Edition 2022

BUSINESS GUIDEBOOK

Czech Republic

The Country for Your Sustainable Investments

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

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- Advice on site selection
- Comprehensive services related to getting established on the market
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- 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
The Country for Your Sustainable Investments

Edition 2022

This is the seventh edition of the publication Business Guidebook: Czech Republic – The Country for Your Sustainable Investments. 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 1

Petr Fiala, Prime Minister of the Czech Republic 4
Kamil Blažek, Chairman of the Association for Foreign Investment 5
Martin Tlapa, Deputy Minister of Foreign Affairs 6
Petr Očko, Deputy Minister of Industry and Trade 7

Quick facts about the Czech Republic 9

The Czech Republic – Heart of Europe 10
AFI
Myths and misconceptions about the Czech Republic 13
The Czech Republic – A country of unforgettable experiences 14
CzechTourism
A great place for your investment 16
CzechInvest
Regions of the Czech Republic 18
Prague – A top location for European headquarters 26
Prague
Benchmarking of the Czech Republic in the V4 context 28
Foreign direct investment in the Czech Republic, developments and trends 30
CzechInvest
Education in the Czech Republic 32
Czech National Agency for International Education and Research
Legal environment 34
Kinstellar

Six main things to do first 35

1. Establish your business 36
Konečná & Zacha
2. Investing in Czech real estate 37
108 AGENCY
3. Find out more about the labour market 38
Grafton Recruitment & Gi Group
4. Get more information about state aid 39
KPMG Česká republika
5. Protect your intellectual property rights 40
PRK Partners
6. Moving to the Czech Republic (housing, education and medical costs) 41
TIFRA

Finance your investment 43

How investment incentives work in the Czech Republic 44
CzechInvest
Financing foreign investments in the Czech Republic 46
Česká spořitelna
Guide to all grant programmes for the period 2021-2027 48
enovation

Look into R&D 49

The future of the Czech Republic lies in innovation 50
Development and Innovation Council
Digital and innovations - An opportunity for investors 51
Ministry of Industry and Trade
The Czech republic's research infrastructures at a glance 52
Ministry of Education, Youth and Sports
How TA CR funds science and research 54
Technology Agency of the Czech Republic
CzechInvest – Your port of entry for R&D-related investment and more 55
CzechInvest

Get more information about properties 57

Establishing your business premises in the Czech Republic 58
Prochazka & Partners
The best office and where to find it in the Czech Republic 59
Colliers
Valuation of property in the Czech Republic 60
Grant Thornton Audit
Sustainable development of industrial real estate is a clear priority 61
Panattoni
Modern trends in efficient building management 62
M2C
The circular economy: recycling or prevention? 63
AFI
The beauty of brownfields 64
ATELIER TSUNAMI

Handle the permit and construction processes 65

Permitting processes in the Czech Republic 66
Bilfinger Tebodin
Zoning permits and environmental impact assessments 67
CTP
Cost planning: The first step 68
RUBY Project Management

Hire people 71

Addressing the dynamic challenges of workforce planning 72
ManpowerGroup Czech Republic
Human potential in the Czech labour market 73
Human Sense
The Czech Republic: Growing opportunities in a competitive labour market 74
Hays Czech Republic & Romania
Increased productivity, reduced costs and happier employees 75
Randstad Czech Republic

Outsourcing – potential value added 76
Adecco
Employment agencies and recruitment of blue-collar workers in the Czech Republic 77
HOFMANN WIZARD
Alternative recruitment - Rent a recruiter 78
GoodCall
Best approach to large volume recruitment 79
Manuvia
Being an employer in the Czech Republic 80
AFI
The evolution of work through the pandemic 81
Reed

Find out more about taxes 83

The Czech tax environment: Transparent and competitive 84
EY
Paying corporate taxes in the Czech Republic 85
PwC Česká republika
Paying personal income tax in the Czech Republic 86
ASB Czech Republic

Interested in M&A 87

Specifics of acquiring Czech privately owned / family business 88
Noerr
Making informed investment decisions 89
Deloitte Advisory
From preparation to operation 90
Gleeds
Environmental due diligence – A cornerstone of new acquisitions assessment 91
ENVIROS
Finding a trustworthy director in the Czech Republic 92
VISTRA CZECH REPUBLIC AND SLOVAKIA
Sourcing and business partnership 93
CzechInvest
Advantages of outsourcing to a business services centre 94
Sony DADC Czech Republic
Where to apply for Czech visa (ordinary passports) 95
BROŽ BROŽ VALA
Visa support provided to foreign investors 96
CzechInvest
Work in the Czech Republic while maintaining employment in your home country 98
Expat Support

Top sectors for investment 101

Automotive industry 102
Automotive Industry Association of the Czech Republic
Mobility 103
CzechInvest
Defence 103
Defence and Security Industry Association of the Czech Republic
Aerospace 104
CzechInvest
Space 104
Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic
Advanced industrial technologies 105
CzechInvest
Healthtech 105
CzechInvest
AI & Digital 106
CzechInvest
Creative industries 106
CzechInvest
Ecotech 107
CzechInvest
Chemical industry 107
Bilfinger Tebodin
Nuclear power 108
Association of Nuclear Veterans
Energy efficiency services 108
Enviros
Food 109
Ministry of Agriculture
Transport and Infrastructure 109
Czech Infrastructure Association
Czech industry has great potential to automate production 110
Česká spořitelna
Business support services 111
CzechInvest
Banking 112
Česká spořitelna
Insurance 113
Czech Insurance Association

Petr Fiala

Prime Minister of the Czech Republic

Dear Readers,

The past three years have been a challenge not only for the Czech Republic, but for the whole world. Everyone, including individuals, companies and public institutions have in some way been affected by the COVID-19 pandemic and consequences of the measures aimed at combatting it. However, the crisis has again shown the validity of the well-known saying that "where there is crisis, there is opportunity". Companies, institutions and countries that strive to innovate and to always be among the best have emerged from the coronavirus crisis successfully in economic terms and some have even grown stronger.

Unfortunately, as one crisis was coming to an end, a new problem arose with the Russian invasion of Ukraine. In addition to unleashing the horrors of war, Russia's aggression has fully exposed another of our weaknesses, namely our dependence on external sources of energy. The common goal of the public and private sectors will now be to reduce this dependence and to change the way our economy works. The Czech government is prepared to take up this challenge and to exploit it for the purpose of modernising our country – and I believe that you and your respective companies will be key partners for us in this area. The coming years will not be easy, but if we can manage to get through them together, and I am convinced that we will, then we will be significantly stronger and more competitive than we are today.

Kamil Blažek

Chairman of the Association for Foreign Investment

Dear Readers,

I have the greatest pleasure of bringing you already the seventh edition of the *Business Guidebook*. We have chosen a new motto for this year: *Czech Republic – The Country for Your Sustainable Investment*.

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 Czech Republic is the destination in Europe that provides an ideal mix of good return on investment, reasonable costs, strong ideas, potential for future development, superb human capital and an enthusiastic working environment. We place strong emphasis on investments being sustainable for both Czech and global societies. All that even in times of major changes and challenges. The coronavirus crisis and the war in Ukraine have changed the world, but both events have also shown how we need to think about opportunities, which are there for taking. Investment in the Czech Republic is such opportunity.

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 of 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. Also, at this time of expected deglobalisation of supply chains, the Czech Republic ticks all of the boxes as a target for new investment within the EU.

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 particular 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 of 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*) 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 with any ideas or comments you may have regarding this guidebook or the topics covered or not covered in it.

Martin Tlapa

Deputy Minister of Foreign Affairs

Dear Readers,

Located in the heart of Europe, the Czech Republic has been a prosperous country throughout its modern history. As a developed country with an open, trade-oriented economy, the Czech Republic 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 ninth safest country in the world. Having an effective legal environment, healthy banking system and stable political culture, the Czech Republic provides you with favourable conditions for investments.

In recent years, we have marked several significant historical milestones, such as the anniversaries of the country's accessions to the EU, NATO and the OECD, that have not only shaped the Czech Republic's position in relation to other countries, but have also had a key impact on the Czech economy. Moreover, in 2022, the Czech Republic will become the capital city of the EU during our presidency of the Council of the European Union. 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 global pandemic has affected the Czech Republic and its economy, we can still rely on our modern export-oriented economy, as the country ranks among the 30 largest exporters worldwide. Czech companies focus on 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 pandemic, our way to recovery is simple – 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 the brand "The Czech Republic – the Country for the Future", which emphasises 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 2022, the Czech Republic should continue to maintain the status of a country with favourable macroeconomic stability. For this year, stable economic growth of around 4.3% and the lowest unemployment rate in the EU of around 2.3% are expected. In terms of world trade, the Czech Republic confirmed last year its position as an eminent world exporter based on the world trade rankings, where it was ranked as the 27th largest exporter and 28th largest importer worldwide. The Czech share in total exports is also remarkable, reaching 1.1% despite the fact that the Czech Republic is a small country with only 0.14% of the world's population.

Even though the aforementioned qualities draw a certain picture of the Czech economy, potential foreign investors need to look further into 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 the Czech Republic into one of the most successful transition economies in terms of attracting foreign direct investments. Speaking on behalf of the Ministry of Foreign Affairs, I highly appreciate all of the steps that the AFI, CzechInvest and other institutions are taking to support companies based in the Czech Republic. I wish you a lot of success in the years to come.

Petr Očko

Deputy Minister of Industry and Trade

Dear Readers,

Even though we all anticipated that 2021 would be the year when we could return to normal life as we knew it before the pandemic, the opposite was true. It was a year full of expectations and sudden reversals. With its new mutations and waves, the COVID-19 pandemic had an even greater impact last year than in 2020. However, it was admirable how the economy or, better said, companies were able to rapidly adapt to the new conditions. Although the macroeconomic indicators unambiguously confirm the negative effects of the pandemic in the form of lower GDP growth and rapidly rising inflation, which is most evident in the energy industry. This new situation has aided the creation and development of new technologies and has literally kicked the digital economy, e-commerce and development and production of medical devices into a higher gear, while unprecedentedly giving rise to new activities in the pharmaceutical industry.

Several sectors in the Czech Republic, especially the business services sector, have experienced a significant increase in the number of services provided. This also shows that the Czech Republic provides a robust environment for investments, including, for example, resilient and high-quality digital infrastructure. We have also noticed increasing investments in digital reskilling in the business sector, which has greatly improved the response to the COVID-19 crisis.

Though it may not be obvious, the rapid development of sectors directly affected by the European Green Deal is also connected to the pandemic situation. Both the global health situation and climate change are integrally associated with the new challenges facing humanity. Companies, private investors and the public sector are thus focusing on the strategic areas of resilience, sustainability and energy self-sufficiency oriented toward renewable resources.

These are all issues that are opening up unprecedented scientific, innovation, business and investment opportunities. The year 2021 was an example of this. Interest in private investment increased again, the Czech Republic's economy took off again despite all of the difficulties facing it, and the unemployment rate practically did not increase and remains among the lowest in the EU. In 2022, we have to face an 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 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 we at CzechInvest are ready to help exploit those opportunities.

The year 2022 will be challenging in many respects. But together we can come out of the ongoing crises stronger, more resilient, more competitive and more innovative. I wish you all the best in 2022!

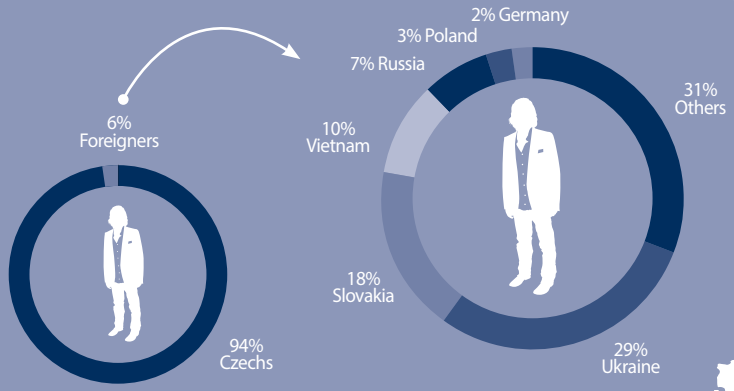
Did you know?

The Czech Republic

Location

10.7 mil
Population

78,866 km²
Area



Note: Percentage of foreigners in total population
Source: Czech Statistical Office, 2021

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

Political system - Parliamentary republic

Miloš Zeman
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

3.3%
GDP growth in 2021

3.8%
average inflation rate in 2021

3.8%
average unemployment rate in 2021

EUR 1,484
average gross monthly wage in 2021

Capital
Prague

Language
Czech

Currency
Czech koruna (CZK)

1 EUR = CZK 25.65
average exchange rate in 2021

Recent history

1989 — 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.

1993 — 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.

1999 — Accession to NATO
The Czech Republic became a member of NATO in 1999.

2004 — Accession to the EU
The Czech Republic joined the European Union in 2004.

Quick facts about the Czech Republic

Prague

The Czech Republic – **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 then 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.

The Czech Republic 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

The Czech Republic 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". The Czech Republic 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 10.7 million people live in the Czech Republic. The population of Prague is 1.3 million.

The country´s most populous cities

1. Prague (Bohemia)
1.3 million inhabitants

2. Brno (Moravia)
382,000 inhabitants

3. Ostrava (Silesia)
285,000 inhabitants

The Czech Republic's landscape comprises mainly highlands and rolling hills. Sixty-seven percent of the country's territory is at an elevation of up 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 16th 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 18th 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 19th 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: the Czech Republic and Slovakia. The Czech Republic was gradually accepted into Western European political structures, joining significant World and European organisations.

Political system

Parliamentary democracy
The Czech Republic 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 the Czech Republic.
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

The Czech Republic 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, the Czech Republic 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 2021 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 the Czech Republic

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

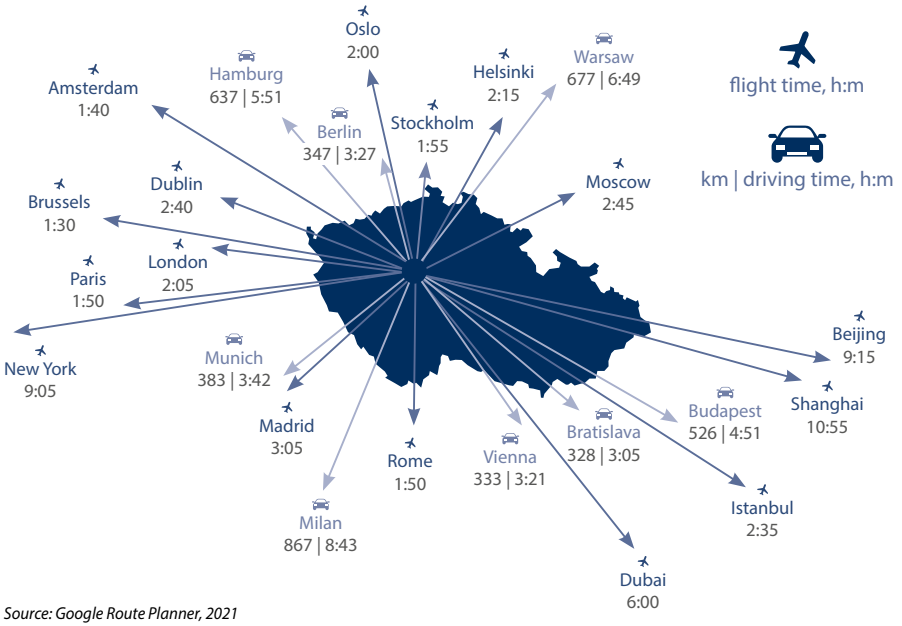
Investment risk rating

Country	Standard and Poor´s	Moody´s	Fitch
Czech Republic	**AA-**	**Aa3**	**AA-**
Hungary	BBB	Baa2	BBB
Poland	A-	A2	A-
Slovak Republic	A+	A2	A

Source: Czech National Bank, 2021

In 2021, industrial production increased by 1.6% 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.
The Czech Republic's currency is the koruna. Due to a foreign exchange intervention carried out by the Czech National Bank, the koruna-euro

Travel distances from Prague



Source: Google Route Planner, 2021
Source: Vaclav Havel Airport Prague, 2021

Motorway network in the Czech Republic

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

average exchange rate in 2021 was CZK 25.65/EUR 1. Upon accession to the European Union in 2004, the country committed to adopting the single European currency.

The Czech Republic'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 the Czech Republic by two places, from A to AA-, which is the fourth-best possible rating.

Infrastructure

The Czech Republic 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 the Czech Republic 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 Hradec Králové and 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 2021 was 367,899,000 and via rail transport it was 72,128,000 tons (as at September 2021) according to statistics from Czech Statistical Office.

Together with road transport, rail transport in the Czech Republic makes up the backbone of the domestic transportation system while also serving for international transit. With more then 9,500 km of track, the Czech Republic 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 the Czech Republic.

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.

The Czech Republic 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.

The Czech Republic 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.

The Czech Republic

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.

Eastern European country

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

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.

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 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 (food, rent) are cheap, especially outside of Prague, but other things are definitely not (clothing, cars).

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).

Golf resort Karlštejn
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The Czech Republic – **A country of unforgettable experiences**

Come to the Czech Republic and discover hidden gems. The Czech Republic 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!

Work hard, travel harder!
Business is business and only money counts. Still, the Czech Republic 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 appreciate

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

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 the Czech Republic, 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 Ecco, 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 the Czech Republic 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 the Czech Republic and invest your money here, you should definitely take a break and 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, the Czech Republic 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.

Travel tips for undiscovered gems of the Czech Republic

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

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 the Czech Republic, 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, the Czech Republic also offers a large number of luxury golf resorts located throughout the country. Do not hesitate to pack your clubs when coming to the Czech Republic to close a deal.

TOP 10 golf resorts in the Czech Republic

- 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 the Czech Republic 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 the Czech Republic.

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 14th century. The significance of the spa 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 the Czech Republic?

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 the Czech Republic

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 Kladruby nad Labem, **16:** Jizerské Mountain beechwoods

Time to live, time to travel

We will be incredibly happy if your travel plans include a few pleasant days spent in the Czech Republic. 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! ■

Czech Tourist Authority – CzechTourism
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www.visitczechrepublic.com

#VisitCzechRepublic

Dancing House, Prague

A great place for your investment

The Czech Republic has maintained and even improved its position in numerous country rankings from the previous years. Despite the continuous negative economic impact of the coronavirus outbreak in 2020, surveys indicate that the Czech Republic remains a great location for foreign direct investment. The Czech Republic is a safe, peaceful country where people want to live, while its educated and skilled people represent a great asset for businesses.

Strategic location

One of the factors that make the Czech Republic extremely attractive for foreign investors is its good access to the European market. The country's convenient location in the middle of Europe makes it possible to reach all European capitals very quickly. Together with EU membership, this makes the country a perfect gateway to the single European market of 500 million consumers and 21 million SMEs. Given the fact that the Czech Republic is at the crossroads of European trade, advanced transport infrastructure was naturally developed here. The Czech Republic 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, well-developed private sector, effective legal environment and 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. The Czech Republic'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. The Czech Republic 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 koruna (CZK), is fully convertible and extremely stable. Under Czech law, foreign and domestic entities are treated identically in all areas, from protection of property rights to investment incentives. The tax system offers the lowest rates in Europe and has remained stable over the long term. The country's investment grade ratings from international credit-rating agencies and its early membership in the OECD testify to its positive economic fundamentals.

Investment protection

The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA), an international organisation for protection of investments, which is part of the World Bank-IMF group. The country has signed a number of 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. The Czech Republic has also concluded agreements for the avoidance of double taxation.

Educated and skilled workforce

The Czech Republic 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, the Czech Republic has had one of the lowest unemployment rates in Europe. This fact has not changed even during 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 the Czech Republic especially advantageous for advanced and progressive manufacturing and R&D-oriented companies, whose operations are usually not labour intensive.

The Czech Republic is a country with great talent potential, as it is ranked 24th overall among the 134 economies in the eighth edition of the Global Talent Competitiveness Index from 2021. In the academic year 2020/2021, nearly 300,000 students were enrolled in the country's 60 universities (Ministry of Education, Youth and Sport, 2021). Roughly one-third of Czech university students study STEMM, while more than 80,000 students are enrolled in technical programmes. Because the Czech Republic is a relatively small country, studying foreign languages is a necessity. According to the latest STEM survey, more than 72% of Czechs have knowledge of at least

The Czech Republic's global rankings

2nd most attractive country

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

3rd best country for expats

Expat Insider 2021

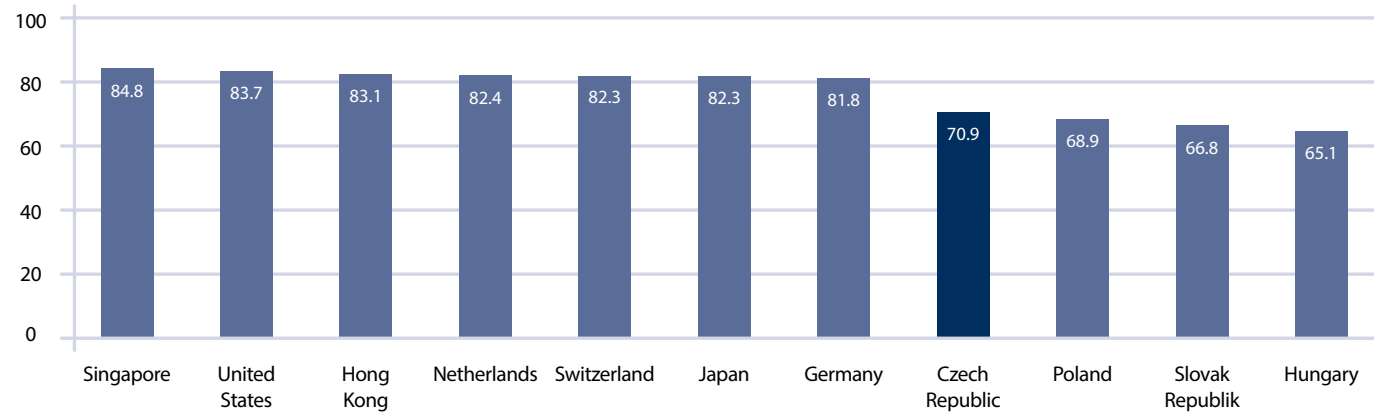
9th safest country

Global Peace Index 2021

24th most innovative country

Global Innovation Index 2021

The IMD World Competitiveness Ranking 2019



Source: World Economic Forum, Global Competitiveness Report, 2020

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
9	**Czech Republic**	**1.329**
17	Germany	1.480
19	Hungary	1.494
24	Poland	1.524
26	Slovakia	1.557

Source: Institute of Economics and Peace, 2021

one foreign language (predominantly English or German); this figure rises above 93% for those in management positions. The Czech Republic 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 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. Energy supplies are very stable with some of the lowest prices in the region. Both the electricity and gas markets are fully liberalised without any regulations, only activities of a monopolistic nature continue to be regulated. The Czech Republic's energy infrastructure is among the most reliable, efficient and adequately supplied in the region, as the country has some of the largest gas reserves in the EU. The Czech telecommunications market – one of the most highly developed and most liberalised in Central and Eastern Europe – is distinguished by growing demand for data, internet 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. The Czech Republic 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. 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 its potential in order to respond to the needs of the global economy, the Czech Republic's high quality of life is yet another factor making it an ideal investment location. ■

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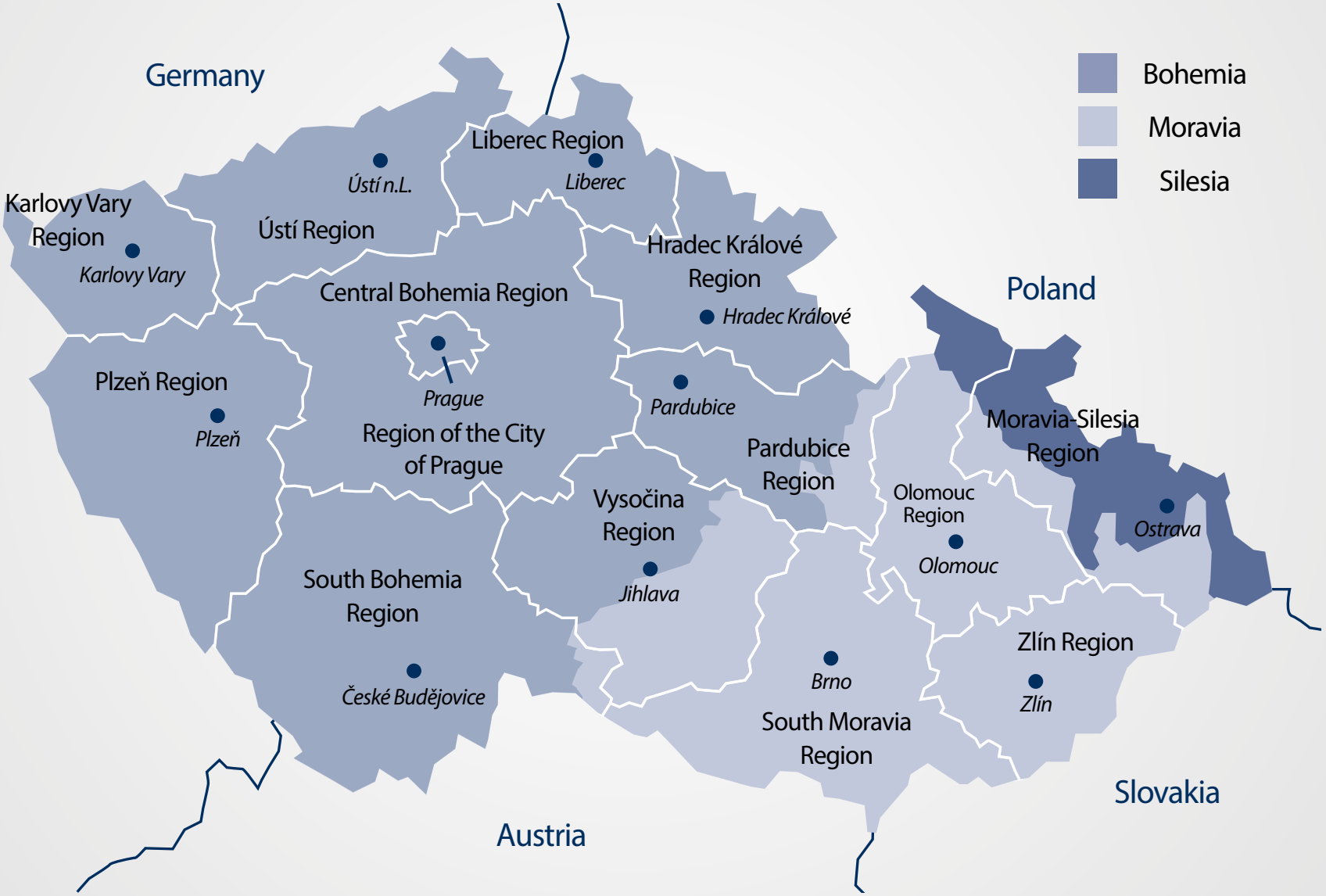
Did you know?

