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2026 Country Report - Czechia

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Czechia

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European Commission

Economic and Financial Affairs

Czechia

2026 Country Report

ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Economic growth accelerates, driven by internal demand

Growth has picked up thanks to higher private and public consumption and investments. Following two years of low growth, GDP expanded by 2.6% in 2025 and is projected to increase by 1.8% in 2026 and 2.4% in 2027. Economic growth has been driven by internal demand, which recovered to pre-pandemic levels in 2025, and is set to continue expanding, supported by the ongoing growth in real wages, improved consumer confidence, lower inflation and loosening monetary conditions. Moreover, Czech households have built up large precautionary savings in recent years, recording the second highest saving rate in the EU in 2024, at 19.9%. Public and private investments are projected to continue expanding, supported by construction and the use of EU funds. Private investment remains high, recording the highest share of GDP among EU countries in 2024, at 21.8%.

Rapid growth in imports is expected to reduce the positive trade balance. Accelerating internal demand is projected to push import growth. This is only partly counterbalanced by an increase in exports, supported by the expected fiscal expansion in some of the main trading partners. Goods represent 83% of exports, with the automotive sector remaining the largest contributor. While reliance on trade brings ample benefits to the domestic economy, it also exposes it to uncertainty from trade policy and economic developments in the main trading partners. Energy price shocks also have a negative impact on net exports. Therefore, net exports are forecast to hamper GDP growth in 2026.

Inflation is on a declining trend but will be impacted by energy price shocks. Inflation rates eased over the past two years, following the large shocks recorded in 2022 and 2023. Salaries continue growing faster than inflation, leading to renewed growth in real wages. However, the recent shocks to global energy prices are expected to push up energy inflation, impacting, among others, energy-intensive industrial sectors and households. These developments are expected to push up inflation from 2.3% in 2025 to 2.7% in 2026 and 2.8% in 2027.

The labour market remains tight despite slightly easing. The weak performance of some parts of the industrial sector led to the unemployment rate rising, from 2.2% in 2022 to over 3% in the last quarter of 2025. However, the rate remains the lowest in the EU. Higher female labour force participation led to an increase in the overall employment rate, which stood at 82.7% in the last quarter of 2025, well above the EU average of 76.3%. Therefore, labour market shortages remain a major restriction on investment and economic growth.

Significant spending pressures require increasing budget efficiency

Public debt remains relatively low, but the budget deficit is set to rise. Gross government debt was 43.4% of GDP at the end of 2025 and is forecast to rise to 47.2% in 2027. Czechia's government balance (the difference between government revenue and expenditure) recorded a deficit of 2.1% of GDP in 2025, slightly up from 2.0% in 2024. On 21 January 2025, the Council adopted a recommendation endorsing the national

medium-term fiscal-structural plan for 2025-2028. Under its plan, Czechia committed to limiting net expenditure growth. A fiscal effort of around 0.5 percentage points (pps) would be needed to achieve the target structural primary balance of 0.4% of potential GDP in 2028. The structural balance remains weakened by the permanent income tax cut introduced in 2021 and the impact of tax expenditures. The economic strategy of the newly elected government includes a rather large stimulus package. While the final budget for 2026 suggests only modest spending increases compared with 2025, it is unclear how much overall spending will increase in the medium term.

Persistent structural deficits and spending pressures underscore the need to prioritise public finances. Czechia faces low-to-medium risks associated with fiscal sustainability. However, given medium- to long-term spending pressures, such as those coming from the ageing population, climate change and challenges to the way the economy currently generates growth, further reforms are needed to boost competitiveness, productivity and sustainability. The government struggles to prioritise public finances and put expenditure to its most productive use, make the tax and benefit systems more efficient, especially in the labour market and social security, and improve the quality of services, including in education and healthcare.

The potential for better-quality public finances remains untapped. On the revenue side, the taxation system contains regressive elements and distorts the economic incentives in the housing and labour markets (see Box 4 in Section 4). The 2025 country-specific recommendations (CSRs) addressed challenges in the labour market participation of low-income earners and the need to reduce their tax burden, including health and social contributions. No substantial measures have been adopted. On the expenditure side, Czechia is one of the few Member States with no practices of performance budgeting or spending reviews ([1]). The government has committed to prioritise a responsible, efficient and transparent use of public funds, aligned with the state budget and strategic investments. Nevertheless, there is no plan to continue with the recently piloted performance-based budgeting or spending reviews. Czechia would benefit from moving away from the traditional input-based budget structure to a performance-oriented system that links expenditure to policy objectives and measurable results.

Further encouraging older workers to stay in employment would help decrease risks to fiscal sustainability. The 2025 CSRs highlighted remaining risks to fiscal sustainability and the need to encourage older workers to stay in employment rather than claiming their retirement pension; however, no substantial measures to this end have been adopted. Further policy action would be needed, based on a proper cost-benefit analysis of what motivates people close to retirement to work longer.

