Edition 2024

BUSINESS GUIDEBOOK

Czech Republic

Stability Without Stagnation

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

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

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BUSINESS GUIDEBOOK

Czech Republic
Stability Without Stagnation

Edition 2024

This is the ninth edition of the publication Business Guidebook: Czech Republic – Stability Without Stagnation. 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.

Petr Fiala

Prime Minister of the Czech Republic

Dear Readers,

The Czech Republic is renowned for its exceptional safety, the tradition of high-quality education, and robust industries, from automotive to IT. To keep up with new trends and many global challenges of our time, my government is now restarting the country with long-term strategic investments. This includes advancing critical fields such as AI research, chip production, and electromobility. We are also set to become a major player in areas such as new nuclear-power technology and lithium mining and processing.

The ongoing move towards a higher-value economy can be seen everywhere. Our transport infrastructure is experiencing the largest influx of funding in the last decade. Significant reforms are shifting the education system towards a stronger focus on STEM subjects, fostering a future-ready workforce. We are also catalysing innovation through partnerships linking universities, research institutions, and the private sector.

At the same time, we continue in our steps towards energy security and resilience. Over the past two years, we have been successfully reforming the energy sector, making it fully independent of Russian resources and preparing it progressively for the green economy, which includes the development of hydrogen solutions.

As a free and open economy in the heart of Europe, our future growth depends on working in partnership with the companies that choose to do business and invest here. That is why we are striving to make life easier for them: We have streamlined tax laws, sped up construction procedures, and introduced attractive investment incentives. Businesses can now operate in major foreign currencies, and it is easier for them to attract skilled global talent.

The Czech package offers a rare combination of a strategic location, quality production, and growing investments in modernisation. I am proud of what we have done so far, and more is yet to come.

Kamil Blažek

Chairman of the Association for Foreign Investment

Dear Readers,

I have the greatest pleasure of bringing you already the ninth edition of the Business Guidebook, Czech Republic. We have chosen a new motto for this year: Stability without stagnation.

Various types of crisis that hit Europe and entire world in last years, like covid pandemic or the Russian aggression in Ukraine have not only distorted many industrial supply chains and led to troubles across several sectors of industry, but also brought very high inflation, very expensive energy costs and other extremely unpleasant consequences for both companies and citizens.

Nevertheless, last months have brought big relief to all thanks to inflation rate getting back to 2% and energy prices going significantly lower, so we can say loud and clear: stability is back! And for this year 2024 we expect to get back to growth too. Czech economy is supposed to expand again and some promising investment projects are on the way. It is not surprising, as Czechia 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.

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 Czechia.

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.

Europe needs more reinvestment on the continent and there are few places that are better suited for that than Czechia. 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 Czechia 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.

Jiří Kozák

Deputy Minister of Foreign Affairs

Dear Readers,

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

Our country's accessions to the EU and NATO celebrating its 20th and 25th anniversary in 2024, are undoubtedly important historical milestones on our path to democracy. At the end of the year 2022, we have symbolically closed the door behind a successful presidency of the Council of the European Union. All these events have had a significantly positive impact on the Czech economic development and have shaped Czechia's position in other countries. However, as important as it is to remind ourselves of our history and celebrate milestones, it is essential, especially concerning investments, to focus on the future. Even though the ongoing Russian aggression in Ukraine and the energy crisis as its consequence have affected Czechia and its economy, we can still rely on our modern export-oriented economy. Our companies focus on modern technologies, R&D and innovations in the long term. Our main goals include the cultivation of an effective start-up environment, innovation centers, smart investments, digitalization of the public sector, and more, all while profiting from the most industrialized environment in the EU. Our economic and scientific diplomacy builds on qualities such as scientific potential and advanced research, well-developed industry, favorable accessibility, and highly skilled people in various fields of industry.

Based on estimates for 2024, Czechia should continue to maintain the status of a country with favorable macroeconomic stability. For this year, Czechia's economy is expected to grow by 1,1%. It still keeps the lowest rate in the EU at around 2.6%. In terms of the world trade, Czechia maintained its position as an eminent world exporter based on the world trade rankings, where it was ranked as the 29th largest exporter and as well the 29th largest importer of goods worldwide.

Even though the aforementioned qualities draw a certain picture of the Czech economy, potential foreign investors need to analyze further many different variables before investing. The current government priority is to highlight Czech science diplomacy through a network of Czech embassies and to attract new researchers to our country. Our Ministry, together with institutions responsible for R&D&I progress, works hard on internationalization of Czech science in order to promote its achievements and capacities. This concerns attractiveness of the Czech higher educational system, extensiveness of research institutes, but also capacities of large research infrastructures, including those with international participation. Czech science diplomacy also opens the door to new opportunities for cooperation with an emphasis on export support, transfer of knowledge and technology into practice and commercialization of research results and innovative solutions.

This collaborative environment has shaped Czechia into one of the most successful transition economies in terms of attracting foreign direct investments. On behalf of the Ministry of Foreign Affairs, I highly appreciate all activities and initiatives that the AFI, CzechInvest, and other institutions are taking on to support companies based in Czechia. Thank you for your devoted work and we wish you a lot of success in the upcoming years.

Petr Očko

Senior Director at the Ministry of Industry and Trade

Dear Readers,

Not only Czechia, but the entire world has faced many challenges in recent times: the ongoing conflict in Ukraine, new conflict in the Middle East, climate change. These challenges make us stronger, more resilient and more independent. Our society and economy have the opportunity to accelerate the inevitable development of engineering technologies. Czech businesses are seizing the opportunity to engage in modern supply chains and build a more resilient economy. And we can see it in investors who are eager to invest and innovate. This is giving Czechia a new charge.

It is clear that events of the year have deeply affected everyone, including our citizens and businesses, in particular by exposing a weakness in the economy - dependence on energy sources from an unreliable supplier. We can only address this by strengthening the resilience of supply chains, particularly - but not only - in the energy sector. To reduce the vulnerability of the economy, we need to diversify supply chains among our reliable partners and strengthen our own capabilities in strategic areas. Our businesses have a vital role to play in this, and we are here to support them by improving the business environment, including research and innovation. With some distance I can say that in many respects we are succeeding. Competitive manufacturing in the EU, which is particularly important for capacity building in strategic sectors, can be supported by promoting digitization and the development of the digital economy. At the national level, we reflect this approach in our policies and also in concrete measures to encourage businesses to harness the power of digital tools. Despite the crisis, we are implementing the Resilience and Recovery Facility to financially support our digital economy objectives. More than 22% of the financial resources are focused on the digital transition, including the digital transformation of enterprises.

In the year 2023 there were many positive signs. For example, the Czech innovation ecosystem has continued to thrive even in these challenging times. CzechInvest, which promotes innovation in Czechia, has supported a significant number of high-quality innovative startups this year. These startups have the potential to bring new technologies and products to the Czech economy that can help it grow and strengthen its competitiveness. Our government is pro-investment: an amendment to the Investment Incentives Act has been approved, making it much more attractive to investors. A government committee on strategic investments has been established, where both the Ministry of Industry and Trade and CzechInvest are members, and we are addressing further measures to accelerate economic growth, including further investment in breakthrough technologies and innovation. Further, ammending the law on linear structures will simplify the processing of building permits not only for linear structures, including environmental impact assessments, it will secure simplified permitting process to strategic investments in transformation areas with positive impact on competitivness of Czech economy.

We are one of the leading innovators in Central Europe and the future looks good. Innovation can help overcome current challenges and create a better future for us all. The year 2024 will be challenging in many ways, but I am confident that together we can emerge from the current difficult situation stronger, more resilient, more competitive and more innovative.

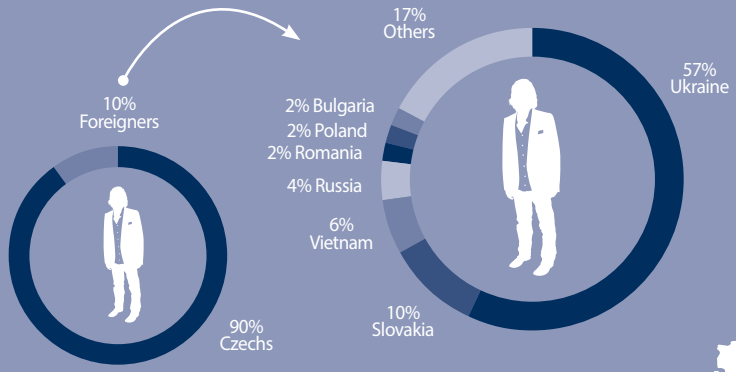
Did you know?

The Czech Republic

Location

10.88 mil
Population

78,866 km²
Area



Note: Percentage of foreigners in total population
Source: Czech Statistical Office, 2023

Note: Percentage of foreigners, by citizenship
Source: Ministry of the Interior, 2022

Political system - Parliamentary republic

Petr Pavel
President

Petr Fiala
Prime Minister

Government — **18** members

Chamber of Deputies
200 members/4 years — **200** members / **4** years

Senate
81 members/6 years — **81** members / **6** years

Economy

- 0.3%
GDP growth in 2023

10.7%
average inflation rate in 2023

3.6%
average unemployment rate in 2023

EUR 1,805
average gross monthly wage in 2023

Capital
Prague

Language
Czech

Currency
Czech koruna (CZK)

1 EUR = CZK 24.02
average exchange rate in 2023

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

Czechia – Heart of Europe

The Czech Republic, also known as Czechia, is a small country in the heart of Europe. It has an advanced economy and a high standard of living. In fact, it is one of the most stable and prosperous of the post-communist states. You can find there the oldest university in Central Europe and more 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.

Czechia is a member of these organisations

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

Location

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

The country´s most populous cities

1. Prague (Bohemia)
1.3 million inhabitants

2. Brno (Moravia)
379,466 inhabitants

3. Ostrava (Silesia)
279,791 inhabitants

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

Political system

Parliamentary democracy
Czechia was established on 1 January 1993 in connection with the dissolution of Czechoslovakia. Since that date, the country has had a constitution according to which it is a parliamentary democracy with a liberal political system based on free competition of political parties and movements.
The head of state is the country's president, whereas the supreme and only lawmaking body is the Parliament of Czechia.
Parliament is a bicameral body composed of the Chamber of Deputies and the Senate.
The Chamber of Deputies has 200 members elected every four years on the basis of proportional representation. The Senate's 81 members serve six-year terms, with two-round majority elections held for one-third of seats every two years.
The president and the government (i.e. the prime minister and cabinet) hold executive power, whereas the government is the supreme executive body. The government is accountable to the Chamber of Deputies. The president, who is elected through direct voting, appoints the justices of the Constitutional Court with the consent of the Senate. Under certain conditions, the president can dissolve the Chamber of Deputies and veto bills. The president also names the prime minister, and other members of the government are named at his suggestion.
The Constitutional Court, with 14 justices, is the guarantor of constitutionality, ensures protection of fundamental rights and can repeal laws or provisions of laws. However, it is not part of the system of general courts. The Supreme Court is the highest body in civil and criminal justice as well as in the area of administrative adjudication.

Economy

Czechia is a developed country with a market economy. According to a number of economic, social and political indicators, it ranks among the world's most advanced countries. Since 2006, Czechia has been part of the group of the thirty most advanced countries according to the World Bank, to whose budget it has become a contributor. The country is considered to have the most stable and most prosperous economy of all post-communist states. According to Eurostat, it was the fourteenth richest country of the European Union in 2023 in terms of per-capita GDP in purchasing power standard. It was the second most successful of the new EU members.

National holidays in Czechia

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

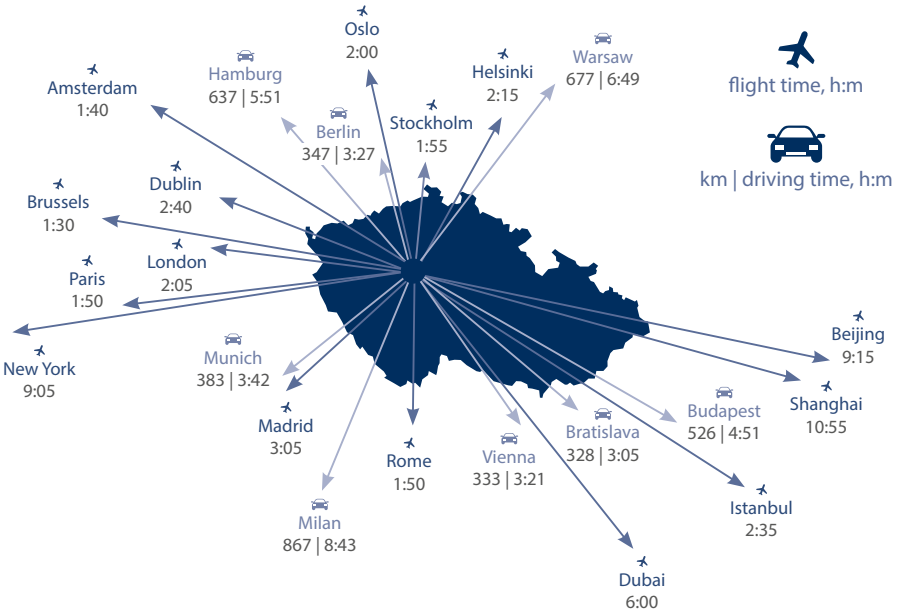
Investment risk rating

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

Source: Czech National Bank, 2024

In 2023 year on year industrial production decreased by 0,4%, which within EU context of a 2% decrease is a very solid performance. Additionally, in December, monthly industrial production increased by 2,8 %, indicating a promising development. Industrial production increased in the areas of motor vehicles and other means of transport, computers, electronic and optical devices and equipment. The most important branch of Czech industry is vehicle manufacturing, including motorcycles and trailers. The other main pillars of Czech industry are the mechanical-engineering, metals, chemical and food sectors. The energy, construction and consumer-goods industries are also important components of the Czech economy. Germany is the country's biggest foreign trade partner.
Czechia's currency is the koruna. The koruna-euro average exchange rate in 2023 was 24.0168. Upon accession to the European Union in 2004,

Travel distances from Prague



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

Motorway network in Czechia

Source: Road and Motorway Directorate of the Czech Republic, 2024

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

Infrastructure

Czechia has a well-developed network of motorways and expressways. The motorway network is under construction and is constantly being refurbished. The most significant motorway in Czechia is the D1 joining Prague and Brno with Ostrava and Poland (toward Katowice). Construction of another section of the D11 motorway is being under construction since 2017 with the purpose of connecting the Polish border. Another motorway under construction is the D3 linking Prague to České Budějovice and Austria; the D3 will follow the route of the E55 backbone international motorway. The country's motorways that have already been completed are the D2 connecting Brno and Slovakia (toward Bratislava) and the D5 connecting Prague, Plzeň and Germany (toward Nuremberg). The amount of goods transported on Czech roads and motorways in 2023 was 433,685,000 tons and via rail transport it was 87,027,000 tons according to Transport Statistics of Ministry of Transport.

Together with road transport, rail transport in Czechia makes up the backbone of the domestic transportation system while also serving for international transit. With more then 9,500 km of track, Czechia has the densest rail network in Europe. The corridor routes of the nationwide lines leading to the European rail system for long-distance and transit service cover 1,402 km.
The Railway Infrastructure Administration is the administrator and operator of the absolute majority of railway infrastructure in Czechia. The biggest rail transporter is Czech Railways, whose subsidiary, ČD Cargo, is one of the biggest rail freight operator in European Union. The rail freight market has been liberalised; liberalisation of the passenger transport is ongoing. Czechia is connected to the EuroCity international rail network, while some international connections are covered by SuperCity trains, for which the busy Prague-Ostrava line is a core route. Czech Railways operates on the same routes as the high-speed Pendolino trains. Other private railway companies also provide passenger transport.

Czechia has public international airports in Brno, Karlovy Vary, Ostrava, Pardubice and Prague. Václav Havel Airport in Prague is the most important Czech airport and is also the biggest airport among the new EU member countries. Its operator is the company Prague Airport. Václav Havel Airport annually handles almost fifteen million passengers carried by approximately 50 airline companies connecting Prague on direct routes to roughly 120 destinations around the world. Several 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 are cheap, especially outside of Prague, but other things are definitely not (cars, apartments, houses, rent).

Technology is way behind

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

Golf resort Karlštejn
© CzechTourism – Image Bank, Photo: Radomir Režný

Czechia – **A country of unforgettable experiences**

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

Work hard, travel harder!
Business is business and only money counts. Still, Czechia offers you more than business and money. This beautiful and safe country in the middle of Europe offers myriad cultural and entertainment options, so you will never get bored here. History enthusiasts will appreciate Prague, the most beautiful city in the world according to the travel magazine Time Out, seventeen 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 Czechia from a different perspective by watching Mission: Impossible, the James Bond movie Casino Royale and xXx, or wait for the most expensive Netflix movie, The Gray Man with Ryan Gosling and Chris Evans, all of which were at least partially filmed here.

Five newest Czech entries on the UNESCO World Heritage List:

- Czech handmade glass production
- West Bohemian Spa Triangle
- Erzgebirge/Krušnohoří Mining Region
- Jizera Mountain Beech Forest
- Žatec and the Landscape of Žatec Hops

Must-see tourist destinations or hidden gems?
If you like to do business in Czechia and invest your money here, you should definitely take a break and tick off all of the highlights on your **TOP 10 travel bucket list**. The obvious places to visit are **Prague Castle, the State Opera, Charles Bridge, Český Krumlov and Karlovy Vary**. However, Czechia has more to offer. Do not get stuck at the most touristy and crowded spots, as many international tourists do, but instead discover the local cultural heritage of undiscovered locations.

Travel tips for undiscovered gems of Czechia

- 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 Czechia, you will discover high-class accommodation full of romance and history. Choose from stylish apartments and chateau hotels, such as the Baroque Chateau Jemniště. Experience romantic interiors and chateau tours with a glass of champagne, or have a picnic in the chateau park. A secret tip for lovers of fairytale accommodation is the small Klokočov Chateau in the unspoiled natural paradise of the Iron Mountains. Chateaux that have been turned into hotels will surprise you with their modern equipment. Period interiors and historic furniture together with modern comforts like a flat-screen TV, Wi-Fi, air conditioning, a sauna and a whirlpool give you an extraordinary connection of two eras. **Chateau Mcely, Chateau Herálec Hotel, Liblice Chateau, the Hotel Castle Valeč**, Beer Spa at Wichterle Castle 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. Surprising-

ly, Czechia also offers a large number of luxury golf resorts located throughout the country. Do not hesitate to pack your clubs when coming to Czechia to close a deal.
PGA National Czech Republic – Oaks Prague was opened in 2020. As the country's only PGA National licensed golf course, Oaks Prague has been recognised as the best course in Czechia as well as in Europe at the 2020 and 2021 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.

TOP 10 golf resorts in Czechia

- PGA National Czech Republic, Oaks Prague
- Greensgate Golf & Leisure 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
- Austerlitz Golf resort

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 6,858-m Championship layout, which was named the best in the country by the American magazine Golf Digest magazine. Thanks to its elevation, the venue enjoys one of the longest golf seasons in Central Europe. The Albatross Golf Resort is the host venue of the D+D Real Czech Masters on the European Tour.
Altogether, there are more than 100 golf courses in Czechia.

Recharge your batteries

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

Time to travel responsibly

We love travelling but we are mindful of how damaging it can be to the environment and the locals. To be sustainable, travel should show respect for the nature and culture of the places you visit. Ideal conditions for hiking, the densest railway network in Europe and one of the greenest capitals in the world make Czechia a place where you can travel with respect for nature and future generations without much effort. ■

Superlatives of Czech spas

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

UNESCO jewels in Czechia

1: Historical Centre of Prague, **2:** Historical Centre of Český Krumlov, **3:** West Bohemian Spa Triangle, **4:** Church of St John of Nepomuk at Zelená Hora **5:** Historical Town Centre of Kutná Hora, **6:** Lednice-Valtice Cultural Landscape, **7:** Gardens and Castle in Kroměříž, **8:** Historical Centre of Telč, **9:** Holašovice Historic Village, **10:** Holy Trinity Column in Olomouc, **11:**Tugendhat Villa in Brno, **12:** Jewish Quarter in Třebíč, **13:** Litomyšl Castle, **14:** Krušnohoří Mining Region, **15:** National stud farm Kladruby nad Labem, **16:** Jizerské Mountain beechwoods, **17:** Žatec and the Landscape of Žatec Hops

Czech Tourist Authority – CzechTourism
info@czechtourism.cz

www.czechtourism.cz
www.visitczechia.com

#VisitCzechia

Dancing House, Prague

A great place for your investment

The Czech Republic has continued to hold a prominent place in several previous year's country rankings. Even though the ongoing war in Ukraine has dimmed the prospects of a post-pandemic economic recovery, the Czech Republic remains a great location for foreign direct investment. A medium-sized, open economy, safe and peaceful environment, and political stability, together with an educated and skilled workforce are just some of the aspects that make the Czech Republic a valuable location for investment.

Strategic location

Due to its strategic location, stable economy and human-capital resources, the Czech Republic is an attractive destination for foreign investors planning to enter the European market or expand their businesses to more countries in the region. The country's convenient location in the middle of Europe makes it possible to reach all European capitals very easily. The country's EU membership makes it an ideal gateway to the single European market of over 500 million consumers and 21 million SMEs. Given the fact that 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, a well-developed private sector, an effective legal environment, and a healthy banking system with a strong and independent central bank are the key features of a society in which business can be conducted effectively and safely. 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 Czech crown (CZK), is fully convertible and extremely stable. Under Czech law, foreign and domestic entities are treated identically in all areas, from the protection of property rights to investment incentives. The tax system offers the lowest rates in Europe and has remained stable over the long term.

Investment protection

The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA), an international organisation for the protection of investments, which is part of the World Bank-IMF group. The country has signed several bilateral treaties that support and protect foreign investments, for example with the United States, Germany, Canada, France, Austria, Switzerland, Italy, Belgium, Luxembourg, the Netherlands, Finland, Norway, Denmark, Japan and China. 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. The country's low employment rate has persisted even during unstable times caused by the global COVID-19 panemic and the war in Ukraine. 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 23rd overall among the 134 economies in the special tenth anniversary edition of the Global Talent Competitiveness Index from 2023. In the academic year 2022/2023, over 300,000 students were enrolled in the country's 60 universities (Ministry of Education, Youth and Sport, 2023). Roughly half of Czech university students study STEM, 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 70% of Czechs

Czechia's global rankings

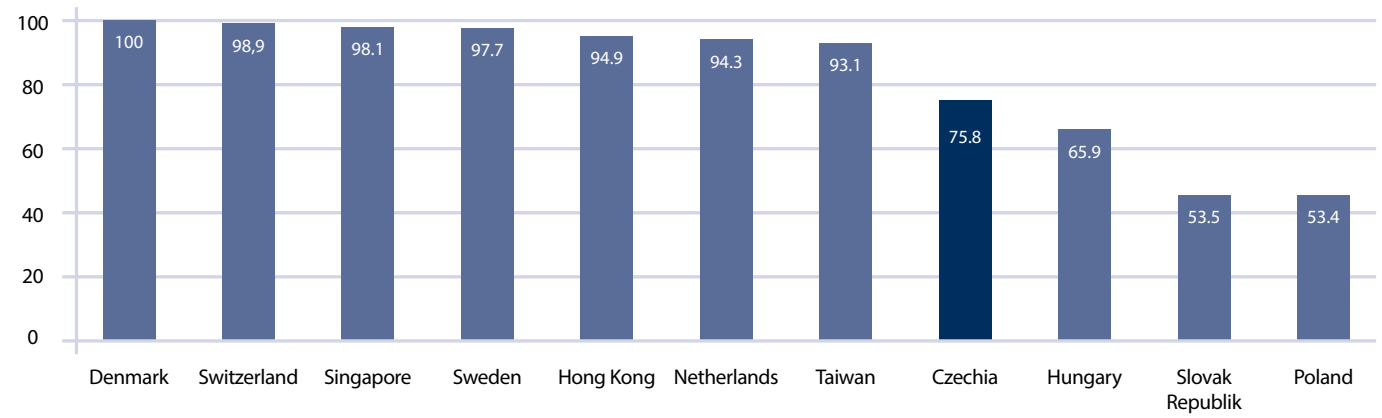
3rd most attractive country in the CEE region
(German-Czech Chamber of Industry and Commerce, 2024)

8th most sustainable country
(Sustainable Development Report, 2023)

12th safest country
Global Peace Index 2023

31st most innovative country
Global Innovation Index 2023

The IMD World Competitiveness Ranking 2022



Source: IMD, 2023

know at least one foreign language (predominantly English or German); this figure rises above 90% 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 the EU structural funds, new research centres are being established with the objective of becoming prestigious European science centres with state-of-the-art infrastructure and conditions making it possible to employ the best researchers. Czech employees are very loyal, hardworking and precise. The local workforce is considered to be very reliable and stable.

Well-developed infrastructure

Besides the country's transport infrastructure, its energy distribution and telecommunications networks also contribute to the creation of an ideal environment for doing business. However, Russia's ongoing aggression against Ukraine has had a significant impact on commodity markets and the energy supply chain. The war has also highlighted the importance of energy security and the reduction of dependence on the importation of key energy raw materials from Russia. As a result, the Czech Republic has been facing a significant increase in energy prices.The exception is the price of natural gas, whose prices have been declining since Q3 2022.

The Czech telecommunications market is one of the most developed and most liberalised in Central and Eastern Europe and is distinguished by the growing demand for data, internet access and other communication services. The country's advanced fibre-optic network is part of the European backbone and is being further developed. No exclusive rights exist in the area of electronic communications and the competition environment is sufficiently robust in the context of the European Union. In terms of the business-property market, the country is quite advanced with respect to the number of industrial zones and parks as well as office premises.

Quality of life

The country's urban centres and beautiful countryside offer countless possibilities for leisure activities for both tourists and locals throughout the year. Municipal public transport systems are well managed and efficient, while trains provide a popular and easy way to travel around the country. 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 the potential 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. ■

Global Peace Index

Rank 2021	Country	Score
1	Iceland	1.124
2	Denmark	1.310
3	Ireland	1.312
4	New Zealand	1.313
5	Austria	1.316
12	**Czechia**	**1.379**
15	Germany	1.456
18	Hungary	1.508
26	Slovakia	1.578
29	Poland	1.634

Source: Institute of Economics and Peace, 2023

Adam Wrobel
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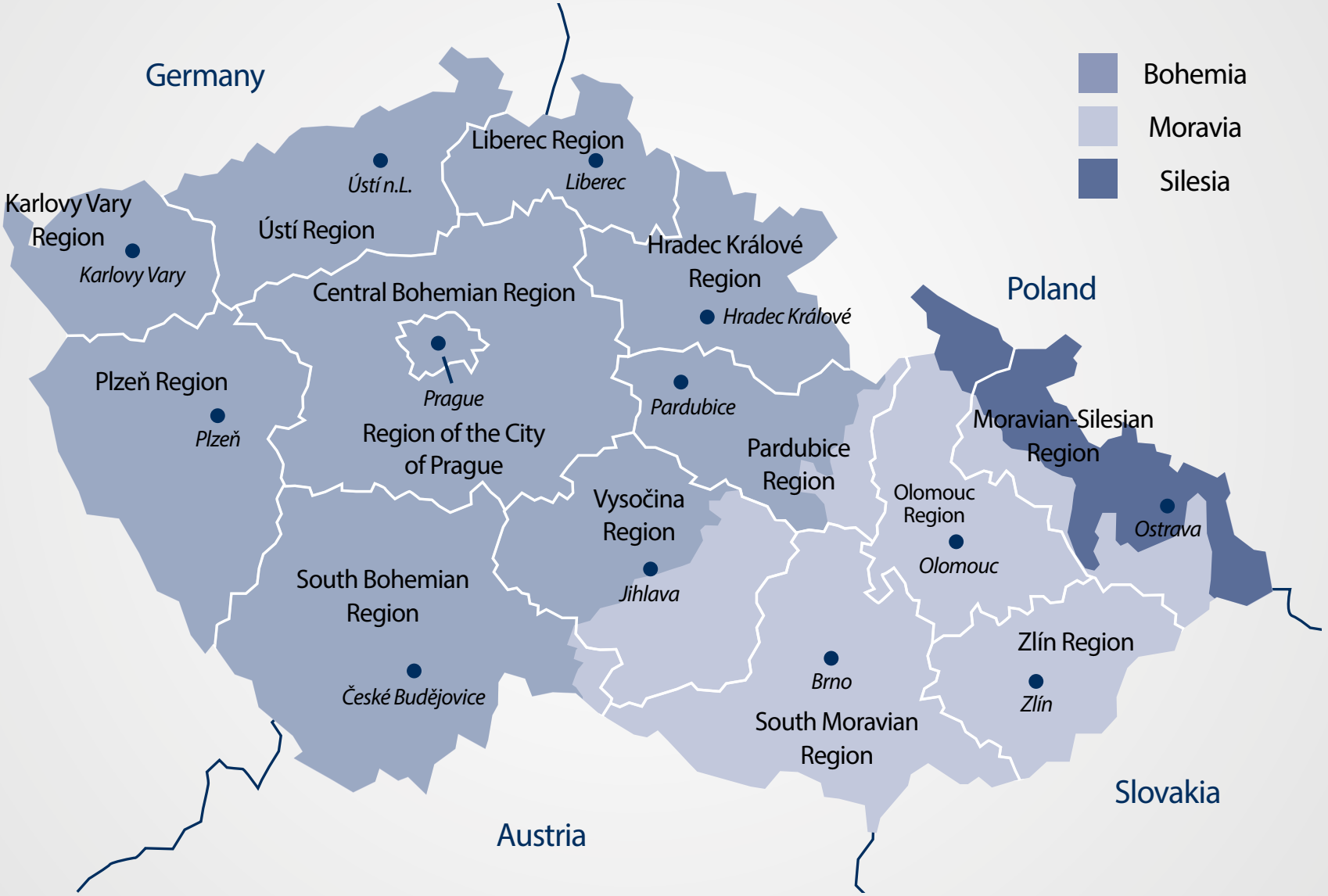
CZECHINVEST

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: 1,384,732* (as at December 2023)
Working-age population: 883,418 (as at December 2022)
Unemployment rate: 2.80% (as at December 2023)
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

More detailed information was not provided.

Central Bohemian Region

Name: Central Bohemian Region
Regional capital: none; the seat of the Regional Authority is in Prague
Total area: 10,928 km²
Population: 1,452,113* (as at September 2023)
Working-age population: 912,381 (as at December 2022)
Unemployment rate: 3.17% (as at December 2023)
Institutions of higher education – type, number of students: Charles University, Czech Academy of Sciences, Czech Technical University, Faculty of Biomedical Engineering in Kladno, Škoda Auto University (private university), research institutions, other universities and research institutions located in Prague.
Sectors in which the region excels: engineering and automotive industry, aerospace industry, biotechnology, biomedicine, chemical industry, laser technologies, additive technologies, new materials, civil nuclear research, agriculture, and food production
Note: *preliminary data

Highlights: Central Bohemia is the largest region of the Czech Republic and encompasses the nation's capital, Prague. The region contains a total of 1,144 municipalities in 26 administrative districts. The region has strong ties with Prague and its location has a significant influence on its economic characteristics. There are many important and valuable historical sites in Central Bohemia, including two UNESCO heritage sites and several protected landscape areas.
Several major companies, such as Škoda Auto, Toyota, Valeo, AERO Vodochody AEROSPACE, Eaton, RIGAKU, Hewlett Packard Enterprise, Foxconn, LINET, Lego, Amazon, Philip Morris and Procter & Gamble, have either their headquarters or operations facilities in Central Bohemia. The region's current development is aimed at making it a leader in the implementation of technologies and innovations.
The region has attracted significant investments in science and research, and top research centres of transnational importance have been established here, e.g. ELI Beamlines and HiLASE in the field of high-power laser technologies, BIOCEV – Biotechnology and Biomedicine Centre of the Academy of Sciences and Charles University in the area of medical research and drug discovery, and the University Centre for Energy Efficient Buildings of the Czech Technical University in Prague (UCEEB). In addition, the Central Bohemia Innovation Centre (SIC) supports the implementation of innovations and the local business environment, from start-ups to expansions of companies to foreign markets. Its task is to bring together research centres and companies with the aim of developing the region's innovation potential. Since 2015, SIC has helped more than 300 companies to innovate their products and services, expand into the market or successfully bring in investors. At the same time, SIC has accelerated nearly 100 projects of research organizations towards market application. SIC is a coordinator of digitalization activities within the European Digital Innovation Hub Brain4Industry, the aim of which is to help business make the best use of the benefits and possibilities offered by digital technologies and artificial intelligence.
The Central 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 Bohemian Region

Name: South Bohemian Region
Regional capital: České Budějovice
Total area: 10,057 km²
Population: 654,336* (as at September 2023)
Working-age population: 409,223 (as at December 2022)
Unemployment rate: 3.50% (as at February 2024)
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

More detailed information was not provided.