Regions of the Czech Republic



Region of the City of Prague

Name: Region of the City of Prague
Regional capital: Prague
Total area: 496 km²
Population: 1,274,562* (as at December 2021)
Working-age population: 869,149 (as at December 2020)
Unemployment rate: 2.76% (as at December 2021)
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

Highlights: Prague is the capital of the Czech Republic, which is located in Central Europe. It is not only the nation's largest city, but is also one of the country's 14 autonomous regions. Prague is the cultural and economic centre of the Czech Republic, accounting for a quarter of the country's GDP. The city has a rich historical and architectural heritage and its historical centre has been listed as a UNESCO World Heritage Site since 1992.
According to an in-depth study by Nestpick, Prague is one of the world's best cities for remote working, ranking eleventh in this respect due to its high degree of safety, low basic costs and overall quality of life. Prague is also ranked as the seventh best location in the world for study according to international students. fDi ranks Prague as the second best small European region of the future in terms of business friendliness. Prague is a cosmopolitan city with one of the best public transportation systems in Europe. The city is ranked second in the CEE region in terms of sustainable development, is the third largest European City of the Future (human capital and lifestyle) and sixth most developed region in the EU.
Prague is ranked among the world's top 50 cities for startups and among the top three Eastern European ecosystems for startups and scale-ups. Prague is also a city of science and research and the capital of satellite navigation, as it hosts the headquarters of the European Global Navigation Satellite Systems Agency. Prague's ESA Business Incubation Centre is the first facility of its kind in the CEE region focused on developing technologically progressive startups that use space technologies and systems. Prague also hosts the Prg.ai initiative, which has the long-term goal of transforming the city into a global hub of artificial intelligence (AI) by focusing on creating an active AI ecosystem, reversing brain drain, attracting AI researchers, educating AI talents, incubating AI startups and innovating businesses.

Zdeněk Hřib
Mayor of Prague
www.praha.eu

Central Bohemia Region

Name: Central Bohemia Region
Regional capital: none; the seat of the Regional Authority is in Prague
Total area: 10,928 km²
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: Czech Technical University, Faculty of Biomedical Engineering in Kladno, Škoda Auto University (private university), research institutions, other universities and research institutions in Prague
Sectors in which the region excels: engineering and automotive industry, aerospace industry, biotechnology, biomedicine, chemical industry, laser industry, 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, 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 lasers, 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 supports implementation of innovations and the local business environment, from startups 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, it has helped more than 200 companies with product or service innovation. Central Bohemia 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

South Bohemia Region

Name: South Bohemia Region
Regional capital: České Budějovice
Total area: 10,057 km²
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 Bohemia 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 km², 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 Bohemia 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

Plzeň Region

Name: Plzeň Region
Regional capital: Plzeň
Total area: 7,649 km²
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

More detailed information was not provided.

Karlovy Vary Region

Name: Karlovy Vary Region
Regional capital: Karlovy Vary
Total area: 3,314 km^2
Population: 283,161* (as at December 2021)
Working-age population: 188,009 (as at December 2020)
Unemployment rate: 4.18% (as at December 2021)
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 Nejdek, 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 Kulhánek
Governor
www.kr-karlovarsky.cz

Ústí Region

Name: Ústí Region
Regional capital: Ústí nad Labem
Total area: 5,339 km^2
Population: 798,754* (as at December 2021)
Working-age population: 522,895 (as at December 2020)
Unemployment: 5.08% (as at December 2021)
Institutions of higher education – type, number of students: one public university with more than 12,000 students (Jan Evangelista Purkyně University in Ústí nad Labem), three private universities and three detached workplaces (Czech Technical University Prague, University of Chemistry and Technology Prague, Technical University of Ostrava)
Sectors in which the region excels: energy, chemical industry
Note: *preliminary data

More detailed information was not provided.

Liberec Region

Name: Liberec Region
Regional capital: Liberec
Total area: 3,163 km^2
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

More detailed information was not provided.

Hradec Králové Region

Name: Hradec Králové Region
Regional capital: Hradec Králové
Total area: 4,759 km^2
Population: 542,480* (as at December 2021)
Working-age population: 343,510 (as at December 2020)
Unemployment rate: 2.83% (as at December 2021)
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

More detailed information was not provided.

Pardubice Region

Name: Pardubice Region
Regional capital: Pardubice
Total area: 4,519 km²
Population: 514,256* (as at December 2021)
Working-age population: 331,606 (as at December 2020)
Unemployment rate: 2.45% (as at December 2021)
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

Vysočina Region

Name: Vysočina Region
Regional capital: Jihlava
Total area: 6,796 km²
Population: 503,845* (as at December 2021)
Working-age population: 323,453 (as at December 2020)
Unemployment rate: 2.99% (as at December 2021)
Institutions of higher education – type, number of students: one public university - College of Polytechnics Jihlava (2,033 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

South Moravia Region

Name: South Moravia Region
Regional capital: Brno
Total area: 7,188 km^2
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

More detailed information was not provided.

Olomouc Region

Name: Olomouc Region
Regional capital: Olomouc
Total area: 5,267 km^2
Population: 622,813* (as at December 2021)
Working-age population: 398,548 (as at December 2020)
Unemployment rate: 3.35% (as at December 2021)
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: industry, agriculture, chemical industry
Note: *preliminary data

More detailed information was not provided.

Moravia-Silesia Region

Name: Moravia-Silesia Region
Regional capital: Ostrava
Total area: 5,430 km²
Population: 1,177,632* (as at December 2021)
Working-age population: 765,935 (as at December 2020)
Unemployment rate: 2.73% (as at December 2021)
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, chemical industry, agriculture, food industry and forestry
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 Moravia-Silesia 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.

Ivo Vondrák
Governor
www.msk.cz
www.hrajemskrajem.cz

Zlín Region

Name: Zlín Region
Regional capital: Zlín
Total area: 3,963 km²
Population: 572,350* (as at December 2021)
Working-age population: 368,944 (as at December 2020)
Unemployment rate: 5.14% (as at December 2021)
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

More detailed information was not provided.

Old Town Square, Prague

Prague – **A top location** for European headquarters

Every year, Prague is visited by more than four million foreign tourists wanting to see one of the most beautiful cities in the world. What is less obvious to them and others is Prague's complete readiness to host the CEE headquarters of multinational companies. Prague is not just a tourist destination - beyond being the city of a hundred spires, this metropolis in the heart of Europe has turned into an innovation hub and a place where the past meets the future.

The Czech capital is a unique location combining favourable costs and a sense of culture and tradition with a well-developed private sector, a highly skilled workforce and innovation potential, as well as an enticing atmosphere and great conditions for expats. These factors have made this attractive city a popular location for the regional headquarters of major multinationals such as Tesco, Ness Technologies and Bell Helicopters. Furthermore, Prague secured first place in the category Eastern European Regions of the Future 2020/2021 and it also ranks among the top 25 European Regions of the Future according to fDi Intelligence magazine. According to the Expat City Ranking 2021 issued by InterNations, Prague is the seventh most expat-friendly city in the world. The Czech capital ranked fourth in the Urban Work Life Index and fifth in the Quality of Urban Living Index. Prague ranked fourth in the area of opportunities to enter the local labour market. Prague even dominates the Work-Life Balance subcategory and ranks second worldwide.

At the centre of one of the world's biggest markets

Prague is very easily accessible from many other places in the world and is within a two-hour flight of most European cities. There are many daily direct flights connecting Prague to the main European business centres, such as London, Amsterdam and Frankfurt, as well as global centres including New York, Toronto, Tel Aviv, Dubai, Seoul and Beijing. The fact that the European Union is one of the largest markets in the world undoubtedly makes Prague the top choice for those investors who want to conveniently access the European market or further develop their business in Europe.

Strong innovation potential, R&D and a skilled workforce

The Czech Republic has strong potential in the area of R&D. Over the past twenty years, the Czech Republic's spending on R&D has increased from 0.95% of GDP to 1.94%. The main areas of technological specialisation in the Czech Republic include, but are not limited to, construction and construction technologies, materials engineering, transport technologies, biotechnology, environmental technologies, energy and security. Prague is among the EU regions with the largest share of researchers in total employment (over 2%). The city is home to eight public universities and the Academy of Sciences, which drives forward the development of new ideas and approaches for the innovation of products and services. Many R&D-focused startups are based in Prague. Prague shows compelling results especially in the field of human resources. Thanks to the many opportunities for tertiary education across disciplines, the city is full of highly qualified specialists looking for work in the private sector. More than 40% of employees in Prague have a university degree and the number of these well-educated graduates has a steady upward trend.

A safe, expat-friendly city of culture

Prague offers expatriates a truly safe and culturally rich environment and very good municipal infrastructure. The Czech capital also offers great conditions for families, an effective public transport system and high-quality services in the areas of shopping, dining and entertainment. More than 17% of Prague's inhabitants are expatriates. According to a 2021 survey conducted by Expat Insider, the Czech Republic is the third most attractive country in the world in terms of working abroad after Taiwan and New Zealand. Prague is a truly cosmopolitan city whose many notable advantages include the fact that it is more than one-third cheaper to live here than in London and two times cheaper than in New York (data according to numbeo.com). In addition to that, the Czech Republic is the ninth-safest country in the world according to the Global Peace Index 2021.

Though Prague is generally and rightly perceived as a city with a rich cultural heritage and a well-preserved historical centre, it also has a captivating and lively modern cultural environment offering an abundance of concerts, coffeehouses, libraries, theatres, cinemas and museums, as well as film, music, arts and food festivals. Beyond entertainment options, Prague has outstanding municipal infrastructure including green spaces and facilities for sports and outdoor recreation.

Features of Prague and the Czech Republic

- **2nd** Prague is second in the category Small European Regions of the Future in terms of human capital and lifestyle (fDi Intelligence, 2020/2021).
- **7th** Prague ranks seventh among major European cities in terms of cost effectiveness (fDi Intelligence, 2020/2021).
- **2 h** Prague is within a two-hour flight of most European cities.
- **15%** The personal income-tax rate in the Czech Republic is only 15%.
- **25** Prague is among the top 25 European Regions of the Future and the top 25 European Cities of the Future (fDi Intelligence, 2020/2021).
- Prague is among the EU regions with the largest share of researchers in total employment (Eurostat, 2020).
- **2nd** Prague is second in the category Small European Region of the Future in terms of business friendliness (fDi Intelligence, 2020/2021).

Reasons for relocating to Prague according to Mayor Hřib

- **One of the safest cities in the world**
  Prague is one of the safest cities in the world and it is therefore an ideal destination for students, employees and businesspeople to start their lives in Prague. The Czech Republic is also one of the safest European countries and is the ninth safest destination in the world according to the Global Peace Index 2021.
- **High quality of life**
  The Czech Republic, especially its capital, is a preferred destination for many relocating companies, individuals and families. It is a modern country with not only good infrastructure and a well-developed business ecosystem, but also a rich history offering a truly broad range of cultural opportunities.
- **Open job market**
  Many international companies have chosen Prague as the location of their Czech or even European headquarters, resulting in persistent demand for a skilled foreign workforce. The top sectors are technology, R&D and the creative industries including gaming. Recently, co-working spaces have started to flourish in Prague, which is helping freelancers to start their activities.
- **Great transport accessibility**
  Thanks to its ideal location in the heart of Europe, Prague is easily accessible to travellers from practically anywhere in the world. Prague's location also makes it easy to travel to neighbouring countries and their beautiful cities.
- **Transport**
  The Prague public transport system has long been considered to be among the best not only in Europe, but worldwide, as it has ranked as the sixth fastest and fifth best transportation system in Europe in recent years. In comparison with the mass transit systems of other capital cities, it is cheap, efficient and highly integrated. Prague is also a green city that is suitable for walking, as it offers a great number of tourist attractions in a small area.
- **Education**
  The Czech Republic has a comprehensive education system with numerous study opportunities. Prague has a great selection of international and multi-lingual educational institutions ranging from preschools to universities. Prague is the home of Charles University, which was established in 1348, making it one of the oldest institutions of higher learning in Europe. Furthermore, the best Czech technical university and the Czech Academy of Sciences are both located in Prague.
- **Living costs**
  Living costs in Prague are considered to be low and affordable compared to most other European cities. Average rent is EUR 802/month for a 70 m^2 apartment.
- **Experience with hosting EUSPA**
  Prague is the host city of the EU Agency for the Space Programme and has thus proven its ability to serve as the home of major international institutions and organisations.

Family life is very easy for expatriates in Prague thanks to the presence of over forty international preschools and elementary and secondary schools. With its highly efficient public transport system, it is possible to reach the centre of Prague from practically anywhere in the city within half an hour. The Czech capital also excels in terms of the availability of premium shopping and services. Numerous luxury brands are present here and residents can enjoy a number of top-level restaurants and bars, including Michelin-starred establishments.

Open business environment

Prague has an open business environment and a well-developed private sector. Most of the business in Prague takes place in the city's very strong tertiary and quaternary sectors. This leads to an appropriate environment for HQs, thanks to the accessibility of all necessary services and outsourcing. A large part of Prague's economy is revolves around its bustling tourism industry (hotels, restaurants, tours, museums, etc.), but business services such as IT, real estate and similar activities also play a significant role. In total, the service sector accounts for approximately 80% of the jobs in Prague.
The Czech Republic's legal environment forms a good foundation for effective company management, flexible employment and nimble property management. FDi Intelligence 2020/2021 ranks Prague as the second best small European region of the future in terms of business friendliness. The tax environment in the Czech Republic is stable and offers very good conditions not only for corporations, but also for expatriates. "The corporate income-tax rate was set at 19% in 2010 and remains at that low level today. The personal income-tax rate is also very favourable, especially for persons with high incomes and for a significant part of the expatriate population. The personal income-tax rate is only 15%. Expatriates who are sent to work in the Czech Republic under the regime allowing them to stay within the social-security system of their home country do not have to pay additional social security in the Czech Republic, whereas expatriates from some countries pay only for health insurance," says Jan Linhart, partner with KPMG ČR.
According to Eurostat data, people living in the Czech Republic are at the lowest risk of poverty and social exclusion in the EU. The country also has the lowest unemployment rate in Europe. This means that its citizens have a comfortable level of disposable income, which in turn is a positive signal for business opportunities in the country.

Cost effectiveness

Although Prague has a well-developed private sector, prices are still significantly lower than in Western Europe. Investors can thus use most necessary resources for very reasonable prices. According to fDi Intelligence, Prague ranks tenth among major European cities in terms of cost effectiveness. With respect to office rents, the price level is the same as or lower than the average rate in nearby locations in Central Europe. Compared to other major cities in Europe such as London, Munich, Vienna, Amsterdam and Paris, the rental rate in Prague is 20% to 80% lower.
The Czech Republic is also very affordable in terms of labour costs, as the average wage here is about one-third of the EU average. However, the quality and availability of workers is satisfactory according to fDi Intelligence, which ranked Prague fifth among major European cities in terms of human capital. The size and diversity of Prague's labour market offers numerous advantages in terms of the availability of human resources. Prague welcomes both jobseekers from other regions within the Czech Republic as well as foreign specialists. Prague is a truly cosmopolitan city that has become the home of many expatriates due to the many opportunities for a high income, good quality of life and low cost of living. Especially jobseekers from other European countries have found their permanent home in Prague. ■

Zdeněk Hřib
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PRA HA
PRA GUE
PRA GA
PRA G

Benchmarking of the Czech Republic in the V4 context

Czech Republic

10.7 mil
Population in 2021

78,866 km²
Area

Czech
Language

Czech Koruna
Currency

1 EUR = 25.65 CZK
Average exchange rate in 2021 (EUR)

Basic facts

GDP (EUR billion)	213.50	Consumer price inflation (%)	3.16
GDP (PPP) per capita (EUR)	33,867	Labor force (million)	5.38
Real GDP growth (%)	-6.00	Current account balance (% of GDP)	0.33

Slovakia

5.48 mil
Population in 2021

49,035 km²
Area

Slovak
Language

Euro
Currency

Basic facts

GDP (EUR billion)	88.80	Consumer price inflation (%)	2.01
GDP (PPP) per capita (EUR)	28,457	Labor force (million)	2.73
Real GDP growth (%)	-5.60	Current account balance (% of GDP)	-0.37

Poland

37.78 mil
Population in 2021

312,679 km²
Area

Polish
Language

Polish złoty
Currency

1 EUR = 4.59 PLN
Average exchange rate in 2021 (EUR)

Basic facts

GDP (EUR billion)	521.11	Consumer price inflation (%)	3.40
GDP (PPP) per capita (EUR)	29,666	Labor force (million)	16.98
Real GDP growth (%)	-2.70	Current account balance (% of GDP)	3.56

Hungary

9.76 mil
Population in 2021

93,030 km²
Area

Hungarian
Language

Hungarian Forint
Currency

1 HUF = 0.0027 EUR
Average exchange rate in 2021 (EUR)

Basic facts

GDP (EUR billion)	136.00	Consumer price inflation (%)	3.32
GDP (PPP) per capita (EUR)	28,970	Labor force (million)	4.74
Real GDP growth (%)	-5.00	Current account balance (% of GDP)	0.07

Note: Basic facts data refer to 2020 *Source: IMD World Competitiveness, 2020*

About

The Visegrad Group (also known as the "Visegrad Four" or simply "V4") was formed in 1991 with the aim of reflecting 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: MVCR, 2020

What is trending in the Czech Republic

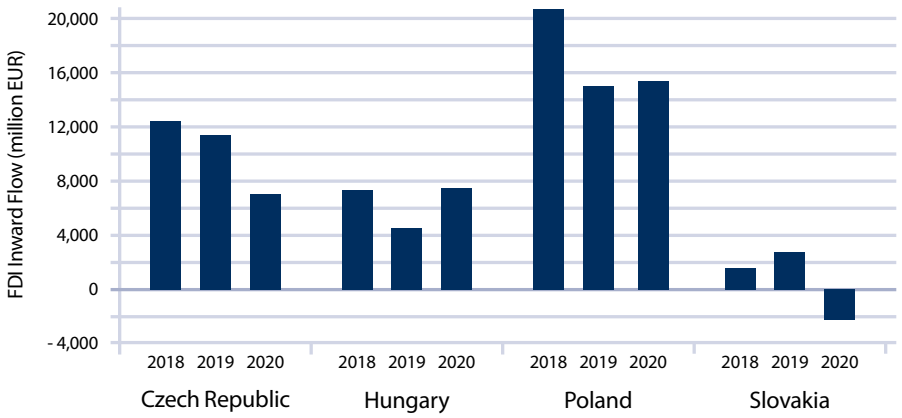
- Nearly two-thirds of companies employ or plan to employ foreign workers. (Hofmann Personal Survey, 2021)
- Remote working and the rise of hybrid teams has become a new reality, although adapting to this new style of work has been a real challenge for many companies and individuals. (Hays Czech Republic Salary Guide, 2021)
- At the end of 2021, a record breaking 1.1 million m² was under construction. Most industrial space is being built in Olomouc (25%), Moravian-Silesian (15%) and Pilsner regions (11%). (JLL, 2021)
- ESG is maturing faster than predicted. In 2019, not one respondent envisaged a future where 75% or more of an investor's portfolio would integrate ESG by 2021. Today 22% of investors surveyed integrate ESG into at least 75% of their portfolios, and this is set to grow in the next two years. (BNP Paribas, ESG Global Survey, 2021)
- The key sectors in 2021 were offices (36%) and industrial premises (35%). The volume of investments increased by 133% year on year due to strong interest in industrial properties; conversely, the retail sector declined by 33% compared to 2020. (Market in Minutes, Savills Research 2021)

Overall rank

	Czech Republic	Hungary	Poland	Slovakia
Competitiveness Ranking	34th	42nd	47th	50th
Economic Performance	23rd	8th	27th	47th
Government Efficiency	36th	40th	56th	51st
Business Efficiency	41st	56th	57th	55th
Infrastructure	31st	37th	42nd	44th
Digital Competitiveness	33rd	45th	41st	47th

Source: IMD, 2021

Foreign Direct Investment



Source: OECD, 2021

Global Innovation Index

Rank 2021	Country	Score
24	Czech Republic	49.00
34	Hungary	42.70
37	Slovakia	40.20
40	Poland	39.90

Source: WIPO, 2021

Global Talent Competitiveness Index

Rank 2021	Country	Score
24	Czech Republic	65.03
38	Slovakia	56.70
40	Poland	55.69
42	Hungary	53.57

Source: INSEAD, 2021

Quality of Life Index

Rank 2021	Country	Score
19	Czech Republic	162.64
31	Slovakia	151.16
38	Poland	140.02
39	Hungary	137.15

Source: Numbeo, 2022

Foreign direct investment in the Czech Republic, developments and trends

The Czech Republic 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 (aerospace, automotive industry, life sciences, nanotechnology, ICT, business services, electronics and advanced engineering). In 2021, two-thirds of arranged investments were expansions of the operations of companies already established in the Czech Republic.