Fully implementing the recently adopted pension reforms will be crucial for limiting ageing-related fiscal pressures. In 2024, Czechia adopted legislative reforms addressing the long-running CSR on pensions. The reform primarily seeks to gradually raise the statutory retirement age to 67 by 2056. However, according to the programme statement of the newly elected government, this increase in the statutory retirement age is no longer being pursued. In addition, the pension formula was adjusted to slow the growth of newly granted pensions. Furthermore, the maximum duration of early retirement was reduced from five to three years, and eligibility conditions for early retirement were made stricter. In combination with the penalty system for early retirement, these measures are projected to increase the effective retirement age and limit the increase in public pension spending in the long term by around 2 pps of GDP (see Annex 2). Czechia's old-age dependency ratio (the proportion of

([1]) 2023 OECD Survey on Performance Budgeting - Country Fact Sheets.

older people to working-age people) is projected to deteriorate rapidly after 2030 ([2]).

Supplementary pensions only play a minor role in retirement income. Supplementary pension schemes can boost the resilience of the pension system by diversifying retirement income sources. In Czechia, supplementary pensions rely mostly on voluntary third pillar pension schemes. However, their uptake remains limited. The participation of young employees – and their average contributions – in third pillar pensions are low. Moreover, the statutory cap on pension fund fees seems ineffective in preventing fees from eroding pension fund returns (see Annexes 2 and 6).

Czechia has announced a gradual increase in defence spending by 2030, partly relying on EU funds. To facilitate more public spending on defence, the Council activated the national escape clause (NEC) for defence for Czechia ([3]). The country is expected to increase defence expenditure by 0.3 pps of GDP between 2021 and 2026. It could increase defence spending by another 1.2% of GDP (up to the 1.5% of GDP cap) to fully benefit from the NEC for defence. Following an assessment by the Commission of Czechia's national defence investment plan under Security Action for Europe (SAFE), the Council adopted a decision that makes up to EUR 2.06 billion in financial assistance available to Czechia for strategic defence projects in 2025-2030. The expenditure financed by loans from SAFE instrument will automatically benefit from the NEC flexibility.

The Czech economic model faces significant structural challenges

The Czech economy remains characterised by high trade openness and strong industrial output, but productivity growth has slowed. The economy relies heavily on imports and exports, with exports accounting for 74.8% of GDP in 2025. This is due to the significant role of the industrial sector, which makes up 25.7% of total gross value added, the second highest in the EU, despite a gradual expansion towards services. A high percentage of firms are foreign-owned, accounting for 40.1% of gross value added, the seventh highest in the EU, even though this trend is declining. Since 2022, Czech firms have been facing significantly higher energy prices and higher nominal unit labour costs. Together with the appreciation of the Czech koruna over 2025, this led to an increase in the real effective exchange rate, negatively affecting the price-competitiveness of the country's exports. These developments increasingly strained Czechia's growth model, pushing for a gradual shift from energy-intensive sectors towards higher value-added services, such as in the ICT sector, which grew from 5% of national value added in 2016 to 7.5% in 2025. In this context, tight labour market conditions and the low mobility of workers weigh further on economic and productivity growth: labour productivity per hour worked was negative every year between 2022 and 2024, and the labour productivity gap with the EU average has stopped narrowing since 2020.

([2]) https://economy-finance.ec.europa.eu/document/download/f6fd1e81-2434-4729-bc36-28f9e6a79eb9_en?filename=CZ_final_2025.pdf.

([3]) The activation of the national escape clause provides Member States with budgetary flexibility to increase defence expenditure, without an immediate need to finance that increase with spending cuts or revenue-raising measures. The flexibility therefore gives Member States the necessary time to accommodate higher defence expenditure within national budgets.

Box 1: Key achievements of the Recovery and Resilience Plan

The Recovery and Resilience Plan (RRP) of Czechia represents a total envelope of EUR 8.75 billion, corresponding to 2.74% of GDP. It aims to support reforms and investments contributing to the green and digital transitions, strengthen economic resilience and address long-standing structural challenges identified in the European Semester.

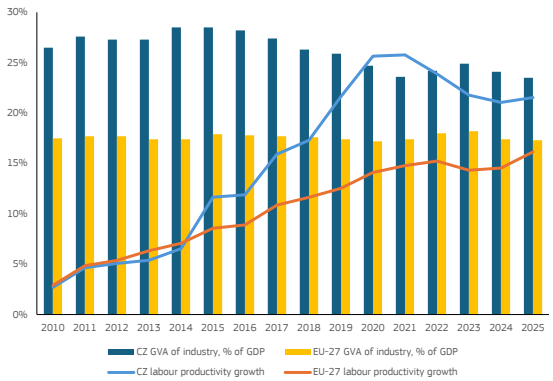
As of 8 May 2026, EUR 6.77 billion (around 77% of the total allocation) has been disbursed to Czechia following the satisfactory fulfilment of 217 milestones and targets (of which EUR 232 million is in loans). Implementation has progressed steadily, with a growing number of reforms and investments already fulfilled and delivering tangible results on the ground.

