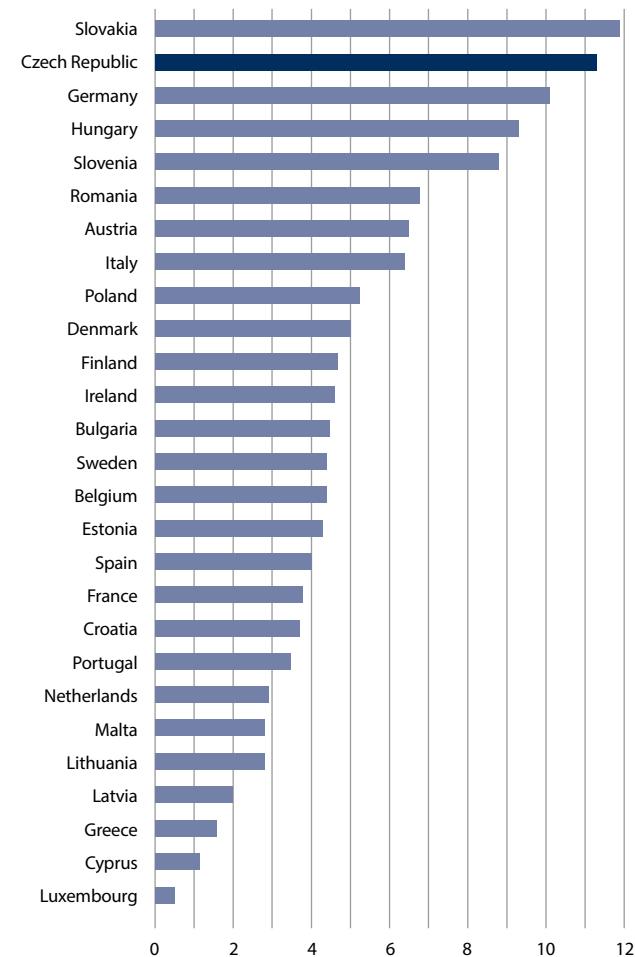
According to data from the International Federation of Robotics, 168 industrial robots per ten thousand employees were involved in production in the Czech manufacturing industry in 2021. Nevertheless, the Czech manufacturing industry's level of robotisation is still only two-fifths that of the advanced industrial nations Germany and Japan and one-sixth that of the global leader, Republic of Korea. Therefore, there is still strong potential for the involvement of robots in the manufacturing sector in the Czech Republic.

### Effective and attractive labour market

The rapid introduction of robotisation and progress in the digitalisation of production is therefore essential for Czech manufacturing companies in terms of raising their international competitiveness. Since the beginning of the 1990s, the Czech Republic has been among the European countries in Europe with low unemployment, which still holds true today, as the country currently has the lowest unemployment rate in the EU. This reflects the strong motivation of the Czech people to work, as well as the common sense that is typical of the key labour-market actors. As the economic

structure demands, the labour market offers a well-educated, trained and skilled workforce, mostly in technical professions. For example, the share of people employed in high-tech manufacturing in the Czech Republic is one of the highest in the EU. This is an essential condition for further robotisation, as well as an advantage of Czech industry.

Employment in high-tech and medium high-tech manufacturing sectors and knowledge-intensive service sectors (in % of the total economy, 2021)



Source: Eurostat, 2022



### **The payback period of robots is getting shorter**

With declining robot prices and the increase in labour costs in the Czech Republic in recent years, automation of operations and robotisation of production are becoming more and more profitable for businesses. For the Czech economy as a whole, this represents a necessary shift from an economic model benefiting from cheap labour to production with high value added that relies on high-quality and skilled workers. Changes in the state investment incentives system has been also moving in this direction, where support will be given to applicants offering more high-skilled positions for educated employees who collaborate on innovation with research and higher-education institutions.

### **Tailored services thanks to robots**

In addition to cost effectiveness, industrial robots also have other advantages. They can work 24 hours a day, do not need rest, do not go on strike, can handle heavy objects, make fewer mistakes and are more accurate than humans. Thanks to robots, companies can increase the quality of their products, shorten delivery times and provide more flexibility in their production, i.e. supply products and services tailored to the individual requests of clients. Cheaper technology also brings forth new business models in which, for example, machines are no longer sold, but only rented. On the other hand, there are still many work activities for which automation is not suitable or is too expensive.