The change in the structure of foreign direct investment in the past ten years indicates a new trend in the Czech Republic. The number of demanding projects in the fields of research and development and business support services is rapidly increasing the number activities (technology centres and business support services centres) coming to the Czech Republic.

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

Selected key investors in the Czech Republic by 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)		Oracle (US)
	Robert Bosch (DE)		Red Hat (US)
	Toyota/Groupe PSA (JP/ FR)		Solarwinds (US)
	Volkswagen (DE)		Tieto (FI)
Business support services	Accenture (US)	Life sciences	Lonza (CH)
	DHL (DE)		MSD (US)
	IBM (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

Investment in individual years, 2010-2020

Year	Number of projects	Investment (EUR mil.)	Number of jobs
2010	60	559	7,037
2011	72	1,262	10,702
2012	81	778	8,530
2013	108	1,832	10,412
2014	147	3,324	16,842
2015	106	1,719	14,040
2016	101	2,388	12,102
2017	106	2,408	12,116
2018	82	1,402	6,146
2019	94	2,090	6,948
2020	27	583	2,734
Total	984	18,345	107,609

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

Structural change of investments

1993-2000

Economic transition

- Privatisation of large Czech companies
- Incentives only for major foreign direct investments in manufacturing

2000-2012

Greenfield investment in manufacturing

- Large foreign direct investments
- Peak of newly created jobs
- Establishment of a supplier base for Western European markets

2012-2018

Diversification of supported activities

- Investment incentives for technology centres, high-tech repair centres, software development, data centres, etc.
- Technology interchange

2018 +

Innovation

- Higher-value-added foreign direct investments
- Encouragement of investment in KETs
- Advancement of Czech suppliers into global value chains
- Start-up accelerators and incubators

Top 10 investment by country of origin, 2010-2020

Country of origin	Number of projects	Investment (EUR mil.)
Germany	179	3,647
Czech Republic	228	3,397
United States	118	1,771
South Korea	19	1,311
Netherlands	41	1,230
Austria	36	1,113
Japan	56	952
Switzerland	45	543
France	31	457
China	22	441
Total	775	14,862

Source: CzechInvest, 2021

Top 10 investment by sector, 2010-2020

Sector	Number of projects	Investment (EUR mil.)
Motor-vehicle manufacturing (automobiles, buses, trailers)	243	5,536
Rubber and plastics	87	2,286
Metalworking and metal-processing	118	1,987
Paper and wood-processing	38	1,588
Mechanical engineering (machinery manufacturing)	98	1,233
Food	41	831
Electrical devices (batteries, generators, cables, appliances)	30	690
Other	49	675
IT and software development	71	206
Electronics (computers, optical instruments, electronics)	30	638
Total	805	15,670

Source: CzechInvest, 2021

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.

Apart 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 the Czech Republic. 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.

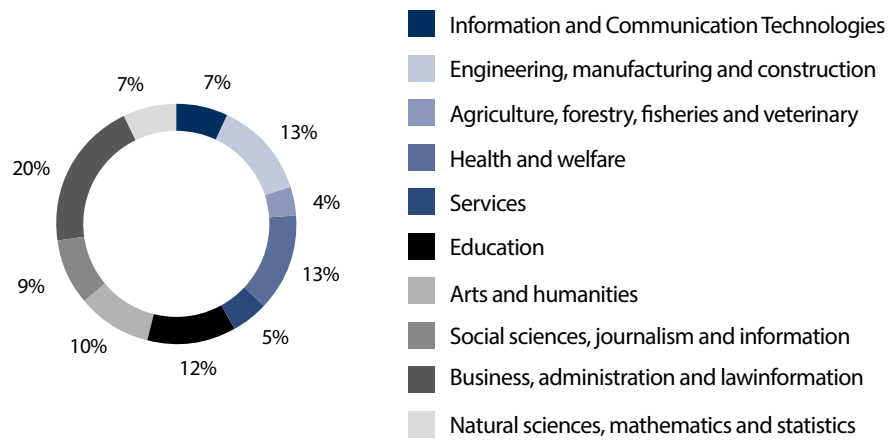
At the lower secondary level, there are also other education opportunities. After successfully passing the admission examination or aptitude test, gifted pupils may be admitted to an eight-year or six-year secondary general programme provided by more than 300 schools or one of the five eight-year conservatoires.

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

Field of study at public institutes of higher education in 2021



Source: Ministry of Education, Youth and Sports, 2021

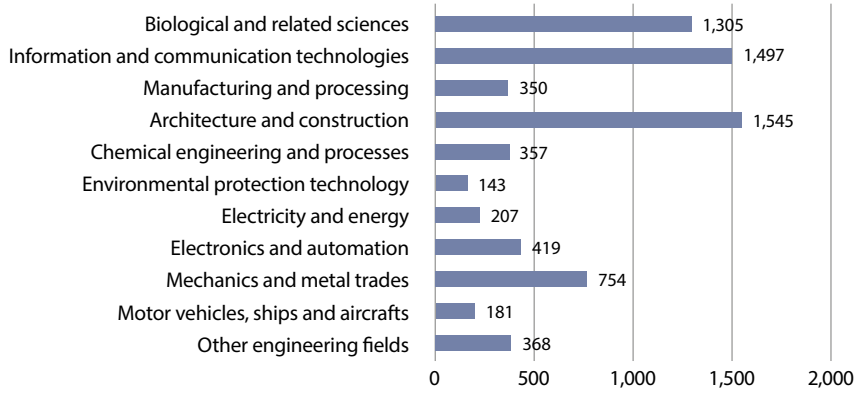
secondary schools. Another 18 conservatoires provide education in the arts.

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 (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 2 are state institutions. The Czech Republic 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.
As the higher education institutions (HEIs) 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.
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, the Czech Republic is also an attractive destination that is increasingly popular among international students. Currently, there are around 52,000 international students enrolled in full degree programmes. Before the pandemic, about 15,000 students chose to study in the Czech Republic in exchange or short-term study programmes every year. International degree students 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.
The Czech Republic has achieved international renown in areas ranging from Egyptology to high-tech fields such as non-woven nanofibres, as well as a success in, for example, 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.
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). 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. ■

Graduates of Master STEM fields in 2021



Source: Ministry of Education, Youth and Sports, 2021

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CZECH NATIONAL AGENCY FOR INTERNATIONAL EDUCATION AND RESEARCH
D Z S

MINISTRY OF EDUCATION, YOUTH AND SPORTS

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 Desputes
- The Multilateral Investment Guarantee Agency

Core legal concepts recognised

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

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KINSTELLAR

Main things to do first

1

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 75,000) 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 LLC are liable for the company's debts up to the amount of their unpaid contributions, shareholders of 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 law of the country in which the parent entity is located	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 directly by the company

	Branch office	Branch office	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 1,106 + registered capital of EUR 75,000 (minimum)

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KONECNA. — ZACHA.

Investing in **Czech real estate**

Located in the heart of Europe, the Czech Republic is the right choice when you are looking to invest in commercial property. The country remains an attractive option for new investors due to its open investment climate with political and economic stability, existing research and development platforms and safe and secure business environment.

The country has proven to be stable in terms of economic development, with a great geographical location and infrastructure making it accessible from both Western and Eastern European markets. Fitch and Moody's stable and improving long-term ratings of the Czech Republic are proof of that. The country offers a highly educated and skilled workforce under comparatively favourable labour-cost conditions. All of these factors make investing in Czech real estate very attractive, as it offers promising solutions for all types of investors.

Investment opportunities

Commercial real estate market continues to be an object of interest to entrepreneurs and a key destination for foreign investment. We can witness ongoing demand for most types of real estate including residential, commercial, retail, logistics and manufacturing. In 2021, approximately EUR 1.9 billion was directed towards real estate in the Czech Republic, which is more than in 2020. Foreign investors accounted for more than half of the investment volume. At the same time, domestic capital activity increased significantly across all segments. Yields for the highest-quality real estate in the office sector were around 4.25%, for industrial properties 4.15% and for the retail segment 4.75%.

Industrial sector

The further entrenchment of e-commerce into Czech life due to the pandemic has been an enormous lift for industrial and logistics real estate. Consequently, Czech demand for industrial real estate will grow further and the total stock of premium industrial premises for lease will reach over 12 million m² by 2025. For that reason, rent growth in the sector is expected to continue above the long-term average not only in 2022, but for the foreseeable future. Strong demand for industrial space is also leading to the lowest vacancy rate in history. The industrial sector, which registered record numbers in term of both projects under construction and new lease volumes in 2021, also attracted domestic investors and investments funds. The surplus of investment capital and low yields are attracting to the market new products that continue to be in scarce supply. In the third quarter of 2021, two major acquisitions were concluded: the purchase of four industrial parks from the pan-European APEX portfolio by the Chinese investor CGL Investment and the purchase of multiple fully leased assets at Logistics Park Nošovice by the US investment fund EQT Exeter.

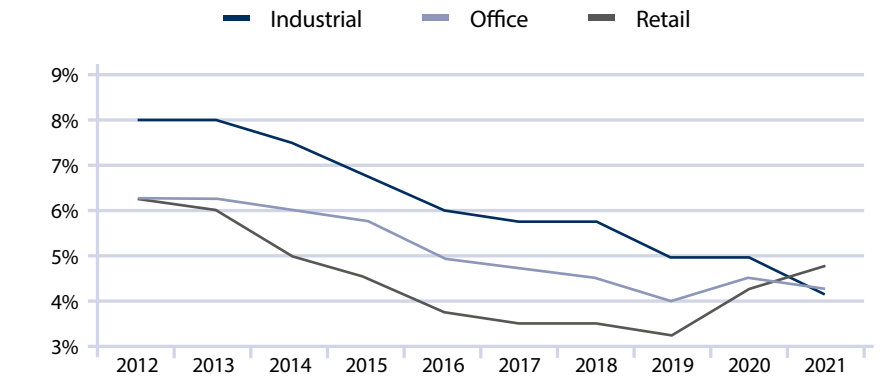
Retail sector

The retail sector has been suffering greatly during the COVID-19 pandemic. Currently, we are seeing rising interest from both private investors and institutional investment funds in the Czech Republic. Among shopping centres, there is a lot of activity focused on modernisation and rebranding, as well as other investments aimed at greater customer satisfaction and comfort. Many new brands, such as Primark, HalfPrice, Moa Paris, Dedoles and Versace, entered the Czech market in 2021.

Office sector

Last year was a demanding period for the office market, which still had not recovered from COVID restrictions. In 2022, safe workplaces and new technologies as well as environmental issues are becoming increasingly important. Among the major real estate deals carried out at the end of 2021 were the purchase of a portfolio of three office buildings in Karlín by ČMN and the acquisition of a complex of two office buildings in Prague 4 – Pankrác, concluded by the Generali Real Estate investment fund. ■

Prime yields (2012-2021)



Source: 108 AGENCY, 2021

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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. The volume of investments requiring well-educated workers is increasing, even despite the pandemic.

Whether 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 legislative 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.
In 2021, tensions and insecurity caused by the pandemic persisted in society, and due to the outflow of many foreign workers, labour shortages intensified. The Czech republic´s unemployment is still at its lowest level in the EU, which poses a challenge for all employers in the local labour market. In addition to the lack of skilled workers, many companies are also hampered by missing resources or components. Across industries and regions, there has been a slight increase in salaries, which offsets the stagnation of last year. In some companies, financial and non-financial benefits, which were reduced or suspended in the past pandemic year, are also returning to their original level. The shortage of qualified people on the labour market is seen by applicants, who can choose from multiple offers and, in a way, determine their own salaries. In addition to financial remuneration, benefits are also important to them when deciding on a future employer. Regardless of the field or age, Czech employees prefer the most benefits that include a contribution to the family budget or more time off. In the effort to attract new jobseekers, many employers have introduced additional incentives and recruitment contributions. ■

The most desired benefits

White collar	IT	Blue collar
Bonuses	Flexible working hours	Bonuses
5 or more weeks of vacation	Bonuses	5 or more weeks of vacation
Flexible working hours	5 or more weeks of vacation	Company meal vouchers or daily meals
Annual salary increase	Possibility to work from home	Christmas bonuses (other than performance based)
Health leave	Annual salary increase	13th/14th salary

Source: Grafton Recruitment, 2021

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grafton recruitment

Get more information about **state aid**

Over the past few years, the Czech Republic has significantly increased its focus on investments with higher value added and innovation projects. The current priority is to support high-tech projects, research and development and environmentally friendly initiatives.

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, and 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.

Every project is subject to the government's approval. Moreover, projects in the manufacturing industry have to achieve higher value added, which relates to R&D activities and wage conditions in selected regions.

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 greenfield 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 the 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. ■

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.

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KPMG

5

Protect your **intellectual property rights**

Today's business market is developing at very fast pace and entities are putting a lot of effort and resources into gaining leverage over their competitors on the market. Products and services are increasingly identified not only by their inherent characteristics, but also by their story and values (environmental, social and other) going beyond the basic attributes of the given product or service. Protecting the value of IP by proper means is of great importance when doing business, whether in the Czech Republic or elsewhere in the world.

Trademarks

A trademark is understood to be a designation consisting of, in particular, words, letters, numerals, colours, drawings, shapes of products or their packaging, and sounds, provided that it is capable of (i) distinguishing the products and services of a particular entity from those of other entities, and (ii) being expressed in the Czech Trademark Register in a way that allows respective authorities to determine the scope of rights protected by the particular trademark. Trademarks are registered with the Czech Intellectual Property Office (Czech IPO), which carries out a formal examination of the application prior to TM registration. The protection period is ten years following the filing date of the application with the possibility of repeated renewal for another ten years.

Patents

Protection of an invention takes the form of a patent. The application for patent registration must be submitted to the Czech IPO and include a detailed description of the invention and, most importantly, the claims for the patent. Patents are granted for inventions that are (i) new, (ii) result of inventive activity, and (iii) industrially usable. An invention is protected by a patent for 20 years following the filing date of the application.

Copyrights

Copyrights are exclusively associated with an author; only a natural person can be an author of a copyrighted work. The subject of copyright is a literary or other work of art and science, which is a unique result of the author's creative activity and is expressed in any objectively perceptible form, including electronic, permanently or temporarily, regardless of its scope, purpose or significance. Copyrights are not registered in any official register (authorial works are protected at the moment the work is expressed in any objectively perceptible form). Property rights to an authorial work endure for the life of the author plus 70 years after his/her death.

There are other means of protection of intellectual property under Czech law that are not covered by this introductory article, and it is always recommended that you consult a professional to determine and set up the most suitable protection of your IP assets. ■

Summary of IP protection

Type of IP	Protection duration	ACT	Authority
Trademark	10 years (repeatedly)	441/2003 Coll.	Czech IPO
Industrial design	5 years (max 25 years)	207/2000 Coll.	Czech IPO
Patent	20 years	527/1990 Coll.	Czech IPO
Utility model	4 years (max 10 years)	478/1992 Coll.	Czech IPO
Copyright	Life of an author + 70 years after his passing	121/2000 Coll. 89/2012 Coll	N/A

Source: Industrial Property Office of the Czech Republic, 2021

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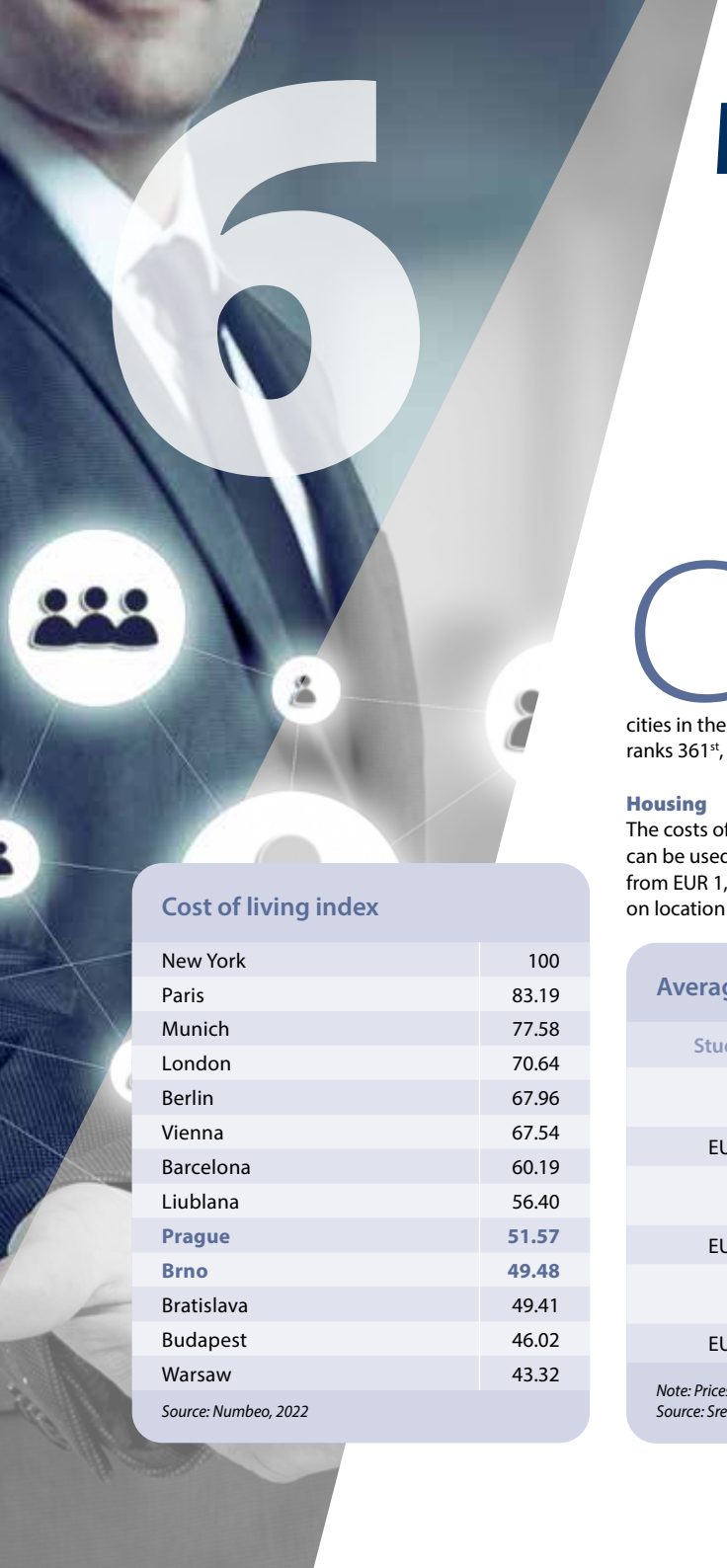

Moving to the Czech Republic

(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 index

New York	100
Paris	83.19
Munich	77.58
London	70.64
Berlin	67.96
Vienna	67.54
Barcelona	60.19
Liublana	56.40
Prague	**51.57**
Brno	**49.48**
Bratislava	49.41
Budapest	46.02
Warsaw	43.32

Source: Numbeo, 2022

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 343rd out of 590 cities in the world in the Cost-of-Living Index. Brno ranks 361st, followed by Ostrava at 383rd.

Housing

The costs of short-term serviced apartments, which can be used as temporary accommodation, vary from EUR 1,000 to EUR 3,000 per month depending on location and the scope of provided services.

Average monthly rental costs

Studio flat	Two-bedroom flat
Prague	
EUR 455	EUR 1,088
Brno	
EUR 395	EUR 795
Ostrava	
EUR 273	EUR 643

Note: Prices of furnished and unfurnished apartments excl. fees
Source: Sreality.cz, 2022

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.

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

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 1,700, 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 400 to EUR 4,000 depending on the facility and the scope of provided services. ■

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TIFRA
RELOCATION & CONCIERGE

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.

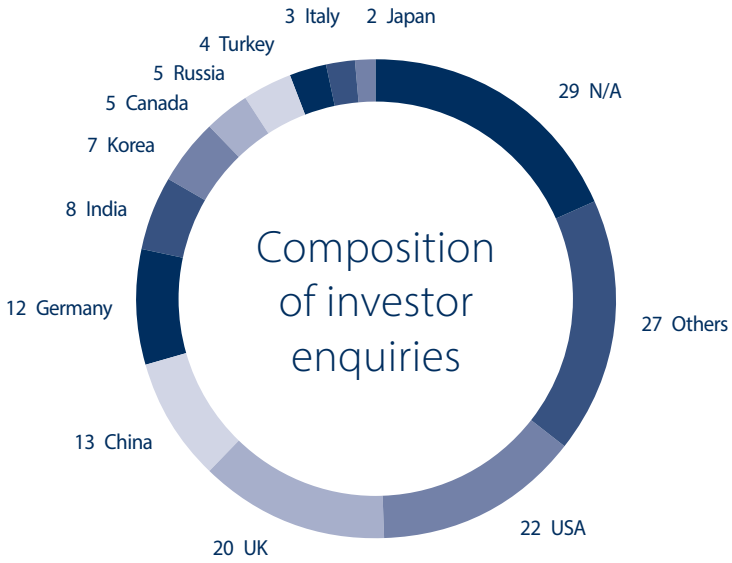
1996 when the AFI was established

37 members

157 enquiries from investors in 2021

24 events in the Czech Republic and abroad in 2021

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 abroad. Most of the seminars were transformed into online or hybrid form due to the COVID-19 pandemic.

Chairmen of AFI


Tomáš Ctibor
1996


Jan Ámos Havelka
2000


Martin Slabý
2005


Jan Bobek
2008


Kamil Blažek
2010

Finance your investment

How **investment incentives** work in the Czech Republic

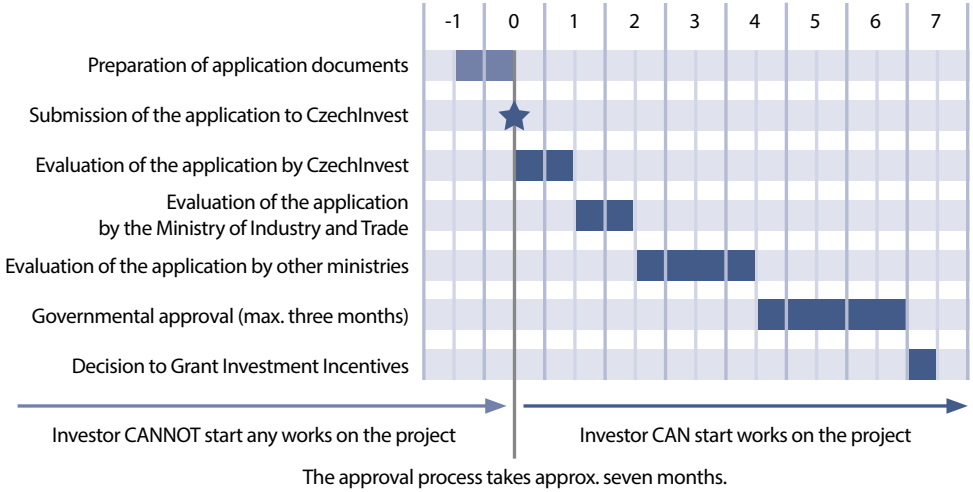
Investors who place their investments in the Czech Republic can obtain aid in the form of investment incentives, which are provided pursuant to Act No. 72/2000 Coll., on Investment Incentives, as amended.

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 the Czech Republic 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.

Expansion of a Czech entity



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 Bohemian, South Bohemian, Vysočina, South Moravian region. Other regions are without this restriction.*

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

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

Min. 80% of employees are paid at least the average wage in the region	+ one of the following conditions A) or B) or C)	A) 10% ratio of university degree employees and active collaboration with R&D institutions amounting to 1% of eligible costs
		B) 2% ratio of R&D employees
		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 production can receive a cash grant for training and retraining only in regions with an unemployment rate of at least 7.5%.