Thanks to its strong integration into EU value chains, Czechia has the third-highest spillover effects relative to GDP in the EU, reaching 1.3 % of GDP (EUR 4.1 billion). These gains come from exports to other Member States, driven by their implementation of national plans.[4]

Highlights and impact of the plan

- **Energy decarbonisation**. Reforms enable a faster roll-out of renewables by designating renewables acceleration areas, simplifying the permitting process for renewable energy infrastructure and reforming electricity storage, aggregation and flexibility.
- **Energy efficiency in residential buildings**. Through investments in renovating buildings and replacing heating sources, the plan has led to an annual reduction of over 9 PJ in primary energy consumption and annual CO_2 emissions savings of 763 kt/year[5].
- **Digitalisation in schools**. During the COVID-19 pandemic, schools were equipped with 74 000 laptops and other digital devices to enable distance learning. Over 10 000 kindergartens and schools were equipped with digital technologies to promote digital literacy.
- **Modernisation of healthcare infrastructure**. This involved the construction and expansion of highly specialised facilities, such as the Centre for Cardiovascular and Transplant Medicine and the Czech Oncology Institute, as well as measures aiming to increasing the capacity for rehabilitation care.
- **Advanced digital transition**. Many new e-services were launched, strengthening the security of IT systems through more than 60 projects and linking 277 new bodies to the National Data Catalogue, which can inform evidence-based policymaking thanks to the data management reform.

Graph 1.1: **Labour productivity growth and economic relevance of the industrial sector**



(1) Labour productivity is measures per hour worked and represents the cumulative growth since 2009; (2) The gross value added of industrial activity is measured as a share of GDP.
Source: Eurostat, own calculations

Since joining the EU, Czechia's GDP per head has been catching up with the EU average, but regional disparities have widened. Although all regions have seen an improvement in GDP per head relative to the EU average since 2004, progress has been limited since 2020 with only a few regions keeping up a high level of growth, in particular Prague. Most other Czech regions have shown rather moderate convergence in recent years, while Severozápad (the North-West region) faces long-term economic stagnation. These patterns are also mirrored in regional disparities in labour productivity, human capital, industrial modernisation, innovation

[4] Economic Imparts of the RRF: Czechia (link)

[5] State Environment Fund annual report 2025 (link)

capacity and infrastructure development (see Annex 18).

Economic security challenges persist, particularly in the energy sector

Heavy reliance on fossil fuels exposes Czechia to shocks in the energy markets (see Section 3 and Annex 9). The development of renewable energy production progressed rather slowly in recent years, and, in 2025, renewables made up the second-lowest share of electricity generation in the EU. Czechia is planning to expand nuclear energy capacity, but this will not compensate the closure of coal-fired power plants in the short term (Annex 9). In this context, heightened price volatility in global energy markets, amid trade disruptions, feed directly into industrial input costs and overall competitiveness (Annex 5 and Annex 9). Industrial production grew in 2025, partly thanks to the automotive sector's recent shift to electric vehicles. However, overall industrial production has stagnated since 2021. The machinery and automotive sectors present opportunities for transformation where electrification continues to accelerate, with spill-over effects in the manufacturing of other clean technologies such as battery systems. Against this background, accelerating investment in renewable energy, grid infrastructure, storage and energy efficiency is key to strengthening Czechia's economic security and industrial competitiveness. Despite the RRP-supported reforms to streamline and shorten permitting procedures and grid connection, the roll-out of investments into large-scale renewables and grid flexibility remains low. The designation of renewable acceleration areas will help to sustain large investments in wind and solar power plants, contributing to lower energy prices and supporting competitiveness in the medium term.

Trade dependence and an ageing population are major challenges for economic security. Czechia's heavy reliance on trade in the industrial sector, coupled with strong geographical concentration, exposes the country to trade disruptions and to shocks in its largest trading partners. The large share of value added from foreign-owned companies and foreign investments may support growth, but it also reduces strategic independence. Labour and skills shortages also remain a key challenge. Adverse demographic trends, existing labour shortages, low participation in tertiary education and skills gaps, challenge the sustainability of the Czech growth model (see Annex 4 and 13). The effective integration of foreign workers could help alleviate some of these shortages.