Plzeň Region

Name: Plzeň Region
Regional capital: Plzeň
Total area: 7,649 km²
Population: 613,374* (as at December 2023)
Working-age population: 386,196 (as at December 2022)
Unemployment rate: 2.9% (as at December 2023)
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: 293,595* (as at January 2023)
Working-age population: 187,428 (as at March 2022)
Unemployment rate: 4.19% (as at Septemeber 2023)
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), the primary fields of study are economics, engineering, environmental studies, finance and management
Sectors in which the region excels: mechanical engineering and custom metalworking, electrical engineering, automotive industry, traditional industries (glass, ceramics, porcelain, other non-metal mineral products), power industry and use of renewable energy sources, processing of secondary raw materials – advanced recycling technologies, production of rubber and plastic products, spa industry and tourism, beverage production, chemistry
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: 811,706* (as at June 2023)
Working-age population: 437,200 (as at June 2023)
Unemployment: 5.40% (as at October 2023)
Institutions of higher education – type, number of students: Jan Evangelista Purkyně University in Ústí nad Labem - the only public university having its registered office in the region, eight faculties, 8,500 students, three detached facilities of other public universities and two private universities in the region
Sectors in which the region excels: energy, chemical industry. The Ústí Region is the first region with its own hydrogen strategy.
Note: *preliminary data

Highlights: The Usti Region is located in northwest Bohemia, sharing a border with Germany. Thanks to its location and good accessibility from Prague and neighbouring Saxony, the region has significant potential for international economic and cultural cooperation. Usti Region is currently facing challenges related to the economic transformation brought about by the shift away from coal-fired energy sources.
The Usti Region is therefore focusing on new challenges in the field of clean energy sources, particularly development of the hydrogen economy. The region has its own hydrogen strategy focusing on the development of an integrated hydrogen chain from production, transport and storage to final consumption. There is also potential for the use of geothermal energy in the region, including research with an international dimension and subsequent application in practice. In the area of public research institutions, the region has strong research background in green and sustainable chemicals and nanotechnology, and it is developing the area of digitalisation through the collection, analysis and provision of open data in line with Smart City/Region principles.
Jan Evangelista Purkyn University in Usti nad Labem is active in the region and its activities reflect the interests of the Usti Region, ranging from the development of quality education to research and the development of renewable and emission-free energy, including, for example, the creation of a network of scientific institutes cooperating on research in the field of renewable energy sources and the use of hydrogen in modern carbon-free energy. New study programmes, including a PhD programme, are being developed to train future professionals in innovative and transformational areas of the economy (clean energy, hydrogen).
The Usti Region is also attractive in terms of tourism. Among the mining monuments in the Saxon and Bohemian Ore Mountains found on the UNESCO World Heritage List, the Usti Region contains the Krupka Mining Landscape and the M dnik Mining Landscape. Another UNESCO World Heritage site in the Usti Region is }atec and the }atec hop landscape, which is the first hop-growing area in the world to be awarded this status.

Jan Schiller
Governor
www.kr-ustecky.cz

Liberec Region

Name: Liberec Region
Regional capital: Liberec
Total area: 3,163 km²
Population: 450,419* (as at December 2023)
Working-age population: 282,953 (as at December 2022)
Unemployment rate: 4.15% (as at January 2024)
Institutions of higher education – type, number of students:
one public university - Technical University of Liberec (approximately 6,050 students - of which PhD students: 246)
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

Highlights: Human potential, science, research, and innovation – these are the most important assets of the future worth investing in. Innovation is what propels the world forward; it is the engine powered by human ideas and the desire to improve what doesn't work or could work even better. The result of innovation comprises projects and services for entities involved in education, science, research and development, and transferring knowledge into practice. The goal is to enable product development using unique local knowledge, traditions, experience and collaboration.
The Liberec Region can build on its natural competitive advantages in the fields of glass-making, engineering, textiles, electrical engineering, nanotechnology and membrane technology.
As early as 2012, the Liberec Region adopted the RIS3 strategy with the main objective of supporting the development of research and development. A key tool for implementing this strategy is the Regional Development Agency's Smart Accelerator project, through which numerous activities have been carried out.
The Liberec Region has long and intensively supported nanotechnology and research, development and innovation, thus opening up the potential to move the region to new heights of technological progress. The region is creating conditions that allow researchers and innovators to realise their ideas and projects. It actively seeks ways to support the establishment of new start-ups. It already has an excellent research base and top experts and aims to strengthen this area, enabling the region to play a significant role in global research and development. Focusing on nanotechnology and innovation will not only bring economic growth, but also contribute to improving the quality of life for the region's inhabitants.
The Liberec Business Incubator (Lipo.ink) supports the establishment and development of innovative companies in the region. It focuses on companies that come up with unconventional solutions to address particular needs and problems, providing them with expertise on how to turn a good idea into a viable service.
As one of the Czech Republic's twelve regional innovation centers, Lipo.ink ensures that entrepreneurs and their ideas and investments remain in the Liberec Region. With the opening of a new building in the center of Liberec in the fall of 2020, Lipo.ink expanded its unique facilities for entrepreneurs.
Although Liberec is the Czech Republic's second smallest region, it certainly has a lot to offer.

Martina Půta
Governor
www.kraj-lbc.cz

Hradec Králové Region

Name: Hradec Králové Region
Regional capital: Hradec Králové
Total area: 4,759 km²
Population: 556,949* (as at December 2023)
Working-age population: 344,100 (as at December 2023)
Unemployment rate: 3.43% (as at January 2024)
Institutions of higher education – type, number of students:
two public universities – University of Hradec Králové (6,242 students); Charles University Faculty of Medicine in Hradec Králové (1,799 students)
Sectors in which the region excels: indsutry (engineering, automotive, textile, glass), agriculture, tourism
Note: *preliminary data

Highlights: The high quality of life in the Hradec Králové Region is best proven by the repeated top positions in the comparative research Místo pro život (Place for Life). The region finished second last year. Analysts say the region fares well nationally in health care and social services. The Hradec Králové Region has a well-developed transport infrastructure and good conditions for education and childcare.
The Hradec Králové Region boasts many natural attractions, such as the Krkonoše National Park with the highest mountain in the Czech Republic, Sněžka, or the fascinating sandstone rock towns of Adršpach and Jičín. The region is also home to a number of chateaus, castles and other cultural, architectural and historical monuments. Among the most beautiful is the completely revitalised Kuks Hospital, which is known as the Baroque pearl of East Bohemia. These attractions in combination with ideal conditions for hiking, cycling, boating or skiing attract many visitors of all ages from the Czech Republic and abroad.
The largest industrial centre of the region is located a short distance from Rychnov nad Kněžnou. The industrial zone is home to the Škoda Auto Kvasiny plant and its suppliers. More than 12,500 people work in the entire zone. Today, the local car plant produces models of the successful Kodiaq and Karoq SUVs.
Currently, the largest investment projects of the Hradec Králové Region are the construction of two new pavilions in the regional hospitals in Jičín and Rychnov nad Kněžnou. The new pavilion at the Jičín hospital will cost EUR 27.5 million and will house laboratories, an MRI, a transfusion station, a haematology department, a sampling section and internal outpatient clinics and consulting rooms.
A new multidisciplinary pavilion is also being built on the premises of the hospital in Rychnov for just under EUR 30 million. The project also includes the modernisation of the existing DIGP pavilion, which will be connected to create one multifunctional unit.
The Hradec Králové Region also plans to launch the second stage of the modernisation of the Náchod hospital in 2024 at a cost of almost EUR 60 million. The region is also preparing an extensive reconstruction of the dilapidated Vrbenského kasárna (Vrbensky's barracks) in Hradec Králové, where a museum will be built at a cost of almost 19 million euros.

Martin Červíček
Governor
www.hkregion.cz

Pardubice Region

Name: Pardubice Region
Regional capital: Pardubice
Total area: 4,519 km²
Population: 528,761* (as at December 2022)
Working-age population: 333,271 (as at December 2022)
Unemployment rate: 2.93% (as at March 2023)
Institutions of higher education – type, number of students:
approximately 7,000 students at the 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: 514,777 * (as at December 2023)
Working-age population: 323,972 (as at December 2022)
Unemployment rate: 2.6% (as at October 2023)
Institutions of higher education – type, number of students:
the College of Polytechnics Jihlava (2,370 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. Tertiary education is provided in the region by 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. Vysočina benefits greatly from international cooperation with partner regions such as Lower Austria, Grand Est (France), the Nitra Self-Governing Region (Slovakia), Transcarpathian Ukraine, and the European Region Danube-Vltava (the presidency of which Vysočina has taken place in 2024). Further international cooperation is being established with Taiwan and the Tampere region of Finland.
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 Moravian Region

Name: South Moravian Region
Regional capital: Brno
Total area: 7,188 km²
Population: 1,226,749* (as at December 2023)
Working-age population: 769,154 (as at December 2022)
Unemployment rate: 4.55% (as at February 2024)
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: 5,271 km²
Population: 632,822* (as at February 2024)
Working-age population: 395,991 (as at January 2023)
Unemployment rate: 4.14% (as at February 2024)
Institutions of higher education – type, number of students:
approximately 22,700 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: mechanical and electrical engineering, optics and fine mechanics, optoelectronics, industrial chemistry, advanced agricultural technologies for sustainable development and new materials and technologies, pumping and water technology, biomedicine, life science and health care, software development, spa and tourism
Note: *preliminary data

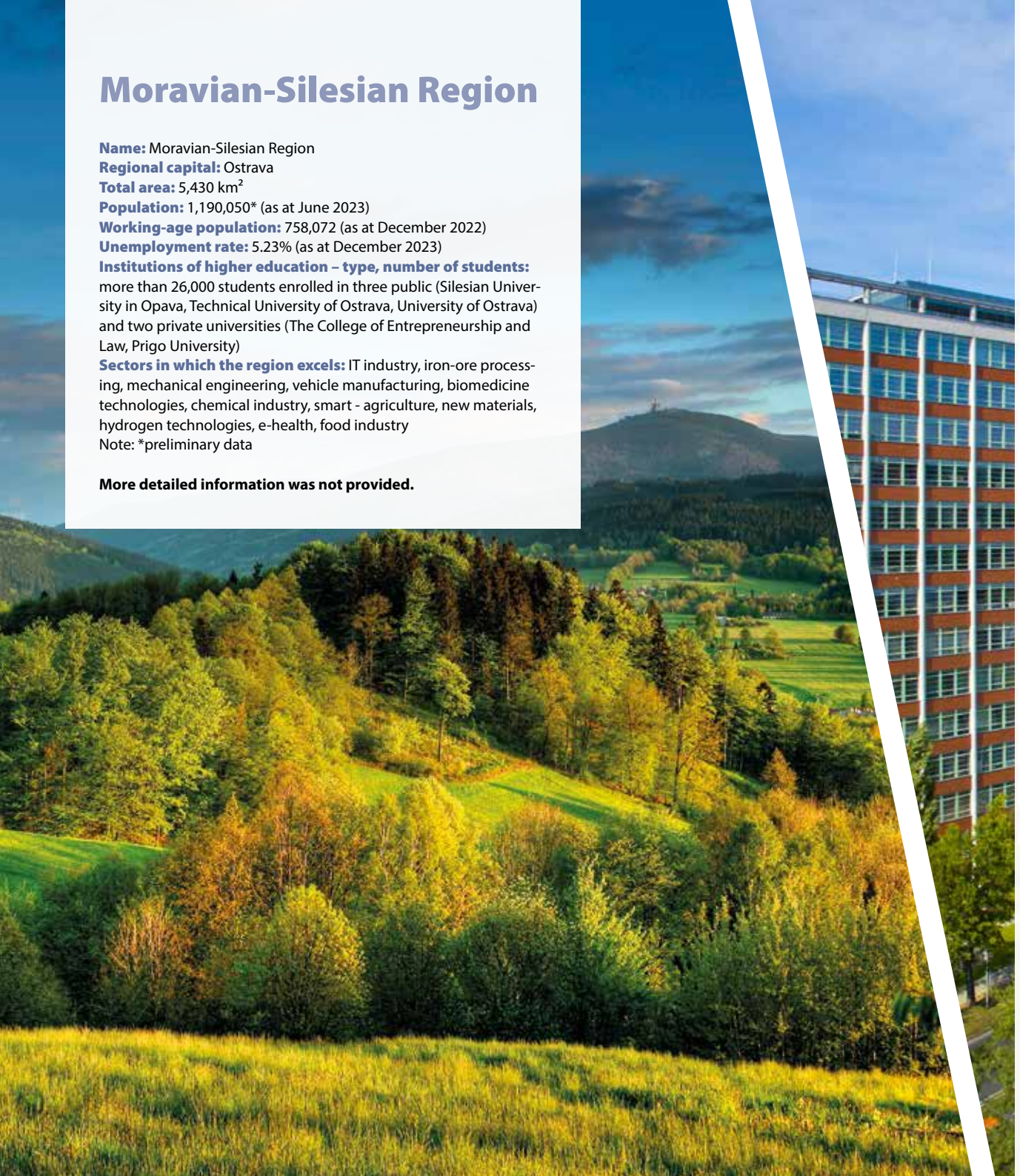
Highlights: Located in the very heart of Europe, the Olomouc Region is easy to fall in love with. Visitors are captivated by the rugged alpine beauty of the Jeseníky Mountains and the gentle charm of the flat Haná region with the beautiful city of Olomouc. The region's identity is woven from its rich cultural heritage, breathtaking landscapes, skilled and hardworking people. From roots dating back a thousand years, Olomouc has grown into a modern region.
Highly skilled people and a rich history of engineering are a combination that benefits the region's top technology companies and workplaces. They export optical systems, lighting technology for the automotive industry, modern electric motors and components for aircraft engines to advanced European countries and overseas. The direction of development and future creation is shown by the technological leaders in the region, who are also able to assert themselves in the world. Success creates the conditions for innovation, from which new companies with quality jobs and modern technologies can emerge.
The research sector in the Olomouc Region has a rich tradition and is highly developed. In the field of research, the Catrin Institute of Palacký University in Olomouc attracts leading experts from all over the world. There is also significant medical and health research in the region, which contributes to innovation and improved patient care. The University Hospital in Olomouc is one of the best in the Czech Republic thanks to its modern workplaces, and its top medical facilities are equipped with the latest treatment technology and a broad scientific and teaching base.
The Olomouc region also boasts a rich gastronomic offer, which includes traditional Moravian cuisine and wines from the surrounding vineyards. Thanks to its fertile soil, Haná is known as a rich agricultural region. The Olomouc region is also rich in natural beauty and scenery. Among the most famous are the Jeseníky Mountains with their picturesque mountain peaks such as Praděd or Dlouhé stráně. Beautiful monuments are scattered throughout the region resemble precious pearls. Among them, the mighty Helfštýn Castle and fairytale Bouzov Castle shine the brightest. The warm springs springing in Velké Losiny from a depth of almost a thousand metres are unparalleled in the Czech Republic.

Josef Suchánek
Governor
www.olkraj.cz

Moravian-Silesian Region

Name: Moravian-Silesian Region
Regional capital: Ostrava
Total area: 5,430 km²
Population: 1,190,050* (as at June 2023)
Working-age population: 758,072 (as at December 2022)
Unemployment rate: 5.23% (as at December 2023)
Institutions of higher education – type, number of students: more than 26,000 students enrolled in three public (Silesian University in Opava, Technical University of Ostrava, University of Ostrava) and two private universities (The College of Entrepreneurship and Law, Prigo University)
Sectors in which the region excels: IT industry, iron-ore processing, mechanical engineering, vehicle manufacturing, biomedicine technologies, chemical industry, smart - agriculture, new materials, hydrogen technologies, e-health, food industry
Note: *preliminary data

More detailed information was not provided.



Zlín Region

Name: Zlín Region
Regional capital: Zlín
Total area: 3,963 km²
Population: 571,757* (as at February 2023)
Working-age population: 365,359 (as at December 2022)
Unemployment rate: 3,06% (as at February 2023)
Institutions of higher education – type, number of students: one public university – Tomáš Baťa University in Zlín (approximately 9,600 students)
Sectors in which the region excels: product and industrial design, plastics processing, rubber, machinery, aerospace, electrical engineering
Note: *preliminary data

Highlights: The Zlín Region is situated in the eastern part of the Czech Republic. The motorway network connects the region with the main development centres - Prague and Brno - and construction of new motorway infrastructure in the direction of Slovakia and Austria is ongoing.
In terms of per-capita GDP growth, the Zlín Region ranks among the more successful regions of the Czech Republic, as it possesses a professional and flexible workforce and a high-quality education system.
The economy of the Zlín Region is distinguished by a strong basis comprising innovative companies, especially in the segment of small and medium-sized enterprises, a large number of which operate in industrial and significantly export-oriented sectors. The plastics industry holds a particularly strong position in the region due to the presence of Tomáš Baťa University in Zlín and its Centre for Polymer Systems, which is an important research partner of companies associated in the Plastics Cluster. An important position is also occupied by the aviation industry, which is represented in the region by manufacturers of aircraft and aircraft components and related technologies, which are brought together by the Moravian Aviation Cluster. Other strong sectors in the region include the mechanic-engineering, electrical-engineering and metalworking industries, as well as ICT, which is a developing part of the services sector. Furthermore, the Zlín Creative Cluster supports the region's dynamically growing creative companies, whose success is based on the design of their products and technologies.
The Technological Innovation Centre and its partners in the ZLINNOVATION platform provide a broad range of support services for entrepreneurs and investors in the Zlín Region. An important part of this offering is the Holešov Industrial Zone and the Progress Technology Park, which is in its heart. Also, strength lies in the new initiative, the ZRIA (Zlin Region Investment Agency), which aims to foster business growth, contribute to the development of new study fields, establish an entrepreneurial and investment environment, and enhance the out-of-the-box mindset of local students and residents.
The Zlín Region is thanks to its creativity known as a region with a live creative spirit, which is present here at every step - whether in history, architecture, design, culture, folklore or gastronomy.

Radim Holiš
Governor
www.zlinskykraj.cz
www.krajbezhranic.cz

Air Hub
in the Heart of the Czech Republic

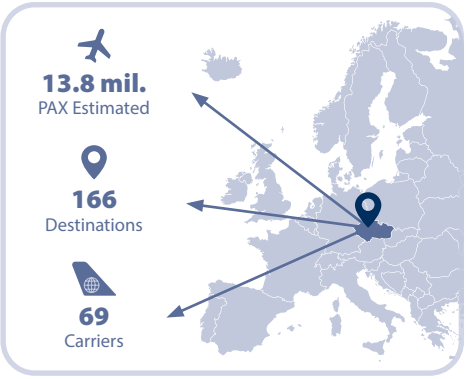
Václav Havel Airport Prague is the gateway to the Central Europe region. It is also an airport in one of the most popular tourist destinations in Europe and at the same time the largest aerodrome in the Czech Republic.

Before the COVID-19 pandemic, this international air hub handled almost 18 million passengers annually. In 2024, the airport expects to handle over 15 million passengers. During the year, travellers can on average choose from the offer of over 65 airlines connecting Prague via a direct route with more than 170 destinations around the world. Furthermore, eight regular cargo carriers operate the destination and dozens of other companies provide charter flights there. Prague Airport employs approximately 2,400 people, with an estimated more than 14 thousand people being employed by companies active at the airport or linked to its operations.

Prague Airport supports the development of air connectivity, which contributes to the further expansion of business and investment activities. Vice versa, the existing and new foreign investors in the Czech Republic create an environment for enhanced business and corporate travel demand and freight forwarding opportunities, which are important for the development of new air services. In this regard, the main focus is on the development of long-haul air connections prioritising non-European markets in the USA, Canada, Japan, South Korea, Taiwan, India and China.

In its activities, Prague Airport works closely in particular with the Ministry of Transport of the Czech Republic, the Civil Aviation Authority, the Air Navigation Services of the Czech Republic, air carriers, public administration bodies inside and outside the aviation sector, and other airport users. Last but not least, it also works closely with the Capital City of Prague and the municipalities in its vicinity. Four carriers use Václav Havel Airport Prague as their base, namely Smartwings, Ryanair, Eurowings, and Czech Airlines.

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



2024 Outlook - Important Connections of Selected Routes

NEW YORK	Delta Air Lines daily JFK flights (May-Oct.)
SEOUL	Korean Air flights up to 4x weekly
TAIPEI	China Airlines connection 2x a week
Doha	Qatar Airways up to 2x a day with higher seat capacity
KUWAIT	Jazeera Airways increase up to 4x weekly
ZURICH	SWISS International Airlines increase to 4x a day
MADRID	Iberia increase up to 2x a day
TALLINN	Eurowings new destination up to 4x a week

Source: Prague Airport, 2023

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Prague Airport

Foreign investment screening in the Czech Republic

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

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

Conditions for the investment screening

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

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

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

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

The permit is required for the investments into:

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

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

Sanctions

If the investor violates the conditions set out in the Ministry's decision or carries out the investment in breach of the Ministry's prohibition of the investment, the Ministry may prohibit or restrict the investor from exercising its ownership or voting rights in the target entity. Further, the sale of the target entity, the assets, or the participation in the target entity may be ordered by the Ministry.

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

Conclusion

According to the annual report issued by the Ministry in 2022, there were a total of **12 domestic cases** of investment screening in the first year of the effectiveness of the law. During this period, no investment prohibition was issued.

However, given the serious penalties, it is always necessary to assess whether an investment permit or consultation is required. For this reason, voluntary consultation is a useful tool to increase legal certainty. If the Ministry decides that the investment is not security-threatening, it excludes the initiation of the control in the future. ■

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EVERSHEDS SUTHERLAND

Benchmarking of the Czech Republic in the V4 context

Czech Republic

10.88 mil
Population in 2023

78,866 km²
Area

Czech
Language

Czech Koruna
Currency

1 EUR = 24.009 CZK
Average exchange rate in 2023 (EUR)

Basic facts

GDP (EUR billion)	309.87	Consumer price inflation (%)	10.92
GDP (PPP) per capita (EUR)	46,852	Labor force (million)	5.41
Real GDP growth (%)	-0.30	Current account balance (% of GDP)	4.00

Slovakia

5.46 mil
Population in 2022

49,035 km²
Area

Slovak
Language

Euro
Currency

Basic facts

GDP (EUR billion)	117.85	Consumer price inflation (%)	11.00
GDP (PPP) per capita (EUR)	38,364	Labor force (million)	2.64
Real GDP growth (%)	1.10	Current account balance (% of GDP)	-3.60

Poland

38.2 mil
Population in 2022

312,679 km²
Area

Polish
Language

Polish złoty
Currency

1 EUR = 4.54 PLN
Average exchange rate in 2022 (EUR)

Basic facts

GDP (EUR billion)	778.25	Consumer price inflation (%)	11.99
GDP (PPP) per capita (EUR)	42,082	Labor force (million)	17.35
Real GDP growth (%)	0.20	Current account balance (% of GDP)	1.60

Hungary

9.7 mil
Population in 2022

93,030 km²
Area

Hungarian
Language

Hungarian Forint
Currency

1 EUR = 381.74 HUF
Average exchange rate in 2022 (EUR)

Basic facts

GDP (EUR billion)	188.36	Consumer price inflation (%)	17.00
GDP (PPP) per capita (EUR)	40,292	Labor force (million)	4.94
Real GDP growth (%)	-0.80	Current account balance (% of GDP)	0.20

Note: estimates for 2023 *Source: www.imf.org / ceicdata.com / economy-finance.ec.europa.eu / economy.com*

About

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

Source: visegradgroup.eu

What is trending in the Czech Republic

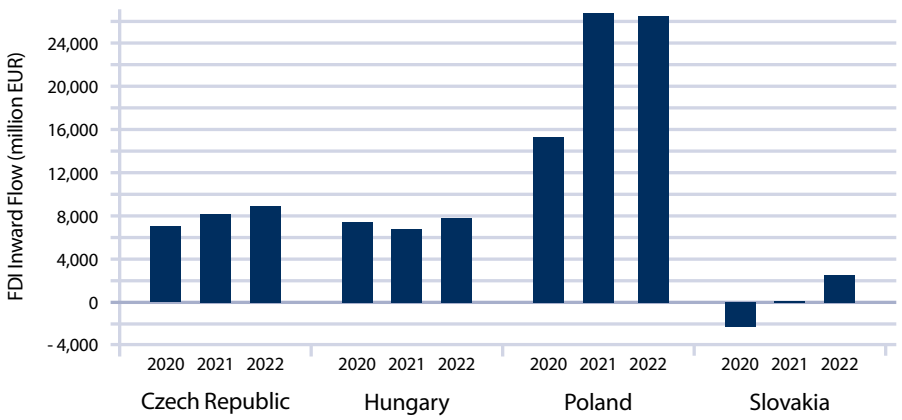
- Nearly two-thirds of companies employ or plan to employ foreign workers. (Hofmann Personal Survey, 2021)
- Remote working and hybrid teams are an established practice in the labour market and one of the essential requirements of job seekers. The absence of this benefit can often mean that a candidate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

Overall rank

	Czech Republic	Hungary	Poland	Slovakia
Competitiveness Ranking	18th	46th	43rd	53rd
Economic Performance	27th	21st	25th	56th
Government Efficiency	17th	40th	54th	48th
Business Efficiency	15th	58th	43rd	52nd
Infrastructure	24th	38th	39th	44th
Digital Competitiveness	24th	38th	39th	46th

Source: IMD, 2024

Foreign Direct Investment



Source: OECD, 2022

Global Innovation Index

Rank 2023	Country	Score
31	Czech Republic	44.80
35	Hungary	41.30
41	Poland	37.70
45	Slovakia	36.20

Source: WIPO, 2023

Global Talent Competitiveness Index

Rank 2023	Country	Score
23	Czech Republic	62.43
36	Slovakia	54.24
37	Poland	54.10
38	Hungary	53.91

Source: INSEAD, 2023

Quality of Life Index

Rank 2023	Country	Score
23	Czech Republic	163.60
35	Slovakia	148.70
42	Poland	137.40
44	Hungary	133.20

Source: Numbeo, 2023

Foreign direct investment in Czechia: development and trends

The Czech Republic provides an advantageous environment conducive to fostering high-value added foreign direct investments, predominantly encompass technological innovations or research and development projects across pivotal sectors including semiconductors, creative industries, healthtech, mobility, AI and digital technologies, advanced industrial sectors, ecotech, as well as space, aviaion and defense. These investments are perceived as strategic for Czechia.

In 2023, CzechInvest mediated ten new investment cases in Czechia. The investors pledged to create over four thousand new jobs and invest over EUR 740 million. The main sectors involved were electronics, electrical engineering, biotech, and medical devices. Over two-thirds of the investment cases focused on expanding existing operations in Czechia mainly in high-tech manufacturing. The majority of investment cases received investment incentives, marking a significant change compared to previous years. ■

Selected key investors in Czechia by the industrial sector

Sector	Investor (country/region of origin)	Sector	Investor (country/region of origin)
Aerospace	GE Aviation (US)	High-tech mechanical engineering	Bombardier (CA)
	Honeywell Aerospace (US)		Daikin (JP)
	Latecoere (FR)		Edwards (UK)
	Bell Helicopters (US)		Ingersoll Rand (US)
	Safran (FR)		Siemens (DE)
Automotive	Hyundai (KR)	Information and communication technologies	Microsoft (US)
	Nexen Tire (KR)		Pure Storage (US)
	Robert Bosch (DE)		Red Hat (US)
	Toyota (JP)		Solarwinds (US)
	Volkswagen (DE)		Tieto (FI)
Business support services	Accenture (US)	Life sciences	Lonza (CH)
	DHL (DE)		MSD (US)
	Kyndryl (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)
	Hitachi (JP)		Fibertex Nonwovens A/S (DK)
	Foxconn (TW)		Saint-Gobain (FR)
	On Semiconductor (US)		Toray Industries (JP)
	Panasonic (JP)		

Source: CzechInvest, 2024

Investment in individual years, 2013-2023

Year	Number of projects	Investment (EUR mil.)	Number of jobs
2013	112	1,852	11,204
2014	149	3,162	17,107
2015	109	1,667	15,357
2016	105	2,013	12,548
2017	109	2,226	12,921
2018	79	1,457	6,218
2019	97	2,177	7,525
2020	25	510	2,644
2021	52	993	4,101
2022	24	786	2,655
2023	10	734	4,125
Total	929	20,488	96,646

Source: CzechInvest, 2024

Top 6 investments, 1993-2023

Investor	Sector	Country of origin	Investment (EUR mil.)
Hyundai Motor Company	Motor-vehicle manufacturing	South Korea	1,215
Toyota/PSA	Motor-vehicle manufacturing	South Korea / France	763
Nexen Tire Corporation	Rubber	South Korea	827
Volkswagen AG	Motor-vehicle manufacturing	Germany	515
Nemak	Motor-vehicle manufacturing	Mexico	319
Denso	Motor-vehicle manufacturing	Japan	281

Source: CzechInvest, 2024

Change in the structure 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, 1993-2023

Country of origin	Number of projects	Investment (EUR mil.)
Germany	430	8,979
Czechia	484	6,741
Japan	163	4,521
United States	285	4,141
South Korea	44	3,019
Austria	81	2,027
United Kingdom	126	1,757
France	77	1,660
Switzerland	80	1,241
Netherlands	61	1,024
Total	1,831	35,110

Source: CzechInvest, 2024

Top 10 investment by sector, 1993-2023

Sector	Number of projects	Investment (EUR mil.)
Motor-vehicle manufacturing (automobiles, buses, trailers)	522	14,598
Electronics and electrical engineering	235	4,941
Metalworking and metal-processing	207	3,236
Paper and wood-processing	92	2,772
Mechanical engineering	230	2,779
Chemistry and petrochemicals	85	2,447
Plastics	167	2,145
Rubber industry	34	1,600
Food Industry	94	1,603
Non-metallic mineral products	71	1,361
Total	1,737	37,482

Source: CzechInvest, 2024

Czech education system

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 Czechia. Care for the youngest children is generally provided outside of the education system, most commonly at children's group.

Pre-primary education

Nursery schools provide pre-primary education for children from two to six years of age. Municipalities guarantee places for children from the age of three. From the beginning of the school year following the child's fifth birthday, education at a nursery school is compulsory and free of charge. There are almost 4,900 public nursery schools; the fees are regulated in lower years. There are also almost 500 private/church nursery schools with monthly fees that vary widely with large regional differences.

Primary and lower secondary education

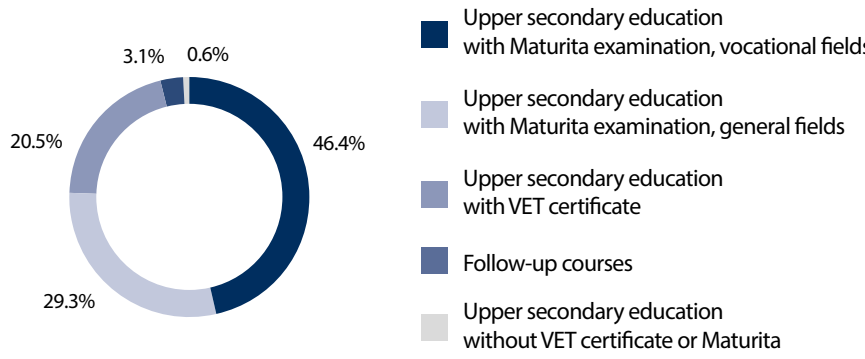
School attendance is compulsory for nine years, usually from age six to 15.
Primary and lower secondary education is provided mainly by single-structure basic schools , which are divided into a five-year first stage and a four-year second stage. There are about 4,000 public and over 300 private/church 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.
At public schools, the education is free of charge. The fees at private schools vary significantly, from a few hundred to several tens of thousands of CZK per month.

Upper secondary education

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

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

Shares of pupils of upper secondary schools in individual types of education (2022/23)



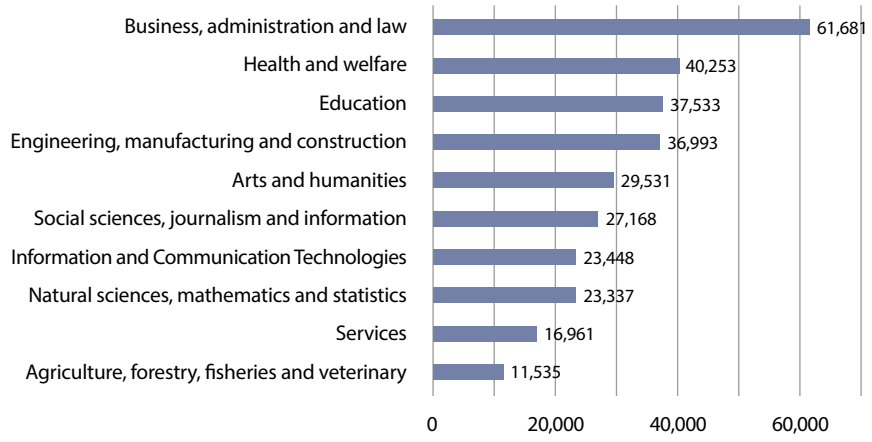
Source: Czech Statistical Office / Ministry of Education, Youth and Sports

rangements (follow-up courses) for those wishing to continue their studies, including acquirement of the Maturita examination certificate (even later in life). The admission criteria are set by the head of the given school.
Education is provided free of charge at public schools. At other schools, the fees vary depending on the complexity of the field of study, the technical equipment of the school and the economic situation of individual regions.