Eligibility criteria for strategic investments

	Min. investment in EUR million	Min. number of new jobs
Manufacturing industry	78	250
Production of strategic medical products	3/1.5	n/a
Production with high technological complexity*	3/1.5	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)*

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 enterprises 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 2021, a total of 1,319 Decisions to Grant Investment Incentives were issued on the basis of registered applications. In the period from 1998 to 2021, investors committed to investing more than CZK 982 billion (approx. EUR 40 billion) and creating more than 202,880 new jobs. ■

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CZECHINVEST

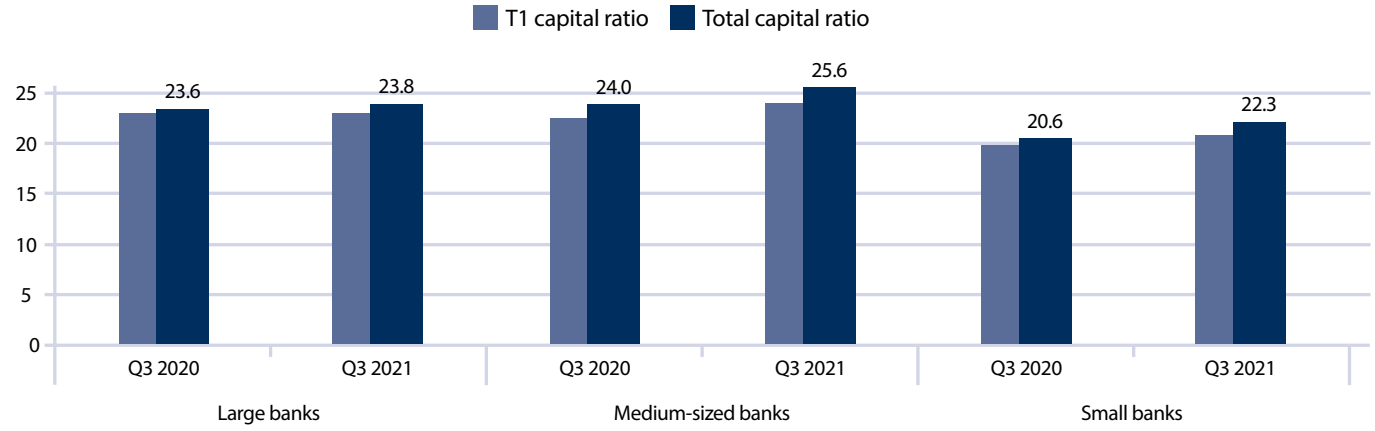
Financing foreign investments in the Czech Republic

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.

The 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 51 entities with banking licenses on the Czech market (as at December 2021). Two of these are owned by the Czech state while most of the remaining 47 institutions are either branches or subsidiaries of foreign banks. In terms of market share, the local banking sector is quite concentrated on loans and roughly 53%

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



Source: Czech National Bank, 2021

of all loans are held by the four leading banks (as at September 2021). The Czech banking sector is very safe, with strong liquidity (average loan/deposit ratio of 66% as at September 2021), high capital adequacy (average total capital ratio of 22.5% as at September 2021; see chart) and good asset quality (average share of non-performing loans to resident and non-resident clients of 2.4% as at November 2021). 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.

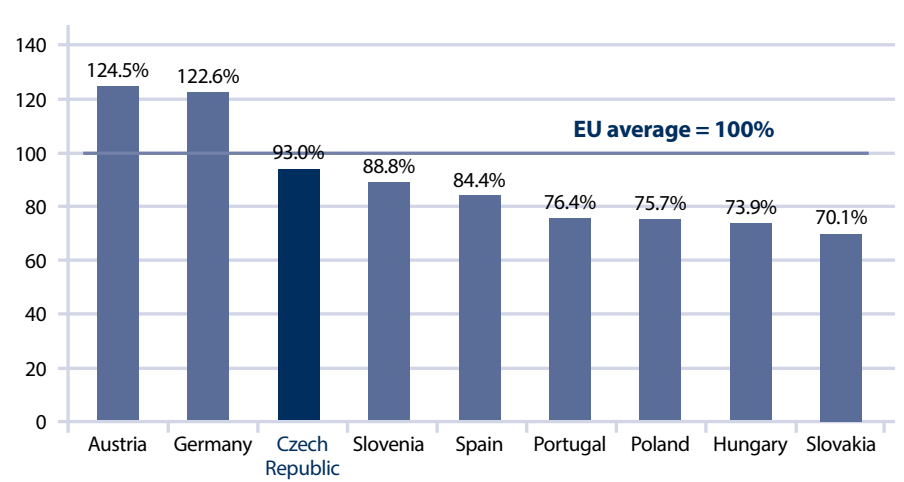
Larger investments can be financed through debt and equity capital markets that offer deep and liquid distribution to both domestic and international investors. The Czech Republic boasts the best ratings (S&P and Fitch: AA-, Moody's: Aa3, all of which are stable) of all the CEE countries and its sovereign 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 in order 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 standards 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 strategy of inflation targeting has proven effective in steering longer-term inflation expectations in the economy towards healthy levels. While the figures on general government debt are worsening throughout Europe due to the COVID-19 pandemic, 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.



Sources: European Commission, 2020

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Guide to all grant programmes for the period 2021-2027

According to the approved European Union budget, nearly EUR 40 billion will go to Czech and to the public sector. New programmes for the period 2021- 2027 are ready and are just waiting for the conclusion of the official negotiations with the European Commission. Let's explore all of the financial possibilities for your company.

In addition to the equivalent of the established programmes that provide subsidies for development, innovation or energy-saving solutions, the European Commission has also prepared programmes to support companies affected by the COVID-19 pandemic and regions affected by the downturn in heavy industry and coal mining.

Now look at the individual programmes in more detail and get an idea of which projects and investments your company could receive a subsidy for. Small, medium-sized and large companies (in this case, large companies are those with more than 249 employees), including companies with their registered offices in Prague, can get public funding in the new programming period.

This is the largest budget ever allocated for the Czech Republic, but it is also accompanied by new methodologies, grant application systems and methods of proposal evaluation. However, having a well-prepared project is not the only condition of obtaining funding, as enterprises will have to orientate themselves in all available programmes, evaluate which is the most advantageous and consider how to possibly combine the programmes in order to obtain a subsidy. The correct selection of a funding scheme and/or programme may be the determinative factor in whether or not a grant will be awarded.

According to Jiří Kvíz, CEO of enovation s.r.o., a fundamental change since 2021 is the extraordinary variety of funds available. In addition to the conventional EU funds (ESIF), completely new tools are emerging, created primarily in response to the crisis caused by the COVID-19 pandemic. This brings significantly more money for Czech companies, as well as new areas of financing. For example, some of the new funds will also be available for Prague and Prague-based companies that were neglected in the past. ■

New programmes = new application procedures

Operational Programme Technology and Applications for Competitiveness (OPTAC)

Allocated funds: CZK 80 billion (approx. EUR 3 billion)

Focus: This programme aims to promote innovation, research and development, digitalisation, technological equipment, energy-saving solutions and other activities that will increase the competitiveness of Czech small and medium-sized enterprises.

Technology Agency of the Czech Republic (TREND)

Allocated funds: CZK 4 billion/year (approx. EUR 150 million)

Focus: An independent programme of the Czech government that targets research and development projects in industry, energy, transport and the environment.

Just Transition Fund (JTF)

Allocated funds: CZK 45 billion (approx. EUR 2 billion)

Focus: Funding for the development and transformation of coal-producing regions (Ústí nad Labem, Karlovy Vary and Moravia-Silesia) and greater diversification of the economy in these areas. Public funding will be used to support development, innovation, digitalisation, renewable energy sources and decontamination and regeneration of traditional industry.

Modernisation Fund

Allocated funds: CZK 150 billion (approx. EUR 6 billion)

Focus: Similar to the Just Transition Fund, the Modernisation Fund focuses on landscape transformation and therefore supports sustainable technologies and the use of renewable resources.

Recovery and Resilience Plan (Recovery and Resilience Facility, RRF)

Allocated funds: CZK 182 billion (approx. EUR 7 billion)

Focus: This fund was established to help some of the economies of EU member countries damaged by the COVID-19 pandemic. In the coming years, it will distribute money to projects of affected companies, especially in the fields of digital transformation, education, development and innovation.

React-EU

Allocated funds: CZK 27 billion (approx. EUR 1 billion)

Focus: The REACT-EU facility was established mainly to support the healthcare sector, particularly in relation to the COVID-19 adaptation and recovery process, and is aimed primarily at the healthcare infrastructures in the public and private sectors. The funding will support the development and modernisation of ICU, AR and operating rooms, the development of laboratory capacities of health institutions and hospitals, and the development of care for particularly vulnerable patients.

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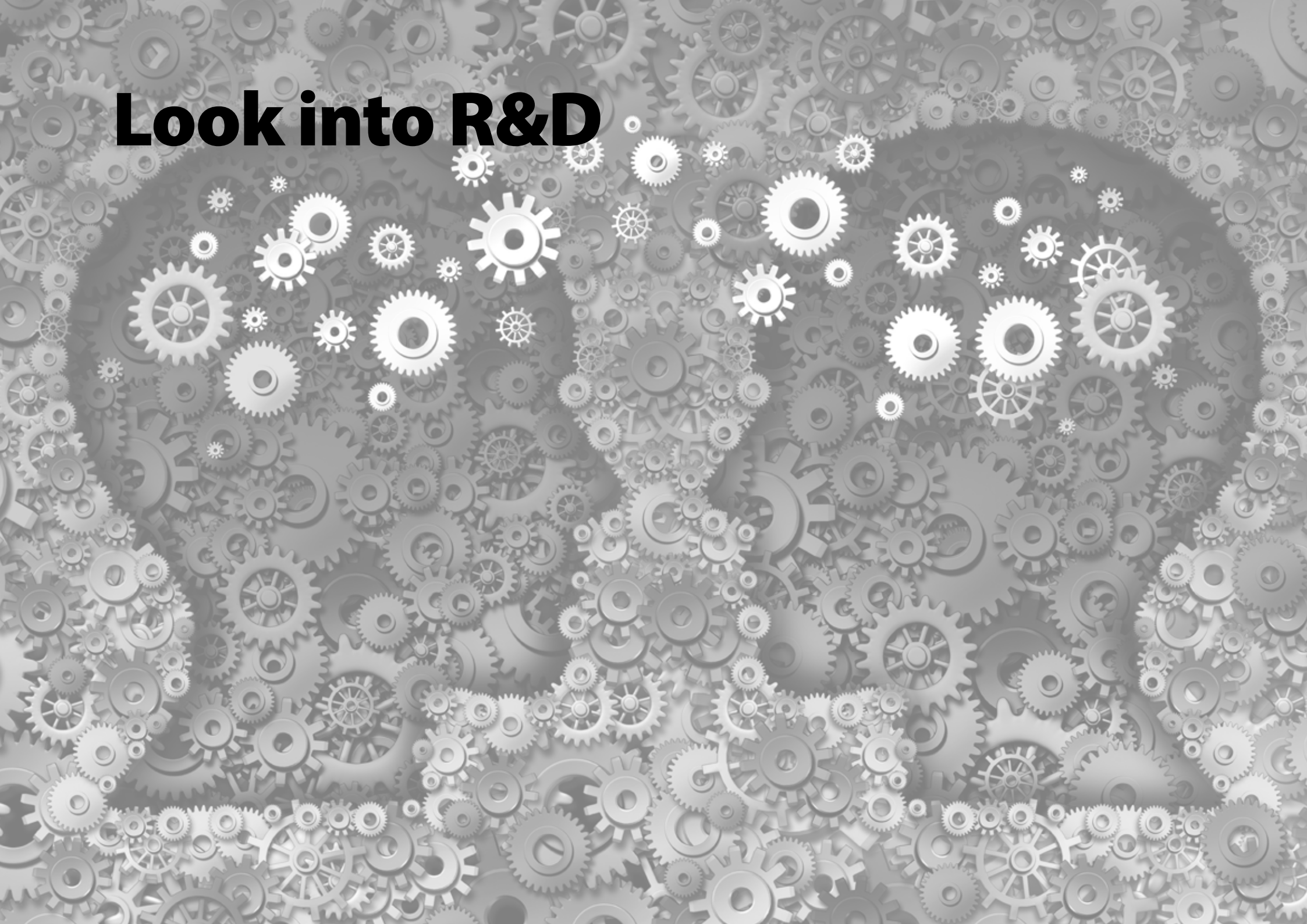
Look into R&D



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.

Bilateral cooperation between the business sector and researchers, with effective government support, is becoming one of the pillars of the Czech economy. Not only have we succeeded in increasing private sector expenditure on research, we have also stabilised public spending. The public administration uses the results of the research sphere in the exercise of 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.**

Research infrastructures will also be one of the key topics of the forthcoming Czech Presidency of the EU Council in 2022.

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.

Czech research infrastructures have also become an important part of **the expert response to the SARS-CoV-2 pandemic**. In 2020, the Government Council for Research, Development and Innovation began closely monitoring information on the involvement of research organisations in combating the pandemic caused by the novel coronavirus and currently stresses the role of research in addressing crises having an impact on society as a whole. In the current context, the Ministry of Science and the Council will therefore continue to give their full support for the stability and development of the R&D system with a view to strengthening 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.

In the Czech Republic, the RD&I environment has been developing vigorously in recent decades. Total expenditure on research and development has increased over the long term; in 2020, a record EUR 4.45 billion was spent on R&D.

Businesses invested nearly EUR 2.74 billion in research and development in 2020, mainly in in-house R&D. In 2020 statistics, EUR 1.51 billion was spent in domestic public funding. However, the main objective in funding is to create conditions for R&D expenditure to be 2.5 % 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, the 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.** At the end of 2020, almost 118,000 people (head count) worked in R&D, of whom 55% were researchers. 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 in 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 private innovative 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 R&D.

Inducements for foreign scientists

Today the Czech Republic can boast numerous excellent research organisations and research teams at universities, which are beginning to have a significant impact on the quality of research.

Currently, the aim of research centres is to be able to generate top-level results over the long term, to 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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Czech Republic
The Country For The Future

Digital and innovations - An opportunity for investors

The Czech Republic is creating a sustainable and consistent national digital ecosystem. Based on the main strategies (e.g. Digital Czechia, the National AI Strategy, the Innovation Strategy 2019-2030 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 to help the economy to combat the consequences of the COVID-19 pandemic.

The Czech Republic recognises the importance of digital technologies and their increasing impact on our everyday lives. Major opportunities for their deployment should be based on European values, e.g. focus on the security and safety of citizens, which is the very precondition for the true implementation of fundamental human rights.

COVID-19 reflections

Despite the obvious negative effects on the economy, it is necessary to point out that the coronavirus pandemic is accelerating the implementation of innovation and new technologies. The Ministry of Industry and Trade (MIT) responded and prepared programmes to help entrepreneurs in a record short time. It launched the "nursing" programme for self-employed people, as well as the COVID – Rent and COVID – Culture programmes. Support was provided most rapidly for research, development and innovation in the Czech Rise Up and other programmes. The MIT has launched or participated in a number of programmes directly aimed at supporting innovation and technology transfer and providing progressive investment incentives.

The leading role of artificial intelligence (AI) and other new and emerging technologies

Based on the National AI Strategy and other documents, the Czech government is committed to significant funding of investments aimed at boosting innovation in the economy, especially in SMEs. The AI agenda is included in the EU budget for 2021-2027. The Ministry of Industry and Trade is the national coordinator of the new Digital Europe Programme, which is focused on the creation of a sustainable digital/innovative ecosystem. Therefore, the MIT is heavily involved in building an interconnected and sustainable network of European Digital Innovation Hubs together with the AI Testing and Experimentation Facilities and European Centre of Excellence in AI.

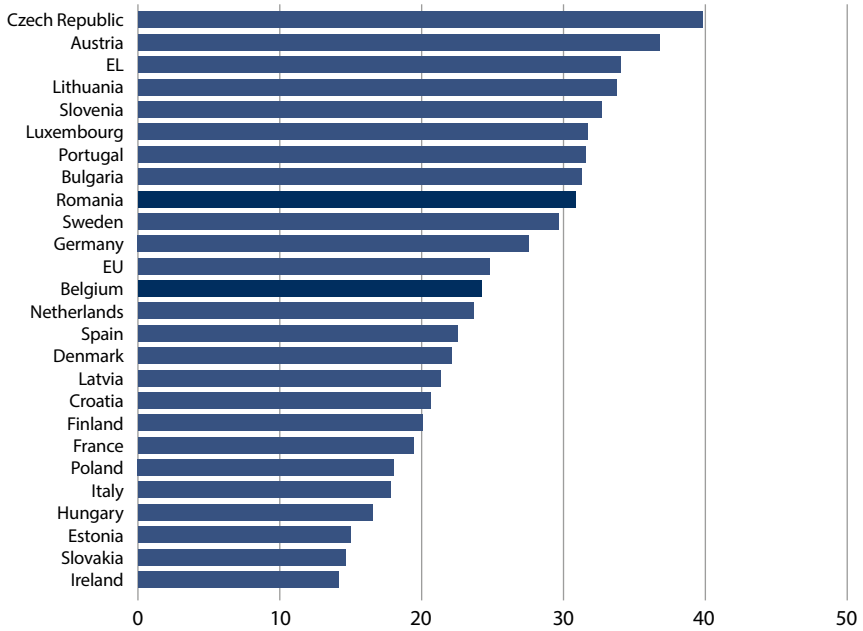
The Czech Republic has the highest rate of adoption of two or more AI technologies by enterprises

According to the European Commission's Digital Economy and Society Index (DESI), the Czech Republic has the highest percentage of enterprises using two or more AI technologies. Altogether, 40% of Czech companies have adopted and benefited from solutions based on artificial intelligence. The Industry Barometer 19 also confirms that the pandemic significantly boosted interest in digital technologies among enterprises and organisations – 27% of enterprises plan to increase investments in such technologies compared to 2020. A survey by the Ministry of Industry and Trade shows that the priority areas of investment for SMEs are data and cybersecurity in the next year and automation in the longer term.

Digital Europe Programme and European Digital Innovation Hubs – how to digitalise SMEs

To support the deployment and use of the digital capacities that underpin innovation in areas of public interest and business and recognising the importance of digitalisation during the COVID-19 pandemic, the European Commission has launched the new Digital Europe Programme, which is focused on the development and deployment of new technologies such as AI, HPC and cybersecurity. One of the most important implementation tools comprises the new European Digital Innovation Hubs, which are intended to provide necessary services for the digital transformation of SMEs and public administration. ■

Enterprises using at least two AI technologies (% of enterprises), 2020



Source: Digital Economy and Society Index Report 2021, European Commission

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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.

Societal 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 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.

International cooperation

Member State of 8 international R&D organisations:

- CERN
- EMBC
- EMBL
- ESA
- ESO
- JINR
- ITER
- VKIFD

Member State of 16 European Research Infrastructure Consortia:

- AnaEE ERIC
- BBMRI ERIC
- CERIC ERIC
- CESSDA ERIC
- CLARIN ERIC
- DARIAH ERIC
- EATRIS ERIC
- ECRIN ERIC
- ELI ERIC
- ESS ERIC
- Euro-BioImaging ERIC
- European Spallation Source ERIC
- EU-OPENSCREEN ERIC
- ICOS ERIC
- Instruct ERIC
- SHARE 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.

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. ■

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.

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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. For example, 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 in, among other things, the surface hardening of metals and for increasing the durability of optical components. The Technology Agency of the Czech Republic supports applied research not only in these disciplines, but across all fields of research through our programmes, which reflect the current needs of society and the market.

Czech industry invests heavily in research and innovation actively used in digital manufacturing models that include AI, IoT and robotics. Even though Industry 4.0 is currently a key initiative in our country, Czech industry is also developing advanced technologies in other areas including autonomous mobility, pure mobility, cyber security, optoelectronics and many more.
The 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.
TA CR programmes aim to provide funding for research and innovation that responds to new opportunities on the market and societal needs. Projects supported by TA CR are closely related to the Smart Life principles and create an environment for the progressive development of new methods and technologies required for the implementation of the Industry 4.0 concept. Researchers and companies that wish to contribute to our country's development in any area with their unique solutions can submit their project proposals to individual TA CR programmes, each of which has its own functions and importance.
TA CR's objective is to offer our support in research, development and innovation to as many partners as possible so that they can help us change the world for the better. TA CR is interested in cooperation with agencies and institutions developing international cooperation around the world in order to establish contacts, identify mutual priorities, exchange know-how and support joint applied research projects to ensure the development of innovation and the competitiveness of partners.
"We recognise that international collaboration and shared knowledge are essential for research. That is why we have several tools for promoting bilateral and multilateral collaboration." ■

Main TA CR programmes

GAMMA 2 - funds the verification of R&D results in terms of their practical application and subsequent commercial or societal use.

THETA - focuses on new technologies and key trends in the energy industry.

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.

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

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

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.

TAFTIE European network of innovation agencies gives TA CR the opportunity to share experience and information with partner agencies that also support research, development and innovation in various parts of the world.

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 the Czech Republic. 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 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, 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 the Czech Republic, 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. The Czech Republic 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. ■

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.

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CZECHINVEST

AFI members provide **professional services** in a broad range of areas

Get more information 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

12-24 months:
Identification of needs and requirements

11-23 months:
Market overview, longlist and shortlist

10-19 months:
Initial space planning, workplace strategy

9-17 months:
Commercial and technical negotiations - business case, financial analysis

8-14 months:
Signing of the lease agreement

6-10 months:
Construction of the premises (fit-out works)

0.5-1 month:
Furnishing, AV/TV installation

Day 1:
Start of operations

Industrial Production Premises (built-to-own)

countdown to start

30-36 months:
Requirements for space (location, labour market, rentllevels, etc.)

28-34 months:
Market overview, longlist and shortlist

22-28 months:
Establishment of a business entity/SPV

20-26 months:
Commercial and technical negotiations - business case, financial analysis

16-22 months:
(Future) contract negotiation and signing

8-13 months:
Start of construction, contract with hiring agencies

4-6 months:
Early access for installation of technologies

1-3 months:
Early access for trial operation

Day 1:
Start of operations

Even though the response to COVID-19 was generally quite turbulent, the reaction of the market was different in the case of office and industrial premises. Whereas office demand cooled down almost instantly with the rise of working from home, the industrial market experienced its best year ever in terms of demand, resulting in a rapid decline 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. 3.80 million m^2 of leasable premises. If you plan to open new offices, you should start your search 12-24 months) prior to market entry in order have enough options to choose from so that you will be able to find the best suitable option for your needs.

Industrial premises

Due to COVID-19 and the supply chain crisis, there is record-high demand on the warehouse market in the Czech Republic. Vacancy rates are reaching record lows and 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 20%-25% lower. ■

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PROCHAZKA
& PARTNERS
COMMERCIAL REAL ESTATE ADVISORS

The best office and where to find it in the Czech Republic

The office market in the Czech Republic proved its resilience once again. During difficult times, it adapted, held its position and even increased its attractiveness for the future.

Prague

The office stock in Prague comprises approximately 3.73 million m². Despite the lower delivery of new office space during 2021 and the below-average amount planned for 2022, the appetite to develop new offices remains unchanged. A lot of new speculative projects began construction during 2021 and are planned for delivery in 2023 and 2024. In addition, a number of large developments on brownfield sites are advancing towards successful transformations, including the Florenc bus station and surrounding area, Palmovka, New Waltrovka and Roztyly, to mention just a few. Though not focused solely on offices, these large projects will significantly help the development of the city and will establish completely new submarkets. Vacancy on the market has increased over the past few quarters, but still remains at approximately 8% citywide. This level could result in a lack of supply of larger units in some areas. Therefore, occupants should consider any renegotiations or moves as soon as possible so that they will be able to secure their desired property or at least have a decent number of choices. Prime rents range up to EUR 24.00 per m² per month, though a general increase is expected thanks to rising construction material and labour costs.