Housing shortages have negative spillovers effects on the whole economy

A persistent mismatch between strong housing demand and limited supply is driving rapid price increases, reducing housing affordability and labour mobility (see Annex 16). House price growth accelerated in 2025 at 10.4%. The issue is most severe in the largest cities, affecting both sale and rental prices. These developments have widespread implications, exacerbating housing affordability, hindering labour mobility, deepening inequalities and complicating access to finance for innovative companies. Construction activity declined over the past two years to 5.5% of GDP but is expected to pick up in the coming years. However, labour shortages in the construction sector, lower recorded productivity and lengthy administrative procedures delay building new housing stock. Adding further pressure to the market are the significant share of vacant dwellings, including in urban areas, and recent significant population growth driven by migratory flows. The share of dwellings in social rental is well below the EU average. Expanding the supply of public housing could make housing more affordable, especially in parts of the market with lower profit margins (see Section 4 and Annex 16). In addition, a lack of affordable housing, especially in cities, is a major barrier to labour mobility (Annex

Box 2: UN Sustainable Development Goals (SDGs)

Czechia performs well in macroeconomic stability (SDGs 8) and poverty eradication (SDG 1), but it needs to catch up with the EU average on gender equality (SDG 5), innovation (SDG 9) and global partnerships (SDG 17). While Czechia has made progress on environmental sustainability, it remains below the EU average on climate action (SDGs 7, 12 and 13) due to higher net greenhouse gas emissions per capita and a lower share of renewable energy in gross final energy consumption. Challenges also remain in quality education (SDG 4), health and well-being (SDG 3) and sustainable cities, particularly in the housing cost overburden rate (SDG 11) ([6]).

11). Lastly, rapid growth in house prices motivates households to invest speculatively in housing rather than channelling their savings – among the highest in the EU – to more productive financial assets. This complicates innovative firms' access to capital, hindering innovation (Annex 6).

A comprehensive set of measures is needed to curb excessive and speculative demand, put the vacant housing stock on the rental market, and encourage long-term rentals. On the demand side, the 2025 CSRs highlighted challenges in the tax system's growth-friendliness and the need to increase revenue from recurrent property taxes. No substantial measures have been adopted. Further policy action would be needed to put in place a property tax system based on property values aligned with market values. Czechia increased recurrent property taxes in 2024 and, from 2025, property tax calculations can be increased by an inflation coefficient. This coefficient was set to 1 in 2025 and in 2026, keeping tax rates constant. As a result, property tax revenue remains very low, expressed both as a percentage of GDP (0.4% in 2024 compared with 1.8% in the EU) and as a percentage of total tax revenue (1.1% in 2024 compared with 4.6% in the EU) (Annex 3). The new government announced in its policy statement that it plans to abolish the inflation coefficient. The taxation framework supports home ownership, creating some barriers to a more efficient distribution of dwellings as well as to a more productive allocation of financial resources. Deductible mortgage interest payments, capital gains tax exemptions and favourable tax treatments for short-term rentals over long-term ones incentivise speculative behaviours in the real estate market. This is driving up house prices and rents faster than the EU average, making housing less affordable for both buying and renting for a large part of Czech households, in particular in high-growth areas (Annex 16).

The potential of innovation, finance and human capital in Czechia remains untapped

Stimulating innovation and improving the business environment and firms' access to capital market financing are essential for improving Czechia's competitiveness. Despite its robust industrial and research base, Czechia's competitiveness and productivity are hindered by high energy costs, a high administrative burden and a fragmented research and innovation environment. In addition, insufficient access to finance, weak business-science links and subdued digitalisation limit business productivity and innovation capacity. Burdensome spatial planning and construction permitting processes slow infrastructure development and housing construction. The regulatory and prudential requirements for institutional investors hold back the use of high household savings, especially in channelling them to innovative firms.

Limited tertiary education attainment constrains the supply of skilled professionals, and the labour participation of certain groups remains low. Tertiary education attainment

([6]) This indicator should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions

(36.0%) remains far below the EU average (44.8%), in particular, because of high drop-out rates. This is linked to Czechia's shortage of general-education secondary schools and limited flexibility for students to move between general and specialised schools, leading to early specialisation. Furthermore, educational performance in Czechia is strongly dependent on an individual's socio-economic background. Lastly, Czechia faces structural challenges with teacher shortages, particularly in science, technology engineering and mathematics (STEM) subjects, which risks undermining the quality of education. The lack of early childhood education and care facilities restrict women's participation in the labour market: Czechia has the fifth highest gender employment gaps in the EU.

EU funding instruments provide considerable resources to Czechia. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, social fairness and security, while helping to address challenges identified in the CSRs. Key instruments include the Recovery and Resilience Facility (see Box 1) and Cohesion policy funds (see Box 3). In addition, the Common Agricultural Policy (CAP) provides Czechia with an EU contribution of EUR 5.6 billion under the CAP strategic plan for 2023-2027 ([7]). A further EUR 261.7 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the Border Management and Visa Instrument (BMVI) and the Internal Security Fund (ISF). Other EU programmes also support competitiveness in Czechia, for instance through open calls under Horizon Europe and the Connecting Europe Facility.

