



# EIB Investment Conference:

## Celebrating the European Investment Bank's 60th anniversary Marking 25 years of financing investments in the Czech economy

Czech National Bank, 5<sup>th</sup> of November 2018

### Conference Proceedings

On 5<sup>th</sup> of November, 2018, the European Investment Bank (EIB), with the support of the EU Delegation in the Czech Republic, organized a conference on investment in the Czech Republic at the premises of the Czech National Bank (CNB) in Prague. This was already the second annual investment conference organized by the EIB in the Czech Republic. This year was special as it was organized on the occasion of the EIB's 60th anniversary as well as marking 25 years of EIB's financing investments in the Czech economy. The EIB Vice-President Vazil Hudak as well as Alexandra Rudysarova, Deputy Minister of Industry, Czech Republic, and Tomáš Čoček, Deputy Minister of Transport, Czech Republic opened the conference with their welcoming remarks. The conference was moderated by Hana Nylander-Kaloudová, Head of the EIB Prague Office.

V. Hudak emphasized that over quarter of a century the EIB Group has definitely made its mark in the Czech Republic. The EIB Group has financed important pieces of transport, energy and social infrastructure, supported SMEs and targeted climate change. However, investment levels in the country are still not high enough. The latest EIB Investment Survey indicates that Czech companies would benefit from higher investment in education, skills and innovation to strengthen the country's competitiveness and create high-quality jobs. Both A. Rudysarova and T. Čoček pointed to the value of the EIB guarantee products and the need for technical assistance in order to better use the EU funds. They welcomed the role EIB played in upgrading the infrastructure of the Czech Republic, but stressed that more investment in infrastructure is needed.



Debra Revoltella, Director of EIB's Economics Department presented the EIB Investment Survey for the Czech Republic, and Anita Fürstenberg-Lucius, Director of EIB's CSEE Operations presented EIB current activities in the Czech Republic and EIB's achievements in the Czech Republic in the past 25 years. Two subsequent panel discussions comprised leading economists, policymakers, bankers and practitioners, who provided their views on both the economic and practical aspects of the Czech investment environment.



**D. REVOLTELLA** (EIB) presented the results of the latest EIB Investment Survey (EIBIS) for the Czech Republic. The survey confirms that Czech firms remain optimistic concerning the investment outlook. About 91% of firms invested last year and on balance, Czech firms more or less expect to keep the same level of investment this year. The main reasons for investing in the next 3 years are replacement and capacity expansion, with the manufacturing sector more prone to invest to develop new products and processes. Almost all Czech firms consider

availability of staff with the right skills as an impediment to investment, with concerns mostly referring to intermediate and low skill workers. Labour market regulation, business regulation and energy cost, (besides uncertainty), are considered impediments to firms investment by more than 70% of Czech firms. Innovation is mostly a matter of adoption of innovation. Czech firms invest relatively less than the EU average in intangibles, but manage to have an innovation profile similar to the EU average. The only exception is a higher share of firms adopting innovation, which is a rather typical feature throughout CESEE.

**S. JURAJDA** (CERGE EI) focused the first panel discussion on lack of skills and on the innovation potential of Czech firms. As a first panellist, **Z. ČECH** (European Commission Delegation) remarked that the share of workforce with secondary education, particularly the technical, is not low in the Czech Republic in comparison to EU standards, but what is missing are more initiatives on corporate level to bring quality teachers from the industry and to reconnect schools with businesses through apprenticeships and traineeships. Also, in terms of R&D spending, the Czech Republic is not far from the EU average, but what is less favourable are the results of that spending. **J. ŠVEJNAR** (Columbia University) started by quoting EIBIS that Czech firms are not investing enough in developing skills in-house. He also drew attention to the under-utilization of raising wages in the Czech environment as a tool to attract workers with skills that are missing. Czech firms need to become competitive also at higher wages, as is the case in the most innovative advanced economies in Europe. He also wondered, if low-level skills are missing, why are robots not taking over? Are Czech firms not innovating enough? The future success of the Czech economy depends on innovation and on developing the right talent. He stressed the need to raise the standard of higher-level education in the country. Transport infrastructure needs to be upgraded, too. **M. Singer** (Generali CEE) pointed out that skill shortages are universal across the whole CEE, not only in the Czech Republic. He also stressed the inadequacy of firm training to address the changing nature of jobs and workers' ambitions. The bulk of the response to address skills shortages has to come from the corporate sector, and not from the central or regional governments. **P. KRÁL** (Czech National Bank) talked about cyclical pressures on the Czech labour market. In addition, up until recently, Czech firms had been very cautious about future economic prospects, which influenced their overall investment activity, including investing in skills and training. He also pointed out the low labour mobility within the Czech Republic. The previous growth model of the Czech economy based on FDIs has largely been exhausted and now the economy needs to move up the value chain, which requires investing in innovation and skills.



**A. FÜRSTENBERG** (EIB) talked about the EIB's achievements in the Czech Republic in the past 25 years and gave an overview of current EIB activities in the country. The EIB Group has played an important role in the modernisation of the Czech economy since 1993, more than 10 years prior to joining the EU. Development of trans-European and national networks, support to projects of small businesses and devotion to climate action have been a predominant feature of EU bank's operations in the country. The first operations during the early 1990s were targeted at modernising the national roads and railway networks, supporting works on the Prague metro. The EU bank provided a helping hand after the devastating floods of 1997 and 2002. Currently, the EIB's lending operations in the country cover all major sectors of the national economy, ranging from basic infrastructure in the fields of transport, communications, energy and the environment, social, regional and municipal infrastructure to support for small and medium-sized companies via local financial institutions, and the development of a knowledge economy.



**J. JIRÁSEK** (ČMRZB) moderated the second panel on supporting investment in the Czech Republic.



He opened the discussion by mentioning the need to invest in raising productivity and addressing the skills shortages. **M. BEK**, (Masaryk University) emphasized that Czech universities produce high share of technical graduates, but like previous speakers, said that better linking education to employers is needed. He echoed previous speakers about the shortage of quality teachers. He also pointed to visa issues to attract quality foreign students. In a positive tone, **K. HAVLIČEK**,

(Czech Association of Small and Medium-Sized Enterprises and Crafts) informed that Czech SMEs invest a lot in R&D in comparison to EU average. Increasing quotas for foreign workers could also be one of the ways to address the skills gap. **J. JUCHELKA** (Komerční Banka) mentioned that the Czech labour market is overregulated and the road network is one of the worst in Europe. **R. WILKINSON**, (CTP) praised that the quality and number of technical experts has always been a strength of the Czech economy. In order to maintain this advantage, more investment in people and infrastructure is needed going forward. When asked about one investment that they would recommend, all panellists agreed on high-speed railways from Prague to Brno, Ostrava and Vienna.

*Miroslav Kollar, Economics Department*

EIB Investment Survey for the Czech Republic: <http://www.eib.org/en/infocentre/publications/all/econ-eibis-2018-czech-republic.htm>

(Photos: Prague Eventery)