Brno

Brno has been one of the most ambitious office markets in the Czech Republic for years. It attracts the interest of local investors with a relationship to the city. The projects delivered are of a high standard similar to what you will find in Prague. Supported by well-established business centres and the supply of graduates from local universities, Brno is a base of operations for many large IT companies and various R&D centres. As it is also a crucial logistics hub, we can find there extensive industrial and logistics facilities, which in some ways can compete with offices, though always for the good of the tenant. Office availability in Brno is a little higher, with vacancy almost 12% and a number of projects awaiting pre-leasing, but occupants with large space requirements should act well in advance. Like Prague, we expect a rise in rental prices, which currently range up to EUR 16.00 per m² per month for prime spaces.

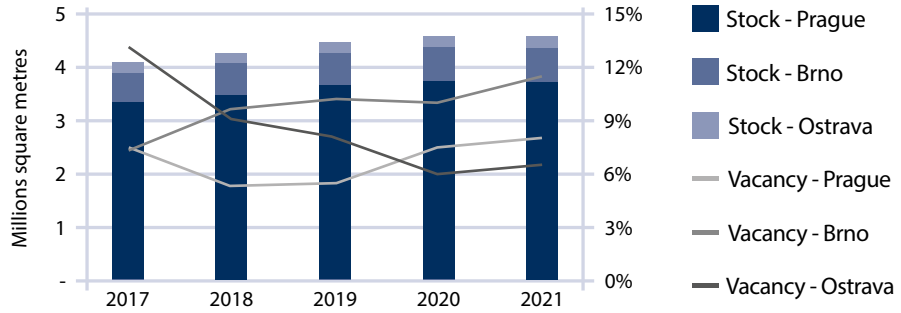
Ostrava

Ostrava has to be considered a city of opportunities. Massive development activity is currently underway in the city's industrial market and the office market will surely follow in the near future as a number of ambitious projects have been proposed. One such project is Organica, a large, smart office building in the city's most developed district, Nová Karolína. Otherwise, the modern office market is very stable with very low vacancy at around 6%. The best office spaces in Ostrava can be acquired for rents ranging from EUR 12.50 to EUR 13.00 per m² per month.

Prognosis

During the pandemic, we have seen rising costs in the construction sector and many tenants working fully from home, and we even heard of doomsday scenarios in which offices are rendered obsolete. Despite these pressures, the top Czech office markets have maintained their standards and also remain essential to virtually every business surrounding them. With the inevitable implementation of ESG and its associated requirements, we expect to see greater activity on the market either from developers and landlords or from investors in connection with setting policies and sustainable goals for their properties. ■

Modern office stock and vacancy in major Czech cities



Source: Colliers, Prague Research Forum, Regional Research Forum, 2021

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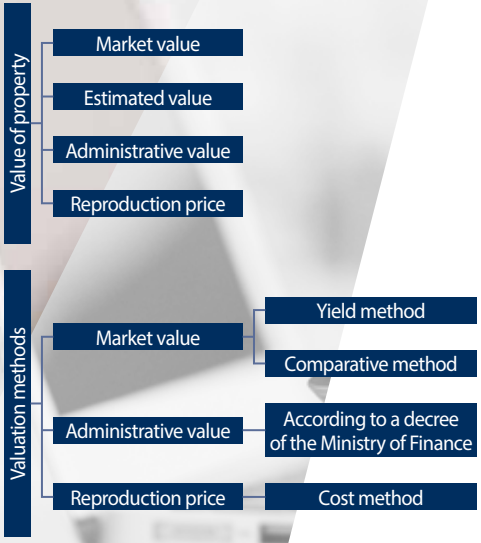
Colliers

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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Sustainable development of industrial real estate is a clear priority

By adopting a number of strategic documents, the Czech Republic has committed itself to actively implementing a range of sustainable policies.

Even the area of industrial development did not escape the trend of taking an environmentally friendly approach. The horizon of sustainable development used to start and end with buildings' energy consumption. Over the past 10-15 years, however, the progress we have made in the area of industrial development in the Czech Republic is comparable to that found in residential development. Modern industrial facilities are equipped with recuperation, utility network meters, intelligent control systems, LED lights with motion sensors and other smart devices.

Water management is a major topic today. We are building rainwater drainage and retention tanks and planting greenery designed to retain water in a given locality. In order to eliminate heat islands, roofs are painted almost exclusively in light colours so that they reflect heat rather than absorbing it. In recent years, so-called hygiene of the indoor environment has also become a trend, and many local developers are big fans of this concept, as it beautifully illustrates the motto: "let's protect nature, but let's not forget that we are part of it". This area addresses the comfort and health of employees, such as plenty of light, fresh air and even social contact.

The international BREEAM certification has become the standard of sustainable industrial construction in the Czech Republic. BREEAM is the world's leading sustainability assessment method for master-planning projects, infrastructure and buildings. It recognises and reflects the value in higher-performing assets across the built environment lifecycle, from new construction to in-use and refurbishment.

BREEAM does this through third-party certification of the assessment of an asset's environmental, social and economic sustainability performance, using standards developed by BRE. This means BREEAM-rated developments are more sustainable environments that enhance the wellbeing of the people who live and work in them, help protect natural resources and make for more attractive property investments.

The main output from a certified BREEAM assessment is the rating. A certified rating reflects the performance achieved by a project and its stakeholders, as measured against the standard and its benchmarks.

The rating enables comparability between projects and provides reassurance to customers and users, in turn underpinning the quality and value of the asset.

BREEAM measures sustainable value in a series of categories, ranging from energy to ecology. Each of these categories addresses the most influential factors, including low-impact design and reduction of carbon emissions; design durability and resilience; adaption to climate change; and ecological value and biodiversity protection.

A nice example of a BREEAM-certified project is the Kaufland eCommerce Fulfillment Center in Cheb, which has recently been certified as the most environmentally friendly industrial building in the world according to the latest BREEAM 2016 New Construction Standards. At the same time, the project was the first in the Czech Republic to receive the Outstanding mark and a record score of 90.68%. ■

BREEAM ratings

The BREEAM ratings range from Acceptable (In-Use scheme only) through Pass, Good, Very Good, Excellent to Outstanding and are reflected in the number of stars on the BREEAM certificate.

★ ≥ 30%	Pass
★ ≥ 45%	Good
★ ≥ 55%	Very Good
★ ≥ 70%	Excellent
★ ≥ 85%	Outstanding

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Modern trends in efficient building management

Remote technology and energy management represents significant savings

Some business entities in the Czech Republic are already able to offer foreign investors the latest services and technologies for building management. One such solution is, for example, the remote surveillance centre, which represents the effective building management due to the use of smart technology. The system comprehensively monitors the premises to ensure the smooth operation of the building, protects the client's property and reduces the costs of operation. It allows you to increase sales, extend the life of the building, increase the value of the real estate and minimise client losses at the lowest possible cost. It will also provide a thorough analysis of data to facilitate business decisions or help with the targeting of marketing campaigns. In addition to that, the remote surveillance centre allows you to manage the client's property non-stop and can connect with it from anywhere in the world.

IoT – wireless communication, multi-technology convergence and real-time analytics

In recent years, the importance of the Internet of Things (IoT), which is slowly becoming a part of our daily lives, has also been growing. In addition to smart homes, the business environment of the Czech Republic is also beginning to prepare smart offices. IoT represents a new trend in the field of control and communication of commonly used objects between themselves and people, especially through the internet and wireless data transmission technologies. Devices interconnected in this way allow the collection of large amounts of data, which can be further processed and used in various fields such as logistics, energy, transport and meteorology.

Robotisation on the rise

The topic of robots is being intensively addressed not only at the global level, but also in the Czech Republic, and not only in connection with the lack of skilled labour. One of the biggest advantages of robots is the reduction in operating and production costs. For example, an electronic receptionist greatly helps with the streamlining of a building's administration. It is a smart technology that, thanks to advanced features, ensures smooth operation of the reception at a lower cost. Thanks to innovative technologies and advanced software, it can be used in any type of space, whether it is an office building, a hospital, a school, a museum or an industrial and logistics complex. ■

Benefits of remote technology and energy management

- Increase sales
- Increase the value of the real estate
- Extend the life of the building
- Minimize losses at the lowest possible cost

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The circular economy: recycling or prevention?

The circular economy has long been perceived by many people as an approach that favours recycling and reuse of resources rather than dumping them in a landfill, which was the basis of the old linear approach. However, this is only partly true and recycling should in fact be considered only the last option among all circular solutions.

The new 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 as long as possible".

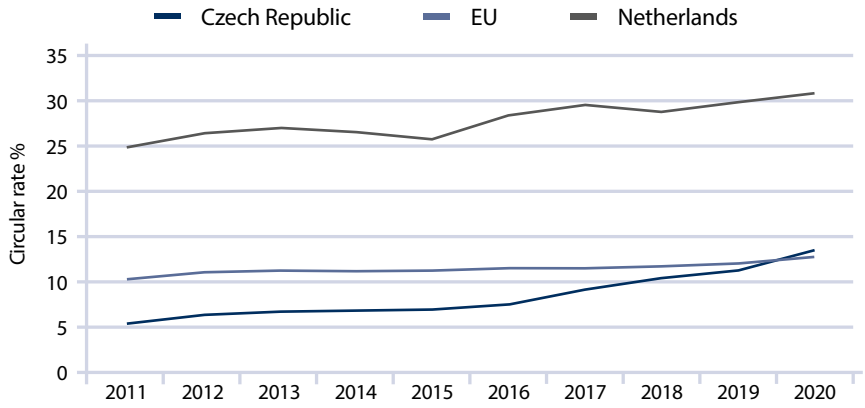
It shows that recycling is only the final part of a product's lifecycle and as such should be avoided for as long as possible. It all starts with design of the given product or service. However, figuring out how to sustainably make certain things is not as straightforward as it may seem at first glance. The first step towards limiting the amount of resources used should be prevention so that a product that ends up as waste actually never emerges in the first place. However, this is not easy to achieve, because since the dawn of humanity we have been orientated towards growth, escaping poverty and eliminating suffering. In the modern era, when we have yet to incur severe effects of global warming that would lead us to change our priorities, suffering is often connected to discomfort. 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 legislative incentives. Producers are encouraged to create 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.

Data collection and analysis play an important role in this puzzle, as the various elements of the circular economy system are very much intertwined and co-dependent. Carefully measuring and assessing energy consumption and greenhouse gas emissions helps to identify which processes are really helping to mitigate global warming and which of them only seem to do so.

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) – for instance, when computers emerged at workplaces, they did not provide people with more free time as many were expecting, as a different workload was imposed on them instead. Therefore, together with the technical approach of the circular economy, it may be necessary to also address the problem of overconsumption. ■

Comparison of the circular material use rate



Source: Eurostat, 2021

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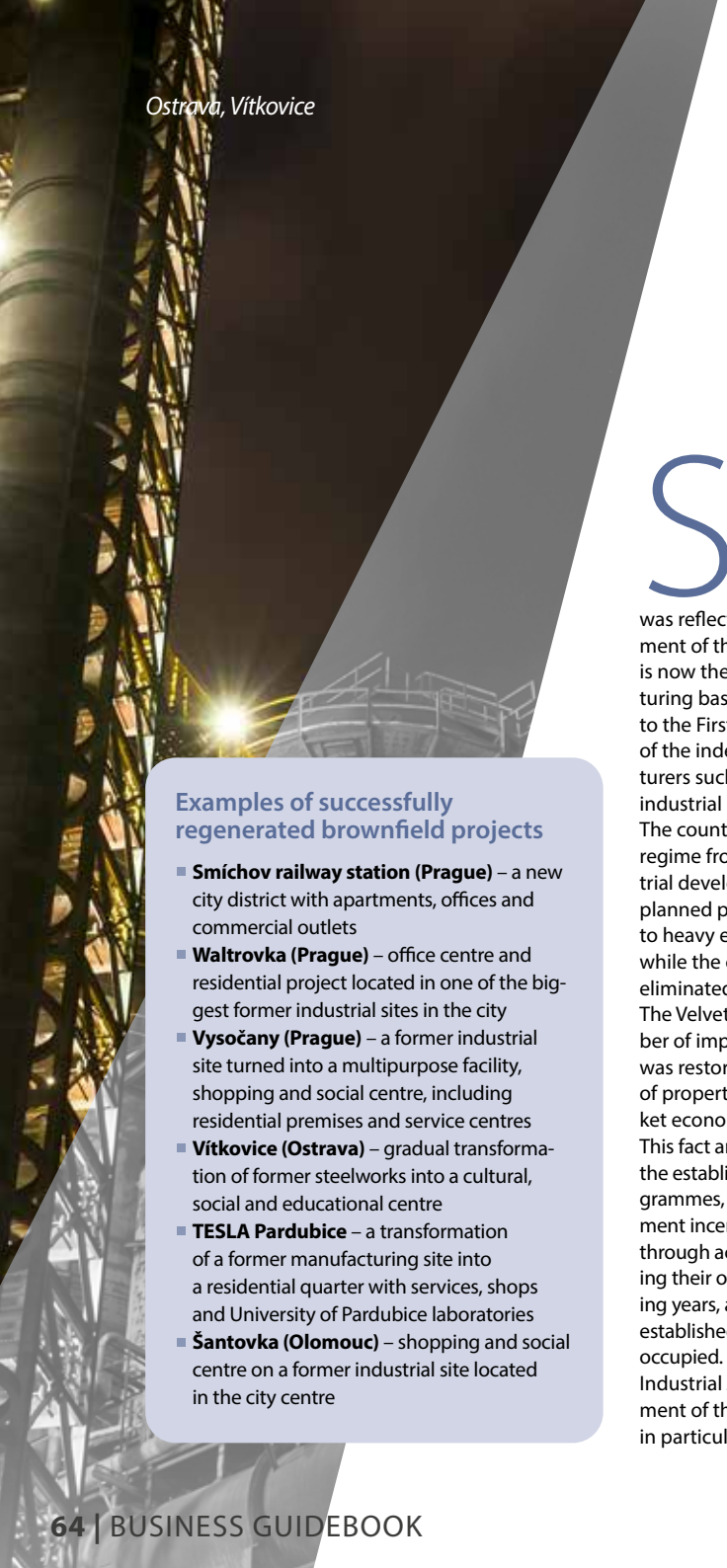

Ostrava, Vítkovice

The beauty of brownfields

Brownfields are both a unique opportunity and a challenge for the implementation of innovative projects. Brownfield sites are usually verywell 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 Baťa, 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 refurbished 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.

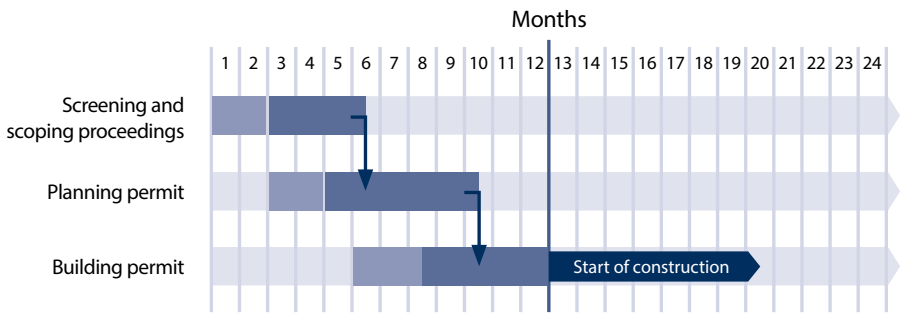
After obtaining a valid decision on the location of the building, a building permit can be applied for. Once again, the documentation for the building permit is submitted to the relevant government authorities and to the owners of the public technical infrastructure for review. At the same time, the 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 into force in July 2023. Some particular changes can be applied sooner, such as the new governmental structure of relevant offices. 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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BILFINGER

Zoning permits and environmental impact assessments

Before the building authorities grant approval for any investment project, an environmental impact assessment (EIA) must be completed. In the Czech Republic, local authorities issue detailed zoning plans and conditions for land usage for the purpose of facilitating and regulating construction and development. These plans are developed with the aim of protecting a given area's value and character, as well as contributing favourably to the overall environment.

The four steps in the EIA process in the Czech Republic

1. Development of EIA documentation

The investor appoints a specialised company or individual to prepare documentation identifying the environmental and public-health impacts of the project.

2. Fact-finding procedure

The competent authorities the assess project documentation and conclude whether a project can be approved without any further evaluation or if further evaluation is required, often referred to as a "full EIA".

3. Full EIA

A full EIA primarily involves the obligation to provide additional details of the environmental and health impacts of the project, including an expert's independent opinion, as well as a public hearing on the project.

4. Consequences

The environmental impact assessment process is completed and the project is either rejected or accepted. In the case of an unfavourable statement, the investor may submit a revised project that may, for example, use more eco-friendly technology or relocate the project to a more suitable location.

The amendment of the Building Act implemented in January 2018 allows authorities to issue joint EIA, zoning and building procedures, including the possibility of issuing a joint ruling for such procedures, in order to accelerate the permitting process.

Zoning permits define the conditions for obtaining building permits and allow commencement of the initial phases, such as creating service lines, testing soil layers and preparing the land itself. A zoning permit is valid for two years and is a prerequisite for obtaining a building permit. The statutory period for completing the zoning-permit procedure is 60 to 75 days excluding the time needed for an environmental impact assessment (EIA), if required. The overall time for obtaining the permit is usually 9 to 12 months.

Prior to submitting a zoning-permit application, an EIA is required. There are two options:

- A fact-finding process with no need for a full EIA, which takes between 6-8 weeks.
- A full EIA may require 4 or 5 months.

Environmental impact assessment

In general, the purpose of an EIA is to implement a strategy of sustainable development and to allow officials and all concerned citizens to understand the likely consequences of a development plan.

The EIA process is ultimately a compromise between the economic interests of an investor and the priorities of the environment and public health.

An EIA looks into the impact of traffic, pollution, noise, utilities shortages, rain water, wastewater connections, change of agricultural land for industrial use, top-soil removal, landscape disturbance, etc.

Practical advice

To reduce delays, we recommend investing in the planning stage and providing as much detail as possible regarding the environmental impacts of your project. Well-prepared documentation is generally better accepted both by the authorities and by the affected public.

The better the communication from the investor, the better the chance that your EIA process will run smoothly and quickly. Discussing the project in advance with the authorities before submitting the documentation may allow comments to be incorporated into the documentation in advance, thus preventing months of delay. ■

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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.

The 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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RUBY project management

Where to find

Representative offices of the Czech Republic

Ministry of Foreign Affairs
of the Czech Republic

www.mzv.cz

What expats say about the Czech Republic

Bert Hesselink
Research & Data Management Director
CTP Invest

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

Jacek Kowalak
General Manager
Randstad

The Czech Republic and Prague. A wonderful place to live and work. Safe, clean, friendly. With interesting history and an exciting present.

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.

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.

Blake Wittman
Director
GoodCall

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.

Mike Jennings
Partner
PricewaterhouseCoopers
Česká republika s.r.o.

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!

Hire people

Addressing the dynamic challenges of workforce planning

Differentiating and diversifying workforce strategies to create the right combination of skills, workforce mix and labour markets will help organisations face rapidly evolving markets. The Total Workforce Index™ (TWI) provides a vital edge in the race for talent, focusing short-, medium-, and long-term investments on labour markets with the strongest potential in sectors and skill sets that will shape the post-pandemic world.

Optimising workforces in a dynamic environment

Workforce planning is an increasingly essential component of business strategy especially during uncertain times. The Total Workforce Index™ (TWI) allows companies to gain deeper insight into talent trends and workforce composition data in order to enhance workforce planning and decision-making. The annual analysis of the TWI scores 76 global workforce markets based on over 200 unique factors. From the TWI data, ManpowerGroup Talent Solutions develops country and regional profiles based on how markets score in each of the four categories (Availability, Cost Efficiency, Regulation and Productivity).

Availability: A relative comparison of the current skilled workforce in each market and the likely sustainability of that workforce based on emerging and ageing workforce trends.

Cost Efficiency: A relative comparison of wage, benefits, tax and operations metrics to suggest potential cost efficiency.

Regulation: A relative comparison of how restricted the terms and practices of workforce engagement are based on a standard set of regulations.

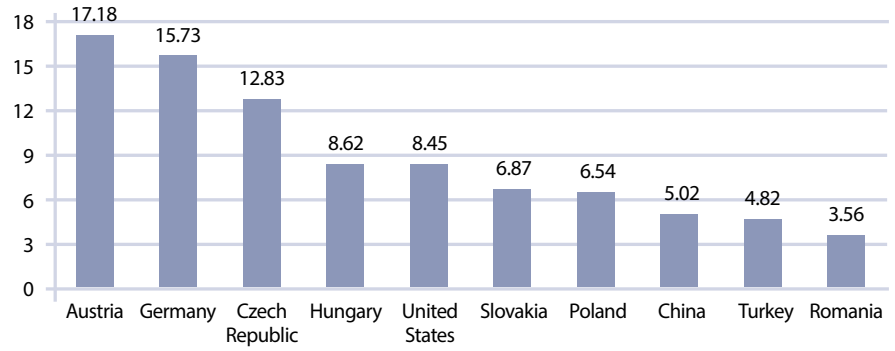
Productivity: A relative comparison of the potential productivity of a workforce based on the number of hours for which an employer can compensate a worker at base pay. ■

Strengths of the Czech Republic

- Research and development
- Highly skilled workforce
- Cost Efficiency

The attractiveness of the Czech labour market lies primarily in the combination of relatively low business costs and a high level of qualifications among the population. The former emphasis of the economy on the manufacturing industry is rapidly transforming into production and services with high value added. This transformation is greatly aided by the country's long tradition of technical education, which is reflected in the above-average share of highly qualified workers and employees in research and development. On the one hand, the country is characterised by low costs, while also being highly attractive for foreign workers, which together with high labour market efficiency and digital literacy leads to an inflow of foreign investment in research and development, international shared-services centres, technology centres and logistics centres.

Ratio of R&D workforce to every 1,000 in workforce



Source: ManpowerGroup, 2020

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ManpowerGroup®

Human potential
in the Czech labour market

Observing the labour market in the Czech Republic from the perspective of high-tech areas, there is an emphasis on creating an inspirational working environment that will benefit from the critical skills and know-how of in-demand talent.

1. Critical competencies in high demand

The key attributes and skills include: critical thinking, managing uncertainty, resilience and the ability to accept and work under the influence of constant change. Self-driven professionals manifest their highly valued skills such as the ability to work autonomously and knowing how to drive company values. In highly competitive areas with a focus on innovation, such as in start-ups, it is critical to be unique – to be entrepreneurial enough to break limits, cope with obstacles and accept challenges.

2. Attracting talent

These days, employers and employees think differently. Applicants are the ones who are being selective. Fundamentally, candidates seek employers who share their core values and higher principles, including participation in sustainability initiatives, contributing to the creation of value added and efforts to make the world a better place. Employer branding still plays a key role in attracting talent. This is demonstrated by a clear vision, transparency, a strong company culture, stability, prosperity, reputation and managers with excellent references.
Talented candidates seek confirmation that their goals will be met and their contribution is valued and appreciated.

3. Early talent "in use"

Early talents are in high demand. Great incubators of talent include special programmes designed by potential employers, such as trainee programmes, graduate programmes and internships. This strategy secures the possibility to acquire future loyal employees.
Many managers become mentors and prepare early potentials to fully understand the scope of the job and to gain appropriate experience directly on the job. Cooperation with universities often brings the possibility to observe and attract the best talent in the labour market. Of no less importance, it is essential to create a supportive environment in order to secure retention of potentials, thereby maximising return on investment.

4. Age management and diversity

Diversity in a modern company environment is a positive challenge for employees. This includes gender, skills, cultural and generational diversity. It allows everyone to benefit from various attitudes and opinions, as well as exchange of skills. One of the current hot topics is age management, as it should be fully integrated in each process related to human potential. It is a great opportunity to harmonise three generations represented by energy, stability and wisdom. Each generation strives to fulfil its needs differently over time. To illustrate, early talents can represent the energisers, the group of "parents" values a flexible working environment and return to greater productivity, and the wise and mature advisors anticipate only a partial commitment.