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## **Business support services**

Czechia has been one of the leaders in the global business services sector in the region of Central Europe for almost 20 years. Together with the constant development of digitalisation, the country's stable financial and political environment has enticed global companies to choose Czechia as the final location for their Central European activities.

According to the Association of Business Service Leaders, 350 shared-services companies currently operate in Czechia, where they employ approximately 145,000 people. The global business services sector has been growing by an average of 13% per year and over 70% of the companies in the sector plan to expand their activities in the next two years. The top services delivered in Czechia are IT research & development, fintech, data analytics, knowledge management and HR services.

The largest number of companies are located in Prague, Brno and Ostrava. However, smaller companies are placing their activities in other locations such as Olomouc, Plzeň and Pardubice. Activities outside of Prague and Brno account for 23% of all activities in the area of global business services. The list of existing captive and outsourced global services includes companies such as Deutsche Telekom, Infosys, ABInBev, Commerzbank and Johnson & Johnson.

The main reason for placing shared-services centres in Czechia is the quality of the country's graduates and professionals, especially with respect to IT and language skills. Furthermore, the country's well-developed infrastructure and available high-quality office space, as well as its cosmopolitan society, make Czechia an attractive place to work and live.

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# Banking

The Czech banking sector is unique in many respects. Most of the sector is dominated by strong European financial groups and its activities are primarily focused on the Czech Republic.

## Capital position

Czech banks remain well-capitalised despite the impressive growth they have shown over the past two decades, and the total level of capitalisation is well above all regulatory requirements. With capital adequacy at 24% (in 2021), Czech banks have maintained a solid position amid the COVID-19 pandemic, supported by solid risk profile and limited dividend payout. Czech banking sector remains well capitalized even after dividend payouts in 2022 and remains resilient against the economic impact of Russian invasion to the Ukraine thanks to its profitability and low exposure to both countries.

## Profitability

Czech banks are among the most profitable in Europe. With ROE around 11% in the past decade (with the exception of ROE of 7% in pandemic year 2020), Czech banks have generated attractive returns for their shareholders in a global comparison. With net profit accounting for roughly 1.2% of GDP (2021), the Czech banking sector is among the most profitable when compared to the size of the Czech economy supported by the benign environment including a strong macro picture, a prudent supervision and a friendly investment environment.

Profitability has been under pressure during the COVID-19 pandemic, which translated into contraction of the economy in 2020. Nevertheless, Czech banks maintained a strong position without any need for state support and experienced a solid recovery in 2021.

After a decline in 2020 (EUR 1.8 billion) net profit has been back on growing trajectory. Expected double digit increase in net profit in 2022 reflects the improving economy, lower risk provisions and an increasing interest rate environment resulting from CNB interest rate hikes and limited negative impact of the war in the Ukraine.

## Efficiency

With costs between 45% to 49% of income over the past ten years, Czech banks have been among the most cost-efficient globally. Cost to income remained below 50% even during the COVID-19 pandemic.

Apart from overall good cost control, banks benefit from economies of scale affected by the high market concentration (roughly two thirds of total assets are in the hands of the five biggest players). Elevated costs in 2022 remain well below the inflation level.

## Asset quality

The asset quality slightly deteriorated in 2021, which was a reflection of the COVID-19 pandemic. Share of non-performing loans (NPL ratio) started to fall again in both the household and corporate sector thanks to a post-pandemic recovery of most of the economy and reached 2.0% at the end of 2022.

The currency split of loans in the Czech banking sector shows that foreign currency lending is mostly dominated in EUR and predominantly in the corporate segment where it becomes increasingly popular in 2022.

