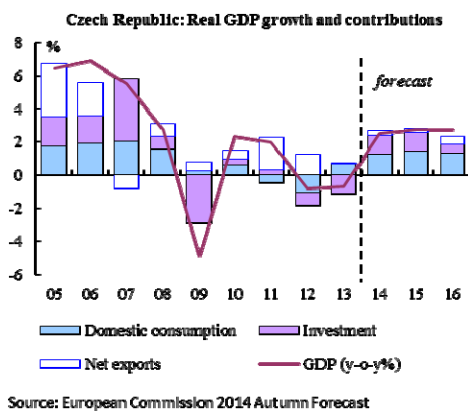


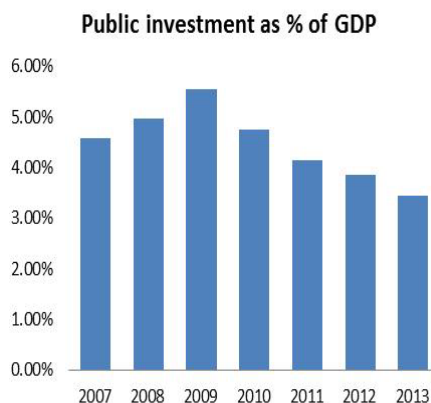
## INVESTMENT IN CZECH REPUBLIC

### What is the situation in Czech Republic?



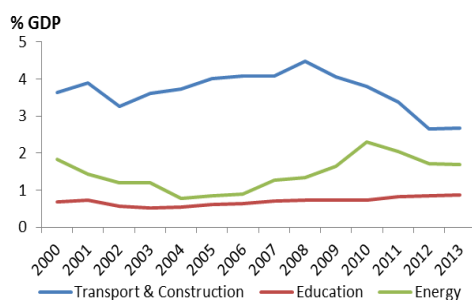
Investment in the Czech Republic has been 27 % of GDP on average over the past 10 years. In the EU as a whole, it has been 21%. Over the same decade, investment has contributed 0.5 percentage points on average to an annual real growth rate of 2.5%. At the same time, these figures mask a bigger drop in investment in recent years compared to the EU average. When looking at specific areas of investment, the shares of construction other than housing and the energy sector have fallen, probably suggesting a fall in key investment in infrastructure in recent years. Investment in equipment and the manufacturing sector has risen since the 1990s, while both public and private R&D investment has also increased. Investment is expected to be quite strong in the coming years, amid improving economic conditions and as the government works towards a best possible, efficient use of its EU funding.

### What is the main challenge?



Public investment dropped significantly in 2009-2013, mainly because it was one of the main drivers of fiscal stability measures during that time. Public investment dropped by more than 10% on average since 2010 and overall the retrenchment amounted to almost one third of the 2009 level. This is probably because of problems in using EU Funds effectively, new public procurement rules, local governments investing less, and across-the-board savings disproportionately affecting investment. This development is likely to have negative repercussions on economic growth. The key challenge ahead is to revive public investment whilst increasing its efficiency and effectiveness.

### Opportunities for investment



The most promising sectors in need of more investment include education, R&D, transport infrastructure and energy. These sectors are crucial to help move the Czech economy to growth that is based on innovation, higher value added, human capital and a low-carbon economy. The rate of investment in education has stalled in the past two decades and is still below the EU average. A big challenge is to accelerate the emergence of domestic innovation leaders and to encourage cooperation between the science and business sectors. Relatively under-developed transport infrastructure remains detrimental to the environment and to economic growth. Insufficient investment in the maintenance and reconstruction of the transport network in recent years has also led to deficiencies in safety and capacity. Finally, there is scope to invest in energy efficiency as the Czech economy is one of the most energy-intensive economies in the EU.

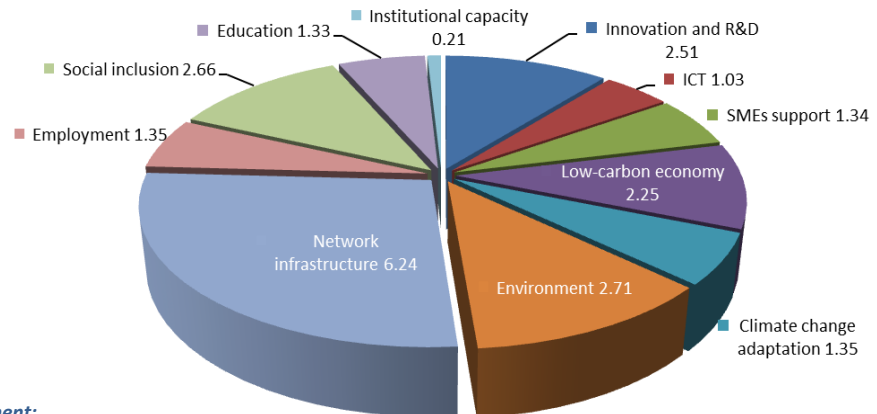
## Reforms for investment

### In the Country Specific Recommendations for Czech Republic, the European Union recommended

<ul style="list-style-type: none"> <li>Preserve a sound fiscal position: strengthen the budgetary strategy</li> </ul>	<ul style="list-style-type: none"> <li>Labour market relevance of education and training</li> </ul>
<ul style="list-style-type: none"> <li>Strengthen the efficiency and the accountability of the tax system</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate the reform of regulated professions, focusing on the removal of unjustified and disproportionate requirements</li> </ul>
<ul style="list-style-type: none"> <li>Ensure the long-term sustainability of the public pension scheme</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the efficiency and effectiveness of the public employment service</li> </ul>
<ul style="list-style-type: none"> <li>Improve significantly the cost-effectiveness and governance of the healthcare sector</li> </ul>	<ul style="list-style-type: none"> <li>Adopt and implement a Civil Service Act that will ensure a stable, efficient and professional state administration service</li> </ul>
<ul style="list-style-type: none"> <li>Step up the efforts to improve energy efficiency in the economy</li> </ul>	<ul style="list-style-type: none"> <li>Performance-based funding of research</li> </ul>

## EU funding for investment

2014 - 2020  
in billion EUR



Source: Adopted Partnership Agreement:  
[http://ec.europa.eu/contracts\\_grants/agreements/index\\_cs.htm](http://ec.europa.eu/contracts_grants/agreements/index_cs.htm)

## Past or ongoing projects for investment

### Gas interconnections

Gas interconnection (currently known as Stork II).  
Commissioning date: 2019 at the earliest  
(Czech Republic, Poland)



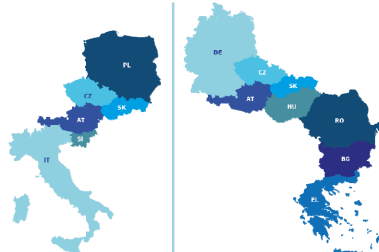
### Oil interconnections

Extension project of the Družba crude oil pipeline.  
(Czech Republic, Germany)



### Transport interconnections

Connecting Europe Facility:  
"Baltic – Adriatic" core network corridor  
(Austria, Italy, Poland, Czech Republic, Slovakia, Slovenia)



Connecting Europe Facility:  
"Orient – East Med" core network corridor:  
(Germany, Czech Republic, Austria, Slovakia, Hungary, Bulgaria, Romania, Greece)

Connecting Europe Facility:  
"Rhine – Danube" core network corridor  
(France, Germany, Austria, Czech Republic, Slovakia, Hungary, Romania, Bulgaria)