5. Skills transfer

Skills transfer is a long-term sustainable strategy to keep a company progressive and compatible with new trends and to secure the flexibility required for the future.
There are new needs on the horizon that require new skills that are currently absent in a particular business sector. That is why it is important to analyse parallels and synergies from other business areas. Key areas include digitalisation and automation, which are based mainly on technical hard skills, as well as on indispensable soft skills (i.e. managerial skills and project management skills) that are required in order to exceed set company goals. An illustrative example of important skills transfer is big data management and biostatistics in the life sciences sector, where IT skills are required.
Prioritisation and definition of essential skills is critical in managing newly established roles where there is no history of appropriate skill sources. ■

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The Czech Republic:
Growing opportunities in a competitive labour market

Like other economies worldwide, the economy of the Czech Republic is still being severely affected by the COVID-19 pandemic. However, despite another strong pandemic surge in the winter and spring of 2021, positive changes are evident, both economically and in terms of the labour market. According to macroeconomic forecasts, gross domestic product is expected to grow by 3.2% in 2021. The unemployment rate gradually declined throughout last year, from 4.3% in January 2021 to 3.5% at the end of the year.

Salary levels on selected job roles

Sector / position	Min.	Max.	Average
Finance			
Financial Accountant	1,569	1,961	1,765
Senior Accountant	1,765	2,549	2,157
Senior Controller	2,549	3,333	2,941
Business Analyst	2,157	2,941	2,549
Construction & Property			
Site Manager - General Contractor	1,373	2,745	2,157
Project Manager Development	2,745	5,098	3,529
Property Manager	1,961	3,529	2,745
Asset Manager	2,549	4,706	3,529
Business Services - Finance AP/AR			
Junior	1,412	1,765	1,569
Specialist	1,529	1,882	1,765
Senior	1,765	2,275	1,961
Team Leader	2,157	3,333	2,549
IT / Telco			
Cloud engineer	3,922	5,098	4,314
Developer / Java, .NET	2,353	4,706	3,922
DevOps engineer	3,137	5,098	4,314
IT manager	3,922	5,882	5,098

Currency: Euro (EUR 1 = CZK 25.50)
Source: Hays Czech Republic's Salary Guide 2022

Recruitment recovery in 2021

As in other countries across the world,the COVID-19 pandemic was the key factor affecting the labour market last year. In terms of opportunities to change jobs and overall willingness to change, caution was a typical feature in last year. The lockdown at the beginning of the year caused a hiring freeze at many companies across business sectors. In the summer, the easing of restrictions brought a new lease of life to the labour market. Companies heavily intensified recruitment; sometimes volumes of new hires even exceeded those of the pre-COVID period. Furthermore, the activity of candidates and willingness to change jobs also improved. However, it is essential for employers to look for the right motivation of the applicant to change jobs, which, in addition to finances, can be a stable employer providing an attractive product or the opportunity for professional growth.

Online marketing and e-commerce experts remain in extremely high demand due to the continuous growth of this sector. Other business areas with a rising trend and thus an increased need for skilled labour are sales, construction, shared-services centres and technology. The need for candidates to fill vacancies will be immense, and in many sectors it will bring forth greater pressure to accelerate automation, most notably in manufacturing and logistics.

Motivation and benefits: what people want

Companies have enriched their offer of benefits considerably, especially in 2020. The main focus is put on benefits related to professional and personal growth, remote-working support and wellbeing. With new working models in place and an increased volume of remote working, candidates' preferences have changed significantly. Home office and flexible working hours are becoming an essential part of job offers. Remote working is proving to be efficient and could also lead to important cost savings in terms of utilised office space. When considering a job change, stability, future prospects and the employer's area of business also play a critical role, while companies operating in banking, pharma, e-commerce, technology or the food industry are preferred.

Wage trends

Over the past year, the skilled jobs market has seen moderate wage growth, typically in the 3%-5% range. It is still the case that the best chances for higher salaries are offered to profiles that are typically in high demand - currently, for example, online marketing, operational finance roles and experts in research and development. On an individual basis, wage increases can be higher, by 15% on average, depending on the urgency of the employer's need and the type of position. This year, we can expect increased upward pressure on wages due to labour shortages, as well as to rising consumer prices and thus inflation. However, companies most often plan to maintain growth at the current level, i.e. not exceeding 5%. ■

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HAYS Recruiting experts worldwide

Increaced productivity, reduced costs and **happier employees**

Flexible planning as the key to increased productivity and reduced costs

A committed, professional and cost-efficient workforce is an important factor in the success of any company, especially where there is a large proportion of temporary employees. Ensuring that employees have the right work at the right time and at the right place is not an easy task. One of the solutions is **Inhouse Services**, a concept developed for companies with a strong demand for flexible personnel. This model offers a complete tailor-made solution specialised in providing a large amount of skilled, flexible labour and is specifically designed to help companies with high-volume staffing needs in the logistics, manufacturing, warehouse and contact centre environments.

How it works

Inhouse Services provide a total workforce management solution aligned with a company's operational objectives and staffing needs, which can increase the productivity of existing workers, help decrease attrition and absenteeism and generate cost savings. It delivers the complete HR process from recruitment, selection, introduction, planning and management of workers (local or foreign) to provision of detailed management reports. It is provided onsite, so all processes can be customised to specific needs. Working with a strategic onsite partner brings savings by reducing overtime, absenteeism, turnover and idle time, while improving overall workforce utilisation. It also helps to achieve measurable improvements in productivity, quality and operating efficiency.

Tailor-made solutions

Inhouse Services does not operate based on a "one size fits all" approach. Each of the onsite delivery models is designed specifically around the client's organisational culture, vision and operational objectives. A dedicated account team works exclusively for each customer and has its workplace onsite directly at the customer's place of business. This team thinks and acts like internal HR employees. It cooperates closely with the customer, together creating a talent pool made up of flexible and permanent staff. The pool works in the same way as a reservoir. It compensates perfectly for any over- or under-capacity and provides exactly the right number of employees, who are available at all times, thus reducing unnecessary personnel costs and lowering the fluctuation rate and absenteeism. The account team is supported by workforce analysts and other experts. Workforce analysts work with their clients at the operational level in order to truly understand their needs. When examining the client's business, the workforce analysts first conduct a detailed onsite analysis within the company. They meet with all levels of management and training, H&S and HR teams in order to gain an understanding of the client's business. This enables them to recommend relevant actions and activities to drive efficiencies and cost savings. The aim is to identify solutions for the removal of waste, both production and time, and improve efficiencies in the workforce using skills-gap analysis, skills clustering, process improvement, onboarding and training improvements. Every step is carefully planned and ongoing reporting/metrics are provided to rigorously analyse staff utilisation. ■

Inhouse Services = workforce management solutions with the purpose of:

- Increasing workforce retention and reduce attrition.
- Reducing absenteeism and lost productivity through effective absence management.
- Increasing worker productivity and satisfaction.
- Reducing overtime costs.
- Reducing labour and material waste.

Inhouse Services can be measured by these benefits:

- Total personnel cost savings of 1% to 7%.
- Higher delivery speed.
- Shorter familiarisation times.
- Lower personnel costs.
- Reduced workload of the personnel department.

When to apply Inhouse Services:

- In the case of a large production facility, call centre or logistics operation.
- Between 50 and 1,000 flexible employees are regularly needed.
- The number of required employees is subject to strong seasonal fluctuations.

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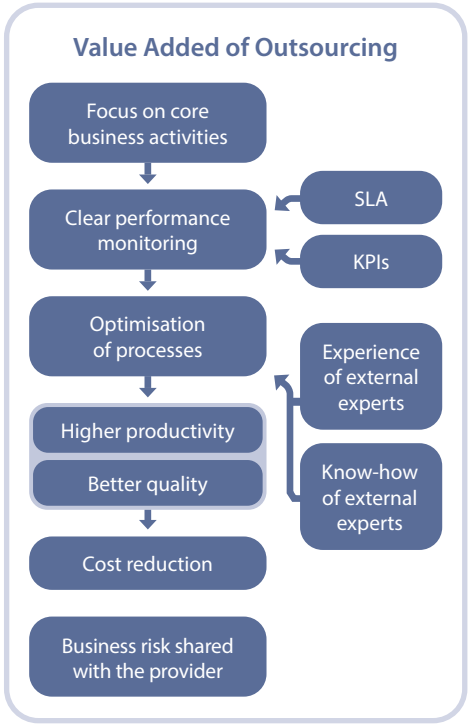
Outsourcing – potential value added

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.

Nowadays, 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 outsourcing 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 parametres 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. ■

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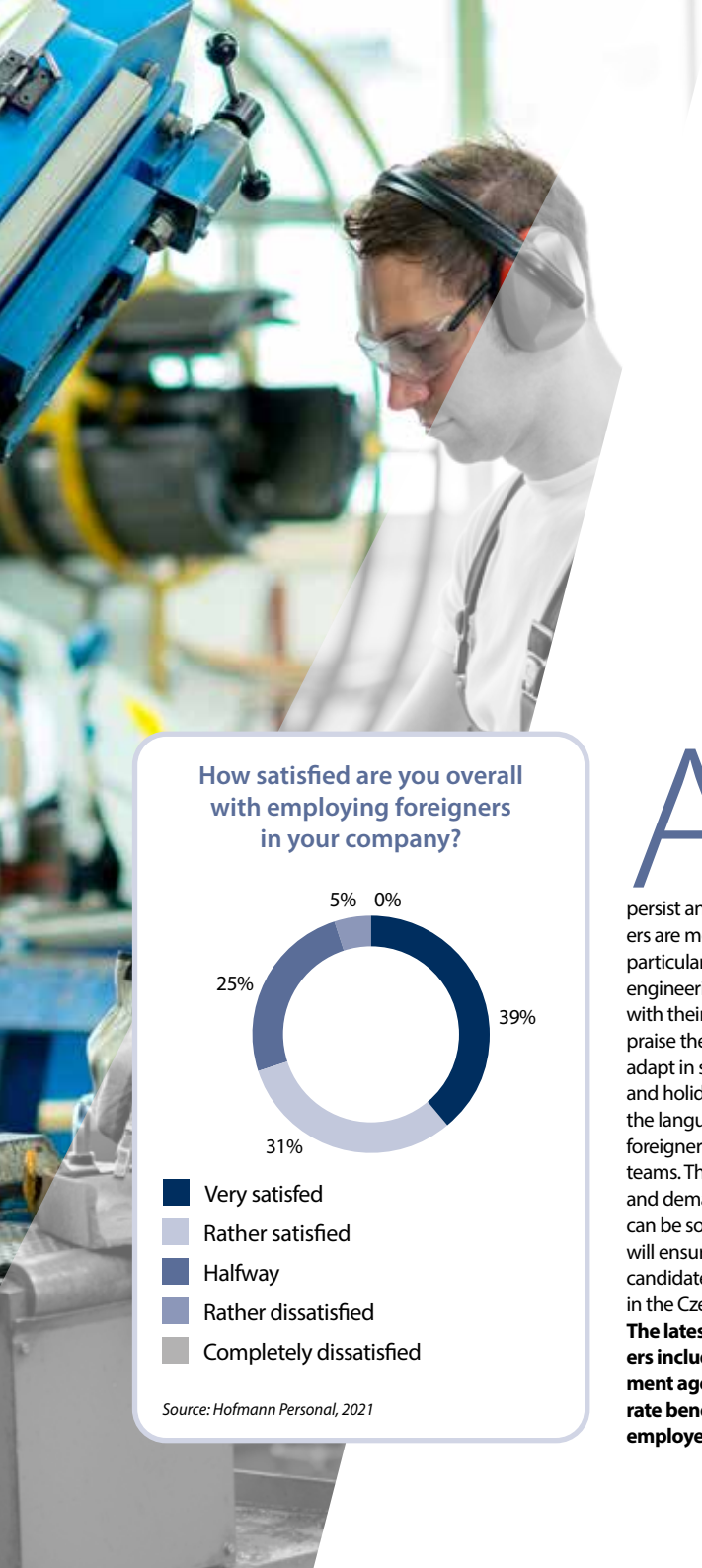
THE ADECCO GROUP



Employment agencies and recruitment of blue-collar workers in the Czech Republic

The Czech Republic has been experiencing a declining trend in unemployment since 2010. In 2021, there were no massive layoffs even during the coronavirus crisis and unemployment rate was at 3.87% on average. According to a recent survey, one-fifth of companies have recruited new people despite the crisis and almost half of the responding companies want to hire new employees in the coming months. Only 3% of companies intend to lay off employees. Workers are currently absent in more than two-thirds of industrial companies. Companies, lack mostly professional technical employees, manual workers and qualified craftsmen.

How satisfied are you overall with employing foreigners in your company?

Source: Hofmann Personal, 2021

A recent trend consists in the interest of companies in employing foreign workers. Almost two-thirds of companies employ or plan to employ workers from abroad, because they know that the labour shortage will persist and this is the only possible solution. Foreigners are most often employed by larger companies, particularly in the automotive industry and mechanical engineering. Up to 70% of employers are satisfied with their foreigner employees. Employers especially praise the willingness of foreign workers to work and adapt in shift planning, 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.

The latest trends in recruitment of blue-collar workers include extended cooperation with employment agencies, a comprehensive system of corporate benefits and special methods of selecting new employees.

The role of employment agencies in recruitment

The COVID-19 situation has not yet brought about the much-anticipated layoffs and people are less willing to change jobs due to general concerns about the situation and possible loss of employment. That is why the majority of jobseekers on the Czech labour market are passive (only 15% of employees have changed jobs in the past 12 months). These statistical figures also apply to blue-collar candidates.

The latest trend in this area consists in the ever-greater use of employment agencies during the start-up stage of companies. 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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Personal HOFMANN

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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GOODCALL

Best approach to large volume recruitment

Why mass recruitment – Mass recruitment efforts often isolate the activities of internal HR departments from normal activities and lead to mistakes and procedural errors with respect to orientation in the labour market. The purpose of external mass recruitment is to establish a comprehensive procedure of management and process activities with the HR department and the production department in continuous qualified recruitment in terms of forecasting and FTE, as well as sustainable costs and internal control over the project within the outsourcing process.

Blue-collar mass recruitment – A method of project and process preparation tailored to the customer. The project manager of the personnel company prepares a feasibility study of the labour market in the given region on the basis of job descriptions and summarises the opportunities within the local, regional and supra-regional recruitment. The HR department will set up a start-up unit of staff necessary for testing and training, and start-up unit would then be responsible for testing the selection of the most suitable candidates in cooperation with team leaders from the client.

White-collar mass recruitment – For many clients, the assessment centre method is quite often used for cooperation with leading experts in personality psychodiagnostics, either directly in the supplier's recruitment centres or online. Prior to such cooperation, the supplier will prepare a detailed study of the possible availability of the required jobs, competitive salary conditions and benefits, involvement of universities in the recruitment process for graduates and the possibility of engaging expats through supra-regional recruitment. Upon completion of the assessment centre process, the playoff method is performed in cooperation with the client, which thus chooses the best of the best.

Headcount – This method is used mainly after the implementation of mass recruitment in order to maintain the cost of the headcount and, at the same time, to fulfil orders with respect to clients and the flexibility of a qualified workforce. From the perspective of cash flow and headcount, the client selects a certain percentage of employees who work based on the agency's employment contract under the same conditions as they have in the basic state and the agency temporarily allocates these employees while the client pays all overhead costs per employee. In return for its services, the agency is paid a certain percentage value of the total volume of wages.

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. www.epi.sk/zzcr/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 18,900 (CZK 500,000).

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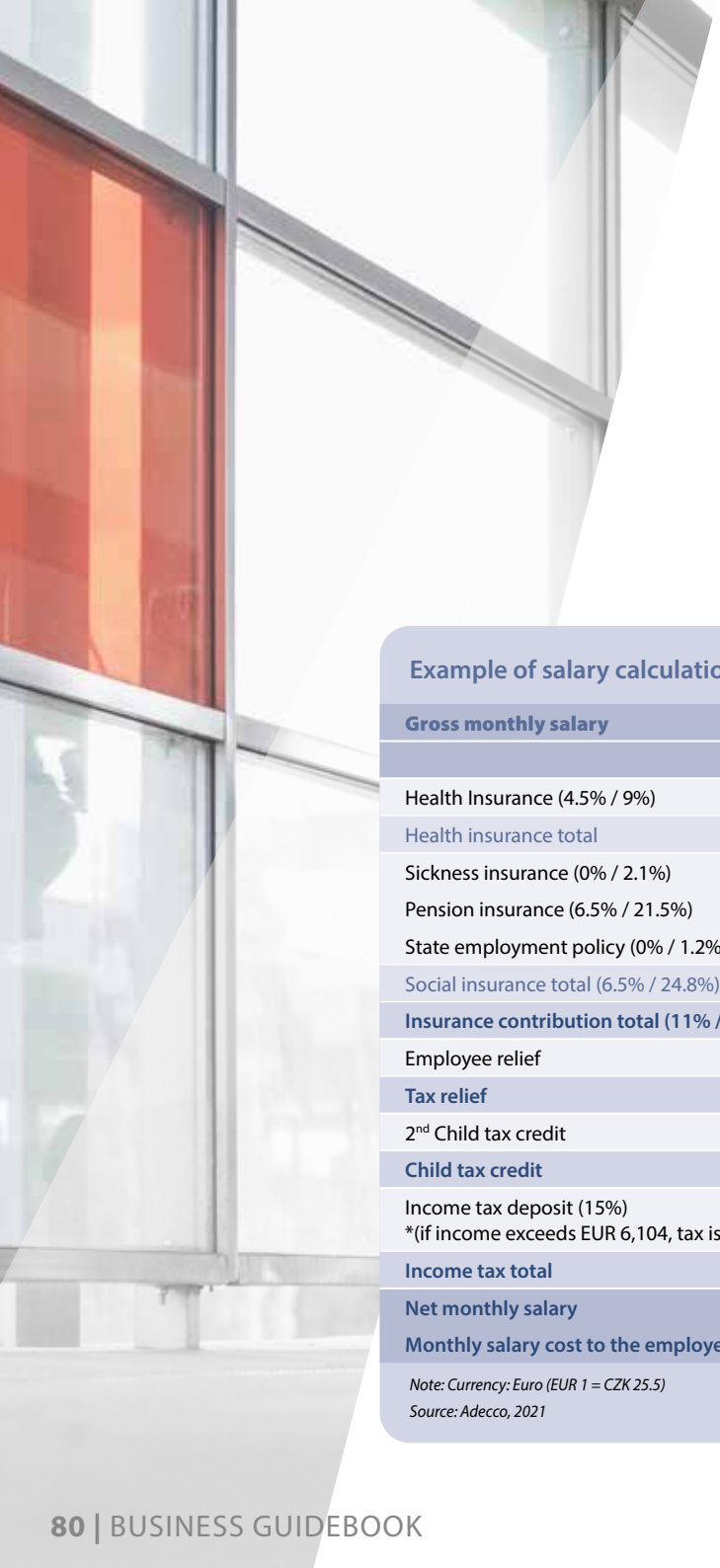

Being an employer in the Czech Republic

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 the Czech Republic.

Example of salary calculation (in EUR)

Gross monthly salary	1,294	
	Employee	Employer
Health Insurance (4.5% / 9%)	58	116
Health insurance total	58	116
Sickness insurance (0% / 2.1%)	0	27
Pension insurance (6.5% / 21.5%)	84	278
State employment policy (0% / 1.2%)	0	16
Social insurance total (6.5% / 24.8%)	84	321
Insurance contribution total (11% / 33.8%)	**142**	**437**
Employee relief	91	
Tax relief	**91**	
2nd Child tax credit	113	
Child tax credit	**113**	
Income tax deposit (15%) *(if income exceeds EUR 6,104, tax is 23%)	194	
Income tax total	**194**	
Net monthly salary	**1,162**	
Monthly salary cost to the employer		**1,731**

Note: Currency: Euro (EUR 1 = CZK 25.5)
Source: Adecco, 2021

Social-security system

In the Czech Republic 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 the Czech Republic 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 the Czech Republic 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 the Czech Republic 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. It comprises the employee's basic salary and other non-cash income. **Calculation of net monthly salary: Gross monthly salary - health insurance premiums (4.5% of the gross salary) - social-security premiums (6.5% of the gross salary) + tax relief + child tax credit - income tax.** ■

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The evolution of work through the pandemic

The pandemic has transformed the working landscape in the Czech Republic. This evolution of work is clearest in two key areas: the use of technology and the widespread use of flexible and remote working.

Technology is more important than ever

The upheaval caused by COVID-19 meant that businesses changed their ways of working almost instantly. While companies were already investing in their digital processes and automation, the pandemic made these areas critical for them to continue to function, leading them to speed up the adoption of digitalisation.

We are now seeing the impact of this shift across multiple sectors. Technology professionals guided the initial business transformation process, but now it is up to other departments to make the most of the technology. This need for professionals to be familiar with technology is also visible in the labour market, with businesses prioritising professionals with these skills when they are looking to hire new staff.

Flexibility and remote working are here to stay

New technology has enabled workers to operate effectively away from their place of work. At the start of the pandemic, many organisations pivoted to remote working, which has revolutionised efficiency. As a result, many have not reverted to their old ways of working.

The widespread nature of this shift is demonstrated in a survey conducted for Reed's 2022 salary guide. When asked about the benefits they received, 72% of respondents said that their organisation offered hybrid working, while 71% had been given flexible working hours. Forty-five percent said they had workplace flexibility/family flexibility.

Over half of all professionals said that their way of working had changed since the start of the pandemic. One-fifth said they were now working fully remotely, while one-third said they were working on a hybrid model (in the office and remotely).

Offering remote working and flexibility is key to attracting staff

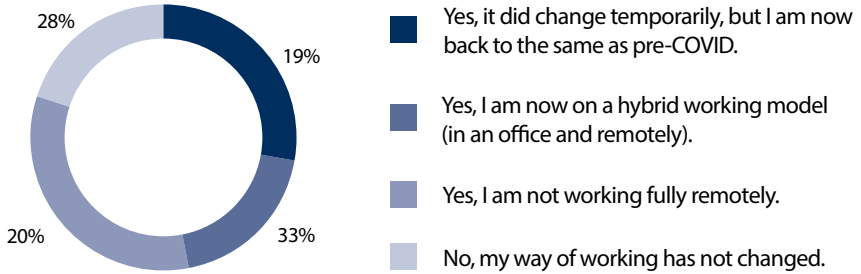
The pandemic gave workers a taste of remote and flexible working, and it is a perk that many can no longer live without.

When surveyed about the benefits they desired the most, 69% of professionals said remote working, 68% wanted flexible working hours and 48% desired workplace flexibility/family flexibility.

In addition, when asked about the types of jobs they would look for in future, nearly half (42%) of respondents said they would seek a position offering hybrid working, while nearly one-fifth (19%) said they wanted to only work remotely. Thirty percent said it would depend on the job they applied for, while only 5% said that they would not want to work remotely at all.

These findings back up what recruiters in the Czech Republic have witnessed for themselves – professionals now want to work for companies that allow them to work from anywhere and with increased flexibility. Organisations offering this will make themselves attractive to the best available talent. ■

Has your way of working changed since the COVID-19 outbreak?