Higher education and current trends

With its nearly 700 years of academic tradition, the Czech higher education system consists of around 60 institutions in over 20 cities, of which 26 are public, 26 are private and two are state institutions. Czechia is also home to 17 branches of international universities and colleges. There is at least one institution in almost every regional capital, stimulating regional development and providing local industries with good access to skilled labour. In addition, there are approximately 150 tertiary professional schools which offer professionally-oriented non-university programmes.
Higher education institutions (HEIs) may be of a university or non-university type. Universities may offer all types of study programmes (i.e. bachelor's, master's and doctoral programmes) and carry out associated activities in science and research, development and innovation, as well as artistic or other creative activities. Non-university institutions offer mainly bachelor's study programmes.
As the higher education institutions enjoy a high degree of autonomy, the admission procedure falls within their competence. Currently, there are over 300,000 students at public, state and private HEIs. Roughly 90% of students attend public higher education institutions. Business is the most popular field, followed by health and welfare, education and engineering.
Study outcomes at higher education institutions are assessed mainly by a system of credits. Most HEIs use the ECTS credit system (European Credit Transfer System).
At public and state HEIs, education in the Czech language is free of charge; fees are paid only in some cases, e.g. study in a foreign language.
At private HEIs, the fees vary. The exact amount depends on the respective institution and study programme.
Czech higher education institutions rank amongst the top universities in the region of East Central Europe – 16 universities are included in the QS World University Ranking for 2023.
Today, Czechia is also an attractive destination that is increasingly popular among international students who can choose from over 1,200 diverse accredited bachelor's, master's and doctoral programmes in English and other foreign languages. More than 150 offered programmes are joint or double degree. Students also have a great number of other possibilities, such as study stays within the framework of various European and non-European mobility programmes, tailored-made study-abroad programmes, cooperation arrangements between higher education institution networks, summer schools and so on. Currently, there are almost 55,000 international students enrolled in full degree programmes. The number of the international students is continuously growing, by an average of 3% per year over the last 10 years.
Public HEIs play an important role in research development and innovation. Czechia has achieved international renown in areas ranging from Egyptology to high-tech fields such as non-woven 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.
Czech HEIs are also widely involved in cooperation on international projects.
A detailed description of the Czech education system is available in English in the **National Education Systems** database administered by the **EURYDICE** network (https://eacea.ec.europa.eu/national-policies/eurydice/content/czech-republic_en). More information on study opportunities at Czech HEIs is available on a specialised webpage Study in Czechia (https://www.studyin.cz/). The sources of statistical data in the text above are the databases of the Ministry of Education, Youth and Sports and the Czech Statistical Office. ■

Number of students by groups of fields of study (2022)



Source: Czech Statistical Office / Ministry of Education, Youth and Sports

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CZECH NATIONAL AGENCY FOR INTERNATIONAL EDUCATION AND RESEARCH

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

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 a LLC and CZK 2,000,000 or EUR 80,000 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 a LLC.
- The shareholders of a LLC are liable for the company's debts up to the amount of their unpaid contributions, whereas the shareholders of a JSC are not liable at all.

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

Representing the branch office/company

A branch office is represented by its appointed branch manager. On the other hand, representation of a company can be modified in various ways. Members of the statutory body can act either independently or collectively (two or more together) in some or all instances, or some of them may be allowed to act independently and some of them collectively. There can also be only a single member of the statutory body. It is up to the shareholders how they modify the company's representation within the boundaries of the law.

Time and costs of establishment

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

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

	Branch office	LLC	JSC
Estimated local fees (excluding legal, tax and other advisory services)	No less than EUR 300	No less than EUR 470	No less than EUR 1,100 + registered capital of EUR 80,000 (minimum)

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Czech investment market remains resilient amid challenges

The Czech investment market faced numerous challenges in 2023, including an unfavorable macroeconomic situation, high interest rates, and inflation. Despite these challenges, the market showed resilience with domestic investors representing 82% of investment deals.

Overall

The Czech market faces numerous challenges due to an unfavorable macroeconomic situation. In 2023, the total investment volume in the Czech Republic reached approximately 1.35 billion, marking a slight drop compared to 2022. Domestic investors are increasingly becoming a backbone of the Czech investment market, representing around 82% of investment deals in 2023. Despite the country being seen as a safe haven for investments, the slowdown in investment activity persists. High interest rates, implemented by national banks to counteract high inflation, are dissuading some investors. Many private investors and companies are awaiting more favorable loan conditions or better prices before making investment decisions. We anticipate a partial recovery in the investment market in 2024 as national banks are expected to reduce interest rates. Projected inflation levels returning to a more favorable range will aid in reviving real wages and household consumption. The Czech investment market is still coping with the consequences of COVID-19 economic downturn as does the entire economy. This environment is unlike any other in EU countries.

Industrial sector

Industrial market continues to have strong results, despite a slight drop in demand from logistics and transportation companies. By the end of 2023, the total stock of industrial premises for lease reached 12 mil. sq m with a vacancy rate hovering between 1.5 to 3 percent, which remains notably low. The increased demand from manufacturing companies, particularly in the first half of 2023, not only contributed to the overall demand but also prevented a significant increase in the vacancy rate. Construction activity is still strong and industrial developers are continuing in speculative construction. Developers across the market are investing in green energy sources, primary in photovoltaics. Due to industrial real estate being viewed as critical infrastructure post-COVID-19, we anticipate steady growth in this sector.

Retail sector

Retail properties were among the most significant investment assets subject to investment or divestment in 2023. Retails parks have also proven their crisis resilience, attracting investors in return. Consequently, retail yield is on the rise. However, new development remains limited, with the focus placed on refurbishing and remodeling existing centers. The majority of new development is confined to smaller retail park concepts. While shopping centers have rebounded effectively after the pandemic, smaller local retail parks contend with reduced margins due to increased operating costs. Simultaneously, local retailers face constraints in setting prices for good owing to lower wages and diminished purchasing power in regions.

Office sector

The Prague office market did not witness significant growth in 2023 due to a halt in construction activity within this sector. For year and a half, no new office building of "A" class standard entered the construction phase. The vacancy rate remained stable, fluctuating between 7.0 to 8.0% with some tenants offering sublease options for a portion of their premises. Prime rents experienced only marginal growth throughout 2023, reaching a level of 28.50 EUR/sq m/month. In 2024, we anticipate rent increases driven by the lack of new developments and higher inflation in the first half of the year. Despite this, rising occupancy costs and substantial relocation expenses are impacting occupier demand, potentially leading to a rise in renegotiations and subletting. This evolving trend is already reshaping the market and is likely to gain further prominence. ■

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Find out more about **the labour market**

Excellent human resources, a central location and a stable political and economic environment are the main reasons that foreign investors frequently choose the Czech Republic as the country in which to implement their investments. However, the labour market in the Czech Republic is facing a growing shortage of candidates and an increasing pressure on salaries growth due to high inflation.

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

However, the hunger for candidates on the Czech market persists, both for blue-collar and skilled positions. Unfortunately, even the negligible increase in unemployment has not helped the labour market and that companies are still struggling with a shortage of employees. The intricate and lengthy cross-border recruitment from outside the EU and the totally inadequate economic migration rules are also contributing factors. Despite loudly articulated needs, the government is not moving this issue forward fast enough, increasing the risk of Czech companies losing competitiveness.

Future developments will continue to be influenced by the ongoing economic crisis and some components of the austerity package, particularly the cancellation of tax advantage for employee benefits in terms of employee costs. This is why a significant majority of employers will have to reduce the amount of benefits provided, which will be accompanied by some difficulties - from greater pressure to increase salaries to employee dissatisfaction and even higher employee fluctuation. At the same time, the cancellation of this advantage will make it more expensive to work in the Czech Republic.
For the next period, we expect the unemployment rate to fluctuate at the level of 3,5%. There will still be a lack of qualified workforce on the market, which will result in significantly limited and thus almost no or only very low economic growth. Despite that, after eight consecutive quarters of declining real wages, there are now better times ahead. We expect wages to grow by 8-12% next year.
However, there is no need to be only negative, the Czech Republic is a strong industrial country within Central Europe. It will keep its position even in this difficult time. ■

The most desired benefits

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

Source: Grafton Recruitment, 2023

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Gi Group Holding

4

Investment **incentives**

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 priority investments in R&D, innovations, energy savings and the circular economy.

Main conditions

Incentives can be obtained for the following types of investments:

- **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 centre or expansion through the introduction of new products.
- **Business support services centres** – establishment of a new business support services centre, increase of capacity or launch of new services covering software centres, data centres, repair centres or shared-services centres

Incentives for each type of project are subject to further conditions (e.g. minimum investment). Moreover, projects in the manufacturing industry have to achieve higher value added, which relates to R&D activities and wage conditions in selected regions. Starting in 2024, a simplified approval process has been re-introduced, which means that parts of projects can be evaluated only by the relevant ministries without seeking the government's approval. The government's approval will continue to be required for strategic projects involving cash grants.

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. products focusing on energy savings, renewable energy, advanced electronics, pharmaceuticals, nanotechnologies, advanced technologies should be regarded as strategic investment projects without having to meet requirements such as the minimum investment amount and the minimum number of new jobs. As of 2024, the incentives legislation allows higher state-aid amounts than previously allowed by regional aid rules if an individual project notification is allowed under EU rules (e.g. the Temporary Crisis and Transition Framework).

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 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. In fact, the R&D deduction 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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5

Lease or purchase of business premises

Every business operation needs a suitable space for growth. Among first things to consider when starting business in the Czech Republic is choosing offices and premises for operation. The investor thus faces a choice, whether to lease or purchase such property. While leasing is easier to arrange with lower initial costs, purchasing property may be a more cost-efficient solution in the long run. The final decision, of course, depends on the individual circumstances, expectations and investment plans.

Lease of business premises

Leasing office space, manufacturing facilities, or retail properties in the Czech Republic is governed by the Civil Code (Act No. 89/2012 Coll.). The legal framework for leases is notably flexible, allowing parties to negotiate their own terms to a large extent.

Before entering into a lease agreement, it is crucial to conduct a thorough inspection of the property. This includes assessing its status to ensure it meets the requirements for its intended use and is free from any legal or technical issues.

Key elements that should be defined in the lease agreement include the property's description in accordance with the Cadastral Register, the lease's purpose, procedures for addressing defects and conducting regular maintenance, liability for damages, arrangements for insurance and property tax payments, and terms for compensation for the investments in the property.

Rent is typically paid monthly and can also be denominated in foreign currency. Tenants should scrutinize provisions concerning their rights and responsibilities related to utilities and services.

Lease agreements can be established for either a fixed term or an indefinite period. Unless specified otherwise, the termination notice period for a fixed-term commercial lease is three months (subject to statutory conditions for the termination), and for an indefinite-term lease, it is (under certain circumstances) six months.

Purchase of business premises

The acquisition process can be conducted through either an asset deal or a share deal. Under the Czech law, it is mandatory for the transfer deed to be in writing. Typically, acquisitions are financed through a mix of debt and equity. Financing banks often require a pledge over the property as security for their receivable.

Before proceeding with any acquisition, conducting thorough legal and technical due diligence is highly recommended. This ensures the clear title of the transferee, the absence of encumbrances, adequate access, or the absence of other issues. Depending on the findings from due diligence, the contract may include various representations and warranties by the seller and/or provisions for price adjustment.

According to Czech law, the ownership title becomes effective upon the filing of the transfer deed with the Cadastral Register. After the registration of the ownership title, the handover of the property should be documented through a written protocol, which includes details such as utility meter readings. Engaging commercial, legal, and technical advisors can facilitate a smooth lease or transfer of property. ■

Commercial considerations

Purchase	Lease
significant investment with long-term capital appreciation	lower upfront investment, allowing to allocate resources elsewhere
more stable, long-term commitment	more flexibility for businesses that anticipate growth
risk of property value fluctuations	risk of rent increases and potential non-renewal of lease
ownership requires active management and can be considered an investment asset	lease simplifies asset management, as the lessee is not directly involved in property valuation and sales
greater freedom to modify the property to fit their business needs	limitations on alterations and must usually restore the property to its original condition at lease end

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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
London	83.20
Paris	76.40
Munich	69.30
Vienna	67.30
Berlin	67.20
Prague	**59.00**
Barcelona	55.40
Liublana	54.60
Bratislava	53.60
Budapest	49.70
Warsaw	47.20
Brno	**46.20**

Source: Numbeo, January 2024

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 155th out of 348 cities in the world in the Cost-of-Living Index. Ostrava ranks 187th, followed by Brno at 208th.

Housing

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

Average monthly rental costs

Studio flat	Two-bedroom flat
Prague	
EUR 617	EUR 1,341
Brno	
EUR 543	EUR 1064
Ostrava	
EUR 352	EUR 777

Note: Prices of furnished and unfurnished apartments excl. utilities
Source: Sreality.cz, January 2024

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 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 2,700, depending on the age of the insured person, level of coverage, insurance policy, etc. If you are seeking individualised healthcare and a language you are familiar with, you can also register at private medical facilities in the Czech Republic. The annual membership fees at such facilities vary from approximately EUR 600 to EUR 4,000 depending on the facility and the scope of provided services. ■

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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.

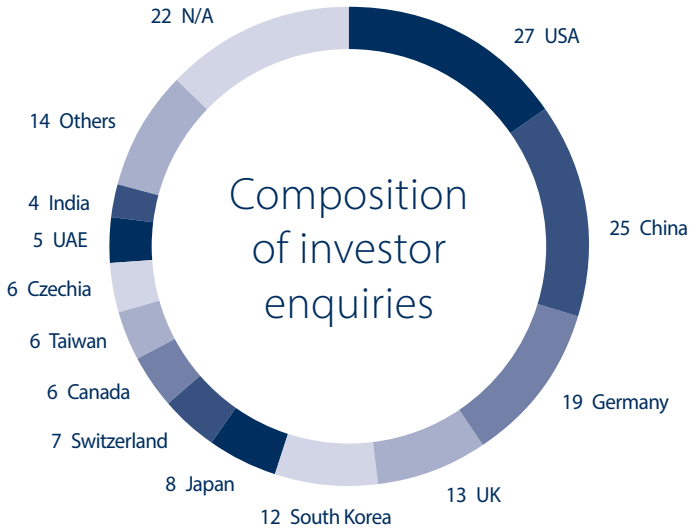
1996 when the AFI was established

43 members

174 enquiries from investors in 2023

46 events in the Czech Republic and abroad in 2023

Countries from which investors turn to the AFI



Sang Young Lee
Business Management Team Manager
NEXEN TIRE Europe

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

Notable events

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

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

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

Chairmen of AFI


Tomáš Ctibor
1996


Jan Ámos Havelka
2000


Martin Slabý
2005


Jan Bobek
2008

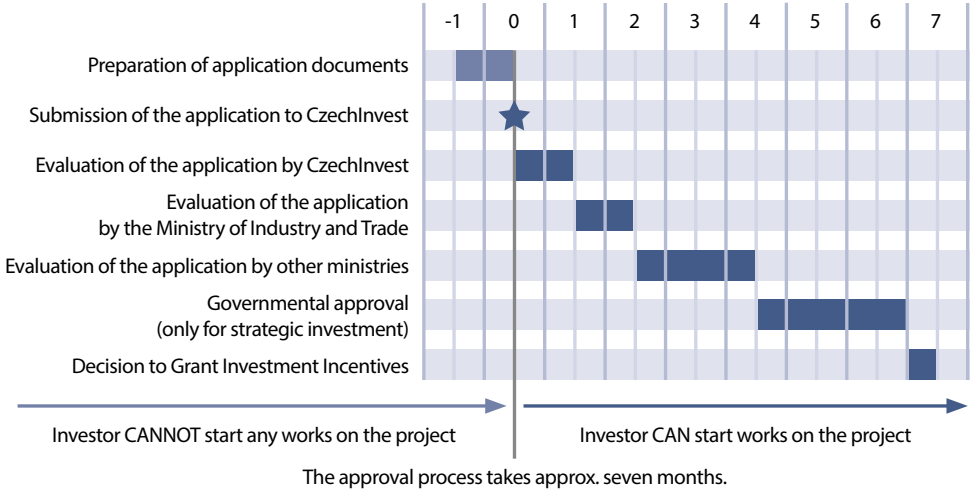

Kamil Blažek
2010

Finance your investment

How **investment incentives** work in Czechia

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.

Expansion of a Czech entity



Source: CzechInvest, 2024

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.

State aid

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

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

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 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 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 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

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, 2023

Definition of the high-value-added condition

Employees are paid at least the average wage in the region	+ one of the following conditions A) or B) or C)	A) At least 10% of employees must hold university degrees and active collaboration with R&D institutions must account for 2% of eligible costs
		B) R&D employees must comprise at least 3% of the staff
		C) Investment of 10% of eligible costs in machinery for R&D purposes

Source: CzechInvest, 2023

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 20% 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

Manufacturing industry: Investment of EUR 1.6–3.2 million depending on the region, half of which must be invested in new machinery + the condition of high value added in regions with an unemployment rate under 7.5%.
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.

Eligibility criteria for strategic investments

	Minimum investment in EUR million	Minimum number of new jobs
Manufacturing industry	80	250
Production of strategic medical products	3.2/1.6	n/a
Production with high technological complexity*	3.2/1.6	n/a
Chip production, E-mobility and energy saving**	3.2/1.6	n/a
Technology centres	8	70
High-tech repair centres	8	100

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

Source: CzechInvest, 2023

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 2023, a total of 1,323 Decisions to Grant Investment Incentives were issued on the basis of registered applications. In the period from 1998 to 2023, investors committed to investing more than approx. EUR 34 billion and creating 203,536 new jobs. ■

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www.czechinvest.org

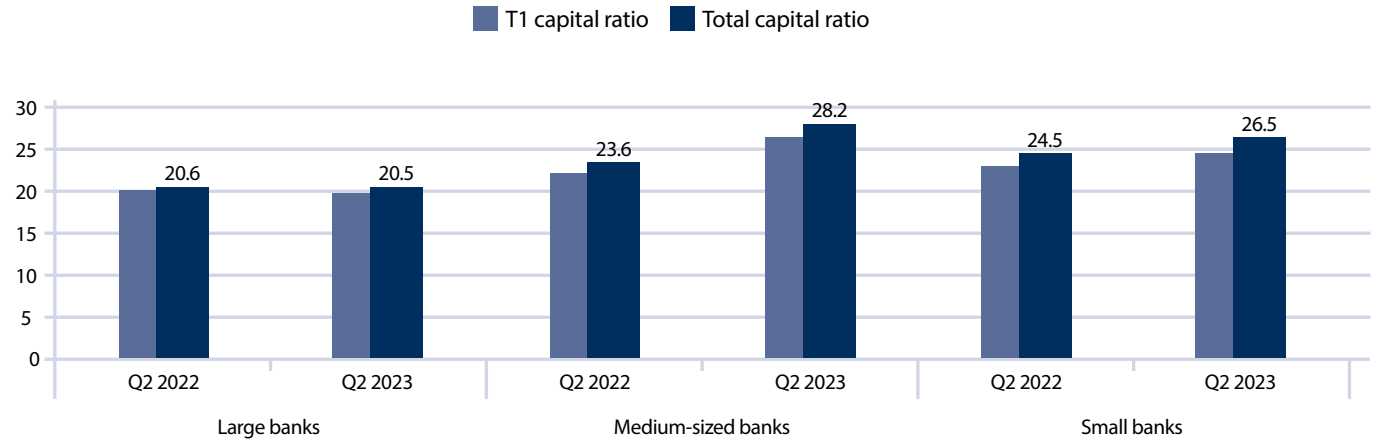
CZECHINVEST

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 46 entities with banking licenses on the Czech market (as at September 2023). Two of these are owned by the Czech state, while most of the remaining 44 institutions are either branches or subsidiaries

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



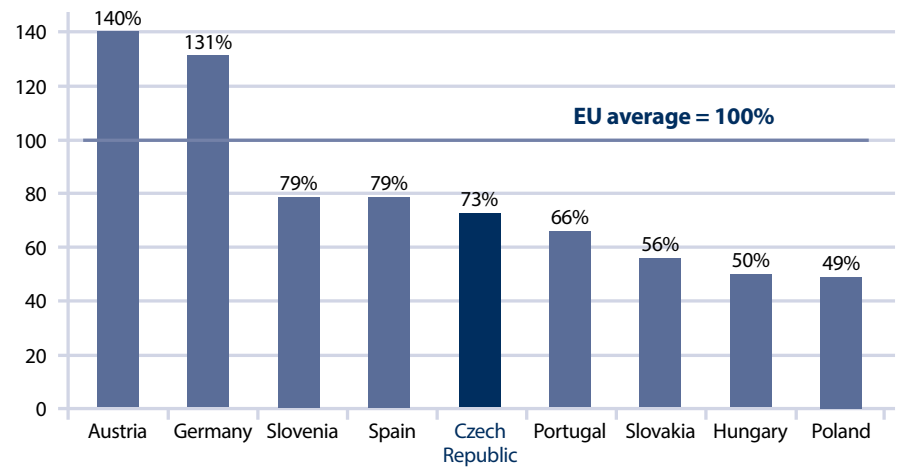
Source: Czech National Bank, 2023

of foreign banks. In terms of market share, the local banking sector is quite concentrated on loans and roughly 54% of all loans are held by the four leading banks (as at September 2023). The Czech banking sector is very safe, with strong liquidity (average loan/deposit ratio of 62% in 2021), high capital adequacy (average Tier I capital ratio of 22% as at September 2023; see chart) and good asset quality (average share of non-performing loans to resident and non-resident clients of 0.88% as at June 2023). As a result, local banks are able and willing to extend financing to all viable foreign investments in the Czech Republic at very competitive prices in domestic and foreign currencies. Local banks offer all types of funding products, from plain vanilla financing (investment loans, working capital financing, overdrafts) through trade, export and asset-based finance (buyer's credit, factoring, forfaiting, structured trade finance, real estate financing, leasing), to structured finance (club and syndicated loans, acquisition and leveraged finance, project finance), all of which support foreign investments throughout all stages of their lifecycle. Larger investments can be financed through debt and equity capital markets that offer deep and liquid distribution to both domestic and international investors. The Czech Republic boasts the best ratings (S&P and Fitch: AA-, Moody's: Aa3) of all the CEE countries and its sovereign strength is positively reflected in sought-after corporate issuance in CZK and EUR. Thus, the local capital market has proven to be the most active when compared to its CEE peers. The individual funding instruments are typically used in combination 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 standard is still somewhat lower than the European Union average. However, the Czech Republic, thanks to its higher average growth, has been converging towards EU levels most of the time over the last three decades 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 solid 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.

GDP per capita (in purchasing power standard, EU27=100)



Sources: European Commission, 2022

Since its introduction in 1998, the central bank's clear strategy of inflation targeting has proven effective in steering long-term inflation expectations in the economy towards healthy levels. While the figures on general government debt have been worsening in recent years throughout Europe due to the COVID-19 pandemic and then governmental support for households and businesses in relation to high energy prices, the Czech Republic is likely to keep its position near the low end of spectrum, reflecting a long-term tendency toward a relatively disciplined fiscal policy. In the following several years, the ratio of government debt to GDP is expected to oscillate near 45%.

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Grant opportunities for entrepreneurs in 2024

In 2022 and 2023, subsidy programs in the Czech Republic started in full swing. In some cases, potential applicants have submitted so many bids that they have exhausted not only the original but also the increased allocation. A typical example was the support for photovoltaic power plants under the National Renewal Plan. Within a single call, all the allocation available for PV support was exploited, although it was originally planned to last for a much longer programming period. As a result, additional funds had to be reallocated to these calls.

Energy projects, research and development, complemented by digitization, the circular economy, and also promotion abroad were the key themes in 2023.
We identified several interesting grant sources for entrepreneurs (including large companies) available in 2024. Let us now briefly introduce them.

Operational Programme Technologies and Applications for Competitiveness

With an allocation of approximately CZK 81.5 billion, this program is one of the most important among subsidies for entrepreneurs from the European Structural and Investment Funds (ESIF), thanks to its virtually exclusive targeting of the corporate sector. However, a certain drawback is that funds from this program cannot be used for projects in the capital city of Prague.
The circular economy supports in particular the reduction of waste production and the reuse of secondary raw materials in production. Companies with up to 500 employees will be able to submit applications until March 29, 2024.
Sustainable water management leads to water savings within the company's management, either by increasing the efficiency of water distribution systems, by replacing technologies with more efficient ones, or by using "grey" water after its recycling, for example in non-production processes. Applications will be accepted until June 28, 2024 and there is no limit on the size of the applicant. Further calls for both previous grants are planned to follow in Q4 2024.
For LDS operators, projects focusing on energy savings and the use of renewable energy sources will be supported. Applications will be accepted until the end of October 2024.
Applications (industrial research and experimental development of SMEs), **Innovation** (introduction of innovative products and processes into production in companies with up to 500 employees), **Energy Saving** and **Wind Power** Construction, both available for projects of companies of all sizes, are also announced for early 2024.
Subsequent upcoming calls should cover the areas of digitization of enterprises (SMEs only), the establishment and development of industrial R&D centers, energy production generated from biomass and green hydrogen, and gases derived from it.

Modernisation Fund

In the framework of the Modernization Fund, photovoltaic power plants (PV plants) will continue to be supported in 2024. The specific definitions of these calls are still under preparation, however, it is likely to be PV plants of 50 kWp - 5 MWp (in Prague already from 10 kWp), where the condition of primary self-consumption (probably 80%) will be applied.
Then there is a call for PV plants above 1 MWp, where the condition of minimum self-consumption will no longer apply.
The advantage of the whole program is the possibility to use the funds also for projects in the capital of Prague.

Operational Programme Environment

In 2024, the business sector, regardless of its size, will also be able to benefit from support under the Operational Programme Environment. In particular, the area of waste management, e.g. recycling, material recovery of waste, or the construction of waste biogas plants, can be mentioned.
Grant schedules are constantly evolving, so please do not hesitate to contact us for updates. ■

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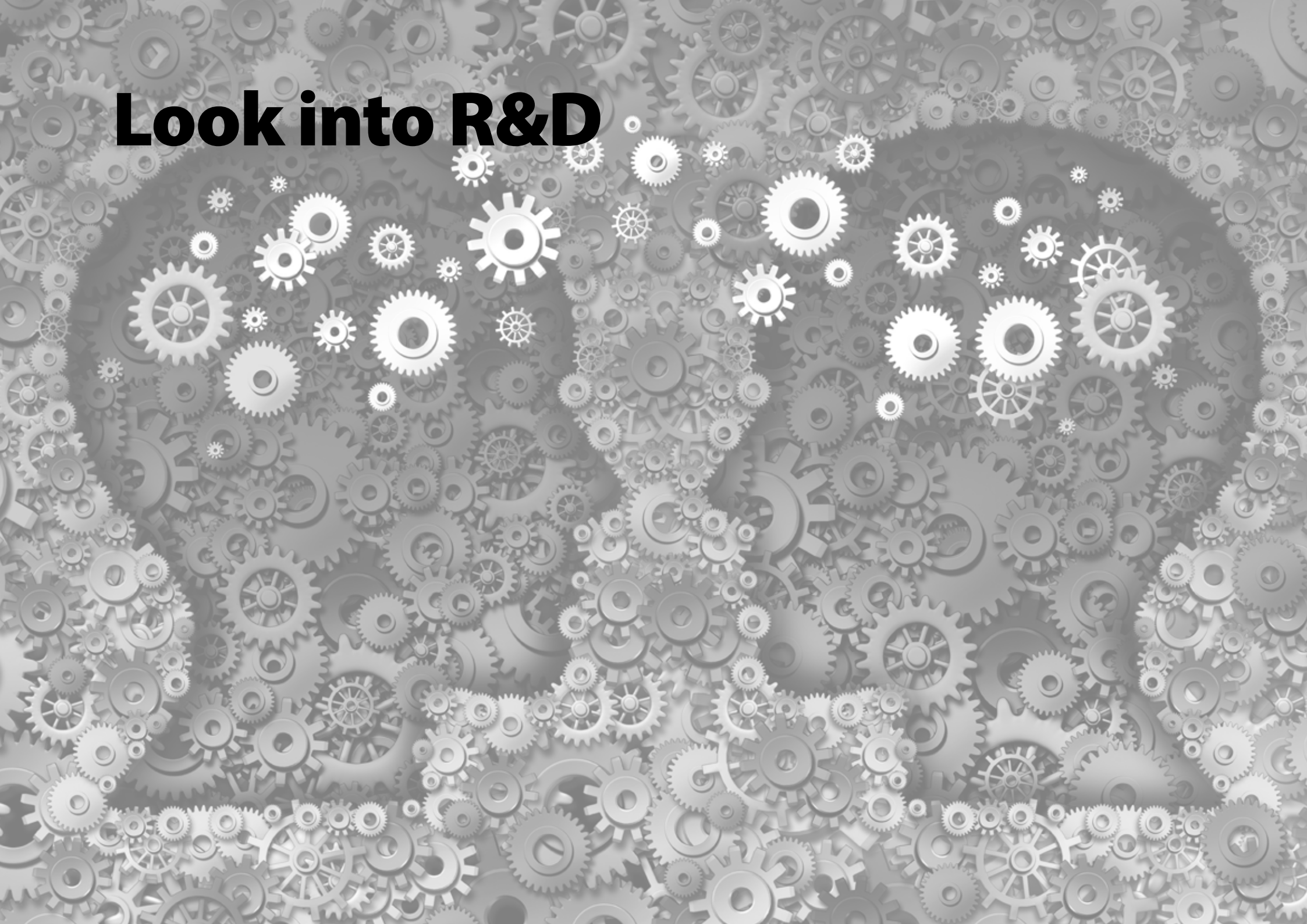
Look into R&D



The Czech Republic –

The country for your sustainable investment

Czech Republic's research and innovation potential has strengthened significantly in recent years. With effective government support, bilateral cooperation between the business sector and researchers is becoming one of the pillars of the Czech economy.

Not only have we succeeded in increasing private sector expenditure on research, but we have also stabilized public spending. Even though the public spending in Czech Republic has a tendency to decrease, the budget for Research and Development for the year 2024 remained on the same level and is going to be 1,5 billion EUR. The Czech Republic offers a high-quality network of scientific infrastructure facilities whose construction was financed in the past through European funds. In terms of the number and quality of its research centres, the Czech Republic is one of the EU's leaders. The ecosystem of European research infrastructures has evolved over the past two decades. Research infrastructures are a place of global, European and national cooperation, a place for unique experiments, and a source of knowledge used by industry and other research organisations on the principle of open access across the international research area. The Czech Republic strives to provide Czech and foreign researchers with state-of-the-art equipment to achieve excellent results.

In the current context, the Ministry of Science and the Council continue to give full support for the stability and development of the R&D system to strengthen its capacity to respond appropriately to unexpected risks and threats. Subsequently, the National Research, Development and Innovation Policy 2021+ was adopted, which enables flexible financial support for specific research programmes aimed at addressing defined threats with a global impact.

The RD&I environment has been developing vigorously in the Czech Republic in recent decades. Total expenditure on research and development in the Czech Republic has increased over the long term; in 2022 1.96 % of GDP was spent on R&D. Businesses invested nearly 3.3 billion EUR which is 12% more than previous year, and EUR 1.5 billion was funded from public money. The involvement of respected foreign scientists in Czech research institutions is one of the most important forms of international cooperation that we have been able to develop recently. With ongoing support from the government, RD&I Council is reinforcing its emphasis on scientific diplomacy with the aim of presenting the Czech Republic in selected regions as a country supporting public-private cooperation, including support for foreign investment. Research is now an important employer in the Czech Republic. In 2022 slightly below 85 000 people (FTE) worked in research and development.

Furthermore, a government-approved change in the methodology for evaluating research quality in accordance with international standards (Methodology 2017+) became a key step in strengthening effective cooperation between the research sector and business. Another tools for government support of R&D are new law on research, development, innovation and knowledge transfer as well as new strategic orientation on new emerging technologies such as quantum, chips and artificial intelligence. In line with the state investment policy, those companies whose activities are linked to R&D receive investment incentives in the Czech Republic. All of the aforementioned achievements of Czech science policy are supported by the Innovation Strategy of the Czech Republic 2019-2030. At the same time, science and research comprise one of the declared priorities of the government. Research infrastructures and support for them undoubtedly belong to this priority. However, it is important that they bring forth cutting-edge science and, where possible, that they are attractive partners for innovative private companies.

Traditional Czech industry must take advantage of the challenges of, among other things, IT, robotics, cybernetics and biotechnology, and strengthen its competitiveness on the international scale by introducing new technologies. Connection to the digital economy, where most private-sector R&D expenditure is heading, can help in this respect, as can existing support for the growth of the national start-up and spin-off environment. The automotive sector has the largest share of Czech industry and its exports; this is also reflected in its research and development.

Inducements for foreign scientists

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

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Czech Republic
The Country For The Future

Digitalization and Innovations – Towards a Thriving Digital Ecosystem

The Czech Republic is actively developing a prosperous and sustainable national digital ecosystem. By implementing key strategies like Digital Czechia, the National Artificial Intelligence Strategy, RIS3 Strategy, and the 5G Strategy, the goal is to connect all major stakeholders involved in digital technologies such as AI, HPC, quantum computing, and cybersecurity, as well as the data economy. This collaborative effort aims to foster the growth and prosperity of the digital ecosystem.