([7]) An overview of Czechia's formally approved strategy to implement the EU's common agricultural policy nationally can be found at https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/czechia_en.

Box 3: **Contribution of cohesion policy funds**

EU cohesion policy funding is supporting Czechia's efforts to boost competitiveness, environmental sustainability, skills and social fairness. In the 2021-2027 programming period, EU cohesion policy funds ([8]) are providing EUR 21 billion (amounting to EUR 26.7 billion paired with national co-financing), or 6.6% of 2024 GDP, to Czechia. This makes cohesion policy one of the main sources of public investment in the country. The value of selected projects corresponded to 87.7% of the total allocation as of March 2026, with additional calls for projects in the pipeline.

- **Innovation, business environment and productivity.** Around EUR 5.9 billion is allocated to research and innovation, to SMEs' competitiveness and to the regions most affected by the transition away from carbon-intensive activities. More than 4 500 firms have already seen their projects approved.

- **Decarbonisation, energy affordability and sustainability.** Nearly EUR 1 billion is dedicated to improving the energy efficiency of over 865 000 square metres of public buildings, and EUR 630 million is to support climate adaptation measures. To improve the quality of water and access to it, more than EUR 573 million is allocated to making the water supply system more robust.

- **Skills, quality jobs and social fairness.** More than EUR 1.5 billion from the ESF+ is supporting employment and activation measures for disadvantaged groups, such as Roma, the modernisation of public employment services, skills development and lifelong learning, and work-life balance and equal opportunities. These efforts are complemented by EUR 972 million to support equal access to quality education and its labour market relevance, as well as digital transformation. Over 500 000 children, pupils and students will receive a better education.

The mid-term review ([9]) strengthened cohesion policy's contribution to emerging strategic priorities, reallocating nearly EUR 197 million. Over 83% of reallocations will support the development of key high value-added technology areas under the Strategic Technologies for Europe Platform (STEP), which are crucial for industrial resilience, technological sovereignty and the competitiveness of Czechia's economy. The mid-term review has also strengthened water resilience by creating a new financial instrument to support the expansion and upgrade of existing wastewater treatment plants, helping Czechia to meet the energy neutrality target under the EU's new urban wastewater treatment directive. In addition to cohesion policy funding, Czechia will allocate up to EUR 1.56 billion under the Social Climate Fund between 2026 and 2032 to help mitigate the social impact of the new emissions trading system (ETS2), providing targeted support to vulnerable households and small businesses.

([8]) The European Regional Development Fund, the European Social Fund Plus, cohesion policy funds and the Just Transition Fund.

([9]) The mid-term review is carried out halfway through the 2021-2027 programming period. It is a formal process required under Article 18 of the Common Provisions Regulation that aims to assess the implementation of programmes and, where necessary, propose adjustments to improve their performance, ensure their relevance in light of new and emerging needs and keep them aligned with other EU policies.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

In 2025, Czechia received country-specific recommendation (CSRs) to strengthen its capital markets, support the creation of start-ups and spin-offs, boost innovation, simplify spatial planning, improve the construction permitting process, incentivise and simplify cooperation among municipal administrations and strengthen the civil service. Czechia has put in place new public initiatives to improve financing conditions for innovative firms through the national development bank, the Národní Rozvojová Banka (NRB). However, there has been limited progress in strengthening other areas of the capital markets, particularly in: (i) mobilising new investments through the long-term savings product; (ii) increasing institutional investors' participation in shares; and (iii) promoting household investments in capital markets. Some measures have been adopted to support innovation and entrepreneurship, including reforms to the rules on employee stock options, R&D tax deductions, and the Research, Development, and Innovation (RDI) Act, which aims to strengthen the R&D ecosystem. Czechia is also planning a new Start-up Act to facilitate the creation of start-ups. Preparatory steps have been made in construction permitting, with reforms to the legal framework and the digitalisation of permitting. The recommendations on the civil service and municipal cooperation have not yet been addressed, and the design of municipal tax assignment does not incentivise economic development (Annex 1).