Source: Reed Czech Republic Salary Guide, 2022

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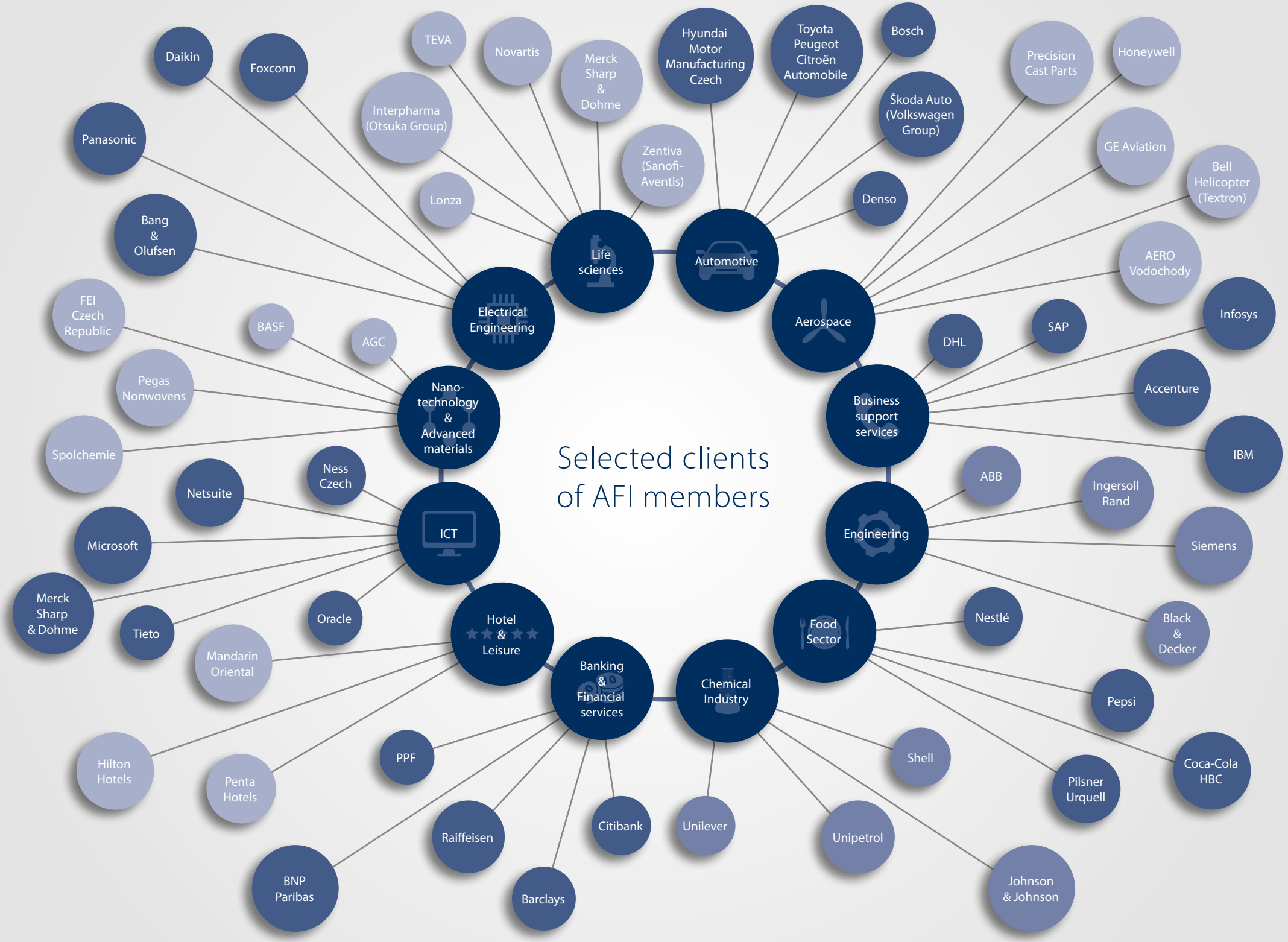
Selected clients of AFI members
Life sciences
Automotive
Electrical Engineering
Aerospace
Nano-technology & Advanced materials
Business support services
ICT
Engineering
Hotel & Leisure
Food Sector
Banking & Financial services
Chemical Industry
Daikin
Foxconn
TEVA
Novartis
Merck Sharp & Dohme
Hyundai Motor Manufacturing Czech
Toyota Peugeot Citroën Automobile
Bosch
Precision Cast Parts
Honeywell
Panasonic
Interpharma (Otsuka Group)
Zentiva (Sanofi-Aventis)
Škoda Auto (Volkswagen Group)
GE Aviation
Bell Helicopter (Textron)
Lonza
Denso
Bang & Olufsen
AERO Vodochody
FEI Czech Republic
BASF
AGC
DHL
SAP
Infosys
Pegas Nonwovens
Accenture
Spolchemie
IBM
Netsuite
Ness Czech
ABB
Ingersoll Rand
Microsoft
Siemens
Merck Sharp & Dohme
Tieto
Oracle
Nestlé
Black & Decker
Mandarin Oriental
Pepsi
Hilton Hotels
PPF
Shell
Coca-Cola HBC
Penta Hotels
Pilsner Urquell
Raiffeisen
Citibank
Unilever
Unipetrol
BNP Paribas
Barclays
Johnson & Johnson

Find out more about taxes

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

Income below 48 times the average salary (approx. EUR 73,200) is subject to a 15% tax rate; income 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).

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 from 1 January 2020 until 31 December 2021 tax periods

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Building a better working world

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.

Base: The CIT base is calculated based on the accounting result determined according to the Czech accounting principles. The accounting 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.

The Czech Ministry of Finance intends to ask the European Commission in 2022 for approval of **doubling of the VAT registration threshold to approximately EUR 74,500** (from the current approximately EUR 39,200) in order to relieve small businesses of the associated administrative burden. The EC's approval is likely, as similar exceptions have already been approved for other EU member states and it is in line with the EC's future plans overall. ■

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

Country	VAT rates			
	Basic rate	1st reduced rate	2nd reduced rate	3rd 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 1,867,728 (approx. EUR 74,709).

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 2022
60% in most trade-license activities	CZK 1,200,000 (approx. EUR 48,000)
40% e.g. lawyers, tax advisors, architects, doctors, artists	CZK 800,000 (approx. EUR 32,000)

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 2022, the limit is set at CZK 1,867,728 (approx. EUR 74,709). 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 24,000) for the taxable period 2022).

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 15,000 (EUR 600). If the individual has earned employment income, 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?

Specifics of acquiring Czech privately owned / family business

In November 2022, we will be celebrating the 33rd anniversary of the Velvet Revolution. This milestone in Czech history brought not only political liberties, but also the freedom to conduct business. The first generation of Czech entrepreneurial pioneers will soon reach retirement age and are looking to hand over their businesses to their heirs or sell the businesses outside of their families.

Conversely, acquisition of a Czech privately owned/family business has several specific aspects that one needs to take into account when weighing such a purchase.

Aspects of management

As a leader and visionary, the founder of a Czech privately owned family company is typically not only the sole shareholder, but also usually serves as the day-to-day business executive of the company. Professional management is engaged only in rare cases. This stems from the fact that founders had to manage their companies by themselves from the very start, as there were no qualified outside managers. A certain lack of trust is also present. It is necessary to take these unique management aspects into account, as the founder often possesses vital know-how vis-à-vis the company which is not easy to transfer to the new owner. Therefore, we would recommend a smooth acquisition model with (i) at least a one-year transition period and (ii) legal counsel with specific skills who can delicately handle any unusual elements stemming from the combination of heightened sentiment, high expectations, negotiation style, specific values and the given company's legacy.

Lack of experience with the M&A process

The sale of a company is usually the sole event during which the founder deals with the M&A process. Founders frequently hesitate to cooperate with upper-tier M&A advisors and lawyers and have a tendency to manage the transaction exclusively with the support of their day-to-day/commonly retained lawyer. This may lead to misunderstandings and disenchantment due to inadequate experience with the M&A process. From our experience, it is critical to explain to such sellers the purpose of an SPV, the workings of the due diligence process, the standard terms and conditions of an M&A deal and the structuring of the share purchase agreement. Moreover, it is probable that the company's internal management and the related rules will need to be rearranged or even established from the ground up.

The fine line between business and private life

Founders usually live for their businesses, which thus form an integral part of their lives. This may cause them not to appreciate the boundary between the business and private ownership. Eventually, companies may hold a great amount of assets not related to their core business. Moreover, companies usually hold cash from the profits of the preceding years because the owners pay dividends only in the amounts necessary to satisfy their needs. This cumulative approach results in the necessity of carrying out pre-transaction process carve-outs by experienced M&A advisors or lawyers.

Understandably, owners who have built up their companies over the greater part of their professional lives care about the future of their companies even after they exit. To avoid any misunderstandings, it is advisable to sit down with the owner and discuss future changes such as post-acquisition mergers, renaming of the company or relocation of the seat and back office and – perhaps most importantly – any resulting dismissals of employees. This emotional block might be even greater when the purchaser happens to be a foreign entity. In such a case, the presence of experienced M&A advisors is of the utmost importance.

Conclusion

Right now is the best time to acquire privately owned/family businesses. A large number of solid mid-size companies are or will be up for grabs as the first generation of founders/owners reaches retirement age and begins exploring their exit strategies. ■

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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

It is vital to look for weaknesses in performance measurement, changes in cost structure, dis-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 standards.

Trends reshaping M&A in the Czech Republic

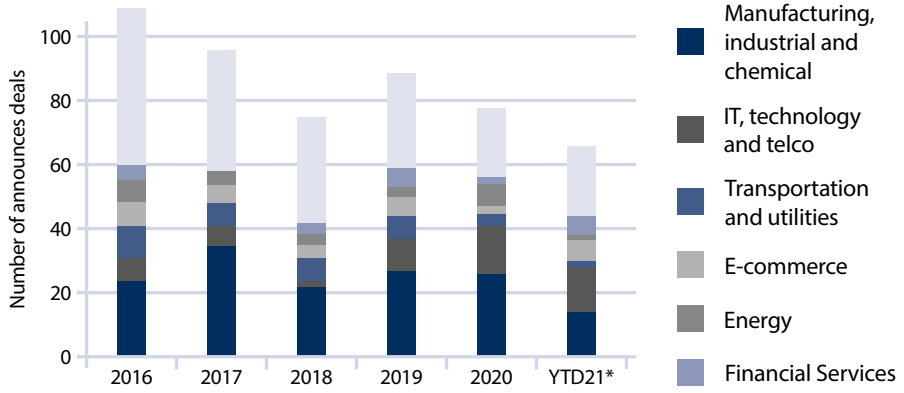
M&A activity in the Czech Republic sharply declined with the first wave of COVID-19 in 2020, which led to deal postponements in Q1 2020 that helped to make subsequent waves less damaging. Additionally, investors and companies learned to navigate the new economic landscape and cope with disruptions caused by pandemic restrictions. Thanks to that, the deal count of 78 for 2020 was just 12% lower than in 2019. The preliminary 2021 data indicate that this year's deal count might be close to the activity in 2020 (66 in YTD21 vs. 68 in YTD20).

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" market, putting more emphasis on making the purchase price as certain as possible. However, the economic uncertainty caused by COVID-19 restrictions 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.

Not many changes in the origin of key bidders

Local deals comprised more than half of all deals in 2015-2021. US investors were the most active foreign investors (seven deals in 2020) and they are close to the lead in the preliminary data of 2021, followed by German investors (four deals in 2020). In the long run, German investors are the most active due to close commercial ties between the Czech and German economies. Investments from non-EU countries (excl. US) are still rather rare with an approx. 15% share in Czech acquisitions over the past five years. ■

Number of announced deals with target in the Czech Republic



**YTD21 data is rather preliminary. It was exported as at 30 November 2021 and thus it is likely that other 2021 deals will be uploaded to the databes over the first quarter of 2022.*

Source: Deloitte, Mergermarket, 2021

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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.

The 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 comprehensive evaluation of the given property regarding possible risks connected with the environment. The audit provides the client with an assessment of whether the property is in compliance 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 E-1527-05 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 stages according to the ASTM methodology.

The **first EDD stage** includes the evaluation of the site according to its compliance with legislative requirements. The current state of the site and all activities taking place there are assessed during an actual visit. Based on the available information, the following points are assessed:

- The historical use of the site with emphasis on uncovering old ecological burdens.
- The environmental impact of current activities (waste handling, use and storage of chemicals, technological operations, heating and cooling).
- 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, a water resource, 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 **second EDD stage** 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 research and analysis of soil and ground water samples – the most frequent contaminant being petroleum products (hydrocarbons) or PCBs from the operation of old transformers and the like.

We can unambiguously conclude that 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 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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ENVIROS
TOMORROW'S WORLD

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.

The 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 the Czech Republic? If so, CzechInvest's sourcing services are crucial for you.

CzechInvest's Sourcing Services

CzechInvest established its Sourcing Department 25 years ago with the aim of seeking out suitable Czech suppliers and joint-venture and acquisition partners to ease foreign investors' start of production in the Czech Republic. Sourcing is frequently used by manufacturing companies that are considering establishing or expanding their manufacturing activities through either a greenfield investment or an acquisition or joint venture. The Sourcing services are provided free of charge.

Supplier market screening

In 2021, sourcing specialists prepared 89 market screens of Czech suppliers for 32 clients from 15 countries. The strongest demand for supplier market screening was from Czech companies, followed by German, American, Japanese and British firms. Market screens 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.

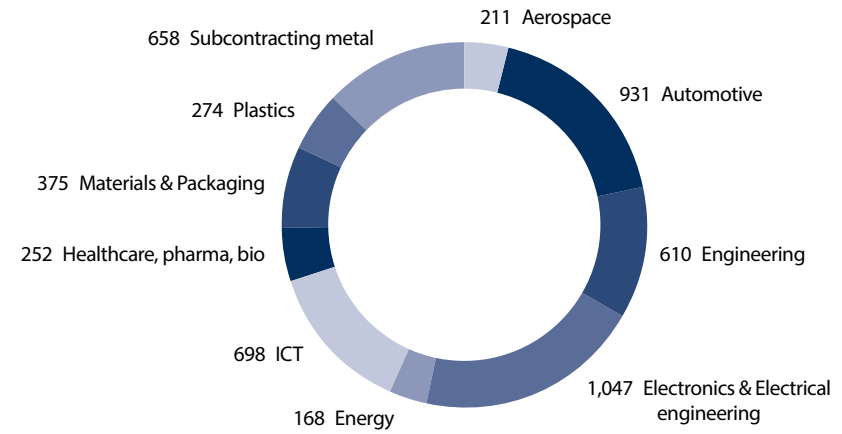
Visit to Czech suppliers

Based on the market screens, 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 the Czech Republic, 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 supplier companies are common firms 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 JV partners that best fit their needs and to get an overview of supplier status concerning 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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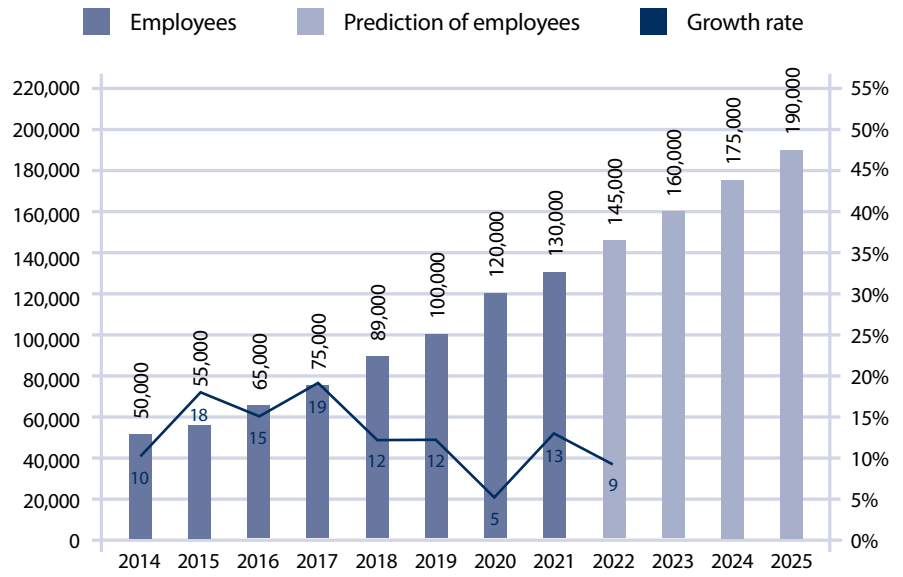
CZECHINVEST

Advantages of outsourcing to a business services centre

According to the 2022 annual report of the Association of Business Service Leaders, there are over 350 business services centres in the Czech Republic. 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 management 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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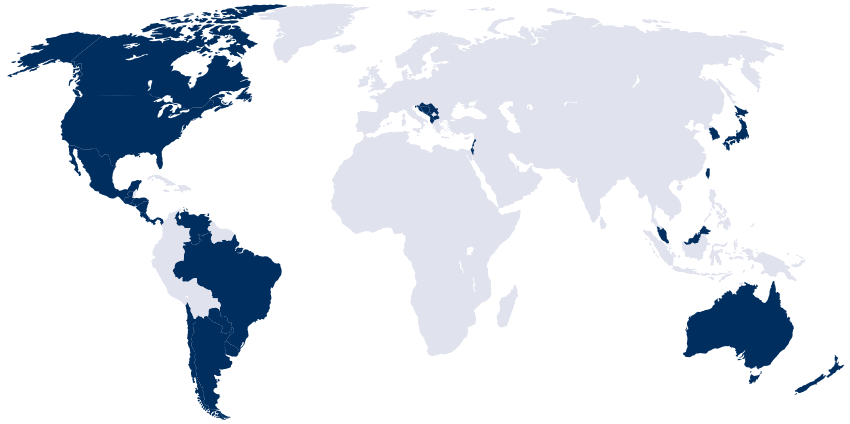
Where to apply for Czech visa (ordinary passports)

Exceptions listed in the Ordinance



- Albania
- Andorra
- Antigua and Barbuda
- Argentina
- Australia
- Bahamas
- Barbados
- Bosnia and Herzegovina
- Brazil
- Brunei
- Canada
- Costa Rica
- Croatia
- Guatemala
- Holy See
- Honduras
- Hong Kong Special Administrative Region of the People's Republic of China
- Chile
- Israel
- Japan
- Macao Special Administrative Region of the People's Republic of China
- Macedonia
- Malaysia
- Mauritius
- Mexico
- Monaco
- Montenegro
- Nicaragua
- New Zeland
- Panama
- Paraguay
- Saint Kitts and Nevis
- Salvador
- San Marino
- Serbia
- Seychelles
- Singapore
- South Korea
- Taiwan
- United States of America
- Uruguay
- Venezuela

With 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 external 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, especially due to COVID-19 restrictions. ■

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Visa support provided to foreign investors

Relocating a company to a foreign destination is always a demanding administrative process. In this respect, CzechInvest can assist foreign companies coming to the Czech Republic. In addition to tailored consultation and support of mobility during COVID-19 pandemic related travel restrictions, CzechInvest administrates several programmes aimed at accelerating or enabling relocation.

Visa process for members of statutory bodies/legal representatives and employees of a newly established company up to two years from the date of incorporation (Commercial Register).

Programme for Key and Scientific Personnel

The Programme for Key and Scientific Personnel substantially eases the process of arranging residence permits for key employees of companies coming to the Czech Republic. 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 worldwide. The project is intended for statutory representatives, managers and key specialists who need to reside in the Czech Republic 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: up to 90 days to issue an employee card and up to 120 days to issue 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 with the Czech entity.

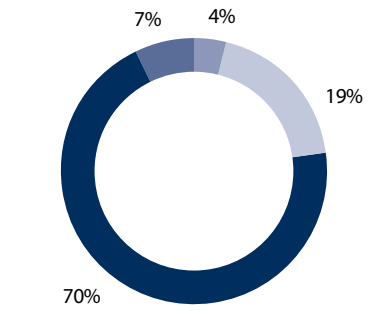
New company visa process

1 Incorporation	
Employee	Member of a statutory body
2 Vacant position – Labour 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 Blue card	Long-term visa – Business
5 Application approved	
✓ Collect entry visa ✓ Register with the MoI within three days ✓ Biometrics ✓ Collect employee card	✓ Collect visa ✓ Register with the Foreigners' Police within three days

Where to apply for inclusion in the programme

The programme is administered by **CzechInvest** for newly established companies, start-ups, research institutes and technology companies. The application submitted by the investor (more than year since the date of incorporation, with at least 50 employees in the Czech Republic and 250 employees worldwide) is processed by the **Ministry of Industry and Trade.**

Programme for Key and Scientific Personnel



Source: CzechInvest and MIT data, 2021

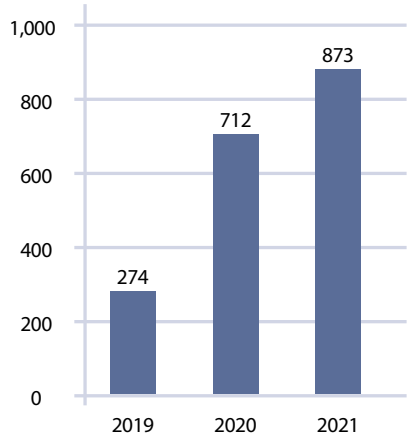
How companies use the Programme for Key and Scientific Personnel

CzechInvest processed the applications of 300 specialists, managers, statutory members and their family members of 27 companies in 2021.

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 appointments at embassies and consulates. The number of available appointments for employee-card applicants granted within this programme is set by a government regulation. The employer applies for the programme at the Ministry of Industry and Trade.

Programme Highly Qualified Employee Number of applicants



Source: MoT, 2021

The Programme for Qualified workers

The Programme for Qualified Workers enables applicants from selected countries to arrange appointments at embassies and consulates that are otherwise not easily reachable. The **annual quota** for each of these countries is set by a government regulation. For more details see the chart below. This programme is aimed at employers with at least a two-year history and at least six employees in the Czech Republic in the areas of manufacturing, services or the public sector that are seeking to employ citizens of Ukraine, Serbia, Montenegro, Mongolia, the Philippines, India, Moldova, Belarus or Kazakhstan to perform skilled labour. The programme is mainly used by manufacturing companies such as Daikin Device, Panasonic Automotive and Foxconn. ■

Quotas in the Programme for Qualified Workers

Country	Quota
Ukraine	40,000
Montenegro (shares a quota with Serbia)	2,500
Philippines	2,000
Serbia	1,900
Belarus	1,900
Moldova	1,000
Mongolia	1,000
India	600
Kazakhstan	500

Source: Government Regulation No. 220/2019 Coll.

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 together with other business associations.*

** *The waiting time for an appointment is country specific and can differ month to month.*

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CZECHINVEST

Work in the Czech Republic
while maintaining employment in your home country

Many international companies with branches all over the world need to transfer their employees from one country to another while keeping their personnel employed in the parent company. Therefore, there is a secondment/posting visa.

While EU nationals need neither a work nor residence permit in the Czech Republic, foreigners from so-called third countries do. A secondment visa is designed exactly for situations when a parent company from a non-EU country needs to transfer its employee who is not an EU national to its branch in the Czech Republic.

Firstly, it is necessary to obtain a work permit at the relevant regional branch of the Labour Office in the Czech Republic. It is further necessary to apply for a work permit together and submit all of the required documents, including the "Information on Contract Negotiation" form, signed by the host company. The position an employee is dispatched to is specified in this form (according to the CZ-ISCO code). An application for a work permit is generally approved within 30 days, depending on which Labour Office processes it.

When a work permit has been requested and all other mandatory documents have been prepared, the employee must submit the application for a Czech residence permit at an embassy. A foreigner can apply for a Schengen work visa in the case of short-term secondment, the duration of which may not be longer than 90 days, or an employee card for a long-term stay, which, however, may not exceed 24 months; the card is renewable for an additional two years.

Within three day following an employee's arrival to the Czech Republic, he/she must register at the Immigration Office of the Ministry of the Interior. The host employer is obligated to inform the competent regional branch of the Labour Office of the posting no later than on the day of commencement of work. The obligation to provide information must be fulfilled regardless of the duration of the posting. The only exception pertains to employees in international transport, whose posting to the Czech Republic does not need to be announced. The information obligation can be fulfilled by sending the relevant form by post, electronic data box or e-mail to the filing office of the competent regional branch of the Labour Office.

At the end of the secondment, the employer must inform the competent regional branch of the Labour Office of the termination of the work of the worker posted to the Czech Republic within ten calendar days at the latest. The employer does not need to do this if the employment relationship or work activity in the Czech Republic ended on the day originally stated by the employer. ■

Secondment process

Work permit	Labour Office	Approximately 30 days
Employee card approval	Ministry of the Interior	60 days
Schengen visa approval	Embassy of the Czech Republic	10-14 days

Note: approval process time period might vary
Source: MI, 2021

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Did you know?