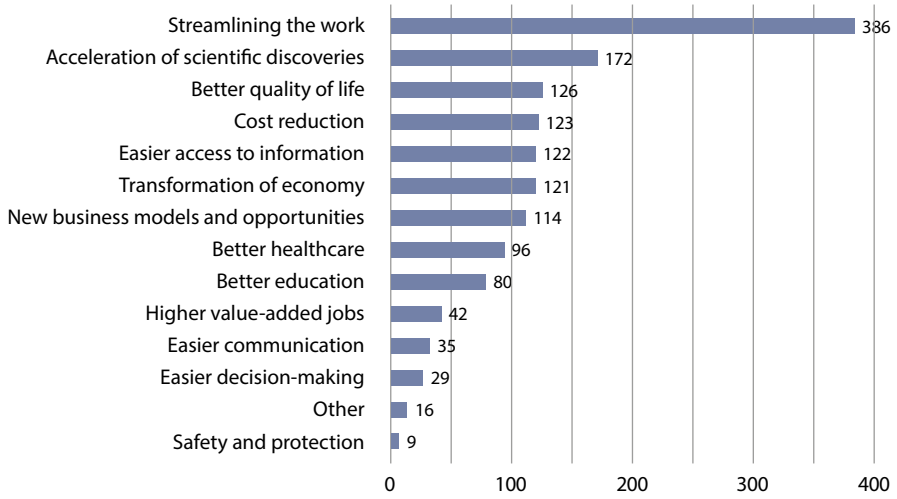
Shaping the Future of the Czech Republic with AI

The Czech government acknowledges the significance of emerging digital technologies, which hold immense potential to enhance the quality of life and boost economic performance. This applies especially to transformative power of artificial intelligence that has been lately experiencing significant boom with the widespread availability of generative AI tools to the general public. The Czech Republic puts great emphasis on a human-centered and innovation-friendly approach to digital technologies, which is crucial for upholding democratic values and protecting human rights, while simultaneously fostering a thriving digital ecosystem that boosts business competitiveness by embracing cutting-edge technologies such as AI. This approach is clearly reflected in key strategic documents related to the digital economy, notably in the Digital Czechia concept and its Digital Economy and Society pillar, as well as in the National AI Strategy. The latter is currently being revised to encompass recent advancements in development of AI technologies and policies, including proposed EU's AI Act. The Ministry of Industry and Trade actively involves all relevant stakeholders in the process of 2024's revision. A public consultation was organized to gather insights on the topic of AI with altogether 517 participants joining.

The Ministry of Industry and Trade, as the national coordinator of the Digital Europe Programme, plays a crucial role in funding projects that aim to bring technology to citizens, as well as private and public entities. The aim is to establish an interconnected and sustainable digital ecosystem in the Czech Republic comprising of a network of European Digital Innovation Hubs (EDIHs), and the AI Testing and Experimenting Facility (AI TEF) in manufacturing. These initiatives support the digital transformation of small and medium-sized enterprises and public administration, and aim to harness the power of AI for the benefit of Czech innovative businesses. Research, development and innovation in the field of digital technologies are among the main priorities of the Czech Republic. That is why the RIS3 Strategy addresses this issue both in the horizontal priority Digital Agenda, but also across vertical priorities - domains of specialization and missions. The domain of specialization Electronics and digital technologies is most devoted to digitization, both in the topics of key and emerging technologies. RIS3 also works with missions responding to recent megatrends and societal challenges that no state can ignore. It is necessary to prepare for negative impact of climate change or growing and aging population, where digital technologies can help.

The Czech Republic is also actively fostering its innovation ecosystem, particularly in digital technologies. To enhance technology and knowledge transfer, the country has undertaken various initiatives, focusing on innovative startups and spinoffs. The CzechInvest Agency has been supporting startups and innovations since 2011. By the end of 2023, CzechInvest had already supported over 500 startups through various projects. Notably, the Support for Startups initiative, which ran from 2016 to 2022, sent an average of five startups abroad per month. Following that, the Technology Incubation Programme, launched in 2022, aims to support up to 250 startups in seven promising sectors for Czech economic growth, including AI, mobility or EcoTech. ■

What opportunities do you perceive in connection with AI?
(Number of respondents of the national consultation)



Source: MIaT, National consultation on AI, 2023

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MINISTRY OF INDUSTRY AND TRADE OF THE CZECH REPUBLIC

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 in commercial regime 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, 2019 and 2023. 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 (ELI ERIC) 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 Czech Republic's research community brings together 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 data services (transport, storage) and access to high performance computing power. Research infrastructures are operated in accordance with good practice 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 high-tech fields and international environments.

International cooperation

Member State of 7 international R&D organisations:

- CERN
- EMBC
- EMBL
- ESA
- ESO
- ITER (via Fusion for Energy)
- VKI

Member State of 18 European Research Infrastructure Consortia:

- ACTRIS ERIC
- 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
- INFRAFRONTIER ERIC

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

Extreme Light Infrastructure – the "CERN of lasers"

The Extreme Light Infrastructure (ELI) is the **world's leading laser-based research infrastructure**, which serves for cutting-edge basic and applied research in physical, chemical, material and medical sciences, as well as breakthrough industrial innovations. Implementation of ELI facilities, including ELI Beamlines in Dolní Břežany, Czech Republic, has been completed with commissioning well under way and initial operations with early users and user operation phase with ordinary user calls has started. The **European Research Infrastructure Consortium (ELI ERIC)** was established by the European Commission in April 2021 to manage ELI operations for the benefit of international academic and industrial users. The establishment of ELI ERIC with its statutory seat located in the Czech Republic brings together the countries of the major ELI user communities and enables them to access the **world's most intense and shortest-pulsed lasers for research and innovation**. ELI ERIC will ensure long-term sustainable operations and 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.

ESFRI partnerships

From the perspective of the European Strategy Forum on Research Infrastructures (ESFRI), the Czech Republic 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 and seven ESFRI Projects. When it comes to coordination of European research infrastructures, the Czech Republic has become a member and the host country of the statutory seat of ELI ERIC, operator of the Extreme Light Infrastructure, while the Czech national node of RECETOX RI coordinates the EIRENE research infrastructure.

Web portal

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

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LARGE RESEARCH INFRASTRUCTURES

MINISTRY OF EDUCATION, YOUTH AND SPORTS

How TA CR funds science and research

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

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. ■

Main TA CR programmes

THETA 2 – focuses on the support for applied research and innovation in the field of energy for projects in the public interest, new technologies with rapid application and long-term technological perspectives. Project themes are built on key trends in the energy industry.

BETA 3 – puts greater emphasis on the support of ministries research, which contributes to the improvement of the performance of state administration functions. Namely on legislative, organizational and administrative functions. The effort is to strengthen the building of an innovation ecosystem in public administration.

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.

SIGMA - a new, comprehensive, and long-term instrument to support applied research and innovation projects. The main vision is the consolidation of several current TA CR programmes into a single programme, enabling regions to be supported according to their innovation potential, and support for cross-cutting and systemic measures, while leaving space to support areas/themes not identified at the time of programme preparation. The SIGMA programme will ensure the implementation of activities from the previous programmes, and International/EU instruments (e.g. ERA-NET Cofund, European Partnership, Bilateral Cooperation) in which the provider will be involved.

International cooperation support tools

The **Bilateral cooperation** is focused on funding bilateral projects between Czech researchers and their foreign partners, mainly from countries outside the European Economic Area. Since 2023 bilateral calls have been implemented under the SIGMA programme - partial International cooperation scheme.

The **KAPPA programme** is financed from the EEA and Norway Grants and aimed at financing bilateral or multilateral cooperation of entities from the Czech Republic with partners from Norway, Iceland and Liechtenstein.

ERA-NET Cofund within Horizon 2020 and **European Partnership** within Horizon Europe are mechanisms that enable Czech entities to establish multilateral research co-operation in various thematic calls every year.

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

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.

Transport 2030 programme of the Ministry of Transport aims to modernise transport while emphasising sustainability, safety and social needs.

Environment for Life programme of the Ministry of the Environment aims to create a healthy environment and promote sustainable use of natural resources. At the moment a follow-up programme is being prepared (**Environment for Life programme 2**)

PRODEF programme of the Ministry of Defense is being prepared in co-operation with TA CR. Programme will aim to increase the national and international competitiveness of Czech entities in the field of defense and security industry and help to strengthen the technological autonomy of the Czech Republic and the EU.

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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 Europe and other programmes of international cooperation in R&D.

CzechInvest also proactively collects its own 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, currently available at www.czechinvest.org/cz/Cesko-v-datech.

Insight into this wealth of collected information about Czech R&D can also be found in English 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 are in Czech R&D, 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 to facilitate collaboration between foreign companies and researchers on projects with 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 standpoint of multinational entities, the Czech Republic remains attractive for foreign investments. While the expenses associated with property construction and leasing have risen compared to Western countries, its workforce is still cost-effective and the advantageous location, particularly in the context of the near-shoring trend, adds to its overall appeal.

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

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

⬇

6-12 months:
Construction of the premises (fit-out works)

⬇

0.5-1 month:
Furnishing, AV/TV installation

⬇

Day 1:
Start of operations

countdown to start

Industrial Production Premises (built-to-own)

30-36 months:
Requirements for space (location, labour market, rentlevels, 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

⬇

12-15 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

The response to recent global challenges has created significant shifts in the dynamics of the office and industrial sectors. The traditional office demand experienced an abrupt slowdown as remote work gained prominence. However, companies have adapted by finding a balanced approach between in-office and remote work, leading to a resurgence in office demand, even surpassing pre-crisis levels.
Contrary to the uncertainties in the office sector, the industrial market has thrived over the last two years, witnessing its peak in demand and a rapid reduction in vacancy rates. While the vacancy rate is still low, the demand starts to cool down a bit, which creates more relocation options for potential tenants. If you are considering establishing new office or warehouse premises for your business, adhering to guiding principles prevalent in the local commercial real estate market is essential.

Office premises

For office spaces, real estate advisors often play a crucial role in the leasing process. The largest office market, notably in Prague, currently boasts around 3,9 million sqm of leasable space with a stable vacancy rate of approximately 8 %. To secure the ideal premises for your needs, it is advisable to initiate your search 12-24 months before entering the market, which ensures having a diverse range of options.

Industrial premises

During the first year of the pandemic, the industrial sector in the Czech Republic has witnessed an unprecedented surge in demand for warehouse spaces, a trend that extended into the following year. Although there has been a slight cooling of this demand since, it is noteworthy that vacancy rates continue to linger at low levels. Costs such as rents and energy prices have registered double-digit increases, but start to stabilize in the recent months as well.
For those considering the establishment of a production facility, early planning remains crucial, with an ideal starting point being 30-36 months before the commencement of operations. This foresight is essential due to the typically slow permitting process and the limitation of available land resources. Despite the inflation-led wage increases, the cost of labour still remains competitive compared to Western countries, making it an advantageous environment for industrial ventures. ■

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PROCHAZKA
& PARTNERS
COMMERCIAL REAL ESTATE ADVISORS

Where to look for an office in Czechia

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

Prague, the obvious choice

When it comes to finding office space in the Czech Republic, the capital city is the obvious first choice for many. Many market newcomers are looking for offices here, as Prague is the heart of the country's cultural, economic and political life. The local market comprises approximately 3.9 million square metres of modern office space. Despite the lower levels of new office supply over the past three years, developers have been able to provide a decent inflow of modern properties with very high standards. Together with further strengthening of the market in the most sought-after locations in Prague's historical centre, the Karlín and Rohan areas of Prague 8 and Pankrác and Brumlovka in Prague 4, developers are also establishing new locations with projects such as Roztyly, Hagibor and Smíchov City. Efforts to create a connected city of short distances are also evident and will continue. The vacancy rate in the market remains between 7% and 8% and was not significantly affected by any of the challenges faced by other markets. Some micro-locations may even have lower office availability, as the established submarkets often draw attention with an excellent choice of amenities and well-functioning public transport.

Brno, the leading regional city

Brno is a stable market with modern office stock approximately six times smaller than that of Prague, but the city definitely does not lack modern office buildings and impressive architecture. The office market is concentrated in and south of the Střed district and historical city centre, but there are also a number of interesting projects to the north and east. Newly built office hubs like Vlněna, Spielberk and many others form a resilient core for further growth. In future, we can expect impressive new projects like Dornych, buildings within the Nová Zbrojovka area, and new additions to Ponávka and Vlněna Office Park. These activities are being carried out mainly by local developers with extensive knowledge of the market and the goal of always providing the highest possible quality and value added with their projects.

Ostrava and other cities

Ostrava is the third largest city in the Czech Republic country and also has the country's third largest office market. Though its modern office stock is relatively small, modern properties comparable to those in Prague and Brno can be found throughout the city. Established office centres are home to world-class business- service centres and new projects, such as the recently completed Organica, another award-winning addition to Ostrava's office-market map.

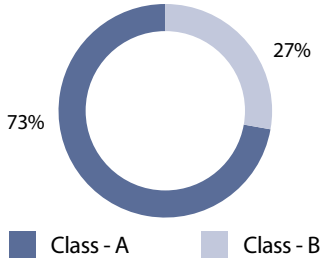
In the rest of the country, local developers are pushing through many projects, especially in well-connected cities like Plzeň, Hradec Králové and Olomouc. Such projects, either already existing or in the planning stage, are of high quality and offer excellent services to their clients. Thanks to lower operating costs, choosing to establish the office in smaller cities can prove economically viable, but also more difficult to find.

Summary

Despite the Europe-wide economic slowdown, the Czech office market can attract new tenants through competitive market conditions such as high property standards, an innovative environment and a skilled, well-educated and talented workforce. Supported by the beautiful, picture-postcard appearance of Czech cities, high level of safety, high standard of living and its location in the heart of Europe, the Czech Republic should always be on any investor's list of expansion options. ■

Prague office makret composition

Brno office market composition



Source: Colliers Research, Prague Research Forum, Regional Research Forum, 2023

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Valuation of property in the Czech Republic

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

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, and pledges.

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. 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.

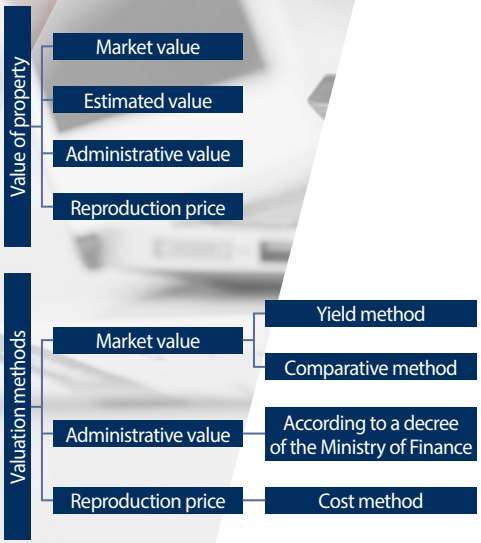
Specific factors that affect land prices are the land's area, shape and slope, as well as its orientation. When it comes to building land, the presence of utility networks, or the possibility and difficulty of building them, is also important.

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.

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. ■



Factors

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

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Navigating the landscape: **Understanding the Czech energy market**

The Czech Republic boasts a diverse energy market that plays a crucial role in powering industry. From traditional sources to cutting-edge renewables, the country's energy sector is undergoing significant transformations, driven by technological advancements, regulatory reforms, and sustainability imperatives.

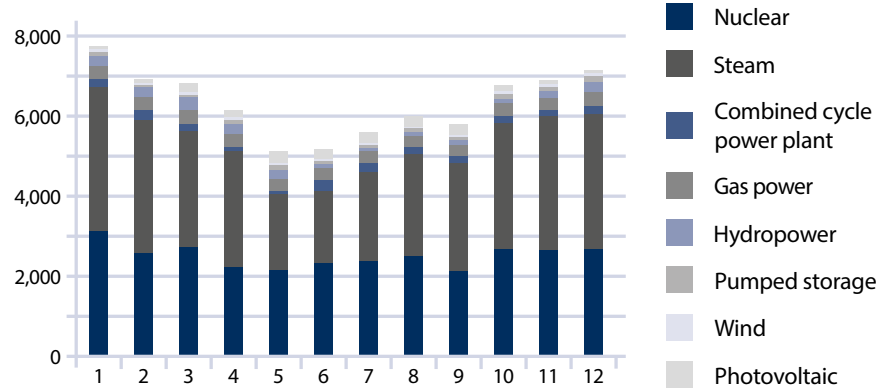
At the core of the Czech energy market lies a diverse mix of energy sources. Historically reliant on coal (40%) and nuclear power (30%), the country has been gradually diversifying its energy portfolio in recent years. Today, coal remains a significant contributor to the energy grid, accounting for a substantial portion of electricity generation however the Czech Republic has committed to phase out coal power by 2033. Increasing attention is being directed towards renewable energy sources (targeting 22% by 2030), including wind, solar, biomass, and other sources like nuclear (up to 4 new builds in existing facilities), waste to energy, natural gas. This shift reflects a broader global trend towards decarbonization and sustainability, with the Czech Republic committed to reducing its carbon footprint and embracing cleaner forms of energy production.

In line with its commitment to sustainable development, the Czech Republic has implemented various initiatives to promote renewable energy adoption. Subsidies, feed-in tariffs, and investment incentives have incentivized the deployment of renewable energy projects across the country.

The Czech energy market operates within a robust regulatory framework aimed at ensuring stability, competition, and sustainability. The Energy Regulatory Office (ERO) oversees the sector, enforcing regulations, granting licenses, and promoting fair market practices. Key legislation, such as the Energy Act and Renewable Energy Sources Act, provides a legal framework for energy production, distribution, and consumption. Furthermore, the country's integration into the European Union's energy market facilitates cross-border trade and cooperation, enhancing energy security and efficiency.

Several prominent players shape the landscape of the Czech energy market. Large utility companies like ČEZ, EPH, Sev.en Energy, Sokolovská uhelná dominate the traditional energy sector, operating coal-fired power plants and nuclear facilities (Dukovany, Temelín). However, a growing number of independent energy producers, renewable energy developers, and technology startups are disrupting the market, introducing innovative solutions and business models. Despite progress, the Czech energy market faces numerous challenges. Aging infrastructure, dependence on fossil fuels, and geopolitical uncertainties pose risks to energy security and affordability. Furthermore, balancing the integration of intermittent renewables into the grid presents technical and operational challenges. Looking ahead, the Czech energy market is poised for further evolution and transformation. Continued investments in renewables, coupled with advancements in energy storage and grid modernization (up to €30 billion), will drive the transition towards a cleaner, more sustainable energy future. ■

Gross electricity production



Source: Energy Regulatory Office (ERO) – Power production in 2023

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BILFINGER

District heating in the Czech Republic

CHP plants are sophisticated, high-technology businesses employing hundreds of experts and thousands of workers. They are regulated by stringent standards and criteria defined by the European and national environmental legislation. CHP plants steadily invest in technologies, control software and human resources. Billions are invested into production as well as into systems for the greening of supplies, regular servicing and step-by-step upgrading. Most major DHN are considered high-efficient DHN with low primary fossil fuel factor under the EU legislation as they either use renewable energies or combined heat and power production.

District heating in the Czech Republic means more than 600 licensed entities that manage several thousand kilometres of steam and hot water systems. Heat is generated in hundreds of CHP boilers and channelled to tens of thousands of client substations. In addition, the entire CHP industry pays major amounts to the government budget.

Over the past 30 years, the Czech district heating industry has successfully tackled a number of challenges, the biggest being the upgrading and greening of heat production and distribution and building lasting relationships with customers. Whereas the average annual heat consumption of a typical home in 1992 was 60 GJ, today it is just 25 GJ, and in new homes is even falling below 20 GJ. Over those last 30 years the level of emissions of sulphur and nitrogen oxides and dust per unit of heat supplied has fallen almost thirty-fold, and the greening process is not over yet.

CHP plants today employ sophisticated technologies that allow teams of energy engineers to manage the entire process of producing and distributing heat, cooling and electricity to customers. They have to react quickly both to changes in the weather and customers' immediate needs. In the event of an accident or shutdown, service teams at CHP plants are ready to take immediate action and restore heat supply as soon as possible, whereas this is something that can take several days in the case of domestic boilers used for private heating.

Slowly but surely, the fuel base is changing. Although coal remains the dominant fuel at large CHP plants, the range of fuels they use is already very wide, including natural gas, other types of gas recoverable from industrial processes, and biomass in all its forms, through to the employment of heat pumps using geothermal energy or waste-to-energy. Conversely, the combustion of heavy fuel oil has almost died out entirely.

Over the next two years, most medium-sized CHP plants up to 200 MW will exit from coal, and most large plants also plan to phase out coal combustion by 2030, replacing it with biomass, natural gas and waste. Steam networks are also gradually being replaced by more efficient hot-water distribution systems, which help to reduce heat loss and are more convenient for customers.

The advantages of district heating include supply reliability, convenience, cost savings, and the environment, i.e. a comprehensive package of customer services. District heating systems tick all the boxes for a simple, convenient and affordable method of heating – they are economical, safe, environmentally friendly and also local.

In addition to the connection of new customers, the expansion of heat distribution networks and their upgrading also increases the stability of heat supplies from CHP plants. Since 2014, for example, CHP plants have replaced old steam networks with 130 kilometres of new, more efficient hot water networks. At the same time, they have invested over CZK 25 billion in greening their facilities, and greatly reduced their emissions of carbon dioxide, nitrogen oxides, sulphur dioxide and dust.

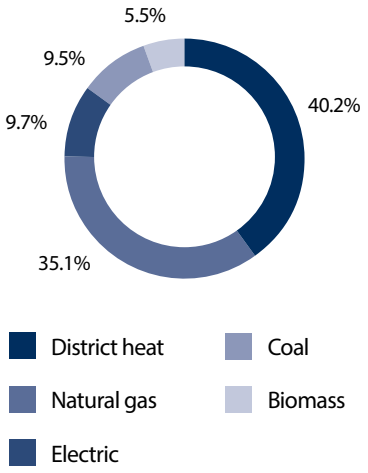
Benefits of district heating

- Reliability
- Good price
- Comfort
- Ecology
- Safety

The CHP industry is environmentally friendly, making use of all possible sustainable sources of heat

that can be supplied to its facilities. It offers its customers comfort, convenience and continuous service.
District heating has many benefits for both customers and the state. Emissions released from CHP and boiler plants are under constant control. The many components, systems and systems involved in the entire CHP and heat generation processes ensure that ultimately a CHP plant chimney releases almost no smoke but mostly vapour.
Households and companies connected to district heating systems do not have to solve issues related to emissions and the transition to other fuels and renewable sources. They need not worry about the huge investments required for greening under the constantly tightening European and Czech legislation. Heat supplies are reliable and secure. Installations and systems are under the constant monitoring of experienced staff and sophisticated systems. If a failure occurs, each district heat producer and distributor can rely on non-stop service available to resolve the issue immediately.
CHP facilities operate non-stop, providing hot water supplies all year round. As with a local installation, house and facility substations offer high heat supply comfort with the option of heating even during a cold summer. In the event of prolonged periods of heavy frost, each CHP has a peak load heating installation.
Bills issued by CHP plants always include the total final price of heat. It includes all eligible costs: energy, salaries, distribution, service, etc. The seemingly lower price of heating using a local boiler plant usually includes only the price of the fuel or energy, without the costs of acquisition, servicing and inspections.
District heat prices are stable in the long run. In the past quarter of a century, there have been changes in the prices and consumption of the various basic housing commodities: water, electricity, heat, hot water and waste collection. A comparison of spending on each commodity shows that the shares of household expenditure on water, electricity, water heating and refuse collection have grown, while the share of heating costs has contracted.
Even though district heating, the prevailing type of residential heating in the Czech Republic, is obviously environmentally friendlier than local heating, it is constantly under various types of pressure. For example, unlike local heating systems, it must pay emission fees.

Ratio of the main methods of apartment heating in the Czech Republic



Source: Association for district heating of the Czech Republic

New district heating customers

In the last five years, almost half (49.2%) of the homes in new apartment buildings have been connected to district heating systems. Since the year 2000, CHP plants have ensured thermal comfort for 85,800 additional apartments in new developments, which is roughly equivalent to a large town with 215,000 inhabitants. On top of that, more than 1,700 new family houses, equating to a town of about 6,000 people, have been enjoying heat supplies from CHP plants since 2000.
Connection to a district heating system is now the most common way to ensure thermal comfort in newly constructed apartments. Indeed, connecting to a district heating system is attractive even for new low energy buildings. District heating thus clearly shows that its modern approach to comprehensive service continues to apply in the 21st century.
Interest in connecting new apartment buildings to CHP plants continues to grow. Their new occupants enjoy all the benefits of full servicing and follow-up services included in the price of heat, and the improvement in urban air quality is another important consideration. As well as the residential sector, office, retail and sports centres are also connecting to CHP plants, along with smaller heat consumers such as nursery schools, business premises, etc.

District heating and circular economy

The circular economy is predicated on efficiently using the sources we have, rather than squandering them. The EU has been striving to prevent waste generation and promote product reuse for several years.
While Czechs are among the best in Europe at sorting waste, what is important is how the state then deals with that sorted waste. This may be a key factor for the further development of the circular economy in the Czech Republic.
Not all waste can be recycled. That leaves room for the modern recovery of energy from waste. The EU prefers and encourages energy recovery from treated waste to using untreated mixed waste. This is also apparent from the subsidy programmes, where the EU has repeatedly stated that it would not support any projects for mixed-waste-to-energy-recovery facilities. Hence, it encourages waste treatment including the production and use of refuse-derived fuels (RDFs).
The recovery of energy from waste within the circular economy relies in particular on the synergy of the production and use of waste-derived fuel with systems for sorting recoverable components and with the required reduction in the amount of mixed municipal waste.
Despite all the difficulties, the curtailment of landfilling is an opportunity for the Czech energy sector. The energy potential of mixed municipal waste has been clearly demonstrated. Its use is in line with the State Energy Policy and it could partially replace coal in the energy sector. Companies are ready and municipalities are interested in making investments and preparing actively for future objectives. The outputs must be marketable, however, to ensure that the new technologies are economically viable, and that companies and municipalities embrace modern technologies. ■

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Unlocking sustainable investment potential: The Czech Republic's leadership in BREEAM new construction certification

In the ever-evolving landscape of construction and real estate, the quest for sustainability has taken center stage. One prominent benchmark that stands as a testament to a building's environmental performance is BREEAM (Building Research Establishment Environmental Assessment Method) certification. Designed for those less familiar with the intricacies of sustainable construction, BREEAM serves as a globally recognized gold standard used for the purpose of evaluating buildings based on a comprehensive set of criteria, including energy efficiency, water usage, materials and overall environmental impact.

Number of BREEAM New Construction certified buildings – Sector: Industrial & Others

Poland	600
Czech Republic	**109**
Romania	90
Hungary	59
Lithuania	55
Slovakia	45
Latvia	22
Germany	11
Austria	4
Estonia	2
Serbia	2
Slovenia	0

Source: BRE CERTIFIED BREEAM ASSESSMENTS https://tools.breeam.com/projects/explore/buildings.jsp

While there are a number of different environmental certifications around the world, in much of Europe BREEAM certification has become the go-to standard for industrial and commercial properties over the past decade. Today it is commonplace for developers to obtain BREEAM New Construction certification for new buildings. This certification level gives users the assurance that the given building will fulfil the most demanding criteria required not only by legislation, but also by the commitment to reducing the environmental impact of new buildings.

The BREEAM New Construction standards provide a framework for delivering high-performing and sustainable newly built assets that support commercial success, while also creating positive environmental and social impacts. Each standard uses a common framework that is adaptable to the asset's location, thus enabling international consistency and comparability.

The table shows the number of BREEAM certified buildings in selected Central European countries. The Czech Republic has strategically positioned itself as a leader in sustainable development, securing the second-highest number of BREEAM certifications in Central and Eastern Europe, just behind Poland. This underscores the country's commitment to environmentally responsible construction practices.

The Czech Republic's significant number of BREEAM certified buildings (109) highlights its appeal as an investment destination for businesses seeking to align themselves with global sustainability goals. The country's proactive approach positions it as an attractive choice for those looking to establish or expand their operations in the region.

In conclusion, the Czech Republic's impressive standing with respect to BREEAM New Construction certification reflects its commitment to sustainable development, making it a prime destination for investors in Central and Eastern Europe. Investors seeking to capitalise on the burgeoning trend of eco-friendly practices will find the Czech Republic a strategic and forward-thinking partner. ■

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PANATTONI

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

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

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

Campus 5G networks

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

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

How campus 5G networks are changing the game

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

- **Own secure 5G network** – You can use the signal of your private 5G network to cover both indoor and outdoor areas of your company, use it to improve your business and rely on a high level of security.
- **High data transmission capacity** – The campus 5G network allows data transfer at a speed of up to 10 gigabits per second, which is hundreds of times faster than the previous LTE standard. This paves the way for entirely new ways of working with data – for example, collecting data from sensors in real-world environments, edge computing or using augmented reality.
- **Minimum time delays** – Fifth-generation campus networks have much lower latency than their predecessors. This allows even very complex operations to be performed in real time, thus making e.g. production management or inventory planning more efficient.
- **Millions of devices at the same time** – Literally millions of sensors, devices, phones and computers can be connected to the campus 5G network and the data transfer will still remain completely seamless. It doesn't matter how many devices you pack into your production or office space. The 5G network can handle it.
- **Central remote access and monitoring from anywhere** – Imagine, for example, that you equip your entire production area, machinery and devices with sensors and collect and evaluate data from them continuously in real time. You will have a perfect overview of everything that is happening from one convenient spot, allowing you to gain valuable information used for process optimization and immediate decision making.
- **Energy efficient**

Use of campus 5G networks in logistics

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

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

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

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

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

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T Business

Use cases of modular data center platforms

The common belief was that energy-efficient data centers were best developed in Nordic countries, due to their large-scale format, technological complexity, and intricate non-IT infrastructures. However, the evolution of digitalization, applications supported by machine learning, rapid development of online services, combined with a highly sensitive situation in Europe (military and economic aspects), is steering many specific projects toward the construction of highly flexible, mobile, secure, and energy-efficient data centers (DC). These are intended to be positioned as close to the customers as possible.

Modular DC solutions in the Czech Republic have emerged in response to the shifting demands for data storage and processing. This shift is driven by the need for rapidly deployed, scalable solutions that support various segments, including defense, utilities, telecommunications, manufacturing, transportation, and healthcare. A common factor is the operation of critical applications requiring the lowest possible latency, necessitating computing power or storage at the site where the data is generated. A significant advantage of these solutions is their ability to become fully operational within weeks by circumventing the building permit process, thus significantly enhancing their operational capabilities.

Characteristics of modular DC

- Scalability and modularity allow organizations to accommodate data center growth in line with business demands.
- Designed as part of a complex network, their flexibility facilitates deployment and re-deployment.
- Security improvements include limited data storage
- Reduction of latency issues.
- Bandwidth: Local data processing reduces traffic to and from central servers, improving overall network performance.

Edge vs. cloud DCr

Cloud DC, designed to be large and often situated outside populated areas, leverage electrical power availability and cheaper land. The considerable distance between cloud data centers and end-users, ranging from hundreds to thousands of kilometers, increases latency. Thus, cloud data centers are more suited for hosting websites, e-commerce, and mobile and web applications. In contrast, edge data centers are essential for applications requiring low latencies.

New technologies and demands of the era

The rapid growth of IoT and 5G networks has facilitated new cloud applications across industries. For applications such as wearable medical devices or autonomous vehicles, rapid processing, low latency, and high bandwidth are critical. Gartner estimates that up to 45% of all IoT data is processed at the edge, underscoring the efficiency and effectiveness of edge computing.

Summary of typical use cases

- Manufacturing
- Face Recognition
- Autonomous Vehicles
- Medical Data
- Augmented Reality
- Content Delivery Networks

In the Czech Republic, the challenging administrative landscape for construction permits and a strong emphasis on landowners' rights have spurred the demand for modular, construction-independent solutions. Local suppliers, leveraging innovative approaches to maximize space and efficiency in edge DC, have attracted international partners and investors, especially in the automotive and technology sectors.

These developments highlight the critical role of edge data centers in modern computing and the unique market opportunities within the Czech Republic for investors seeking rapid returns on smart, growth-oriented projects. The Czech Republic, one of the world's safest countries, boasts a stable grid, excellent optical connectivity, and a predictable economic and political environment, making it an attractive country for investment opportunities with fast ROI. ■

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The EU Directive NIS2 in the Czech Republic

In today's interconnected world, cyber threats cross national borders and attackers do not wait. That´s the reason the EU has developed a new Directive, NIS2, which introduces new requirements in four key areas to strengthen Europe's resilience to cyber threats.

Compliance with NIS2 will ensure companies work more securely together and are better prepared for cyberattacks. As of January 2025, more than 100,000 organizations will need to comply with NIS2. The Directive is the second version of a European Union directive that aims to ensure a high common level of network and information security across EU Member States. It will set unprecedented security and reporting requirements for operators of essential services and digital service providers to improve overall EU cybersecurity. It goes without saying that the penalties for noncompliance are also unprecedented.