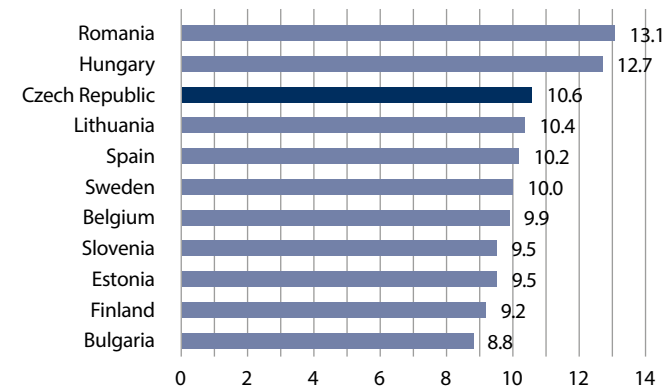
## Opportunities

Further loan growth can be anticipated, as penetration still lags behind developed Europe; compared to other EU countries, the Czech market is still underpenetrated in both loans to households and corporate loans. In other words, the convergence story continues and there is still significant room to grow faster than the EU even in other product categories (e.g., investment funds and life insurance).

Despite all the challenges that 2022 brought, Czech banking sector confirmed its resilience and stability and managed to provide strong support to households, companies and the public sector and is ready to further contribute to stronger and sustainable society. The main risk for the future remains uncertainty about development with respect to war in the Ukraine.

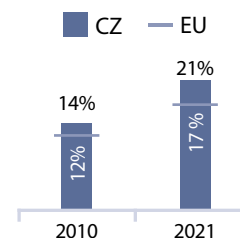
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## Which banking sector is the most profitable? ROE (%), 2021



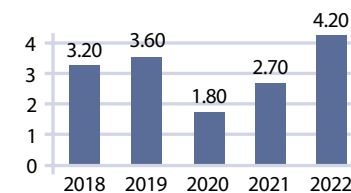
Source: ECB, 2023

## Tier I ratio



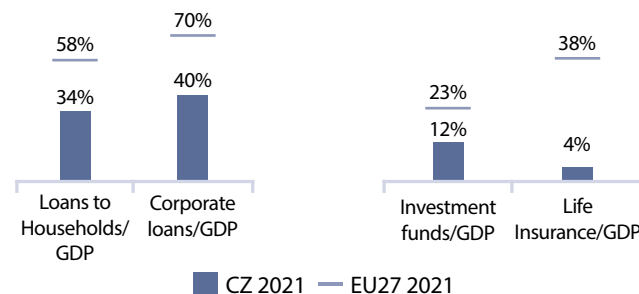
Source: ECB, 2023

## Czech banks' net profit in EUR bn (2022, estimated)



Source: Czech National Bank,  
Estimate by Česká spořitelna, 2023

## A lot to catch up with the EU



Source: Eurostat, 2023



# Insurance

The insurance sector remained profitable and stable even during the period following the financial crisis of 2009 and it further remained stable and well capitalized during the COVID-19 pandemic in 2020 and 2021 and are resilient in current environment of high inflation and overall economic instability connected with war in Ukraine.

In addition, the insurance market has still significant room for further growth. In the Czech Republic, the combined share of premium billing in GDP was 2.9% for life and non-life insurance in 2021. This figure is approximately double in Western European countries.

## Stability of the Czech insurance market

The Czech insurance market exhibits a high degree of stability and capital resilience. In comparison with the values for the EU as a whole, the Czech market consistently maintained a substantially higher solvency ratio in comparison to the minimal capital requirement defined by the regulator (solvency ratio for the Czech market resulted in approximately 330% of the minimal capital requirement, which in recent years has been fully comparable with the results of Europe as a whole due to an increase of capital adequacy in the overall EU data) until implementation of Solvency II in 2016.

During the transition to the new Solvency II regime, no instability of the insurance market occurred. The market focused great attention on risk management in general and more specifically on adequate and prudent setting of technical reserves. The introduction of Solvency II in 2016 affected the solvency ratio figures and thus data for the period up to 2015 and figures starting after 2016 are not comparable, as the solvency calculation methodology was adjusted significantly, however the solvency ratio and overall capital adequacy are still at very prudent level and more than double the regulatory requirements.

Moreover, regularly performed stress tests confirm that the Czech insurance sector remained solvent even under scenarios of significant economic recession connected with a high degree of capital market drop downs as well as the higher level of lapses of insurance contracts due to adverse economic developments. So far, there have been no substantial impacts resulting from massive lapses during the pandemic. The Czech insurance sector not only remained stable in terms of having sufficient capital, but also successfully dealt with the issues of remote working, continuity of providing all services to clients and business partners and acceleration of the digital transformation of its products and services in the new situation.