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 lighting rod was invented by Czech inventor Václav Prokop Diviš in 1754.

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.

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.

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.

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.

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.

Did you know?

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 1.14 million cars in 2021. 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.

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.

Nanotechnology

In 2003 Oldřich Jirsak 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.

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.

In spite of this, the Czech automotive industry achieved relatively good results. A total of 1,105,223 passenger vehicles, 4,947 buses, 1,262 trucks, 1,035 motorcycles and 29,231 trailers and semi-trailers were produced. ŠKODA AUTO is the largest producer of passenger cars, accounting for almost 62% of the total production volume with 680,287 units produced at its two Czech plants in Mladá Boleslav and Kvasiny. It is followed by Hyundai Motor Manufacturing Czech with 275,000 cars (24.9 % share) produced at the Nošovice plant in the Moravia-Silesia region and Toyota Motor Manufacturing Czech Republic in Kolín with 149,936 cars (13.6 %). The largest bus manufacturers include IVECO Czech Republic (4,365 buses), SOR Libchavy (552 buses) and ŠKODA Electric (6 buses). The traditional TATRA brand produced 1,262 trucks at its Kopřivnice plant.

The automotive industry in the Czech Republic

generates	directly employs	influences a total of	has potential to produce
9% of GDP	**180,000**	**500,000**	**1.5 million**
of the Czech Republic	people	jobs, including in related sectors	vehicles annually
accounts for	accounts for	comprises	annually contributes
26%	**23%**	**36%**	**EUR 2.7 billion**
of industrial production	of the Czech Republic's exports	of investments in industrial R&D	to the state budget

The automotive industry at a crossroads

Affected by the COVID-19 pandemic, its resulting issues and current situation and impact of the Russian aggression in Ukraine, the automotive industry has been in a profound operational crisis for almost two years. However, it is also facing the challenge of transformation triggered by technological progress and the pressure to decarbonise and make mobility green. 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.

As one of the main current trends in this sector, clean mobility is on the rise also in the Czech Republic. Demand for electric vehicles rose significantly in the country in 2021 thanks to the expanding portfolio of brands and models, as well as to the country's growing charging infrastructure and broader awareness and interest among general public. In comparison with 2019, four times as many battery-powered electric vehicles were registered in 2020 and another 40% growth was registered in 2021. The Czech Republic is a popular destination for battery production investment projects, the number rose even during the past two pandemic years.

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 or Accolade is currently working such a centre of its own.

The pandemic years have changed the whole world, including the sector of mobility and its trends. As the OEMs struggles with chip shortages, there is an opportunity for change in the supply chains. Despite the shortage, production of passenger cars towards the end of 2021 started to grow in the Czech Republic. The influence of the COVID-19 pandemic is also visible in consumer behaviour, there is more focus on micromobility and new individual means of transportation, e.g. car-sharing, ride-hailing, etc.

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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 in order 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 the foreign competition, the Czech defence industry excels primarily in high-tech innovations. Czech military technologies are very sophisticated, whereas 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 have a definite possibility to beat out their foreign competitors in tenders around the world. 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 around the world. 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 (DSIA) currently has more than 130 member companies developing, manufacturing and trading in military equipment (accounting for 30% of total turnover) and dual-use and civilian technologies. Fortunately, even during the COVID-19 pandemic, exports of military equipment last year were even higher than in previous years. Last year, the total turnover of DSIA member companies was nearly EUR 2 billion, with value added reaching EUR 630 million. In total, DSIA member companies employ more than 20,000 people, roughly one-fifth of whom have a university degree. DSIA 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, NATO and similar foreign associations, and companies interested in cooperation with Czech companies and their products. DSIA also has 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 21st 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 and 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

The Czech Republic 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 19th 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 the Czech Republic, such as Siemens, Honeywell, Bombardier Transportation, Robert Bosch, Sandvik, Doosan, Komatsu, Rieter Group, Otis and many others which have already established their operations in the Czech Republic.
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. The Czech Republic is also the only CEE member country of prestigious CECIMO (European Committe for Cooperation in the Machine-Tool Industry).
With a decades-long tradition in chemistry, electronics, textiles and materials science, the Czech Republic 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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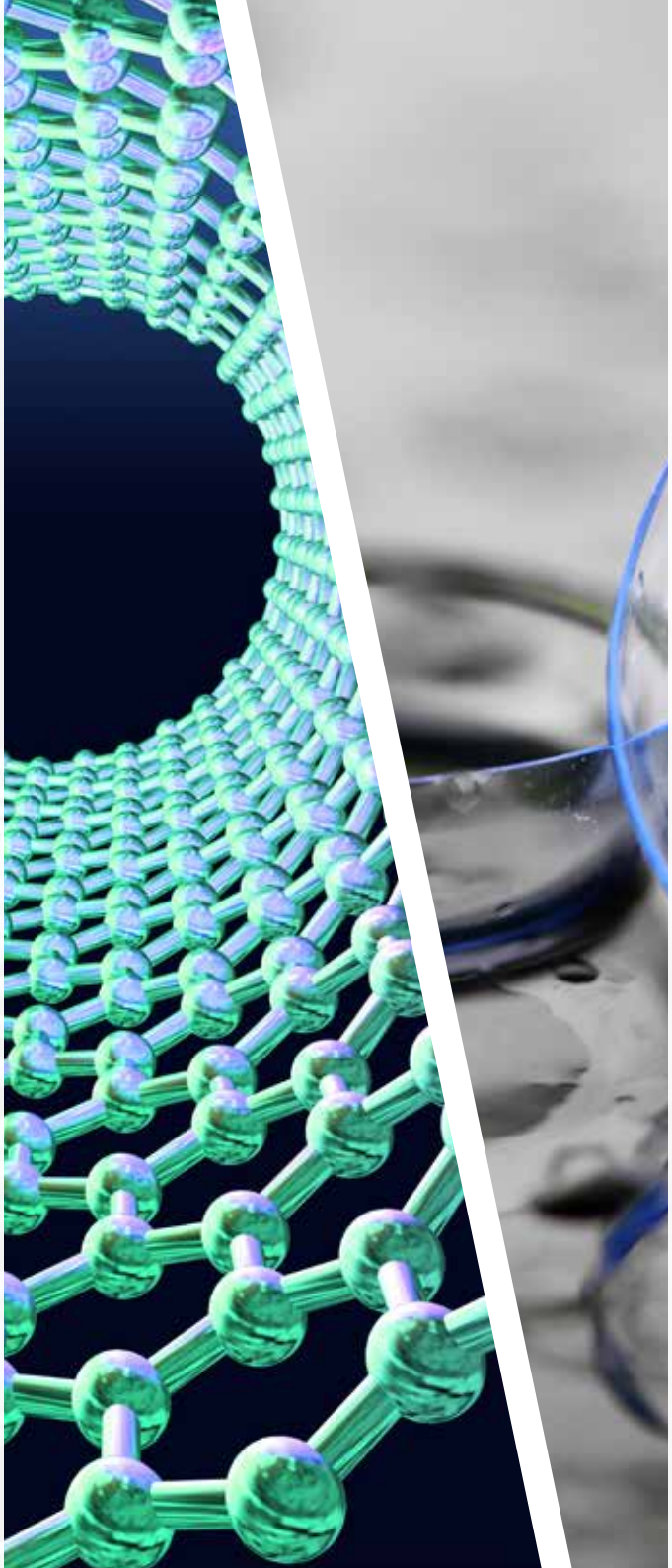

Healthtech

The Czech Republic 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 the Czech Republic 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, the Czech Republic'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, the Czech Republic 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 the Czech Republic 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 & Digital

The Czech Republic is one of the best European destinations for investments in information and communication technologies (ICT). This is confirmed by the strong inflow of projects with high value added from leading global companies, as well as by the local tradition of excellence in technical fields. Successful foreign investors, such as Microsoft, Skype, Tieto, Red Hat, IBM, Cisco and Oracle, which are already part of the Czech business ecosystem, are continuously being joined by other global companies that are establishing new branches in the country. These include Wrike, Pipedrive, Outreach, Medallia and Workday, among others.

In addition to standard ICT, new solutions using artificial intelligence, machine learning and vision, cloud technology and the internet of things are coming to the fore. These new trends are actively supported by numerous programmes, national strategies and outstanding research centres and universities. Such institutions include the AI Center, the Czech Institute of Informatics, Robotics and Cybernetics, IT4Innovations, the Research Centre for Informatics and the National Cybersecurity Centre, as well as supporting platforms such as prg.ai, brno.ai, budejovice.ai and AICzechia. The research conducted by these institutions achieves outstanding results and wins awards. Furthermore, over 5,000 qualified students annually graduate from ICT study programmes.

In addition to foreign firms, a full range of globally known ICT companies of Czech origin operate in the Czech Republic, including Avast, GoodData, Y Soft, Seznam.cz and Socialbakers, among others. These successful, well-established firms are being joined by a large number of younger Czech companies, for example Neuron Soundware, Phonexia, Mycroft Mind and GoodAI, whose innovative technologies have enabled them to penetrate the global market. Thanks to investments in ICT infrastructure, other Czech regions outside of Prague are also becoming attractive. Brno, the country's second largest city, is considered to be the Czech centre of ICT, where companies' needs are met by qualified specialists from research and development institutes and the local advanced ICT infrastructure. In recent years, Ostrava has also gained international recognition thanks to projects such as IT4Innovations.

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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 the Czech Republic 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, the Czech Republic 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.

The Czech Republic 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 the Czech Republic 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. The Czech Republic 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, the Czech Republic 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.

The Czech Republic 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, the Czech Republic has kept its commitment to sustainability even during the coronavirus crisis. Last year, the Hydrogen Strategy and Circular Economy Strategic Framework for the Czech Republic 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, the Czech Republic 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

The year 2021 marked the sixty-sixth 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 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 development to implementation of construction works. In connection with the necessity to continue in the nuclear programme within the National Action Plan for Nuclear Energy, this extraordinary potential is maintained not only through activities related to the operation of the nuclear power plants in Dukovany and Temelín, 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 1,200 MW installed capacity in Dukovany, with the option to further construct up to four units (Dukovany and Temelín). The activities of Ministry of Industry and Trade and ČEZ are now focused on a notification from the European Commission and preparation of the terms and conditions of the tender. It is expected that the tender will be open to the strongest technology suppliers with the appropriate financial background. The discussion is also focused on the localisation of domestic industry and supplier/services companies.

Fulfilling the objective of the National Action Plan (two units in Dukovany and two units in Temelín by 2040 and 2060, respectively) will require an investment of at least CZK 600 billion (EUR 23 billion), which is absolutely the biggest investment in the Czech Republic 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

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 current COVID-19 pandemic and the current crisis in Ukraine. Czech producers have shown great readiness for increased production in the event 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 alliance of food producers and manufacturers of food-production technology dates back more than a century and is a key factor in the Czech food sector's good reputation abroad. Food and beverage production accounts for nearly 4% of GDP on its own and up to 15% in combination with related sectors.

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, wine-making 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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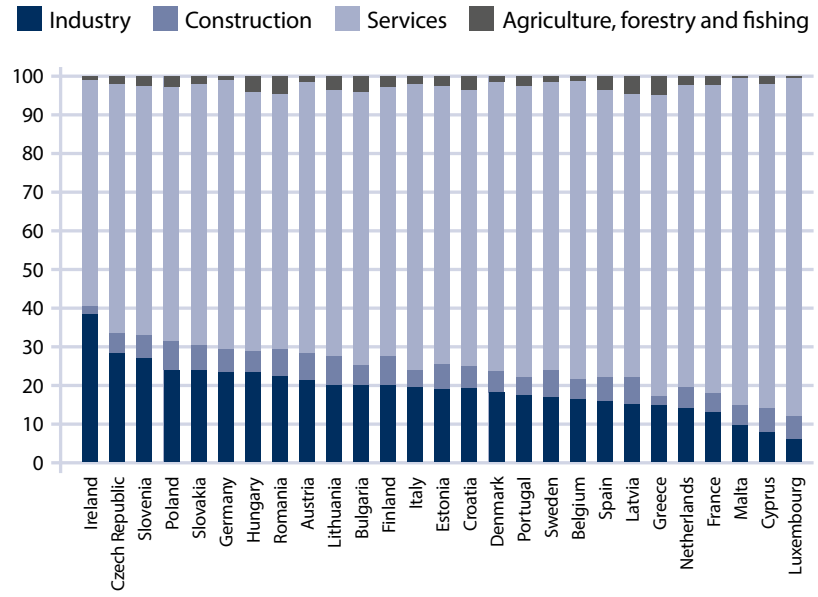
Czech industry has great potential to automate production

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 28% of Czech economic output, which is significantly more than in neighbouring Germany (23.54%) or far above the EU average (19.50%). 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 one-fifth of total exports from the Czech Republic.

Industry 4.0 is on the rise, robotisation of production is accelerating

The industrial sector is currently undergoing major changes around the world. 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.

Breakdown of gross value added by industry (in %, 2020)



Source: Eurostat, 2022

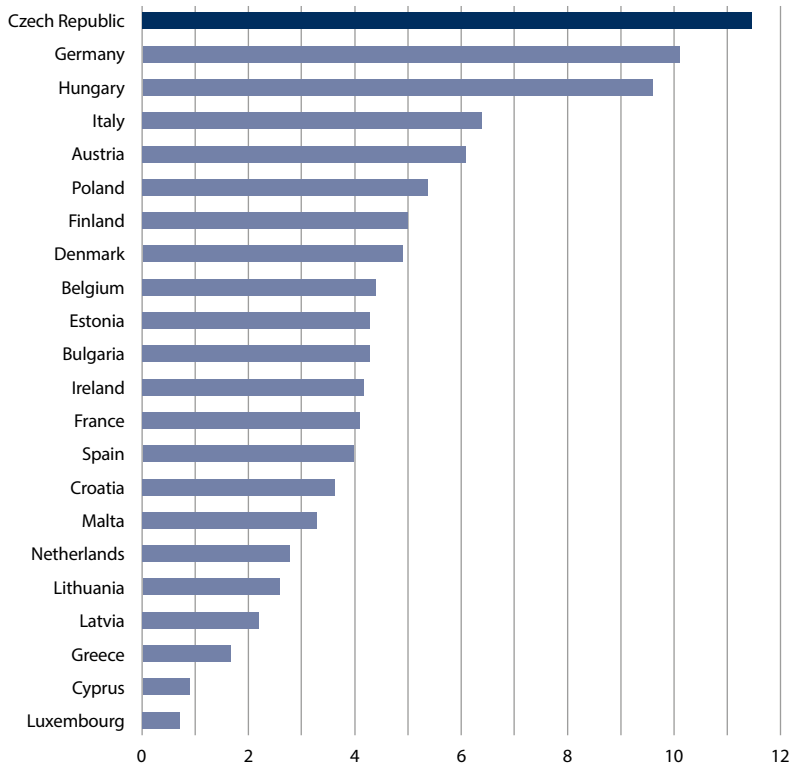
The number of robots in the Czech Republic is growing, the potential is still high

According to data from the International Federation of Robotics, 162 industrial robots per ten thousand employees were involved in production in the Czech manufacturing industry in 2020. 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, South 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

Employment in high-tech and medium high-tech manufacturing sectors and knowledge-intensive service sectors (in % of the total economy, 2020)



Source: Eurostat, 2021

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 highest in the EU. This is an essential condition for further robotisation, as well as an advantage of Czech industry.

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. Companies should thus always pay attention to what a new technology will bring to them and their clients.

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Business support services

The Czech Republic has been one of the leaders in the shared-services sector in the region of Central Europe for almost 20 years. The country's stable financial and political environment together with constant development of internet access and data stability have encouraged many foreign companies to choose the Czech Republic as the final location for their Central European activities. According to the Association of Business Service Leaders, 330 shared-services companies currently operate in the Czech Republic, where they employ approximately 130,000 people. The shared-services sector grew by an average of 12% per year, and over half of the companies in the sector are implementing automation and robotics in order to focus on higher-value activities. For instance, over 60% of finance operations were automated in 2020. Moreover, cybersecurity, information security, application lifecycle management and software development are among the top advanced services delivered in the Czech Republic.

The largest number of companies is located in Prague, Brno and Ostrava. However, smaller companies are placing their activities in other locations such as Olomouc, Zlín and Plzeň. Activities outside of the main hubs account for 14% of all activities in the area of business support services (BSS). The list of existing captive and outsourced shared-services centres in the country includes those of companies such as Accenture, Computer Associates, DHL, ExxonMobil, Hewlett-Packard, Siemens, Monster Technologies, JNJ, Infosys and Honeywell.

Like the previous year, 2021 was defined by the SARS-COV-2 virus, which has significantly affected the economy and business operations around the world. The shared-services sector has managed this challenging period without significant losses, and most of the companies in the sector have coped with the consequences of the pandemic very quickly. Almost 40% reported that COVID-19 has had a positive impact in terms of new business opportunities (30% in the Czech Republic) and nearly 90% reported a positive or neutral impact on their cost operations.

The main reason for placing shared-services centres in the Czech Republic is the quality of 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 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 above 24% (in 2020), Czech banks have maintained a solid position amid the COVID-19 pandemic, supported by a solid risk profile and limited dividend pay-outs.

Profitability

Czech banks are among the most profitable in Europe. With ROE above 11% in the past decade (and ROE of 7% in the pandemic year 2020 compared to the EU average of 4%), Czech banks have generated attractive returns for their shareholders in a global comparison. With net profit accounting for roughly 0.8% of GDP (2020), 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, 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 profit in 2020 (EUR 1.8 billion), a double digit increase of net profit is expected in 2021, reflecting the improving economy, lower risk provisions and an increasing interest-rate environment.

Efficiency

With costs between 45% and 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 in 2020.

Apart from overall good cost control, banks benefit from economies of scale affected by high market concentration (roughly two-thirds of total assets are in the hands of the five biggest players).

Asset quality

Asset quality slightly deteriorated in 2021, which was a reflection of the COVID-19 pandemic. The share of nonperforming loans remained fairly low at around 2.5% in the course of 2021.

The currency split of loans in the Czech banking sector shows that if any foreign currency lending exists, it is mostly denominated in EUR and predominantly in the corporate segment.

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.

Czech banks have a comfortable level of deposits and can benefit from a relatively cheap cost of funding as a source for future loan growth.

Given the high capital base and cheap funding, the banking sector is well prepared to support further growth and strong demand for lending.

As households are becoming richer (e.g. nominal wages increased by 3.1% in 2020), banks can further support wealth growth by offering fee-generating products such as investment funds, life insurance and products in the pension area. This will bring prosperity to both the banks and their customers. The main risk remains uncertainty about future development with respect to the COVID-19 pandemic.

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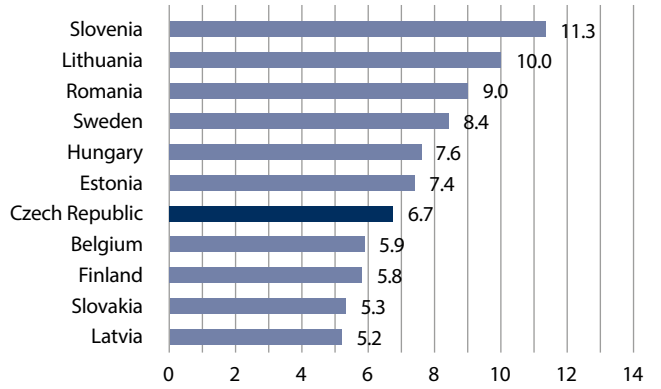
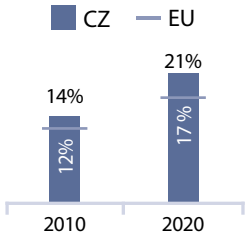
Which banking sector is the most profitable?
ROE (%), 2020



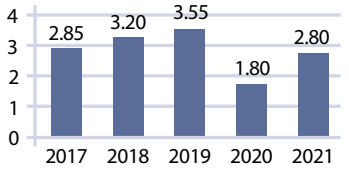
Source: ECB, 2022

Tier I ratio



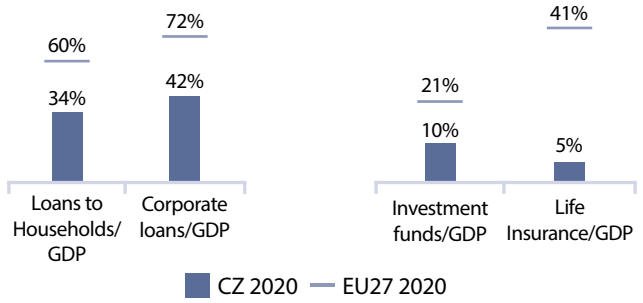
Source: ECB, 2022

Czech banks' net profit in EUR bn (2021, estimated)



Source: Czech National Bank, Estimate by Česká spořitelna, 2022

A long way to go to catch up with the EU



Source: Eurostat, 2022

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 capitalised during the COVID-19 pandemic in 2020 and 2021.
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 3.0% for life and non-life insurance in 2020. 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 results 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. The preliminary figure for the first half of 2021 reached 53%, i.e. still lower than the three-year average for the period from 2017 to 2019. 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 in 2020 and the first half of 2021 (claim ratios of 66% and 64%, 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 EUR 1,209 per person in 2020. By comparison, this figure for the Czech Republic in 2020 reached EUR 197, 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 the 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 longterm care risk.

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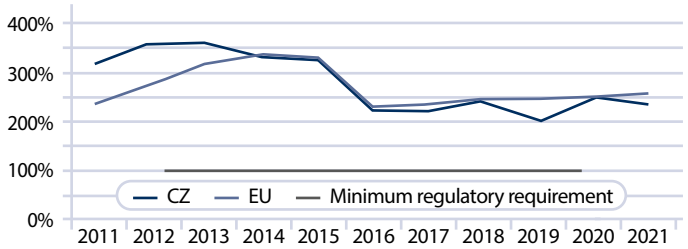
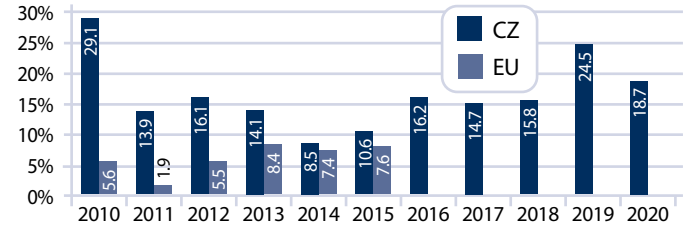
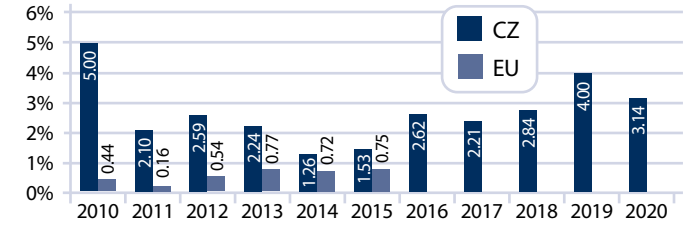
Share of available and required solvency



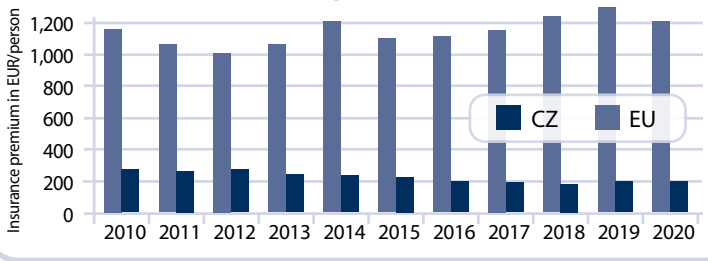
Comparison of ROE in the insurance industry – Czech Republic and EU



Comparison of ROA in the insurance industry – Czech Republic and EU



Comparison of life-insurance premiums – Czech Republic and EU



Source: EIOPA, 2020

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We would greatly appreciate your feedback, recommendations and suggestions on how to improve the Guidebook.

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