The NIS2 Directive will impact two main categories of entities:

1. Operators of essential services (OES): transport, banking, financial market infrastructures, healthcare, drinking water supply and digital infrastructure. OES are required to put in place appropriate security measures and report serious incidents to national authorities.
2. Digital Service Providers (DSPs): online marketplaces, online search engines and cloud computing services. DSPs are also obliged to comply with the security and incident reporting obligations of the NIS2 Directive.

These entities and their supply chains will be directly affected by NIS2 and will have to ensure compliance with its security and reporting requirements. EU Member States will be responsible for implementing the Directive, enforcing its provisions, and ensuring that OES´ and digital service providers comply with the established cybersecurity standards.
The time has come to prioritize cybersecurity. This includes investing in proven and reliable technology (e.g. firewalls, end point security), hiring experts or obtaining external professional services from reputable Security Operation Centers (SOC) or Managed Security Service Providers. Employee education and awareness raising are essential to protecting the reputation and assets of a company. Continuous learning benefits not only the company, but also the employees in their personal lives. NIS2 will require companies to meet this requirement, even for management.

The application of NIS2 is expected to have a significant impact on foreign investment in the Czech Republic, making the country a more attractive destination for foreign companies looking to expand their operations. This could lead to an acceleration of jobs and economic growth in the Czech Republic. We need to act now, because the number of cyber-attacks in the Czech Republic alone has doubled in 2023. ■

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The beauty of brownfields

Brownfields represent a unique opportunity and challenge for the implementation of innovative projects. Brownfield locations are usually very well connected to transport infrastructure and utility networks and at the same time offer ideal conditions for research and technology centres, coworking spaces, state-of-the-art technologies, and possibly even non-traditional forms of housing (cohousing, lofts, etc.).

The Velvet Revolution in the Czech Republic back in 1989 brought a number of important changes. The democratic system and private ownership of property were renewed, borders were opened, and the market economy was restored.

The country's brownfields were created by the long-term disuse of buildings that previously served energy- and labour-intensive industries. A separate category of brownfields is made up of former military facilities, agricultural sites, areas for extraction of raw materials and transportation facilities.

According to CzechInvest data from the end of last year, there are a total of 4,377 brownfield sites in the Czech Republic with a total area of 13,351 hectares. In Prague, for example, there are 18 brownfield sites with an average area of 4.7 hectares! The potential of brownfield sites is great and represents an important resource for urban planning and the development of urban infrastructure. It is essential to involve a wide range of stakeholders in the transformation of brownfield sites and to address issues of ownership and management of these sites. Cooperation between the private and public sectors is key to successful brownfield redevelopment.

The advantages of brownfield sites as construction land are obvious. It is not sustainable for towns to continually sprawl wide and into the surrounding landscape.

Brownfield sites are often located in strategic locations, offering opportunities for investment in new industries, information technology, distribution, retail, and leisure, as well as public sector investment. The redevelopment of brownfield sites with environmental contamination will also significantly improve the quality of environment, while providing real benefits to all activities in the adjacent areas. They not only have economic and environmental potential but also the opportunity to create attractive, viable and sustainable sites. ■

Examples of successfully regenerated brownfield projects

- Smíchov railway station (Prague) – a new urban district with apartments, offices, and commercial premises.
- Waltrovka (Prague) – office centre and residential project in one of the largest former industrial sites in the city.
- Vysočany (Prague) – a former industrial area transformed into a multi-purpose, shopping, and social centre, including residential areas and service centres.
- Vítkovice (Ostrava) – gradual transformation of the former steelworks into a cultural, social, and educational centre. Flats shall be built in the next stage of development.
- TESLA Pardubice – transformation of a former manufacturing site into a residential area with services, shops, and the Faculty of Health Studies of the University of Pardubice.
- Šantovka (Olomouc) – shopping and social centre in a former industrial area of the city centre, including apartment buildings.
- Preparations and implementation of brownfield regeneration projects are currently underway in a number of other cities (Brno, Trutnov, Náchod and others).

Benefits of brownfield redevelopment

- Increase of economic activity in the redeveloped area - business and commerce, housing, services
- Inflow of foreign direct investment
- Creating attractive jobs
- Increasing competitiveness
- Increasing the attractiveness of the location and thus increase in tourism
- limited requirements on agricultural land in contrast to greenfield projects in line with the principles of sustainable development
- Environmental improvement through site decontamination
- Mobilisation of private capital
- Increasing the value of properties in and around the brownfield sites
- Positive impact on crime prevention and thus on overall crime reduction

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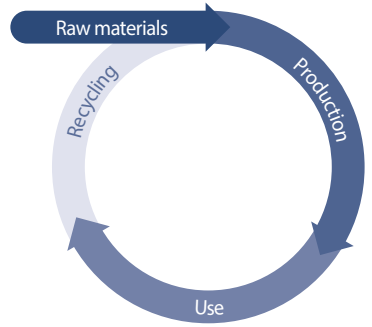
The circular economy: recycling or prevention?

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

The '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" with the aim to keep their value in the economy as long as possible.

It shows that recycling is only the last possibility and that we should look for more valuable ways how to use the product. It all starts with design of the given product or service that predetermines its future use, resource consumption, modularity, repairability, etc. Nevertheless, the first step towards limiting the amount of resources used should be prevention so that a product actually never emerges in the first place. However, this is not easy to achieve because in the modern era, we have been orientated towards growth and increase of our living standard by consuming more and more products, where lower consumption is often perceived as uncomfortable.



Source: Research Gate, 2020

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

The European Circular Economy Action Plan is one of the initiatives aimed at achieving this. Its purpose is to redesign the system via regulatory incentives. Producers are encouraged to develop long-lasting products that are repairable and can serve various users throughout their lifecycle. Another step towards this goal is standardisation of parts and key components so that they are easily replaceable. This forces producers to change their business strategies and there are manufacturers across all sectors, from apparel to the automotive industry, that are experimenting with new ways of delivering the product experience.

The important thing to keep in mind is that no matter how efficient the circular economy may be compared to the linear economy, it still consumes a lot of energy and resources. Furthermore, history has shown us many times that once we manage to do something more efficiently, it often leads us to even greater consumption than before (the so-called rebound effect). Therefore, together with the technical approach of the circular economy, it is also necessary to address the problem of lifestyles and overconsumption. ■

Figure: From linear to circular economy

Source: Research Gate, 2020

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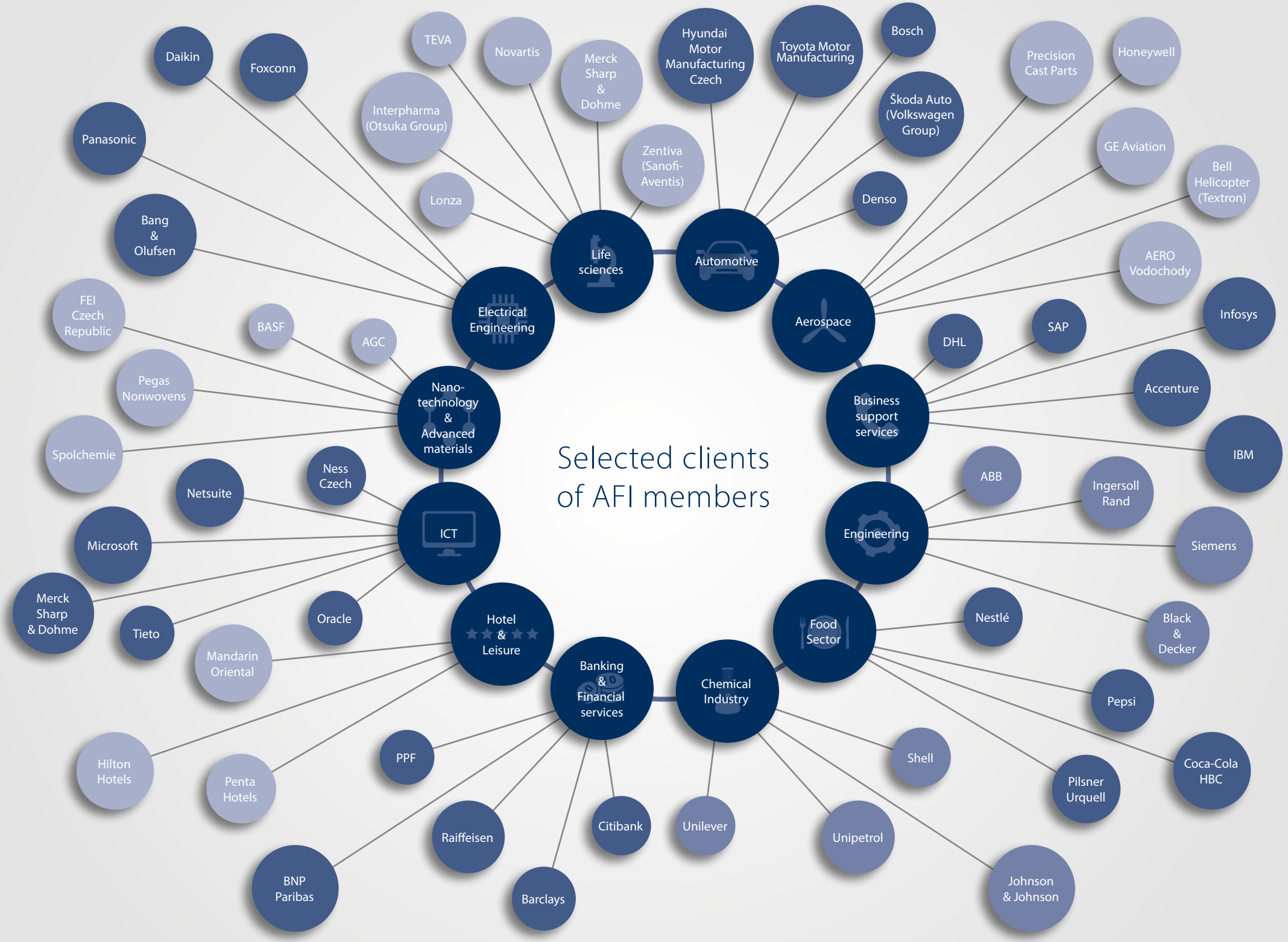
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Handle the permit and construction processes

Permitting processes in the Czech Republic

The new Construction Act No. 283/2021 Coll. brings a completely new perspective on the interpretation of construction law. This applies mainly to key investments and so-called reserved buildings, such as motorways, railways, aeronautical structures and energy structures. These key constructions will be authorised only by the special Transport and Energy Construction Authority, based in Prague, in the building of the Ministry of Transport.

Such a fundamental change in the area of construction law has naturally triggered extensive changes in the related legislation and has necessitated extensive changes in the related regulations and in some cases the adoption of completely new laws. The aim of such a fundamental intervention in the established rules was to simplify, clarify and speed up the legislative process of building permits while maintaining the need to protect public and private law.

The Ministry of Regional Development will methodically unify the competences of building authorities in the field of building regulations and building requirements. The Ministry of Transport and the Ministry of Industry and Trade have acquired completely new competences, which will be the superior state administration body for Transport and Energy Construction Authority in the matter of permitting reserved buildings.

The New Building Act enters into force in two stages. From 1 January 2024 it applies to reserved buildings and Transport and Energy Construction Authority, for the remaining buildings and building authorities it comes into force from 1 July 2024. Until 30 June 2024, the "old" Building Act No. 183/2006 Coll. applies to non-reserved buildings. From the point of view of building permits, the final date of validity of the old Building Act is therefore 30.6.2024. In order not to stop the design preparation of buildings in this area, a transitional provision allows the design documentation to be prepared and submitted to the relevant building authority by 30.6.2027 according to the current decrees on documentation and design documentation of buildings. However, their discussion and approval will be entirely within the dictates of the new legislation.

From 1.1.2024 reserved, and After the date 1.7.2024 all buildings and construction objects related to them will not be placed on the basis of a zoning decision, All buildings will be placed and permitted in one procedure. There is a certain similarity with the original Building Act, when some time ago the first hint and tool for speeding up the permitting of buildings appeared - the so-called merged zoning and building procedure, and compliance with the zoning plan and the limits of the territory was substituted by an opinion according to §96b of the Building Act 183/2006/ Coll. issued by the locally competent planning authority.

As stated in the introduction of the article. This is the most extensive change in the field of construction law since 2006, when the Construction Act No. 50/1976 Coll. was replaced by a completely new Act No. 183/2006 Coll. The adoption of the National Construction Act No. 283/2021 Coll. introduces, among other things, a completely new, until now undefined concept of "substantive construction law". It triggers the need for changes in related legislation and decrees, and is fundamentally reflected in the property law preparation of public utility buildings. Digitalization is also entering the process, where from 1 July 2024 the Builder's Portal should be launched at the Ministry of Regional Development as a basic interface for digital communication of the builder/investor with the building authorities and concerned state administration bodies. ■

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Specifics of construction on brownfield sites

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

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

Pre-conversion analysis

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

Furthermore, standard surveys (hydrological, biological, etc.) are in the solution to ensure the viability of the final project. Some brownfields are also natural assets in terms of biodiversity. Higher bird species, rarer pollinating insects, or endangered animal species have been documented on many sites. Specific habitats (small pools, temporary wetlands, sandbanks, etc.) can be created. Not only for the above reasons, the new project is also subject to a buffer zone analysis and other legally protected interests to identify the main potential problems within the environmental impact assessment (EIA, IPPC).

The selection of an architect and designer and the preparation of a design brief is followed, as with other projects, by the creation of project documentation. Property rights, such as ownership of utilities or easements, are also often a challenge for brownfield revitalisation.

A full-fledged territory as part of its surroundings

Brownfields also require a detailed study of their relationship to their surroundings, not only in terms of traffic, noise or amenities, but active public participation is also strongly recommended. In revitalised brownfields it is good to incorporate cafés, galleries, co-working and community centres, etc.

It is advisable to look at brownfield revitalisation from the point of view of the principles of the circular economy. It is a material bank with a great potential to fulfil the Reduce - Reuse - Recycle principle. If a brownfield site has been contaminated in the past, the investor should not forget to carry out an ecotoxicological analysis of a representative sample.

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

Related Czech legislation:

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

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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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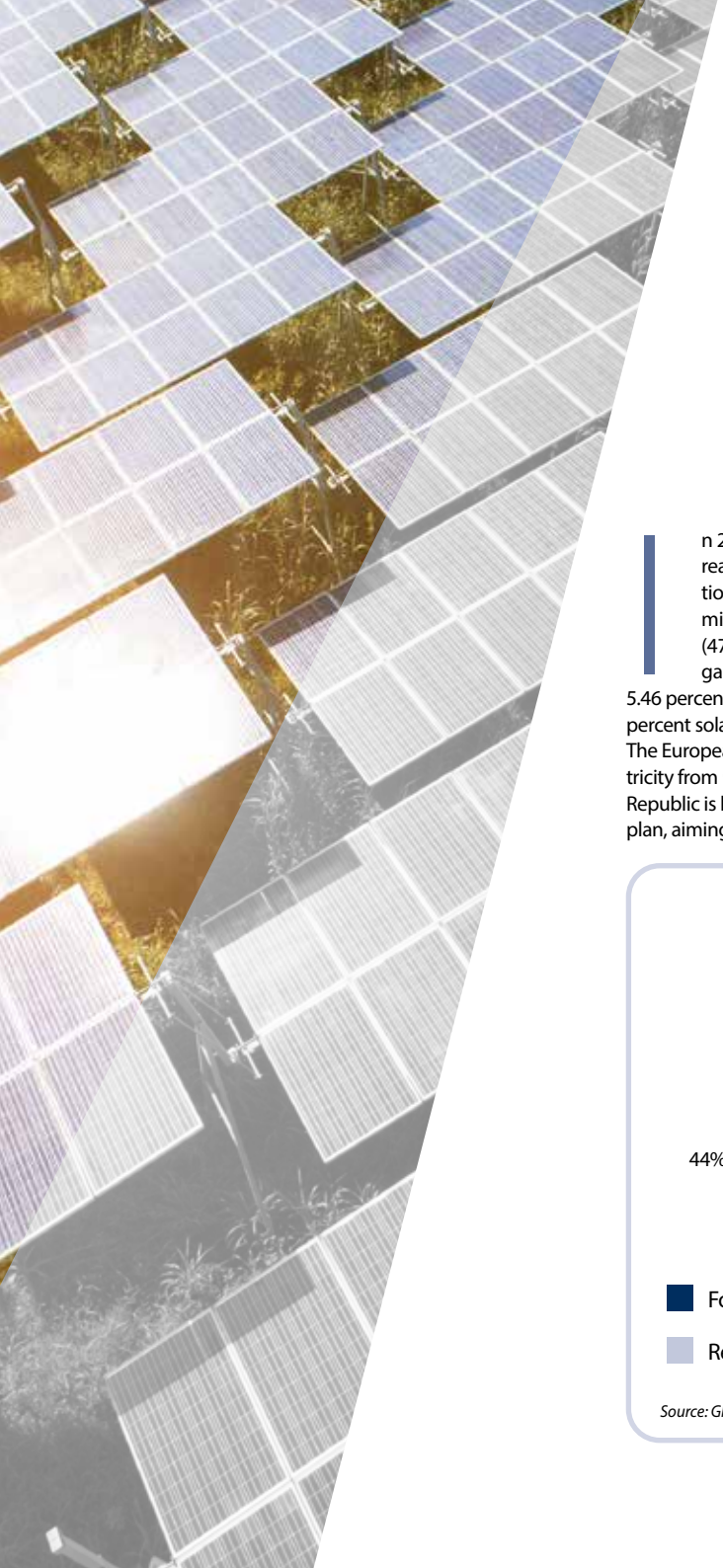
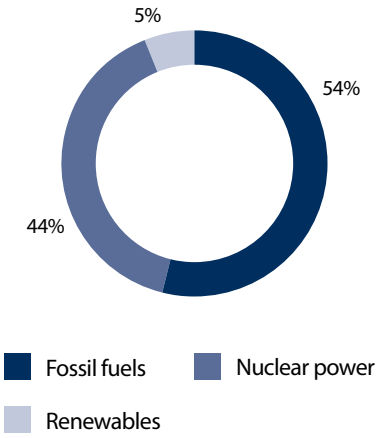


Development of **renewable energy sources** is emerging

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

In 2022, Czech gross electricity production reached 78.8 TWh, while domestic consumption was around 60.4 TWh. The Czech energy mix was made up of 53.6 percent fossil fuels (47.50 percent lignite, 5.86 percent natural gas, etc.), 40.95 percent nuclear power, and 5.46 percent renewables (3.34 percent biomass, 1.47 percent solar, 0.63 percent water, etc.).
The European Union's aim is to generate 32 % of electricity from renewable resources by 2030. The Czech Republic is less ambitious in its energy and climate plan, aiming for 22%.

The Czech energy mix



Source: Glatzová & Co.

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

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

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

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

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

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

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Key recommendations for implementing photovoltaic projects

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

Studies estimate that the technical potential for rooftop and facade systems is around 25 GW, while brownfields and vacant land offer tens of GW in potential, making it an attractive destination for foreign and domestic investors. Suitable areas for solar projects include buildings, such as logistics sites, factories, commercial centers, and office buildings, or vacant land on or off-site.

Investing in solar projects is driven by four main motivations, each with slightly different business models. The first is investing in a solar project located on one's property to cover maximum electricity consumption and supply any surplus to the grid. The second is providing a plot of land for a solar project to an external investor to secure a favorable electricity price for own consumption through a PPA* contract. The third is providing unused real estate for a solar project to generate rental income. Lastly, developing and constructing a solar project to trade in the electricity market, enter into a PPA, or sell the completed project to a third party. All of these models aim to generate new revenue or cost savings.

It is always recommended to contact a professional firm to request an assessment of the entire project and ideally the preparation of an initial study that takes into account the technical, legislative and economic aspects of the project.

The design work and approval processes can take months and costs 10-15% of the total project budget. About one-third of the external budget for the preparation phase should go towards clarifying the brief and design for building permits, another third towards implementation documentation, and the final towards permitting processes. Once permits are obtained, implementation can begin. A turnkey project with a single contractor can simplify the process and reduce complications and risks, but it's important to comply with subsidy call conditions.

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

- **Clear clarification of intent and priorities** – It is important to understand if the goal is cost reduction, energy independence, investment opportunity, revenue generation, or dependent on obtaining the subsidy.
- **Defining the role of your own organisation and managers** – The role of your own organization and key managers who will be involved in the project must be defined in advance.
- **Timing and sequencing of steps** - Creating a realistic timeline and understanding the sequencing of sub-steps is crucial, as internal or external disagreements can cause unnecessary damage.
- **Subsidies** - Understanding subsidies and modeling financial scenarios
- **Bidding and contracting process** - Selecting a quality contractor and implementation partner requires sufficient time, as does the contract negotiation phase.
- **Input and cooperation from the contracting authority** - Anticipate that contractors will require considerable cooperation and input, and define the person responsible for tracking down and handing over required documents
- **Technical, operational, and organisational constraints** - Address technical, operational, and organizational constraints early, such as loading and handling areas, rooftop containment systems, and fire equipment access areas.
- **Control of property and contractual relationships** - Clarify property and contractual relationships with parties such as the tenant or building owner, financing entity, existing electricity supplier, and distribution company to avoid legal, tax, accounting, or insurance implications.

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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

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

Bert Hesselink
Group Client Relationship Director
CTP

Living in Prague is an incredible experience. The city's rich history, stunning architecture, and vibrant cultural scene is amazing. The warm and friendly locals have made me feel welcome, and the similarities between Czech and Polish culture have eased my transition. Prague feels like a second home.

Agnieszka Pietrasik
Managing Director
Hays Czech Republic

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.

Tewfik Sabongui
Managing Partner
Colliers

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

Blake Wittman
Director
GoodCall

The Czech Republic is a popular place to live for many reasons – I personally enjoy the nature, as well as the local enthusiasm for home-made products, and last but not least the feeling of safety while living here.

Markus Ising
Country Manager
Drees & Sommer
Czech Republic

Hire people

The New Human Age

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

14 trends driving the new human age

Shifting demographics

Trend 1
A generational shift in employment expectations

Trend 2
A priority issue for workers: The Issues they care about

Trend 3
To what degree should you consider a college degree?

Trend 4
It's time to retire our concepts of retirement

Individual choice

Trend 5
Not a life filled with work, but a life fulfilled

Trend 6
Women want work to work for them

Trend 7
Has the five-day workweek had Its day?

Trend 8
Turn down the heat to reduce burnout

Trend 9
Seeking fulfillment, not just advancement

Tech adoption

Trend 10
Growth industries will need to grow their own talent

Trend 11
Rehumanise, don't dehumanise

Trend 12
Still working on a definition of hybrid work

Drivers of competitiveness

Trend 13
Talent knows no borders

Trend 14
Risk and resiliency in a changing world

Four key forces impacting the future of work:

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

Individual choice
The pandemic made flexible work a reality for many employees, causing a paradigm shift in how people balance their professional and personal lives. They want more choices about when, where and how they do their jobs, without working from home becoming endless work. And they value things like personal fulfilment, learning and growth over simple career advancement.

Adoption of technology
The marriage of technological innovation and human ingenuity will create broad economic growth and help overcome society's challenges. As organisations continue to invest in technology, they will need to foster digital skills from within while seeking external talent to maximise their return on investment.

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

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

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

Mediation in the Czech Republic

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

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

Mediation is based on a professional guidance by a trained mediator, who follows some strict rules and principles to keep the mediation process effective. Mediation offers a very secure, safe and discrete platform for both parties of conflict to listen to each other and to have the chance to speak about anything related to the issue arisen and finally to find the ideal solution if possible. Just to come up with mutually beneficial agreement, it is a matter of a long way from digging deeper in what has happened, what affects the presence and even the future. The mediator assists effectively during each stage of conflict resolution with the sense of future impact.

Local or international usage?

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

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

- Business issues (restructuring, mergers, acquisitions, intellectual property, conflicts with suppliers, vendors)
- Consumers' complaints
- Workplace & HR disputes (downsizing, team collaboration issues, hybrid working conditions, remote management, conflicts between a boss and subordinate etc)

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

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Breaking barriers: rising above the challenges of the labour market

The market for skilled jobs in the Czech Republic is characterised by several trends. Many of these, such as high demand for skilled labour, continued wage pressure or talent mismatch, have persisted for several years. Others, such as cost optimisation or more detailed selection of candidates, have emerged more recently.

While some companies in the past year limited their recruitment efforts to a necessary minimum, others recruited quite heavily, but may have faced a shortage of candidates who matched the companies' requirements. In general, across all sectors, there is a clear effort by companies to find the ideal candidate to meet or exceed the maximum requirements. The reality, however, is that this "absolute fit" is very difficult to find on the labour market, or to adequately evaluate, given that candidates who are not actively seeking a career change usually expect a ten to twenty percent higher salary to consider moving to a new employer.

Jobs in demand

In-demand occupations include IT developers, IT security, experts in data analysis and data-oriented jobs in general - whether from an IT perspective or with a financial or marketing specialisation, as well as financial controllers and accountants with English language skills. The shared service centre sector is also buoyant, and the growing trend in demand is also evident in administration. Experienced salespeople are also in demand - especially in the technology and engineering segment. Business development specialists are also sought-for heavily. Hardware and software engineers are among the most in-demand and scarce profiles.

The shortage of skilled workers remains one of the key issues on the global labour markets, not excluding the Czech Republic, which is closely related to the need to upskill and reskill the workforce. There is therefore a need to provide workers with adequate training and education programmes to enable them to acquire new skills and knowledge, either to keep up with current needs in their field or to move into new roles or industries. 42% of companies in the Hays survey from October 2023 identified education and training programmes as a top HR priority for 2024.

Wages and 2024 outlook

Wages in the skilled jobs sector have been rising, averaging around eight per cent, with more growth traditionally seen in junior roles. This rate of growth was slightly faster than predicted for 2023, mainly due to persistently high inflation, which only began to slow in the second half of the year.

It is inflation, which has been slowing down again in recent months, that has caused employers to be cost-conscious and to anticipate more modest increases, usually not exceeding 5%, for 2024. Companies in the Czech Republic, but also worldwide, plan several necessary further investments, whether in innovation, technology or process optimisation in general. Compared to previous years, the interest in temporary workers and contractors is increasing significantly, due to the high flexibility of these jobs, which can not only be a good economic decision, but also will not increase the company's headcount. According to the Hays survey, 92% of employers are planning new hires - at varying intensities and on different types of contracts. Companies are therefore quite optimistic about the future, and the supply of vacancies is therefore expected to grow again. ■

Salary levels in selected jobs

Sector / position		Min.	Max.	Typical
Finance	Financial Accountant	1,844	2,254	2,049
	Senior Accountant	2,049	2,869	2,459
	Senior Controller	3,074	3,893	3,484
	Business Analyst	2,459	3,279	2,869
R&D and Industrial Automation	SW/HW Engineer junior/medior	1,762	3,504	2,848
	PLC Programmer	1,619	2,848	2,418
	Head of Automation	3,299	5,266	4,160
	Medior R&D Designer / Developer	2,193	3,730	2,848
Business Services – Finance AP/AR	Junior	1,639	1,967	1,844
	Specialist	1,844	2,254	2,049
	Senior	2,049	2,459	2,254
	Team Leader	2,459	3,484	2,869
Information Technology	Cloud Engineer	3,279	5,738	4,918
	Developer / Java, .NET	2,459	5,328	4,098
	Security Specialist	2,869	4,713	4,098
	Data Analyst	2,049	4,508	3,689

Source: Hays Czech Republic's Salary Guide 2024 *Currency: Euro (EUR 1 = CZK 24.40)*

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HAYS Working for your tomorrow

5 benefits of recruitment process outsourcing beyond cost savings

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

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

1. expanded talent pool

Today's market is plagued by talent scarcity, making it more difficult to engage with and attract qualified candidates. RPO providers typically have extensive databases of candidates, the sourcing expertise and proven methodologies to ensure quality candidates are matched to their clients' crucial positions.

2. employer branding expertise

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

3. ensuring compliance and mitigating risk

Complying with existing regulations around the hiring process – and staying up to date with any changes – can be a challenge for any busy organization. RPO helps by mitigating many of the risks that can result from non-compliant hiring practices. With an understanding of local and international labor laws, RPO providers are well versed in navigating complex legal requirements and helping employers develop compliance-focused, low-risk hiring strategies.

4. enhanced speed of hire

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

5. better insight through analytics

RPO providers can apply historical data to reveal future trends and needs, while also helping businesses understand performance metrics, conduct more effective talent supply and demand modeling, and correlate metrics to business performance outcomes.
As a result, an RPO can transform talent data into business intelligence, ensuring employers will fill positions with right-fit candidates and helping inform business decisions – such as where to open new operations – that depend on availability of resources. ■

RPO delivery models

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

end-to-end RPO
service provider manages entire recruiting process

selective RPO
management of distinct recruiting processes within your organization

project RPO
service provider manages recruiting process short-term hiring goal

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

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

- flexible recruiters
- support client managed process

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Outsourcing – potential value added

Outsourcing allow clients focus on core activities while taking care of their non-core ones. By externalizing people, competences, technologies and processes clients can derive benefits by increasing productivity, speed and scale, saving costs and ensuring compliance.

Business lines

BPO
- Business Process Outsourcing manages administrative, financial, helpdesk and document processes

Field Sales & Marketing
- Field Sales & Marketing manages salesforce, promoters, merchandizers and deliver data & analytics

General & Customer Services
- General & Customer Services manages B2C client experience and B2B customer service

HR Services
- HR Services delivers onboarding, consulting, training, and payroll solutions

Logistics and Manufacturing
- Logistics and Manufacturing manages logistics warehouse, manufacturing sites, and last mile delivery, Construction & Agriculture

In the global business landscape, outsourcing to the Czech Republic offers advantages like talent access, cost-efficiency, risk mitigation, and a focus on core competencies.

Talent Outsourcing Types:
- Staff Augmentation: Adds expertise and agility without commitment.
- Managed Services: Lets businesses focus on core competencies by outsourcing specific functions.
- Project Outsourcing: Entrusts entire projects to external partners for resource-limited businesses.
- BPO: Streamlines non-core processes for operational efficiency and strategic growth.

Essential Factors:
- Communication: Establish transparent channels for successful outsourcing.
- Vendor Selection: Assess partners based on experience, expertise, and track record.
- Contract Negotiation: Clearly define expectations, pricing, SLAs, and confidentiality clauses.
- IP Protection: Include clauses for secure information handling.
- Legal Compliance: Ensure partners adhere to requirements for risk minimization.

+ Strategic outsourcing to the Czech Republic leverages skilled professionals, ensuring competitiveness and efficiency.

+ A key driver is the reduction in labor costs, enabling companies to optimize resource utilization and enhance efficiency.

+ Outsourcing is a strategic approach to distribute project-associated risks. External partners share responsibility, offering risk mitigation and scalability.

+ Outsourcing non-essential tasks enables businesses to concentrate on core competencies, fostering innovation and sustained growth.

+ Talent outsourcing models like Staff Augmentation, Managed Services, Project Outsourcing, and BPO provide flexibility, expertise, and long-term partnerships.

A successful outsourcing strategy demands transparent communication, thorough vendor selection, clear contract negotiation, intellectual property protection, and legal compliance. Embracing outsourcing strategically positions businesses for agility, excellence, and long-term success. ■

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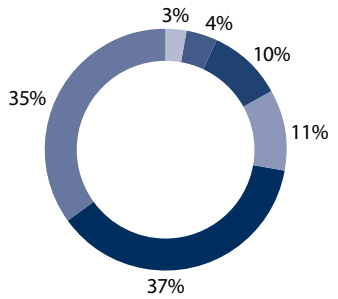
THE ADECCO GROUP

Employment agencies and recruitment of workers in the Czech Republic

In recent years, the market has undergone turbulent changes, facing challenges such as coronavirus lockdowns and the relocation of the workforce from war-affected Ukraine. Despite this, the Czech Republic maintains the lowest unemployment rate in the European Union, remaining at 3.5% in the last quarter of 2023. According to a recent survey, over one-fifth of manufacturing, wholesale, and logistics companies currently have more employees than last year. 34% of the surveyed companies plan to hire new workers in the coming months. However, a significant obstacle remains the lack of qualified workers, who are currently a key need.

Do you use artificial intelligence in HR?



- Yes, we use it relatively intensively
- Yes, we use it, but there is still room for further use
- Yes, but we are really in the early stages of it
- No, but we are planning to
- No, and we are not planning to
- Not sure if we will ever get around to it

Source: Hofmann Personal, 2023

The trend of companies employing foreign workers has persisted in recent years. There is a long-term shortage of qualified workers in the Czech job market, with businesses struggling to find good electricians, maintenance workers, welders, and other professions. 76% of the surveyed companies already employ workers or manual workers from countries other than the Czech Republic and Slovakia. This is particularly common in the automotive industry, where 97% of companies employ foreigners. Companies usually offer assistance to these workers to help them with adaptation to Czech conditions, both on a work and personal level. A recruitment agency can help facilitate the smooth hiring of foreign workers, handling all tasks related to search for candidates abroad, visa processing and their arrival in the Czech Republic.