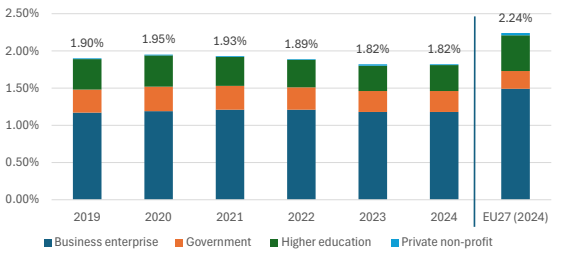
Strengthening innovation and the business environment

Czechia has taken steps to improve its start-up environment, in line with the 2025 CSRs, though their effect remains unclear. Czechia reformed the employee stock option plan (ESOP) legislation, introducing the 'no tax before cash' principle and limiting ESOPs to income tax only. Czechia is also preparing a new Start-up Act to develop a comprehensive regulatory framework for start-ups (due in 2027). A recent reform aims to make R&D tax deductions more attractive, for instance, by extending the application period. However, uptake remains limited, so further improving the scheme's predictability would be beneficial ([10]). With 167 start-ups per million inhabitants in 2025, Czechia falls short compared with the EU average of 201 and Estonia's impressive 843. Given these challenges, Czechia remains a 'moderate innovator' with an innovation performance score of just above 80% of the EU average in 2025, with pronounced regional disparities (Graph 2.3).

Czechia's research environment has seen improvements in line with 2025 CSRs, but challenges remain. Czechia adopted a new RDI Act (in force from 2027) that aims to make research strategies more consistent, make R&D funding more flexible, and encourage knowledge transfer. However, the Act does not tackle broader governance inconsistencies and coordination, and the institutional incentives to commercialise research remain weak. R&D expenditure fell to 1.8% in 2024, below the 2025 national target of 2.5% (Graph 2.1). The weak links between businesses and academia and the public research system's high degree of fragmentation hamper the efficiency of research expenditure – EU countries with similar public R&D spending often achieve better research outcomes (see Annex 4).

([10]) In 2022, only 25% of businesses active in R&D claimed tax deductions, 40% less than in 2015 (see Annex 4).

Graph 2.1: **R&D spending by source**



Source: Eurostat, rd_e_gerdcost

Czechia has made some progress in reducing administrative barriers, but further efforts to improve the business environment would be beneficial. Administrative barriers continue to weigh on Czech businesses, partly due to the country imposing stricter national rules than EU directives require ('gold-plating'), particularly in construction. 71% of businesses view regulations as a barrier to investment ([11]), with most obligations coming from national legislation. Businesses face more than 1 800 obligations stemming from 171 legal acts. Since 2022, some progress has been made with the adoption of four packages aiming to reduce bureaucracy and the launch of an online one-stop portal to help businesses understand their legislative requirements. The situation could be further improved through a more systemic implementation of the 'think small first' and 'digital first' principles, coupled with regulatory impact assessments and regular evaluations of legislation with a strong focus on small and medium-sized enterprises (SMEs).

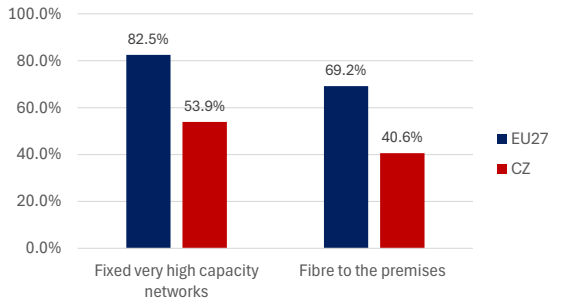
Single market barriers persist in key areas. Czechia regulates 365 professions – the second-highest number in the EU. Other significant challenges concern permit duration, family reunification and job mobility for highly skilled workers from outside the EU. In addition, easing administrative requirements for posted workers could reduce regulatory fragmentation within the single market, facilitate cross-border mobility and foster competitiveness, without undermining worker protections (See Annex 5).

([11]) In 2025, up from 57% in 2024 – EIB investment surveys.

Spatial planning and construction permitting processes are significant administrative barriers as highlighted in the 2025 CSRs. They hold back businesses by slowing down commercial development and raising costs. They also indirectly raise the costs of energy (due to the slower construction of energy infrastructure), reduce the ease with which people can move for work (due to less affordable housing) and make digital infrastructure less available. Spatial planning rules are particularly burdensome in large cities, where updating an urban plan can take over a decade. The situation could be improved by, for example, reallocating responsibilities for spatial planning between the state and municipalities and differentiating planning requirements for small and large settlements. On construction permitting, some progress has been made, particularly with the creation of the specialised authority for public infrastructure and on digitalisation. However, there is still little evidence of faster permitting approvals. Further improving digitalisation and the capacity and management of construction offices could accelerate the process. However, frequent changes to the legal framework reduce legal certainty and can increase administrative costs. Another legislative proposal to reform the permitting system has recently been tabled in Parliament. As no impact assessment is available, its effects are difficult to assess at this stage. While the proposals aim to further streamline administrative structures, they fail to tackle some of the key issues highlighted above, particularly the administrative burden linked to spatial planning.