## High profitability in comparison with the EU average

The Czech insurance market's profitability is constantly significantly higher, exceeding the European average multiple times over in both the ROA (return on asset) and ROE (return on equity) indicators. The Czech insurance market did not suffer a substantial decrease in profits during the financial crisis and recession of 2008-2009, when profits in the European market as a whole were minimized.

## Claims performance of non-life insurance

The claims ratio in non-life insurance was roughly 55% between 2017 and 2019. A further decrease occurred in 2020 with a 51% claims ratio without any significant increase in the year 2022 so far (the last available result of claims ratio for 3Q 2022 resulted in 52 %). Despite the existence and gradual increase of the severity of claims, these are still significantly lower claims ratio figures than those reached in the Europe-wide market, where this indicator for non-life insurance was approximately 65%-67% in the period from 2017 to 2019 with almost no reduction after 2020 (claim ratios of 66% in 2020 and 2021 and 67% in 3Q 2023, respectively).

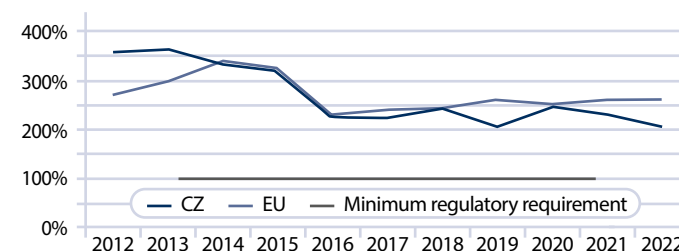
Even though there is potential for further growth in non-life insurance (the basic difference in non-life insurance penetration is connected with the minimal share of commercial health insurance and long-term care in the Czech Republic so far), the main imbalance in insurance penetration within the population between the Czech Republic and the EU as a whole is seen in the area of life insurance.

## Potential for further development of the life-insurance market

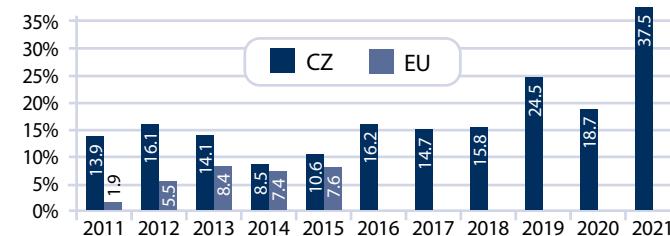
The average annual life-insurance premium in the EU is approximately 1,238 EUR per person in 2021. By comparison, this figure for the Czech Republic in 2021 reached EUR 200, as growth of the average life-insurance premium in the country practically stalled in 2010. The potential for further growth dealing with this significant gap in the life market between Czech Republic and Europe is connected mostly in further development of risk protection in life insurance, life annuities in future pension reforms and the covering of long term care risk.

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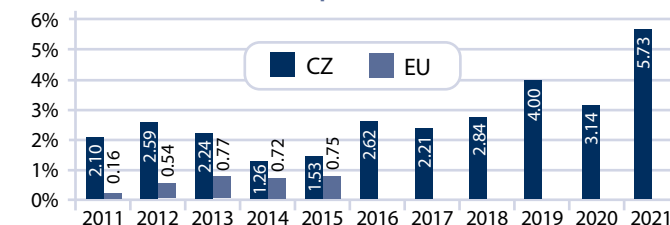
## Share of available and required solvency



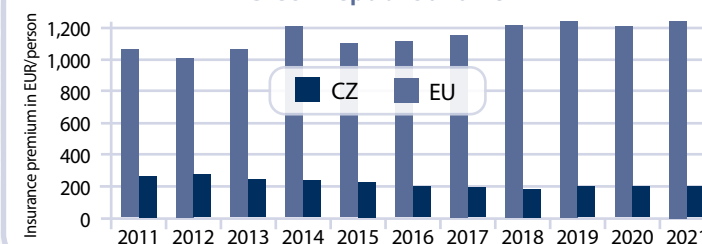
## Comparison of ROE in the insurance industry – Czech Republic and EU



## Comparison of ROA in the insurance industry – Czech Republic and EU



## Comparison of life-insurance premiums – Czech Republic and EU



Source: EIOPA, 2022



## Contact the AFI for more information



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**We would greatly appreciate your feedback, recommendations and suggestions on how to improve the Guidebook.**





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