One of the ways to increase the flow of potential employees is cooperation with secondary schools and vocational schools. While most companies cooperate with educational institutions, a third of companies either do not see the value in it or lack the capacity. Expanding cooperation between companies and schools is an opportunity to make engineering and other fields more attractive.

Language models of artificial intelligence such as ChatGPT, which have experienced a dramatic increase in popularity in the last year, can also help with the recruitment of potential employees, yet only less than a fifth of those surveyed use them for recruitment. Improving this situation is also possible through a professional recruitment partner.

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

1. Time savings during the recruitment process.
2. Flexibility – coverage of sudden fluctuations during holidays or illness, coverage of seasonal peaks, quick help in case of increased production.
3. The complete personnel and payroll agendas are secured, including interviews, training, medical examination, provision of protective equipment, wages, advance payments, pay-slips processing and distribution etc.
4. The demanding induction training stage may be conducted through the agency.
5. 24/7 support and services.
6. Arrangement of transport/accommodation for employees.
7. Personnel/legal consultancy, know-how transfer.
8. Possibility of a fixed trial period including the possibility of hiring a proven worker as a permanent employee. ■

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Alternative recruitment - Rent a recruiter

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

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

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

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

The recruiter will typically:

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

Benefits:

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

What can they do?

- Compiling of a longlist of candidates and the client does the rest.
- Deep market sourcing and engaging, representation of your brand.
- Screening of already sourced candidates or CVs.
- Communication with internal resources, management, stakeholders.
- Entire recruitment process for junior or senior levels.
- Project management to kick off a recruitment drive.
- Building of an external talent pool.
- Running of community management for your existing candidates. ■

When to use it?

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

What structure can be used?

5-50 hours in total
Part-time for a few months
Full-time more than 3 months

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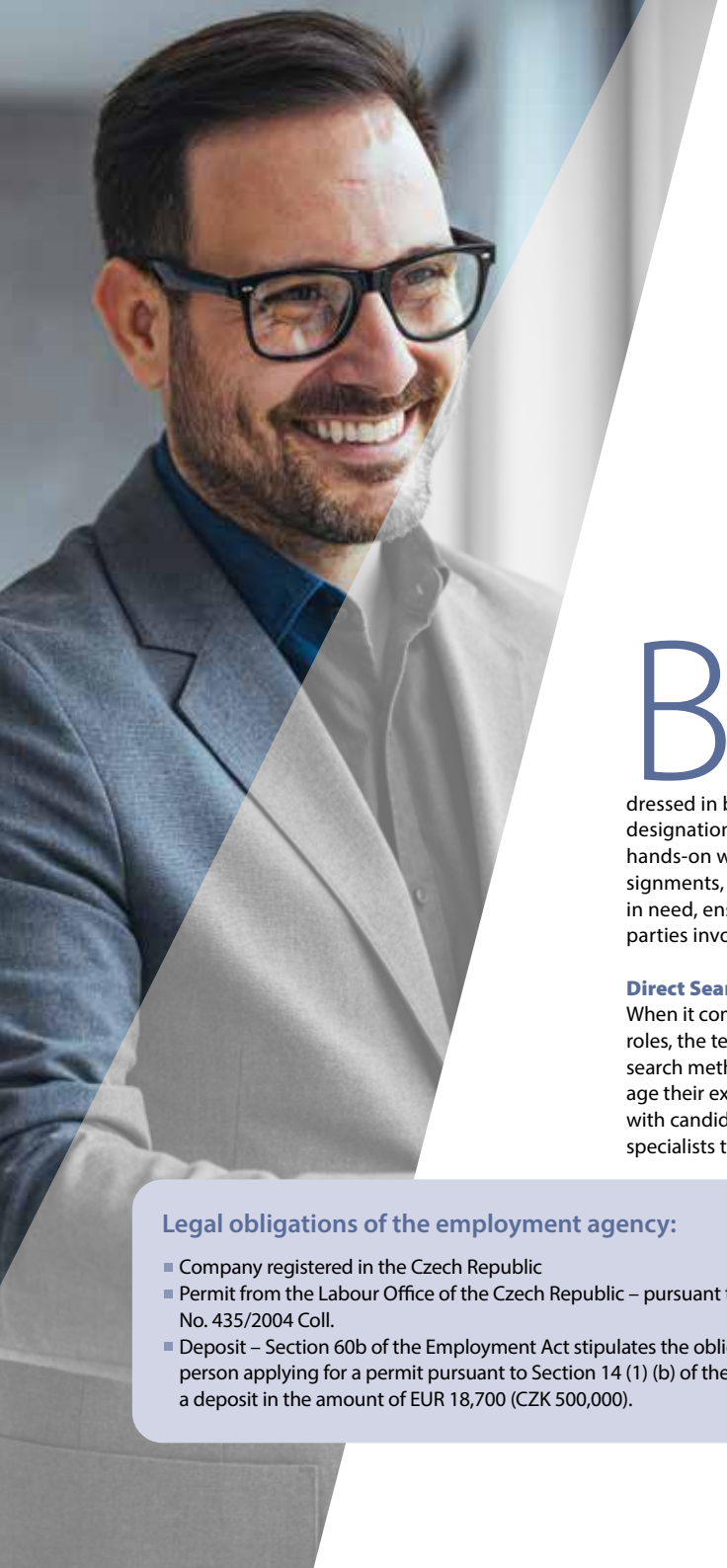
GOODCALL



Best approach to large volume recruitment

In the busy world of temporary staffing, blue staffing stands out as a reliable partner for businesses in need of workers. And international staffing agencies with operations in several countries in Europe and Asia can provide their clients with professional services and advice while upholding the value of transparency.

Blue Staffing: Blue Collar

Simply put, it specializes in recruiting temporary workers - people who thrive in physical tasks such as working in production or warehousing. These workers, often dressed in blue overalls, hence the "blue collar" designation, are essential to industries requiring hands-on work. Agencies, through temporary assignments, match skilled workers to the businesses in need, ensuring a seamless process for both parties involved.

Direct Search: The art of targeted recruitment

When it comes to sourcing top talent for specialized roles, the teams of professionals excel at direct search methods. Recruiters and head-hunters leverage their expertise to directly approach and engage with candidates tailored for positions ranging from specialists to managerial roles.

Executive Search: Unveiling hidden talent for senior management

For critical roles in senior and top management, Executive Search takes center stage. These projects involve a meticulous hunt for candidates, often bypassing conventional job advertisements. Instead, dedicated management consultants personally approach potential candidates, ensuring a discreet and personalized approach. Through regular reports, they inform clients about every step and provide them with an overview of the selection of candidates and the progress of the project.

RPO: Revolutionizing recruitment processes

In the realm of recruitment process outsourcing (RPO), Blue Staffing offers a comprehensive solution to streamline internal hiring processes. Whether it's administrative tasks or onboarding procedures, specialists strive to optimize operations both on-site and off-site. By leveraging market expertise and flexible resources, they accelerate the recruitment process, enabling businesses to quickly fill vacancies and secure top talent.

International Recruitment: The world hides talents

The whole world is open to finding suitable candidates. The recruitment and visa process can be arranged across countries around the world. In addition to the Czech Republic, international recruitment agencies also have branch networks in CEE countries. But they also work with many other partners around the world.

And what to say in conclusion? Agencies are clients' partner in staffing solutions and are committed to providing top-notch recruitment services. With a focus on transparency, efficiency and customized solutions. Blue Staffing remains at the forefront of connecting businesses with the skilled workforce they need to thrive. ■

Legal obligations of the employment agency:

- Company registered in the Czech Republic
- Permit from the Labour Office of the Czech Republic – pursuant to Section 13 (1) (a) (b) and (c) of Act No. 435/2004 Coll.
- Deposit – Section 60b of the Employment Act stipulates the obligation of a legal entity or natural person applying for a permit pursuant to Section 14 (1) (b) of the Employment Act to provide a deposit in the amount of EUR 18,700 (CZK 500,000).

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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. What costs must be calculated when hiring employees? This article outlines the computation of wages and elements thereof, benefits and mandatory contributions in the Czech Republic.

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. Includes basic salary and other non-cash income of the employee. The net wage is equal to the gross wage of the employee for the calendar month minus income tax plus tax relief minus social security premiums (7.1% of gross wages) and health insurance premiums (4.5% of gross wages). ■

Example of salary calculation (in EUR)

Gross monthly salary	**1,345**	
	Employee	**Employer**
Health Insurance (4.5% / 9%)	62	124
Health insurance total	62	124
Sickness insurance (0.6% / 2.1%)	8	29
Pension insurance (6.5% / 21.5%)	89	296
State employment policy (0% / 1.2%)	0	17
Social insurance total (6.5% / 24.8%)	98	341
Insurance contribution total (11% / 33.8%)	**160**	**465**
Employee relief	107	
Tax relief	**107**	
2nd Child tax credit	130	
Child tax credit	**130**	
Income tax deposit (15%) / *(if income exceeds EUR 5,502, tax is 23%)	207	
Income tax total	**207**	
Net monthly salary	**1,248**	
Monthly salary cost to the employer		**1,842**

Source: Adecco, 2024 *Note: Currency: Euro (EUR 1 = CZK 23.97); The calculation is updated to 2024*

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How to legally work/ **do business** in the Czech Republic in the ASAP mode

The stay of foreigners in the territory of the Czech Republic is regulated by Act No. 326/1999 Coll., on the Residence of Foreign Nationals in the Czech Republic as amended.

The stay of foreigners in the territory of the Czech Republic is further governed by EU/EC legal regulations. In the area of visas it is especially Regulation (EC) No. 810/2009 of the European Parliament and the Council on the Community Code on Visas ("Visa Code") and Council Regulation (EC) No. 539/2001 (as amended), which establishes a list of third countries whose nationals must have a visa when crossing the external borders, as well as a list of third countries whose nationals are exempt from this obligation.

The current practice in the matter of the process of obtaining employment cards/visas/long-term stays has changed significantly in the Czech Republic. The current migration policy of the Czech Republic focuses on the migration of qualified workers from third countries in order to give incentives to foreign investors to do business in the Czech Republic and to secure qualified employees for Czech companies in accelerated procedure. The Czech Republic has therefore added to the standard process of obtaining legal residence/employment/business number of programs supporting economic migration.

Within the programs supporting economic migration the process of obtaining legal residence/employment/business has been significantly accelerated. If all conditions are met it is possible to receive residence permit within 1 month. The government economic migration programs are targeted at investors operating in the Czech Republic with an organizational component in the Czech Republic and abroad. Furthermore, the programs are intended for research organizations, technology companies as well as start-ups and newly founded companies that request the accelerated employment of foreign workers, from top managers to production workers. The administrative process within the programs when applying for employment cards/visas has been significantly cut down. The programs also cover family members of the applicant.

The economic migration programs mentioned above were supplemented with a new Digital Nomads Program with effect from July 1, 2023. The program is aimed at highly qualified and top workers and their family members from the IT field, who often work only on clearly defined programs in an international environment. Specifically, citizens of Australia, Japan, Canada, the Republic of Korea, New Zealand, the United Kingdom of Great Britain and Northern Ireland, the United States of America or Taiwan. Program participants are guaranteed the possibility of submitting an application for a residence permit for the purpose of doing business and processing the application within 45 days of the submission itself.

It is highly recommended that you consult each individual case and current legal practice with immigration law specialized law firm. ■

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Czech Visa Lawyer

Visa support provided to foreign investors

Relocating a company to a foreign destination is always a demanding administrative process. The Investment and Business Development Agency CzechInvest assists foreign companies with overcoming the challenges inherent in that process, including relocation of management and key employees. Visa support starts with tailored consultancy and continues with the administration of government visa programmes the accelerate visa processes.

The Czech Republic offers several government visa programmes for investors and employers that have a significant impact on the Czech economy. Compared to standard visa processes, these programmes offer employers the benefit of faster and less administratively burdensome visa application and assessment processes. New in 2023 was the Digital Nomad Programme, which aims to respond to the changing trends in the field of international mobility of freelancers, especially for the IT sector, and to facilitate the settlement of such workers in the Czech Republic.

New company visa process

1 Incorporation	
Employee	Member of a statutory body
2 Open position – Labor office	Commercial Register
Labour market test – 10-30 days	Work permit (optional)
3 Optional: Enter government visa programme	
Key and Scientific Personnel *Only visa programme available for new companies*	
4 Schedule appointment and submit application at the embassy	
Employee card (valid up to 2 years) Blue card	Long-term visa – Business (valid 1 year)
5 Application approved	
✓ Collect entry visa ✓ Register with at MoI within three days ✓ Biometrics ✓ Collect employee card	✓ Collect visa ✓ Register at Foreign Police within three days

Programme for Key and Scientific Personnel

This programme designs the visa process for members of statutory bodies, legal representatives and employees of newly established companies in the period of up to two years from the date of incorporation in a commercial register. It substantially eases the process of arranging residence permits for key employees of companies coming to the Czech Republic. Those eligible to register in the programmeinclude newly established Czech business entities of foreign investors, start-ups, technology companies, research institutes and Czech entities of foreign investors with at least 50 employees in the country and 250 employees worldwide. The programme is intended for statutory representatives, managers and key specialists who need to reside in 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 of up to 90 days for issuance of an employee card and up to 120 days for issuance of a blue card or long-term business visa.
This programme also supports the relocation of employees' family members who apply for a visa for the purpose of cohabitation of a family. Individual applications of members of the same family are thus processed jointly.
Within the Programme for Key and Scientific Personnel, companies can use two means of relocating their employees and statutory representatives. These are **internal transfer**, whereby a foreigner is transferred on the basis of a contract to work at a Czech branch while remaining in an employment relationship with the foreign investor, and **localisation**, whereby the transferred employee enters into an employment relationship directly with the established Czech business entity.

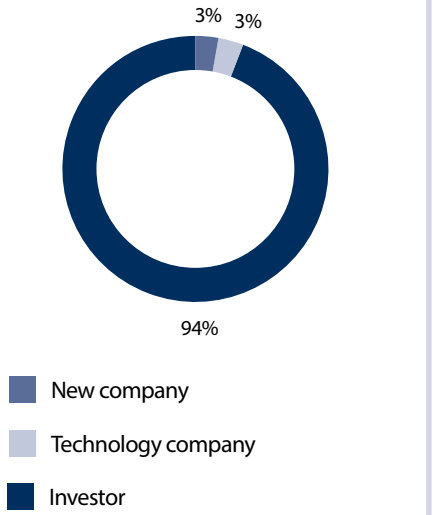
Where to apply for registration in the programme

The programme is administrated by **CzechInvest** for newly established companies, startups, research institutes and technology companies.
If the application is submitted by an investor that was incorporated more than a year prior, has at least 50 employees in the Czech Republic and 250 employees globally, the application is administrated directly by the **Ministry of Industry and Trade**.

How companies use the Programme for Key and Scientific Personnel

In 2023, more than 1,300 specialists, managers, statutory representatives and their family members enjoyed the benefits of the Programme for Key and Scientific Personnel. CzechInvest processed applications of 25 newly established firms and technology companies.

Programme for Key and Scientific Personnel



Source: MoT, 2023

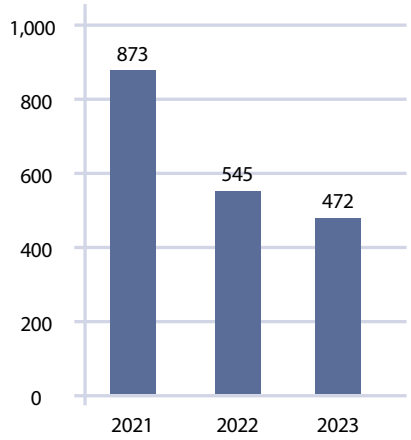
Programme for Highly Qualified Workers

The Programme for Highly Qualified Workers enables applicants and future employees from non-EU countries and their family members to arrange preferential appointments at Czech embassies and consulates, thus significantly accelerating the process. The number of available appointments for employee-card applicants granted within this programme is set by a government regulation. Employers apply for inclusion in the programme at the **Ministry of Industry and Trade**.

Programme for Qualified Workers

The Programme for Qualified Workers enables applicants from designated countries to arrange preferential appointments at Czech embassies and consulates, thus accelerating the process. The **annual quota** for each of the designated countries is set by a government regulation.

Programme Highly Qualified Employee Number of applicants



Source: CzechInvest, Ministry of Industry and Trade, 2023

This programme is aimed at employers with at least a two-year history and at least six employees in the Czech Republic in the area of manufacturing, services or the public sector that are recruiting citizens of Ukraine, Serbia, Montenegro, Mongolia, the Philippines, India, Moldova, Belarus,- Kazakhstan, Georgia, North Macedonia or Armenia to perform skilled labour. The programme is mainly used by well-established large manufacturing and shared-services companies such as Daikin Device, Foxconn Technology and ATT.

Digital Nomad Program

A new government programme targeting a group of highly skilled IT workers is aimed at citizens of the following countries: Australia, Japan, Canada, the Republic of Korea, New Zealand, the United Kingdom of Great Britain and Northern Ireland, the United States of America, or Taiwan. A digital nomad can be an employee of a foreign company who will work for the company remotely on a long-term basis in the country using telecommunications resources. In this case, the foreigner will remain in an employment relationship with his/her foreign company for the whole time and will not enter into an employment relationship in the Czech Republic, or he/she may become a freelancer – a foreigner who will hold a Czech trade license. Immediate family members of digital nomads may also be included in the Programme. The processing of an application for a residence permit usually takes 45 days from the date of submission. ■

Quotas in the Programme for Qualified Workers

Country	Quota
Ukraine*	12,100
Philippines	5,300
Mongolia	3,170
Montenegro (shares a quota with Serbia)	1,900
Serbia	1,900
Belarus*	1,900
Moldova	1,500
India	600
Georgia	600
Armenia	550
Kazakhstan	500
North Macedonia	400

* *The activity of Czech embassies and consulates was partially or completely suspended. In the case of Belarus, until further notice.*

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 under the programme together with other business associations.*

** *The waiting time for arrangement of an appointment at the Czech embassy is country-specific and can vary greatly.*

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CZECHINVEST

Benefits of Program
Key and Research Staff

What is it, and how can being as an employer registered in the governmental project Key and Research Staff Program be of assistance? Let's briefly explain how it can contribute to the smooth relocation of your foreign employees through registration in this program.

Many employers require their key foreign employees to be personally available in the Czech Republic as soon as possible. However, they face various difficulties during the visa process. It might be challenging to secure a submission appointment or the standard approval process might be time-consuming. Both challenges can be alleviated by registering in the Key and Research Staff Program.
Of course, this option is not for everyone. Both parties, the employer and the employee, must fulfill strict conditions to be eligible for registration in this governmental program.

A company can be registered in this program as:
- An investor
- A technology company
- A newly established company
- A start-up

There are different criteria for each option. Primarily, a candidate company must have all obligations towards the authorities under control. As long as there are no obstacles regarding obligatory fee payments, the number of employees, their salaries, bookkeeping, etc., it is usually possible to be successfully registered.
Concerning employees, this program is meant only for highly qualified key personnel, such as specialists, managers, and leading personnel. It's noteworthy that there are different options for the types of permits that an applicant is allowed to apply for and get registered in this program.
Only those employees can be registered in the program whose employment contract for a full-time job lasts for at least one year, and their gross monthly or annual salary is at least at the level of the average salary for the specific job position or is at least at the level of the minimum salary required for a Blue Card. Until April 30, 2024, the minimum required salary for a Blue Card is 60,530 CZK a month. It means that as you read this, the minimum required salary might be higher and probably over 65,000 CZK.

Employee Card and Blue Card
A specific job position must be properly available in the database of vacancies.

Secondment/Posting Visa
A work permit for a specific job position must be issued by the Labor Office.

Intra-Company Transfer Employee (ICT) Card
No vacancy or work permit needed.
This type of permit has its own specifics.

Those employers and employees who meet these requirements and conditions and are successfully registered in the Key and Research Staff Program will experience smoothly getting the submission appointment and a fast process of getting their applications approved if all needed documents are submitted and everything is correct.
What are the other interesting advantages?

- Successful registration in the Key and Research Staff program guarantees getting an embassy submission appointment for either an Employee Card, EU Blue Card, or ICT Card application or Secondment Visa.
- The approval process of applications submitted through the Key and Research Staff Program takes about one month, making it at least twice as fast as the regular way without using the governmental program option.
- Also, family members of the employee are allowed to submit through the Key and Research Staff Program, but only if they submit all together.

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EXPAT SUPPORT
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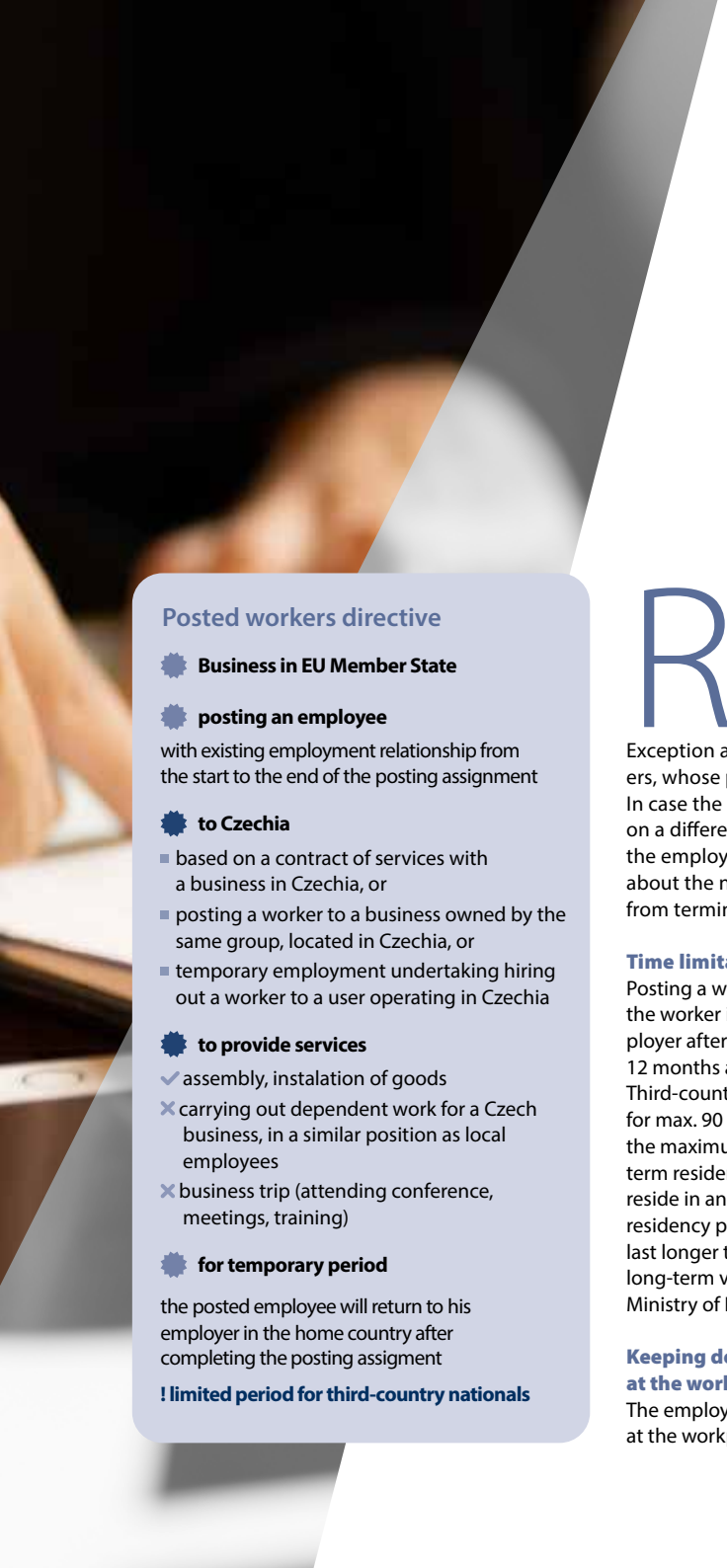

Posting of workers
from EU member states to Czechia

This article provides an overview of the simplified procedure for posting an employee from a business located in one EU Member State to another EU Member State (Czechia) to provide services for a temporary period. This procedure is based on Directive 96/71/EC, commonly known as, The Posted Workers Directive'.

Posted workers directive

Business in EU Member State

posting an employee

with existing employment relationship from the start to the end of the posting assignment

to Czechia

- based on a contract of services with a business in Czechia, or
- posting a worker to a business owned by the same group, located in Czechia, or
- temporary employment undertaking hiring out a worker to a user operating in Czechia

to provide services

- ✓ assembly, instalation of goods
- ✗ carrying out dependent work for a Czech business, in a similar position as local employees
- ✗ business trip (attending conference, meetings, training)

for temporary period

the posted employee will return to his employer in the home country after completing the posting assigment

! limited period for third-country nationals

Reporting obligation

Business posting their employee to Czechia must inform the respective branch of the Labour office on the start date the latest, on a respective notification form.
Exception applies to international transport workers, whose posting does not need to be reported.
In case the posting assignment is terminated on a different date than originally reported, the employer should inform the Labour office about the new final date within 10 calendar days from termination at the latest.

Time limitation of posting

Posting a worker is considered as temporary and the worker is expected to return to the posting employer after completing his/her assignment, within 12 months at the latest (with possible extension). Third-country nationals are limited to posting for max. 90 days within every 180 days (which is the maximum period for which a holder of a long-term residency permit or visa in one EU country can reside in another EU country without requiring any residency permit). Should the posting in Czechia last longer than 90 days, a residency permit or long-term visa needs to be obtained from the Czech Ministry of Interior.

Keeping documents for inspection at the workplace

The employer should keep following information at the workplace:

- identification data of the worker,
- permanent residency address abroad and delivery address,
- travel document number and the name of the issuing authority,
- the job position,
- the place of the work,
- the employment period,
- the sex,
- the start date,
- the final date of the posting to Czechia.

We recommend keeping a copy of the notification form sent to the Labour office since it contains all the abovementioned information.
Also, the document proving the existing employment relationship between the posting employer and the posted employee in the Czech language should be kept at the workplace.

Conditions of employment of posted workers

The business posting a worker to Czechia must ensure that the worker's employment conditions will be compliant with Czech law (such as maximum work periods, minimum rest periods, minimum paid annual leave, remuneration, non-discrimination, reimbursement of travel costs, etc.).

Non-compliance

A fine up to 100 000 CZK can be imposed for omitting the reporting obligation.
Not having the employment contract translated into Czech language at the workplace may result in a fine up to 500 000 CZK.

Upcoming changes in 2024

From July 2024 the employers will report the posting of their workers to the State Labour Inspection Office (instead of the Labour Office), via an interactive online form connected to a newly established electronic database of all posted workers in Czechia. Moreover, instead of having to keep the employment contract at the workplace, the employer will upload its electronic version as an attachment to the interactive online form. ■

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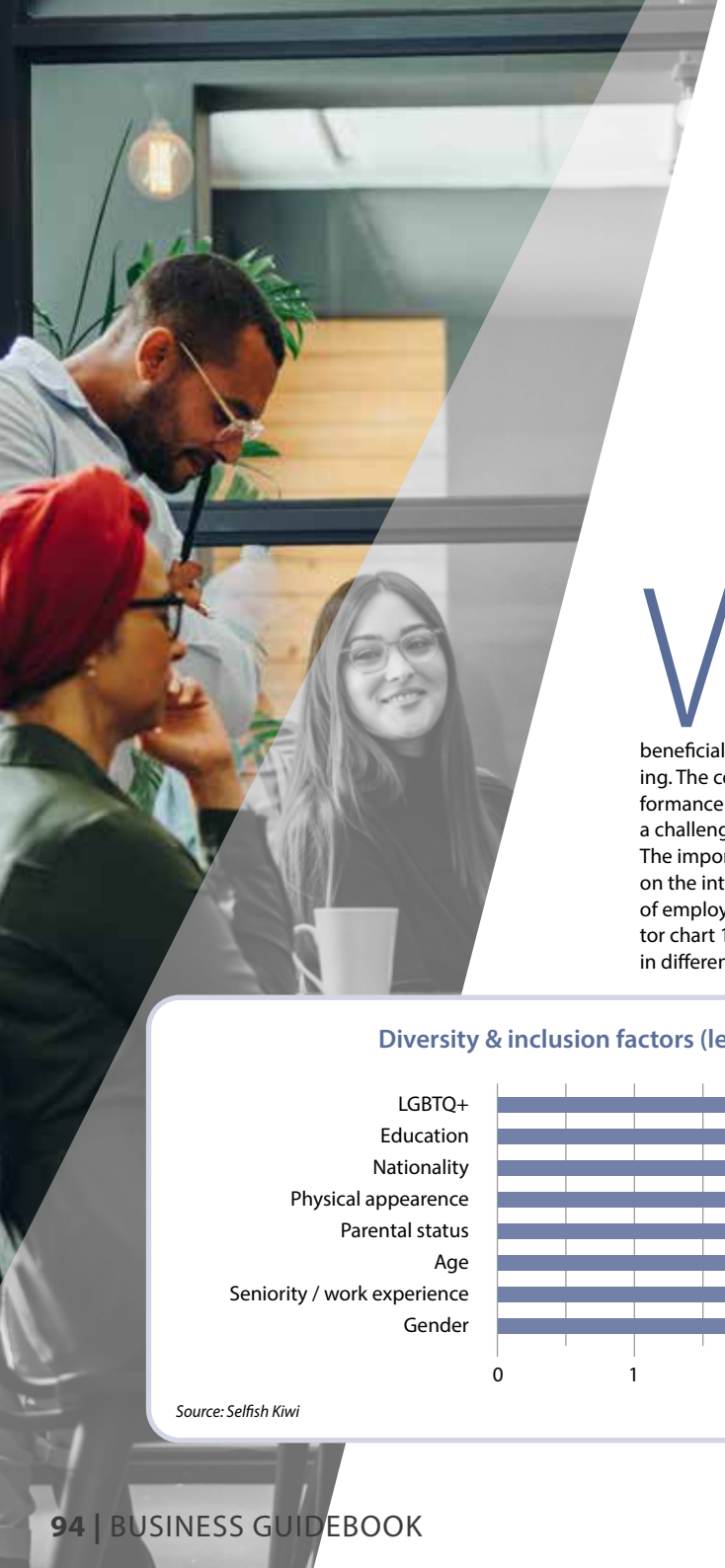
IBS INTERNATIONAL BUSINESS SUPPORT



Diversity & Inclusion

Diversity and inclusion within the organization have gone beyond ethical considerations and are crucial for corporate success. The combination of efforts from personnel and cultural departments, HR professionals, and organizational leaders is pivotal in providing a workplace environment that reflects the diversity of its workforce, facilitating seamless integration.

While the conversation on diversity often addresses external factors such as gender, race, education, age, parental and social status, and health nuances, it is beneficial to focus on a more detailed understanding. The center of discusion should reside in the performance of both the teams and individuals within a challenging environment.

The importance of each factor varies depending on the international context and demographics of employees. To illustrate, we present a survey (Factor chart 1) for the perceived level of employee bias in different factors in an international company with ca. 500 employees, that are spread in 8 different European countries, n=48, scale 1-5.

Supporting evidence from an analysis conducted by Gomez & Bernet (2019), highlights the benefits derived from diverse teams. However, controversies were noticed with studies that emphasized the challenges in translating concepts into realistic outcomes. The Aristotle project, conducted at Google in 2012, looked into individual skills, team norms and how they influence performance within a team. The findings, though illuminating, revealed the challenges of success, proving difficult to present dissimilar ideas into team dynamics. Some teams were successful because of frequent communication, others because of differences of opinion, others because of their highly functional processes.

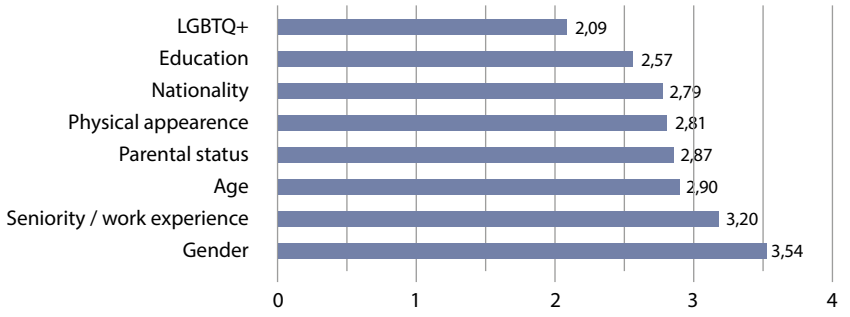
Refocusing external characteristics to psychological attributes, the discussion of impactful diversity lies in embracing psychological diversity. Inclusion creates innovation, psychological safety, and a positive culture that is not afraid to learn from mistakes. Unlike the conventional understanding of diversity, inclusion centers around collective engagement with those differences without negatively impacting the cultural welfare.

A scenario that highlights the delicate nature of inclusion is as follows: If a predominantly male corporate board appoints a woman, the resulting internal diversity may not translate into true inclusiveness if her psychological characteristics align more closely with predominant male patterns.