Complex permitting processes are a major barrier to deploying digital infrastructure. Czechia has one of the lowest coverages in the EU of very high-capacity networks (VHCN) and fibre to the premises (FTTP), and its infrastructure readiness consistently ranks below the EU average (Graph 2.2). Planned amendments to the Construction Act and the adoption of the Gigabit Infrastructure Act have been identified as mechanisms that could potentially speed up deployment. However, these reforms and their impact on administrative capacity have yet to yield tangible improvements.

Graph 2.2: **Digital infrastructure deployment in 2024**



Source: Eurostat, isoc_cbt

Overall, the business environment suffers because of the public administration's low capacity as indicated in the 2025 CSRs. As summarised by a recent study funded under the Recovery and Resilience Facility (RRF), Czechia's civil service suffers from: (i) low attractiveness; (ii) ageing; (iii) a lack of systematic skills development; (iv) a lack of focus on results; (v) fragmented practices; and (vi) inefficient cooperation between the political level and the civil service. Salaries in the public administration have been declining both in real terms and compared with the average salaries in the private sector for more than eight years. For managerial and expert positions in Prague, the difference with the private sector is around 46%. The Czech civil service also lacks stability when governments change. Over 40% of senior management – officially apolitical – are replaced with each change of government, indicating insufficient legal protection ([12]) for senior managers. A recent legislative proposal to reform the civil service has been tabled in Parliament. As no impact assessment is available, its potential effects are difficult to assess at this stage. Based on a preliminary analysis of the draft law, the proposed reform only partially addresses the key issues mentioned above and may even risk exacerbating some of them, especially stability.

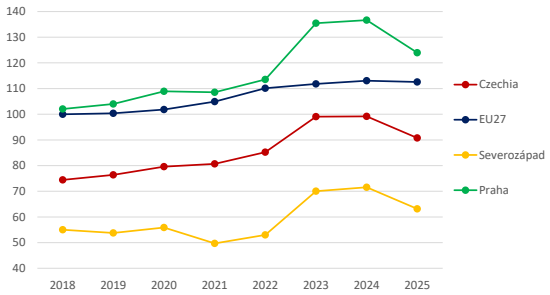
Fragmented municipal governance and outdated municipal tax assignment rules fail to incentivise economic development, do not accurately reflect the cost of services provided by municipalities of different sizes and generate large, uninvested savings. Czechia has the smallest municipalities amongst OECD countries. This also includes Prague, the capital city, which is responsible for more than 25% of the national GDP and splintered into 57 municipalities. This is the third-highest number among EU capitals and three times the EU capitals' average. Additionally, the legal framework for inter-municipal cooperation is insufficiently developed, blocking municipalities from delegating their responsibilities in areas such as spatial planning and transport to municipal associations. Czechia's municipalities also had, in 2024, the highest savings relative to GDP in the EU, almost double that of Spain, the next highest. Besides fragmentation, this is caused by tax assignment rules (*rozpočtové určení daní*), which allocate funds to municipalities that do not use them. Consequently, the money is not invested and loses value instead. Additionally, the tax assignment rules only barely reflect – and therefore weakly incentivise – economic development (especially construction). Lastly, they also inaccurately reflect the cost of services provided by regional centres (see Annex 18).

In e-government, while Czechia made progress in expanding the range of public services and access to them, some challenges remain in achieving system interoperability. Thanks in part to funding from the RRF and cohesion policy funds, Czechia has launched and upgraded digital platforms and services (e.g. improvements in e-justice and e-health). The RRF has also helped kickstart work on the Data Management Act, designed to create a legal basis for linking, reusing and sharing data between public authorities. However, despite this progress, challenges persist in making systems interoperable. In 2025, Czechia scored below the EU Digital Economy and Society Index (DESI) average for public services digitalisation, underscoring the need for better service delivery methods. Essential components, such as real-time data sharing, automated decision-making and advanced analytics remain underused, hindering efforts

([12]) Státní služba 2.0 (Public service 2.0).

to develop a comprehensive and interoperable e-government framework.

Graph 2.3: **Summary Innovation Performance Index (EU-27 in 2018 = 100)**



Note: Praha and Severozápad are included as the best and worst regional innovation performers.
Source: EIS interactive tool 2025

Czechia's private sector struggles with the adoption of digital tools, challenging the country's aspirations for increased business competitiveness. Overall, only around 23% of businesses report using advanced digital solutions or AI, significantly lower than the EU average of approximately 35%. The digital intensity of businesses remains largely stagnant. Key obstacles identified by business leaders include a shortage of digital skills in the workforce and a lack of sufficient training opportunities. Additionally, financial constraints and restricted access to investment capital also hamper companies' ability to digitalise their operations, reflecting broader systemic issues in the economy that affect technological advancement.