Initiatives aimed at promoting inclusivity require a dual approach, combining management directives from organizational leadership with employee level cooperation, inspiring the engagement of employees to realize the benefits from the envisioned change. This ensures a comprehensive and sustainable approach to creating an inclusive workplace environment. For the design and solution of the project, we recommend approaching an external partner who has extensive experience in the implementation of similar assignments.

Gomez, L. E., & Bernet, P. (2019). Diversity improves performance and outcomes. Journal of the National Medical Association, 111(4), 383-392.

Diversity & inclusion factors (level of bias)



Source: Selfish Kiwi

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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

Tax base below 36 times the average salary (approx. EUR 65,200 p.a.) is subject to a 15% tax rate; tax base above this limit is subject to a 23% tax rate. The final tax liability may be lowered by different tax deductions and forms of tax relief depending on the individual's personal situation.

Participation in the Czech social security and health insurance systems is generally required but can be modified by applying EU legislation or a respective totalisation agreement. The Czech social security system covers a wide range of state support including high-quality public medical care, pension, disability insurance, sickness insurance and unemployment benefits.

For businesses

Business income is taxed at a rate of 21%. A 5% rate applies to basic investment funds. The Czech Republic is going to transpose the EU Directive on Ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the EU (BEPS 2.0 – Pillar 2) as of 31 December 2023.

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. The company may choose that its functional currency is the Euro, the US Dollar or the British Pound Sterling under certain conditions.

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, the following new and existing benefits are available (see table for more details).

In years 2024 and 2025, some companies active in energy, oil and banking industries are subject to so called windfall tax of additional 60% on the profits compared to the benchmark stipulated based on prior years profits.

Indirect taxes

For VAT payers performing taxable activities, VAT generally should not represent an additional cost. The standard VAT rate is 21% and the reduced rate is 12%. 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 for selected vehicles 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 ■ (Limited) 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 emission-free vehicles acquired from the 2024 to 2028 tax periods

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Building a better working world

Paying corporate taxes in the Czech Republic

Foreign and Czech companies operating within the Czech Republic will encounter obligations related to various taxes, including corporate income tax, VAT, and withholding tax.

Corporate income tax

Taxable Entities and Income

Entities subject to corporate taxation in the Czech Republic include both resident and non-resident companies with a permanent establishment.

For tax residents, their total worldwide income is subject to income tax in the Czech Republic, with some exemptions and deductions easing the tax burden.

The tax base is derived from the annual profit calculated in accordance with Czech accounting principles, adjusted for non-tax-deductible expenses and non-taxable revenues.

In response to soaring energy prices, the Government introduced an additional "windfall tax" for years 2023 to 2025, targeting companies in the banking and energy sectors, focusing on their corporate income exceeding 120% of the average tax base reported from 2018 to 2021.

Rate

The Czech Republic maintains a competitive general corporate income tax (CIT) rate of 21% as at 2024. Certain exceptions to this general CIT rate exist, such as a special CIT rate of 5 % for certain investment funds and a 0 % CIT rate for pension funds.

Tax Incentives and Credits

Various incentives and tax credits, including research and development, investment incentives, and tax loss carry forwards and backwards, are offered to stimulate economic growth. Additionally, companies can reduce their tax liability through deductions for employees with disabilities and contributions to charitable purposes.

Transfer Pricing Considerations

In adherence to international standards, particularly OECD guidelines, the Czech Republic aims to prevent profit shifting among related entities. While not legally mandatory, transfer pricing documentation serves as a persuasive tool in resolving tax disputes.

Tax Compliance and Reporting

The tax year typically coincides with the calendar year or the fiscal year. Companies must file their annual tax returns generally within three months from the end of the year. In case of companies liable to statutory audit and companies using the services of tax advisors, the time limit is extended to six months.

Withholding tax

Dividends paid by Czech stock companies are generally subject to a 15% withholding tax. However, this rate is limited to profit distributions to residents of the Czech Republic and countries with which the Czech Republic has a double taxation treaty. In all other instances, a 35% rate applies. In specific cases, dividends may be exempt from tax or the standard 15% rate may be reduced under the terms of the applicable double taxation treaty.

In addition to dividends, interests and royalties are also subject to withholding tax.

VAT

VAT, a crucial part of Czech taxation, encompasses a standard rate of 21 % and reduced rate of 12 %. The reduced rate applies to specific goods and services such as foodstuffs, accommodation services, public transportation etc.

VAT payers must fulfil obligations such as filing VAT returns and EC Sales Lists for EU sales and submitting a VAT control statement (a detailed transactional VAT report). ■

Illustrative Comparison of CIT and VAT Rates in the Czech Republic and Several Other European Countries (in %)

Country	CIT rate	standard VAT rate	reduced VAT rate
Czech Republic	21	21	12
Austria	23	20	19 / 13 / 10
Germany	29,9	19	7
Slovakia	21	20	10 / 5
Poland	19	20	8/ 5
Great Britain	25	20	5 / 0
France	25,8	20	10 / 5,5 / 2,1

Source: information on CIT rates was obtained from official documents, laws, and government websites of respective countries

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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 1,582,812 (approx. EUR 64,600).

Calculation of tax liability from the aggregate tax base

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

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

Lump-sum deduction	Maximum limit for the lump-sum deduction for the taxable period 2023
60% in most trade-license activities	CZK 1,200,000 (approx. EUR 49,000)
40% e.g. lawyers, tax advisors, architects, doctors, artists	CZK 800,000 (approx. EUR 32,650)

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

Types of taxable income
The following five general types of income are recognised in relation to individuals:
- employment income,
- business income,
- income from capital assets,
- rental income,
- other income.

Employment
Employment income is mainly income from performing work based on an employment contract or remuneration of statutory representatives of companies. Tax base is calculated as follows:
Tax base = gross salary and taxable benefits (i.e. employment income).
A maximum assessment base applies to social security. For the taxable period 2024, the limit is set at CZK 2,110,416 (approx. EUR 86,140). However, there is no maximum limit applicable to health insurance.

Business income
The partial tax base (or tax loss) in relation to business profits is represented by the difference between earned business income and related business expenses. The individual may select the more convenient of the following methods of claiming tax-deductible expenses:
- paid expenses in the actual (documented) amount,
- lump-sum deduction.

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

Rental income
This category includes income from leases excluding some exceptions. The mechanism for calculating the partial tax base (or tax loss) from leases is similar to that for business income (i.e. the individual may choose between claiming actually incurred expenses or claiming a lump-sum standard deduction, which is 30 % with the maximum limit of CZK 600,000 (approx. EUR 24,500) for the taxable period 2024).

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 children, and allowances for taxpayers with a low-income spouse (when taking care of a child under 3 years of age).

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

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Interested
in M&A?

Legal aspects of M&A transactions in the Czech Republic

Within thirty years after the fall of the communist regime, the Czech Republic has firmly re-established its position as industrial and commercial powerhouse of the CEE region. Thanks to the open market and long-term interest of foreign investors, the M&A market in the Czech Republic is alive and booming.

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

Structuring of M&A transactions

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

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

The transfer of an enterprise then consist of a concurrent transfer of all of such assets, liabilities and contracts as going concern by way of a single agreement.

The benefit of this type of transactions is the possibility to acquire a whole ongoing business portfolio without the need to acquire the legal entity currently holding such assets. This transaction may therefore eliminate some of the risks relating to hidden liabilities pertaining to the target company or, for example, share title related risks.

Due diligence specifics

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

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

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

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

Conclusion

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

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NOERR

Charting **New Horizons**

In today's uncertain economy, companies must reassess their strategies, taking into account issues such as digitalisation and climate change in order to ensure their long-term success. How can adapting M&A approaches to securing assets and filling skill gaps pave the way for sustained success and market leadership?

Rethinking M&A strategies

Companies have to navigate an increasingly difficult and uncertain economic environment. Thriving in such an environment requires companies to reimagine the future of their markets, reexamine their core capabilities and reevaluate their competitive advantages. In parallel, as part of long-term value creation, companies also need to consider the impacts of other macro themes including digitalisation, technology shifts involving issues such as AI, climate change, healthcare and well-being, energy transition, skills shortages and aging populations.

As such, capital allocation needs to be considered and evaluated through the lens of whether the current asset portfolio is fit for purpose to enable optimised returns going forward. This will help companies make fundamental choices on growth strategies, prioritise the markets and segments in which they need to operate, identify gaps and the skills they need to win, determine which assets will be needed for the future and determine how best to transform themselves in the process by making both organic and inorganic investments.

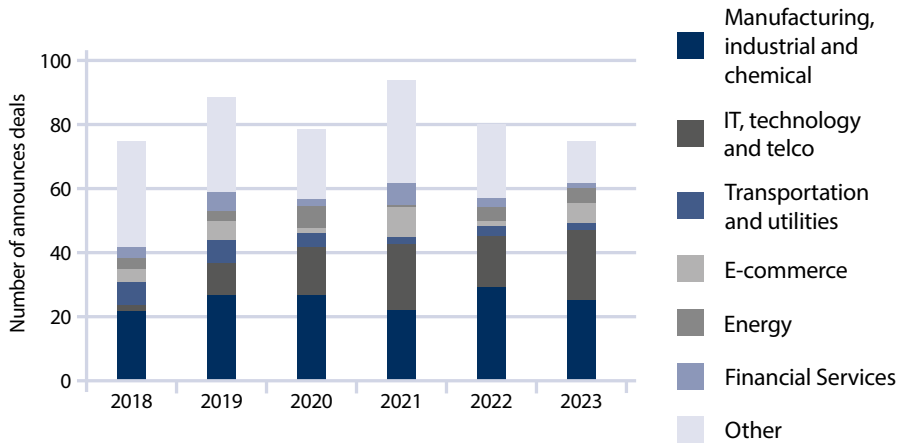
Trends reshaping M&A in the Czech Republic

In 2023, M&A deal activity in the Czech Republic remained relatively resilient despite the general economic slowdown in Europe caused by inflation, rising interest rates, the increased cost of capital and ongoing geopolitical crises. Preliminary data from the merger market indicates the overall deal count in 2023 was 75 (a 6.3% decrease compared to 2022). With a 71% share in small to medium-sized transactions, closing accounts continues to be the generally 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 the energy crisis and the ongoing challenging economic environment call 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.

Few shifts occurred in the origin of key bidders

Between 2016 and 2022, local transactions accounted for more than half of all deals, rising to more than two-thirds in 2023. Czech state-owned companies made significant strategic acquisitions in 2023, mainly in the energy sector. French investors emerged as the foremost foreign participants in 2023, sealing five deals, closely trailed by three deals from US investors. Over the long term, German investors have been the most active due to the close commercial ties between the Czech and German economies. While US investors exhibited notable activity in 2022 and became the second most prominent in 2023, acquisitions from non-EU nations (including the UK) remained infrequent, accounting for only about 20% of acquisitions in the Czech Republic over the past six years. Strategic players continue to dominate the M&A market, but 2023 witnessed the largest number of financial transactions since 2015, signaling a shift in dynamics. ■

Number of announced deals with target in the Czech Republic



Source: Deloitte, Mergermarket, 2023

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

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

Environmental due diligence is performed in two phases according to the ASTM methodology.

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

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

The guiding principle behind this approach consists in an attempt to establish links between a hazardous source and a potential receptor via an exposure pathway. Risk assessment is the process of collating known information on a hazard or set of hazards in order to estimate actual or potential risks to receptors. Receptors may be humans, water resources, a sensitive local ecosystem or future construction materials. Receptors can be connected with the hazard via one or several exposure pathways (e.g. direct contact). Risks are generally managed by isolating or removing the hazard, isolating the receptor or by intercepting the exposure pathway. Without the three essential components of source (hazard), pathway and receptor, there can be no risk. Thus, the mere presence of a hazard at a site does not mean that there will necessarily be attendant risks.

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

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

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

Nominee services are used when a nominee (fiduciary) looks after the assets on someone else's behalf and acts in their best interest. Such a person is usually nominated based on a contract between the client and a professional provider, which means the nominee is not someone from the client's staff.

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 Czechia? If so, CzechInvest's sourcing services are crucial for you.

CzechInvest's Sourcing Department

CzechInvest established its Sourcing Department 27 years ago with the aim of seeking out suitable Czech suppliers and joint-venture and acquisition partners to ease the start of production for foreign investors in the Czech Republic. Sourcing is frequently used by manufacturing companies that are considering establishing or expanding their manufacturing activities through either a greenfield investment, an acquisition or a joint venture. The Sourcing Department's services are provided free of charge.

Supplier market screening

In 2023, sourcing specialists prepared 77 market screenings of Czech suppliers for 52 clients from 22 countries. The strongest demand for supplier market screening was from Japanese companies, followed by German, Czech, USA firms. Market screenings are prepared based on CzechInvest clients' specifications and contain valuable information such as maps of locations and revenue-per-employee ratio charts of selected suppliers, as well as detailed company profiles comprising information on, for example, quality certificates, specifications of products and technical equipment, and major customers.

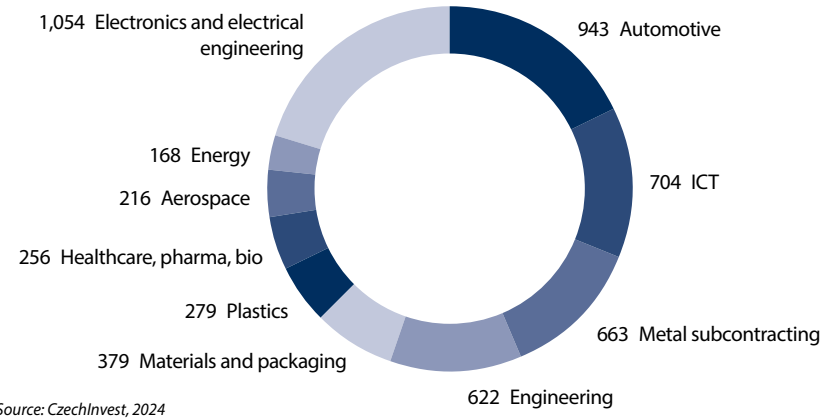
Visits to Czech suppliers

Based on the market screenings, foreign companies shortlist selected Czech suppliers. Sourcing specialists are prepared to help foreign companies organise visits to selected suppliers and assist them during such visits. Services include formulation of itineraries of business trips in 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 almost 3,700 Czech manufacturing and ICT companies. Suppliers are classified into ten sectors (e.g. automotive, aerospace, engineering) and further sorted into subcategories. Typical suppliers are companies engaged in, for example, plastic injection moulding, metalworking, CNC machining or mechanical engineering. Registration in the sectoral database of suppliers is available on CzechInvest's website and is free of charge. Investors and companies from all over the world use the database to find suppliers or joint-venture partners that best suit their needs and to get an overview of status of supply in relation to a specific sector. The database is used by global companies such as BMW, Boeing, Cisco, Microsoft, IKEA, DHL, Nikon, KPMG, Siemens and Jaguar Land Rover, among many others. ■

Number of companies in the database by sector in 2023



Source: CzechInvest, 2024

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CZECHINVEST

Advantages of outsourcing to a business services centre

Czech Republic is a great location for business services centres (BSC). Most of them have a captive business model providing services to their respective internal organisations. However, if you find in Czech Republic a BSC that provides business process outsourcing services to external clients, a spectrum of financial and operational benefits opens up.

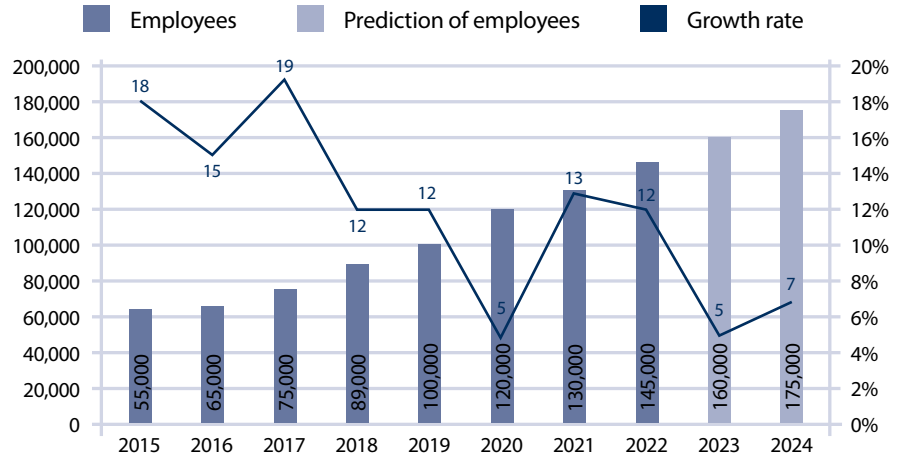
An external business services centre can take over your firm's non-core administrative activities, insource them in a centre located in a country with lower costs, and then digitise and automate them. This fast, flexible and scalable end-to-end solution allows the following:

- increasing customer satisfaction
- increasing quality of service and security standards
- harmonisation of processes across territories
- reduction of costs by 15%-30% on average while eliminating the financial risks associated with the organisation's operations
- transparent financial and customer service reporting
- maintaining high ethical standards
- better positioning for future growth

BSC will achieve all this by employing a dedicated multi-language customer service team supported by a well-established process for quality and continuous improvement, internal security management, 24-hour IT surveillance and help desks, continuous back-up of the entire IT environment, anti-phishing and anti-ransomware measures. At the same time their clients do not have to worry about recruitment, training, onboarding, managing employees, retention, remuneration or planning of substitutes during vacation and sickness. It is important to add that by outsourcing organisation's non-core activities, client's resources can be allocated more effectively to the core competencies.

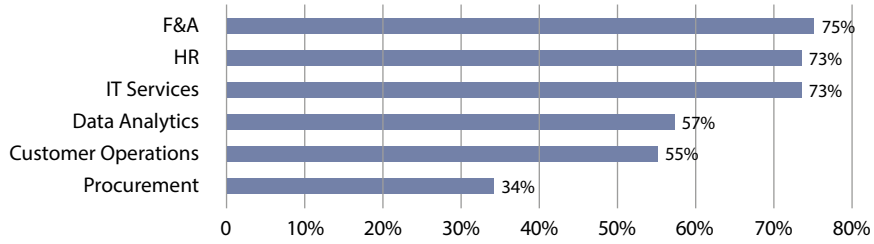
So why is the business services sector so successful in the Czech Republic and growing faster than any other sector here? That is primarily thanks to the rapid development of information technology and expansion of the scope of existing centres, as well as to global digitalisation and the attractiveness of the Czech Republic for investments in business services.

Growth of business services in the Czech Republic



Source: ABSL Survey 2015 - 2023

Top services areas provided from the Czech Republic



Source: ABSL Survey 2023

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Sony DADC

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

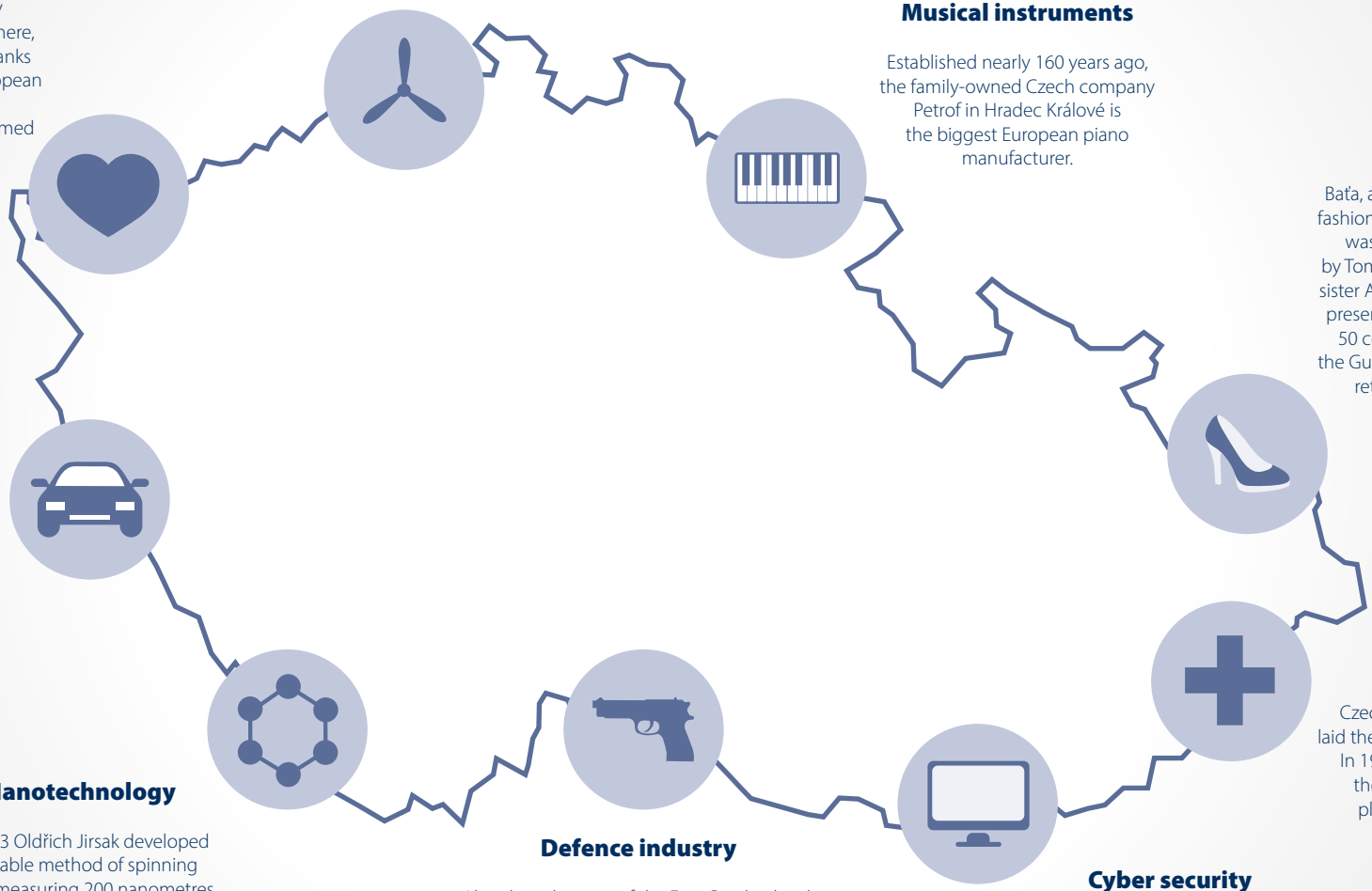
In 1910-1912, Czech scientist Viktor Kaplan invented the Kaplan turbine, which became the most significant type of turbine used in large hydropower plants around the world.

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 in the world.

Automotive industry

The Czech Republic produced 1.3 million cars in 2022. The most significant Czech carmaker is Škoda Auto, which has been in existence for over a century. Czech trams are also well known elsewhere in the world.

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 2022, the global semiconductor shortage, continuing difficulties in supply chains and logistics, the reverberations of the COVID-19 epidemic in China and the problems caused by the impact of the war in Ukraine continued to affect the closely interconnected global industry. These were compounded by the extreme increase in energy prices and high inflation, which threatened the competitiveness and sustainability of manufacturing in the Czech Republic and, for a significant part of the supply sector, their very existence.

Similarly, to several previous years, 2023 was not an easy year for the domestic car industry. The entire supply chain faced several challenges in the form of the impact of the ongoing Ukrainian-Russian war and the newly emerging Israeli-Palestinian conflict. Year-on-year volatility in production, although lower, continued to be particularly pronounced in the spring and summer months, when unpredictable natural events resulted in production curtailments at some end producers. All of this, of course, had an impact on companies in the supply chain. The sector continued to face high prices for some inputs, including energy. A separate chapter is the still unsatisfactory situation on the domestic labour market in the form of staff shortages in both highly specialised and operator positions.

However, despite these challenges, the Czech car industry has demonstrated its resilience and experience gained over the past years and has achieved very good results in 2023. The 14% increase in production and the total number of 1,423,979 road vehicles produced is thus a clear approach to pre-crisis production figures. By segment, the Czech Republic produced 1,397,816 passenger cars, 5,253 buses, 1,432 trucks, 755 motorcycles and 18,723 trailers. Škoda Auto is the largest producer of passenger cars, accounting for almost 62 % of the total production volume and producing 864,889 units at its two Czech plants in Mladá Boleslav and Kvasiny. This is followed by Hyundai Motor Manufacturing Czech with 340,500 vehicles (24% share) produced at its plant in Nošovice in the Moravian-Silesian Region and Toyota Motor Manufacturing Czech Republic in Kolín with 192,427 vehicles (14%). The largest bus manufacturers are IVECO Czech Republic (4,741 buses) and SOR Libchavy (492 buses). The traditional TATRA brand produced 1,432 trucks at its Kopřivnice plant. Last but not least, the group of final manufacturers also includes producers of small and large trailers, which together produced 18,723 trailers and semi-trailers.

The automotive industry at a crossroads

The automotive industry, affected by several of the above-mentioned problems, has been in an operational crisis for almost 4 years, from which, thanks to its resilience and accumulated experience, it has found a way out in 2023. At the same time, however, it faces the challenge of transformation brought about by technological progress, pressure to decarbonise and green mobility.

One of the current challenges is the EU's proposal on CO2 emission standards for new passenger cars and light commercial vehicles, which requires that from 2035 new vehicles can only be sold in the EU with zero CO2 emissions. Although the automotive industry is a major investor in measures to reduce CO2 emissions, we consider the target set by the proposal to be very ambitious and will be unconditionally dependent on the fulfilment of several conditions, such as the sufficient development of recharging and refuelling infrastructure, the availability of raw materials or the real applicability of technological neutrality for powertrains. Another major challenge is the new form of the Euro 7/VII emission norm, which, although noticeably more realistic than the original proposal, remains completely counterproductive for the automotive industry. Instead of improving transport emissions, it effectively diverts much-needed resources away from investment in battery and hydrogen vehicle technology.

Moreover, it is not only the product itself that is changing, but also production in general and the entire automotive value chain. ESG (Environmental, Social and Corporate Governance) sustainability will certainly bring new opportunities for many industries, including the automotive industry. While these new trends pose some threats, they represent an opportunity for many companies to strengthen their position in supply chains and move towards higher value-added production.

The Automotive Industry Association has been monitoring and stimulating discussion on the main trends and challenges for several years. Emission-free mobility and production, digitalisation and automation, connectivity, the use of artificial intelligence and the development of technologies for autonomous vehicles are crucial topics for the future of the Czech economy. Cooperation with players from other sectors - energy, IT and telecommunications - and active collaboration with the government and other stakeholders at national and European level are also crucial for the success of the Czech automotive industry.

The Czech automotive industry has and will always have truly high ambitions. The industry is well prepared both for the actual production of future vehicles and for the provision of comprehensive services throughout the sector. The Czech Republic has the chance to become an innovator and a technological leader.

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Mobility

Thanks to its more than one-hundred-year history of precision engineering and its exceptional location, good infrastructure and highly skilled workforce, the Czech Republic plays a significant role in the automotive industry and related sectors. The country is home to three key automobile manufacturers, namely Škoda Auto, Toyota Motor Manufacturing Czech Republic and Hyundai Motor Manufacturing Czech. The Czech Republic also offers outstanding business opportunities for suppliers and is prepared to strengthen its position as one of the leading European centres for design and research and development in the mobility sector.

The sector has recovered from crisis attacking pre-pandemic volumes. According to the available data, domestic passenger car manufacturers increased production by 16.2% year-on-year in the first ten months of 2023, producing a total of 1,162,315 vehicles. Production of electric vehicles also increased. In the same period, a total of 157,856 units were produced, including 114,024 pure electric passenger cars and 43,811 plug-in hybrid passenger cars. The increase in the number of passenger vehicles produced since the beginning of the year, or the figures for October alone, when production jumped by 42.9% year-on-year and even exceeded the volumes of the pre-crisis year 2019, are all clear confirmation of the vitality of domestic passenger vehicle manufacturers and good news for the economy as a whole. The same can be said about the growing interest in battery-powered cars.

The Czech Republic also includes other important mobility sub-sectors such as the production of railway equipment (ŠKODA Transportation), trucks (Tatra) and buses (SOR, IVECO), as well as agricultural equipment (Zetor) and aviation technology (Aero Vodochody, Aircraft Industries, Primoco), which is also undergoing major development due to war in Ukraine. However, other solutions are also being developed, e.g. for autonomous driving (Bring Auto, Vanilla robotics) and solutions for urban mobility, such as Road Twin and Citya.

The Czech Republic is a competitive location for establishing research and development centres. Its technical universities and research centres routinely collaborate with global manufacturers and provide services in the area of research, development and testing. Valeo already has research centres for autonomous technologies here and BMW and Accolade are currently working on such centres of their own.

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Defence

The Czech defence and security industry is well known for its long history, unique structure, high-quality products, and strong innovation potential. Czech producers of military equipment have always struggled with the limited options of the domestic customer base resulting from the small size of our country and its armed forces. Therefore, the Czech defence and security industry is export-oriented, as exports account for approximately 90 % of its production. Czech producers of defence and security technologies have had to constantly innovate their products to be competitive, mainly in foreign markets. The Czech defence industry develops and manufactures some of the world's most unique and highly sophisticated technologies, including passive surveillance systems, light combat aircraft, and military jet-trainer aircraft. Compared with foreign competition, the Czech defence industry excels primarily in high-tech innovations. Czech military technologies are very sophisticated, and it is always necessary to adapt them to the needs of customers and their technical requirements, which often involves integration with existing systems. Thanks to thorough care for delivered products throughout their lifecycle, continual modernisation, and a willingness to cooperate with local companies in export destinations, Czech defence companies can beat their foreign competitors in tenders worldwide. Two-thirds of Czech defence companies are, with a few exceptions, privately owned small and medium-sized enterprises. Altogether, this creates an ideal environment for foreign investors to find success in the further development of this industrial sector, which is gaining more and more importance in today's world. The Czech defence and security industry has an excellent reputation and tradition in Europe and globally. Thanks to the first-class quality of Czech products and the considerable flexibility and adaptability of Czech manufacturers, there is great interest in the Czech defence and security industry worldwide.

The Defence and Security Industry Association of the Czech Republic (AOBP) currently has more than 170 member companies developing, manufacturing, and trading with military equipment (accounting for 30 % of total turnover) and dual-use and civilian technologies. Czech companies have proven their enormous resilience and adaptability many times. Fortunately, even during the covid-19 pandemic, exports of military equipment were even higher than in previous years. Before the Russian invasion of Ukraine, the total turnover of AOBP member companies was nearly EUR 2 billion, with value-added reaching EUR 630 million. And last year's export of military equipment and dual-use goods was a record, even more than doubled compared to the previous year. Almost half of last year's exports were exported to Ukraine. In total, AOBP member companies employ more than 20,000 people, roughly one-quarter of whom have a university degree. AOBP is an important contact point for Czech state authorities (Ministries of Defence, Interior, Industry and Trade, and Foreign Affairs), as well as for institutions, structures, and projects within the European Union and NATO, and similar foreign associations, and enterprises interested in cooperation with Czech companies and their products. AOBP also signed several agreements with ministries and foreign associations and is a member of or cooperates with several organisations and institutions within NATO and the European Union.

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Aviation

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, one definitely has to also 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 and know-how 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 and 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 a broad industrial base and very good know-how in many technological fields. The country ranks eighth in the world in Harvard University's Economic Complexity Index, which is an indicator of the diversity of a country's export products and their sophistication.
The manufacturing industry accounts for more than 25% of Czech gross value added, one of the highest figures in Europe and 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 such as Bombardier Transportation, Daikin, Doosan Edwards, GE Aerospace, Honeywell, Komatsu, Otis, Rieter, Robert Bosch, Sandvik, Siemens and many other global leaders, which have already established their manufacturing operations and R&D centres in the Czech Republic.
The most significant areas in which Czech companies are highly competitive on the global scale include, for example, manufacturing of electron microscopes, advanced machines and tools, monocrystalline materials, electron lithography for holographic applications, and air guns, as well as research of nanostructured and crosslinked polymeric materials and production of nanoparticles for special purposes. The Czech Republic is the 8th largest exporter of machine tools in Europe per capita and the share of high-tech products in Czech export now exceeds 20%.
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 electron microscopes, monocrystalline materials and equipment for the production of nanofibers, the country is now also bringing innovative solutions to the market in the areas of semiconductors, nanomedicine and new types of batteries. The stable number of engineering students and the country's high-quality R&D infrastructure are also contributing to the development of this sector.

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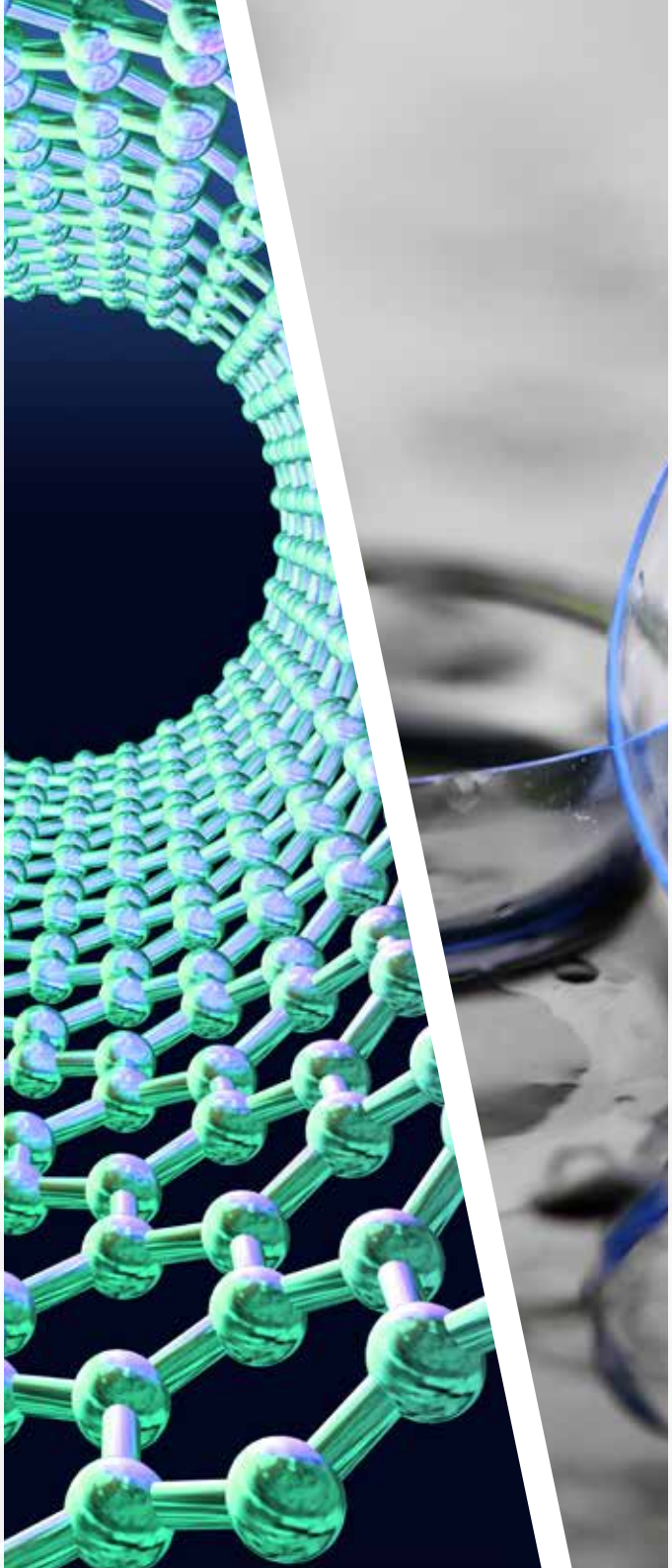

Healthtech

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 some 450 million customers.
The Czech Republic has become an attractive location for cooperation in the field of health-related research, development and production thanks to the government's fiscal measures combined with the results of scientific and research activities, the country's traditionally high level of education and health care, tax relief for R&D and investment incentives for high value-added activities.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

The Czech Republic is one of the best European destinations for investments, where talent, level of education and innovativeness create suitable conditions for the growth of technology. All these externalities have enabled many companies to grow while attracting a strong inflow of projects with high value added from leading global tech companies. It's not surprising that the Czech Republic is still, even today, one of the countries where Google has a strong local competitor, in this case Seznam.cz, which for more than three decades has been making localised products that challenge/compete with those of Google. No other country where the Latin alphabet is used has such a local champion.
Artificial intelligence (AI) is coming to the forefront and the Czech Republic is a remarkably strong and significant AI hotspot. Many companies have their AI research teams and activities in the Czech Republic and collaborate with world-class researchers at local universities. Companies like Resistant.ai and Rossum.ai have attracted significant investments in recent years and may soon be joined by others. CzechInvest is keeping up, as AI is one of the main technologies that the agency supports within its AI HUB, while its Technology Incubation (TI) project is an effective tool for supporting startups. AI was the most prominent field in the first call of the TI project, when 35% of applicants referred to themselves as AI startups. The first startups are being incubated since 2023 with many more to follow in the coming years. Around 30 AI startups are incubated in 2024.
New trends and technical advancements, such as challenges in AI, are actively supported by numerous programmes, national strategies, outstanding research centres and universities. The noteworthy regional entities prg.ai, or Brno.AI have assembled and actively participated in local AI ecosystems that have universities at their core. Academics and researchers are successfully coordinated within AI Czechia, an initiative that brings together AI researchers with an objective similar to that of CzechInvest, prg.ai and Brno.ai, i.e., to make the Czech Republic an outstanding location for AI innovation with global reach.
Prague and Brno are the biggest hotspots for AI research in the Czech Republic and the home of more than 80% of all AI companies and researchers. It's worth taking note of AI Days, an event that offers the opportunity to approach the local AI community. The first edition of AI Days, which was held in Brno in 2022, was rated as a major success, and it was thus agreed that future editions will take place in other regions of the country. In 2023 Dny AI took place in Prague, Brno, Ostrava and Plzeň, making it the biggest nation-wide event in Europe. 4 weeks were packed with meetups, hackathons, pitch contests, speeches and showcases of what AI can do. Stay tuned for Dny AI 2024!
At CzechInvest, we believe there is huge potential in AI that is yet to be discovered, as the Czech Republic has world-class researchers in NLP and machine perception, among other areas, and more of the country's world-class startups will provide their services around the globe in the years to come.

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Creative industries

There is a global trend focused on developing economies through innovation, a skilled workforce, and fostering creativity. This trend has the potential to facilitate the transformation of the Czech Republic's economy. The creative industries, encompassing technology, research, culture, and business, represent a rapidly growing sector in the country, generating skilled jobs and supporting overall economic growth. These industries span design, fashion, architecture, advertising, software, gastronomy, film, television, radio, digital games, publishing, and music. Despite textbook definitions, the pivotal role is played by human skill, talent, and creativity.
Leveraging its robust historical and cultural background, a variety of study programs, and an extensive ICT infrastructure, the Czech Republic holds a strong position in sectors like the gaming industry, virtual and augmented reality, design, architecture, film, and crafts. Despite economic challenges such as the COVID-19 crisis, inflation, and an energy crisis, the creative industries, particularly the audiovisual and gaming sectors, continue to thrive. The National Recovery Plan aims to provide systematic support for creative industries, outlining reforms and investments planned until 2026. Notably, there are numerous success stories of creative companies and individuals that contribute to the Czech Republic's pride. Czech designers, especially those in industrial and product design, have received recognition such as the prestigious Red Dot Award. The impact of Czech companies like Mmcité is evident in the incorporation of their products into smart cities and public spaces worldwide. Renowned global exporters of Czech glass products include companies like Bomma, Lasvit, Preciosa, TON, Rückl, and Moser.
The gaming industry is a notable success for the Czech Republic, featuring popular games like Beat Saber, Kingdom Come: Deliverance, Mafia, Euro Truck Simulator, Machinarium, Arma 3 and more. Additionally, there exists a czech consultancy firm named Cyber Sail Consulting, specializing worldwide in bridging the communication gap between investors/publishers and creative individuals. Incubation centers, like Creative BIC under the Technology Incubation program by CzechInvest Agency, play a crucial role in supporting the financial and non-financial aspects of creative startups. Other centers, including KUMST and Gamebaze in Brno, contribute to the evolving landscape of creative entrepreneurship in the country.

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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. In 2021, the Hydrogen Strategy and the Strategic Framework of the Circular Economy for the Czech Republic were approved, as well as an amendment to the Act on Supported Energy Sources, which opens space for the possible inclusion of photovoltaics in auction support. However, the biggest challenge in the decarbonisation of the Czech Republic lies in the energy sector. That is why it is great news that in October 2023 the Update of the National Energy and Climate Plan of the Czech Republic was released, followed by the approval of the Renewable Energy Sources Acts (LEX OZE 1,2,3 in CZ), which change the rules of the game quite fundamentally and introduce the principles of community energy or flexibility accumulation.

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. Also, University Centre for Energy Efficient Buildings (UCEEB) under CTU A major scientific research institution in the Czech Republic, focused mainly on sustainability in the building industry. Its main objective is to develop the field of energy efficient buildings and sustainable construction through a multidisciplinary approach, working with waste, innovative technologies, and materials.

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 Chinese company Wanhua manufactures base chemicals at its plant in Borsodchem 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 Pardubice.

There are several main challenges ahead for the chemical industry, such as decarbonisation, 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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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 27 % of Czech economic output, which is more than in neighbouring Germany (24 %) or far above the EU average (20.6 %). Production of motor vehicles and their components holds the strongest position and dominates Czech industry, accounting still for more than a quarter of total manufacturing revenues and a fifth of total exports from the Czech Republic.

Industry 4.0 and robotisation of production is a hot topic

The industrial sector around the world has been undergoing major changes for several years. A frequently mentioned trends include the digitalisation of production, and everything related to concepts such as Industry 4.0, Internet of Things, cloud, big data, predictive maintenance or machine learning. Alongside this, a reduction in the prices and accelerating computing power of new technologies is occurring worldwide. The result is that the introduction of new robots into production is growing globally. Mostly in the sectors that are also dominant in the Czech economy, i.e. in the automotive, electrical engineering and metalworking industries.

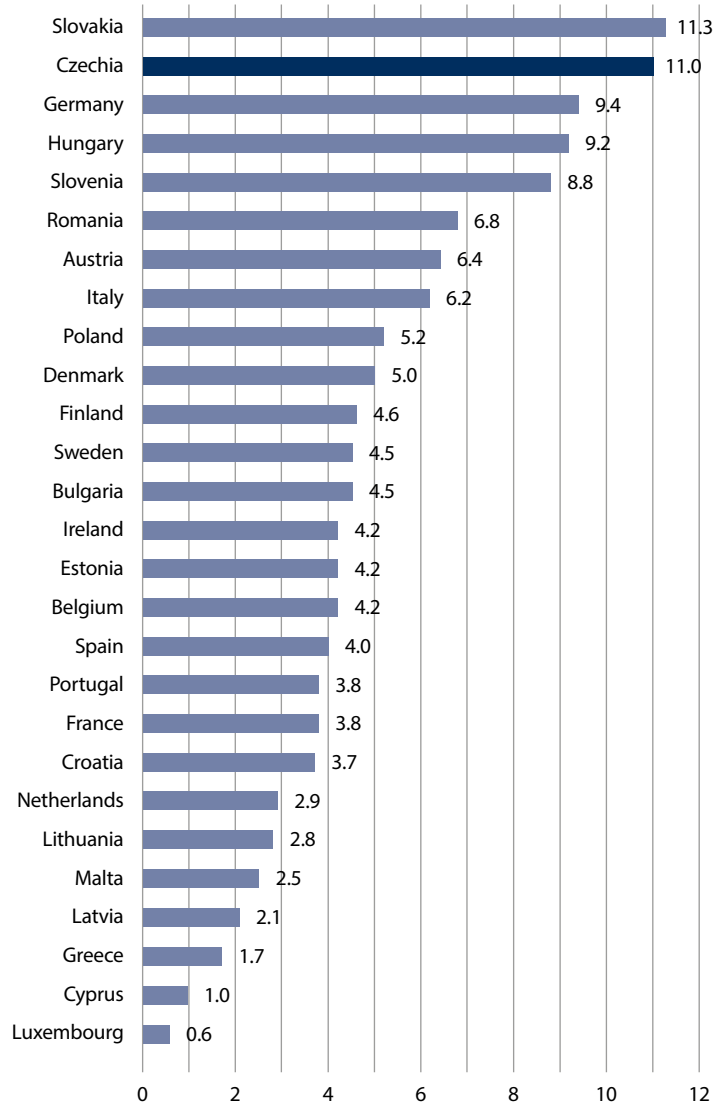
The number of robots in the Czech Republic is growing, the potential is still high

According to data from the International Federation of Robotics, 168 industrial robots per ten thousand employees were involved in production in the Czech manufacturing industry in 2021. Nevertheless, the Czech manufacturing industry's level of robotisation is still only two-fifths that of the advanced industrial nations Germany and Japan and one-sixth that of the global leader, Republic of Korea. Therefore, there is still strong potential for the involvement of robots in the manufacturing sector in the Czech Republic.

Well-educated, trained and skilled workforce

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,

Employment in high-tech and medium high-tech manufacturing sectors and knowledge-intensive service sectors (in % of the total economy, 2022)



Source: Eurostat, 2023

the Czech Republic has been among the European countries in Europe with low unemployment, which still holds true today, as the country currently has the lowest unemployment rate in the EU. This reflects the strong motivation of the Czech people to work, as well as the common sense that is typical of the key labour-market actors. As the economic structure demands, the labour market offers a well-educated, trained and skilled workforce, mostly in technical professions. For example, the share of people employed in high-tech manufacturing in the Czech Republic is one of the highest in the EU. This is an essential condition for further robotisation, as well as an advantage of Czech industry.

The payback period of robots is getting shorter

With an 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 the direction, where support will be given to applicants offering more high-skilled positions for educated employees who collaborate on innovation with research and higher-education institutions.

Tailored services thanks to robots

In addition to cost effectiveness, industrial robots also have other advantages. They can work 24 hours a day, do not need rest, do not go on strike, can handle heavy objects, make fewer mistakes and are more accurate than humans. Thanks to robots, companies can increase the quality of their products, shorten delivery times and provide more flexibility in their production, i.e. supply products and services tailored to the individual requests of clients. Cheaper technology also brings forth new business models in which, for example, machines are no longer sold, but only rented. On the other hand, there are still many work activities for which automation is not suitable or is too expensive.

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Business support services

The Czech Republic has been one of the leaders in the global business services sector in the region of Central Europe for almost 20 years. Together with the constant development of digitalisation, the country's stable financial and political environment has enticed global companies to choose the Czech Republic as the final location for their Central European activities.

According to the Association of Business Service Leaders, 370 shared-services companies currently operate in the Czech Republic, where they employ approximately 160,000 people. The global business services sector has been growing by an average of 12% per year and over 66% of the companies in the sector plan to expand their activities in the next two years. The top services delivered in the Czech Republic are IT research & development, fintech, data analytics, knowledge management and HR services.

The largest number of companies are located in Prague, Brno and Ostrava. However, smaller companies are placing their activities in other locations such as Olomouc, Plzeň and Pardubice. Activities outside of Prague and Brno acount for 23% of all activities in the area of global business services. The list of existing captive and outsourced global services includes companies such as Deutsche Telekom, Infosys, ABInBev, Commerzbank and Johnson & Johnshon.

The main reason for placing shared-services centres in the Czech Republic is the quality of the country's graduates and professionals, especially with respect to IT and language skills. Furthermore, the country's well-developed infrastructure and available high-quality office space, as well as its cosmopolitan society, make the Czech Republic an attractive place to work and live.

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Banking

The Czech banking sector is unique in many respects. Most of the sector is dominated by strong European financial groups and its activities are primarily focused on the Czech Republic.

Capital position

Czech banks remain well-capitalised despite the impressive growth they have shown over the past two decades and the total level of capitalisation is well above all regulatory requirements. With capital adequacy at 23% (June 2023), Czech banks have maintained a solid position confirmed by the latest (June 2023) stress tests performed by ČNB. Czech banking sector remains resilient against the economic impact of Russian invasion to the Ukraine thanks to its profitability and low exposure to both countries. Loan portfolio of failed Sberbank was successfully acquired by Česká spořitelna.

Profitability

Czech banks are among the most profitable in Europe. With ROE around 15% (June 2023), Czech banks have generated attractive returns for their shareholders in a global comparison. Profitability of the Czech banking sector is supported by the benign environment including a strong macro picture, a prudent supervision, and a friendly investment environment.

After record profitability of Czech banking sector in 2022 supported by high interest rate environment and outstanding portfolio quality it has been normalizing in 2023 reflecting increasing cost of funds and high inflationary environment. Cancellation of remuneration of minimum obligatory reserves by ČNB and windfall tax introduction will furthermore negatively influence profitability development. Efficiency measures supported by digitisation should on the other hand partly offset these effects. Portfolio quality remains outstanding with non-performing loans below 2% (August 2023).

Volume development

In 2023, ČS expects client loans in Czech market to rise by 4.7% y/y. Over recent months, demand for housing loans improved somewhat while consumer credit seems not to have suffered despite pressure on households' spending due to high energy prices. A revival of loans to corporates on the back of after-pandemic macroeconomic boom has slowed, likely hurt by an invasion-generated uncertainty and rising euro lending rates.

The currency split of loans in the Czech banking sector shows that foreign currency lending is mostly denominated in EUR and predominantly in the corporate segment where it became increasingly popular in 2023.

For 2023, ČS expects total client deposits in Czech market to rise by 7.4% y/y. Shift to from current accounts to higher interest-bearing products and investment products reflects high interest rate environment. The pressure on firms' and households' budgets from high energy costs has been easing after energy prices decreased.

Opportunities

Further loan growth can be anticipated, as penetration still lags behind developed Europe; compared to other EU countries, the Czech market is still underpenetrated in both loans to households and corporate loans. In other words, the convergence story continues and there is still significant room to grow faster than the EU even in other product categories (e.g., investment funds and life insurance) subject to differences in national legal framework.

Despite all the challenges that 2023 brought, Czech banking sector confirmed its resilience and stability and managed to provide strong support to households, companies and the public sector and is ready to further contribute to stronger and sustainable society. The main risk for the future remains uncertainty about the development with respect to war in the Ukraine.

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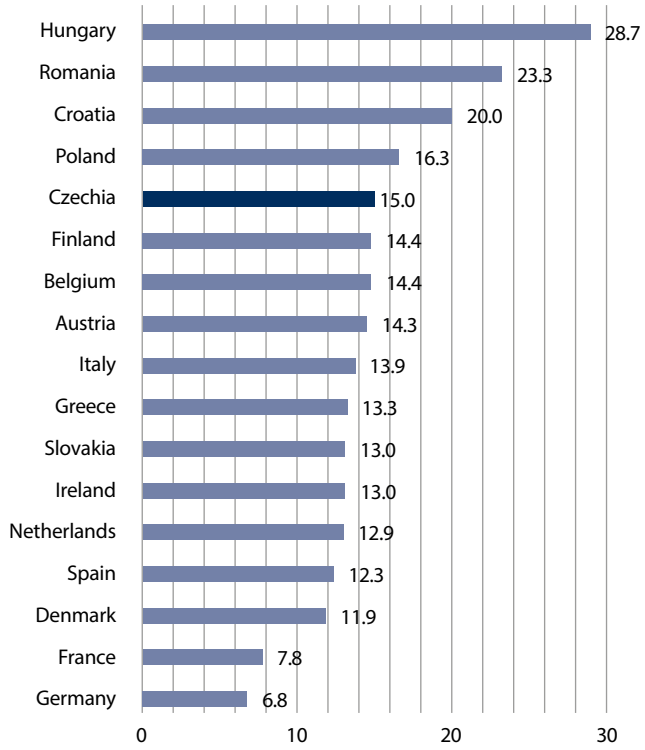
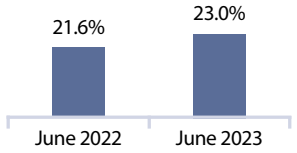
Which banking sector is the most profitable?
ROE (%), June 2022



Source: EBA, 2023

Total capital ratio of Czech banks



Source: Czech National Bank, 2023

Insurance

The insurance sector remained profitable and stable even during the period following the financial crisis of 2009 and it further remained stable and well capitalised during the COVID-19 pandemic in 2020 and 2021. It continues to be resilient in the current environment of high inflation and overall economic instability connected with ongoing war in Ukraine.
In addition, the insurance market still has significant room for further growth. In the Czech Republic, the combined share of premium billing in GDP was 2.9% for life and non-life insurance in 2022. 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 until implementation of Solvency II in 2016 (the solvency ratio for the Czech market resulted in approximately 330% of the minimal capital requirement, which in recent years has been fully comparable with the results of Europe as a whole due to an increase of capital adequacy in the overall EU data). No instability of the insurance market occurred during the transition to the new Solvency II regime. The market focused a great deal of attention on risk management in general and more specifically on the 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 a 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 declines, 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 after the pandemic and the associated adverse economic development. The Czech insurance sector has not only remained stable in terms of having sufficient capital, but has 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 consistently exceeds 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 minimised. In fact, the profit figures partially improved even in the recent pandemic and post-pandemic periods.

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, and there was no significant increase in 2022 (the latest available claims ratio results for Q1 2023 and Q2 2023 are 49% and 54%, respectively). Despite the existence and gradual increase of the severity of claims, these are still significantly lower claims ratio figures than those reached in the Europe-wide market, where this indicator for non-life insurance was approximately 65%-67% in the period from 2017 to 2019, with almost no reduction after 2020 (claim ratios of 66% in the period between 2020 and 2023).
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), the main imbalance in the per-capita insurance penetration rate 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 was approximately EUR 1,148 per person in 2022. By comparison, this figure for the Czech Republic in 2022 reached only EUR 202, 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 mostly connected in further development of risk protection in life insurance, life annuities in future pension reforms and the covering of long-term care risk.

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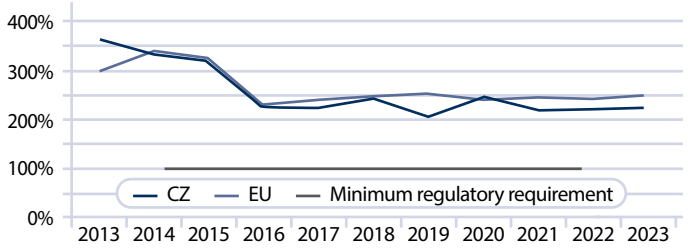
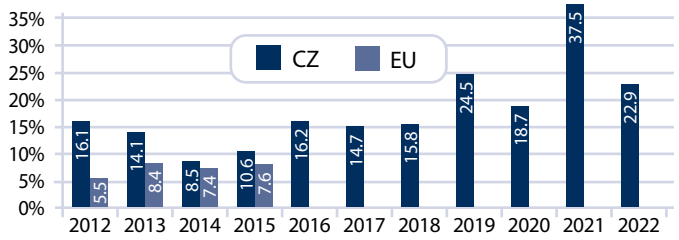
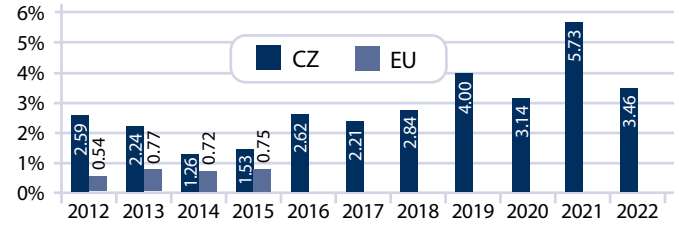
Share of available and required solvency



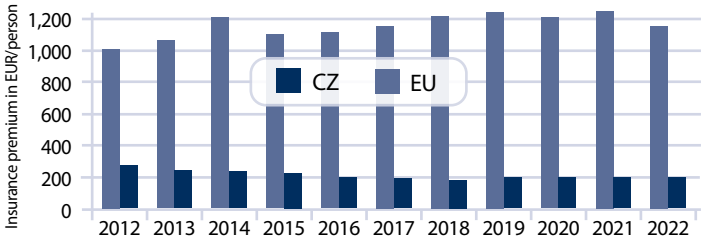
Comparison of ROE in the insurance industry – Czech Republic and EU



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



Comparison of life-insurance premiums – Czech Republic and EU



Source: EIOPA, 2022

Energy efficiency services

Progress in energy management systems opens up new opportunities for the further growth of energy efficiency approaches. Energy efficiency services allow the costs of the actual implementation of an energy management system to be 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 2023, APES has 31 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, Plzeňsky Prazdroj, Škoda Auto, Unilever, Kovohutě Přibram, Danone Benešov, Koramo Kolin, Mondi Štěti, Vishay Electronic and Eutit Stara Voda. M&T can be implemented also 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 400,000). 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 many certification bodies operating on the European market.

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Transport & Infrastructure

The Czech Republic, with its strategic location in Central Europe, serves as a vital transit hub that connects Eastern and Western Europe. The nation has been focusing on enhancing its transport infrastructure to improve economic efficiency, connectivity, and to meet the demands of increasing mobility

As of now, the Czech Republic boasts a **motorway network** exceeding 1,380 kilometers. The government's commitment to infrastructure development is evident in its plan to extend this network, with an additional 115 kilometers slated for completion within the year and another 75 kilometers to be opened in the following years. The long-term goal is to reach a total network length of 2,000 kilometers. This expansion aims to enhance domestic connectivity and facilitate smoother cross-border transport.

The Czech government has shown a growing interest in utilizing **PPP models**. One of the flagship PPP projects is the D4 motorway, with an investment of EUR 440 million. This project, expected to be completed by the end of 2024, includes the construction of 32 kilometers of new motorway and the operation and maintenance of 48 kilometers, incorporating existing segments. Furthermore, a tender for the D35 PPP motorway project, estimated at EUR 1.3 billion, is anticipated to be launched. This project will involve the construction of 35 kilometers of new motorway and the operation and maintenance of an overall 57 kilometers. These initiatives indicate a significant shift towards leveraging private investment and expertise to enhance the national motorway network.

In addition to road transport improvements, the Czech Republic is embarking on an ambitious plan to develop a **high-speed railway (HSR) network**. The proposed HSR lines aim to dramatically reduce travel times between major cities in the Czech Republic and neighboring countries. The network will encompass 700 kilometers of railway lines designed for speeds up to 350 km/h. The government's vision is to transform the country's railway system into a modern, efficient, and competitive mode of transport.

With an investment exceeding EUR 40 billion planned over the next 20 years, the focus is not only on building new high-speed lines but also on upgrading existing railway infrastructure to enhance capacity, safety, and service quality. Electrification of railway lines, modernization of stations, and the introduction of new technologies are key components of this investment strategy. These efforts are expected to significantly increase the competitiveness of rail transport, reduce environmental impact, and provide a sustainable alternative to road transport.

All these initiatives mentioned above, supported by significant investments, are set to enhance the country's connectivity, boost economic growth, and position the Czech Republic as a key transportation hub in Central Europe.

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Semiconductors

According to Market.us research, the global semiconductor market size is poised for significant growth, reaching USD 673.1 billion in 2024. The semiconductor sales are expected to witness a robust CAGR of 8.8% from 2023 to 2032. By 2032, the global semiconductor demand is anticipated to reach a valuation of USD 1.3 trillion. Semiconductors are materials used to fabricate electronic components that play a fundamental role in modern technology world. They are made of materials with intermediate electrical conductivity, allowing them to control and amplify electrical signals. Semiconductors serve as the building blocks of integrated circuits (ICs) and are vital for the functioning of various electronic devices in every area of day life, ranging from smartphones and computers to industrial machinery, automobiles or power plants and space crafts.

Czech Republic has in current EU and worldwide context exceptional position to participate on semiconductor market growth. Its semiconductor value chain (SVC) is less focused to build the new fabs on green meadow, but to expand of existing facilities, technologies, innovation, and intellectual potential to form complete Artificial Intelligence (AI) enabled SVC backend, Internet of Things (IoT), fabless industry and strong talent pool.

State of the art – Czech "Semiconductor Valley", thanks to onsemi company produces annually more semiconductor wafers (>3 mil.) and integrated circuits (IC) (>3 bil. chips) than Saxony. Each 3rd electron microscope globally is produced in Brno (ThermoFisher Scientific, Tescan and Delong Instruments), fabless RISC-V processors intellectual property (IP) is used in > 3bil. chips globally (Codasip), energy grid self-learning AI by MycroftMind and SmarterInstruments, with top innovation ranking from European Committee within Important Projects of Common European Interest on Microelectronics and Communication (IPCEI on ME/CT), is capable to run even in small sensors and in new generation of automotive, IoT and smarter chips.

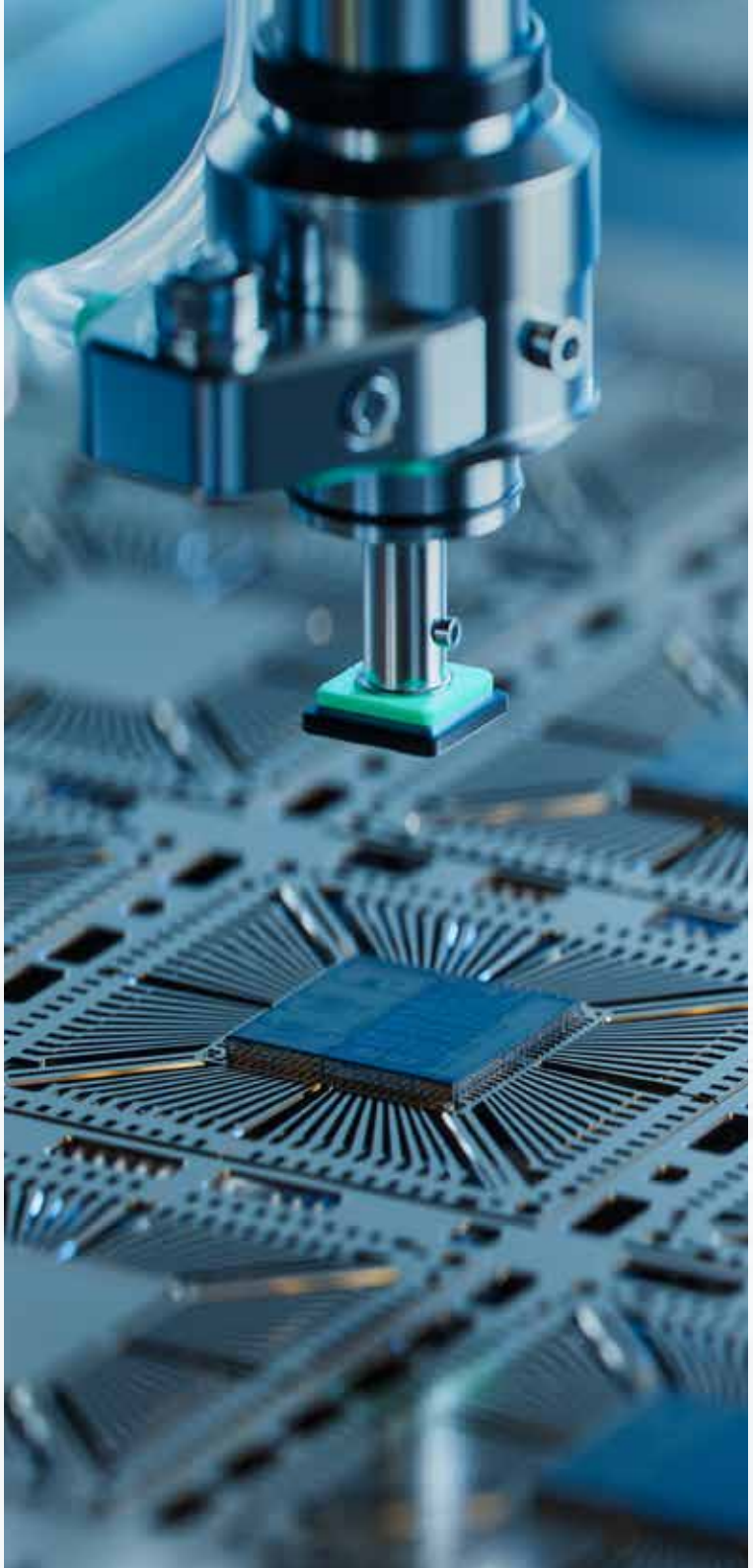
The expected growth segments for semiconductor market as mentioned above for CAGR are very well addressed in the Czech SVC – embedded AI, SVC processes AI, fabless, Electronic Design Automation (EDA) tools, Field Programmable Gate Array (FPGA), acceleration engines, power electronics (based on compound materials like Silicon Carbide - SiC), backend supporting key needs of automotive, battery, energy grid, IoT and other key application segments.

In the cooperation with government (Ministry of Industry and Trade, CzechInvest, Ministry of Education, Government office with R&D&I agenda) and regional institutions, Czech National Semiconductor Cluster (CNSC), which includes both key academic and industrial threads of the Czech SVC, represents the entry point for investors and experts to the Czech Republic semiconductor potential. CNSC established in Brno, center of the Czech "Semiconductor Valley", is driving the innovation in SVC together with alignments to EU, US and TW semiconductor clusters and institutions. Czech SVC participates on the key EU initiatives such as IPCEI on ME/CT, EU Chips Act, also became the key member of Silicon Europe Alliance – the largest EU cluster organization including more than 2,000 companies and more than 400,000 hi-tech jobs. CNSC represents Czech interests within European Semiconductor Regions Alliance (ESRA, currently with involvement of 27 EU, and UK regions).

Working in 5th order Helix, CNSC cooperates with regions to cultivate their power for the SVC. Pilot projects for strengthening of semiconductor competences will help to setup similar cooperations in Czech regions with promising opportunities also for cross regional cooperation in EU.

CNSC drives development of National Semiconductor Strategy in cooperation with Ministry of Industry and Trade, CzechInvest, Ministry of Education, Government Office, leading universities (Brno University of Technology, Czech Technical University in Prague) and other key semiconductor players to define Czech semiconductor roadmap up to 2030 and beyond.

Like top analysts, CNSC remain bullish on the semiconductor industry reaching $1 trillion around the end of this decade and we are doing our best to keep the Czech Republic in this very attractive game.



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

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