Unlocking funds to allow companies to thrive

Although there have been recent efforts to further develop its capital markets, Czechia made limited progress in addressing the 2025 CSRs. Czech households boast a saving rate of 19.9% of disposable income (one of the highest in the EU). However, they invest a relatively small share of their wealth in financial instruments compared with the EU average, which reflects conservative investment patterns and structural constraints. This leads to a shallow and untapped domestic capital market, with the market capitalisation of listed Czech firms standing at 13% of GDP, compared with the EU average of 70% in Q3-2025 (see Annex 6). The 2024 long-term investment product (LTIP) provides a flexible, tax-advantaged investment account; early uptake has been encouraging, with 218 000 accounts holding roughly EUR 328 million in assets at the end of 2025 ([13]). However, the LTIP shares similar tax relief and investment incentives as existing savings and pension products, such as voluntary pension schemes and life insurance products. Initial evidence suggests that investments may have been diverted to the LTIP from existing voluntary pension and savings schemes rather than representing genuinely new household savings. This could warrant a coherent and complementary redesign of available voluntary savings and pension plans.

Institutional investment in risk capital remains very limited. Only 0.1% of Czech insurer's assets are invested in private equity funds, while traditional voluntary pension funds are prohibited by law from investing in these asset classes. Pension fund assets represent around 7.8% of GDP, compared with the EU average of 32.3% (see Annex 6). The investment strategies of many pension funds remain conservative. This results in low returns: the Czech voluntary pension system had an average real return of -2.7% over the past decade, compared with the EU average of 1.4%, further disincentivising household investment ([14]). Parts of the regulatory framework continue to encourage conservative allocation even outside legacy transformed funds. These include: (i) conservative default investment options; (ii) mandatory switching to conservative sub-funds in some cases; (iii) restrictions on equity investment in certain sub-funds; (iv) the absence of blended pay-out options; and (v) the design of the statutory all-in-one fee cap, which may weaken incentives to pursue higher long-term returns. In addition,

([13]) See press release by AKAT.

([14]) OECD, OECD Reviews of Pension Systems: Czech Republic, OECD Publishing, Paris, 2020, Table 9.3.

contributions to voluntary pension schemes remain modest while participation in them is declining and is relatively low among younger age groups. Similar constraints also affect the insurance sector: Czech insurers are relatively small, with assets of roughly 5.9% of GDP compared with the EU average of 55% of GDP. Their investment strategies are also conservative, given the strict asset-liability matching rules and currency risks (see Annex 6). Early withdrawals, facilitated by short minimum notice periods, also constrain the investment horizon of pension funds and insurers.

The venture capital and private equity ecosystem remains underdeveloped. Venture capital investment amounts to 0.02% of GDP compared with 0.06% in the EU, and private equity investment stands at 0.16% of GDP compared with 0.49% in the EU. The venture capital and private equity ecosystem is fragmented and dominated by foreign investors (see Annex 6). The limited domestic investor base and the relatively small size of the Czech capital market further constrain exit opportunities. This reduces incentives for venture capital investment, which limits the development and scaling-up of innovative firms domestically (see Annex 4).

The NRB's potential to further support innovation remains untapped. Recent public initiatives aim to strengthen the innovation ecosystem, including a venture capital fund-of-funds supported by the RRF and managed by the European Investment Fund with a total envelope of EUR 55 million ([15]). The NRB is also launching its own fund-of-funds in 2026, targeting innovative firms with a total envelope of EUR 41 million ([16]). Strengthening the NRB's ability to develop fund-of-fund structures, including the use of de-risking mechanisms, such as first-loss protection or guarantees, could help crowd in domestic institutional investors. Delays and downscaling in the roll-out of new NRB-backed green financial products under the RRF to support SMEs confirm the need for more capacity building. This capacity constraint also highlights the untapped potential of co-financed instruments to mobilise the funding required for decarbonising and digitalising the Czech economy.

([15]) Supported through Component 1.4, Investment 9 of the Recovery and Resilience Plan.

([16]) Czech Ministry of Industry and Trade (MIT), New DeepTech fund to support highly innovative start-ups, 30 September 2025. Available at the MIT website.

More competition in public procurement and better governance of state-owned enterprises needed

Limited competition in public procurement hampers its cost-effectiveness and efficiency. Implementation of the RRF-funded public procurement strategy and its action plan, adopted in 2024, is ongoing (including a training framework and minimal standards for strategic procurement), with only limited impact so far on the identified shortcomings. These include a low number of companies submitting tenders, with a high proportion of single bids (41% in 2025, EU: 27%) and insufficient expertise among professionals involved in public procurement. This is also reflected in the over-reliance on price-only award criteria (over 80% of contracts, one of the highest rates in the EU). Measures are essential to improving the capacity of professionals involved in public procurement and to developing centralised or joint purchasing at regional level to support smaller contracting authorities (see Annex 5). The risk of collusion and conflicts of interest persists, fuelling companies' perceptions of corruption (see Annex 7). Lastly, only 43% of businesses perceive the public procurement review body (the Office for the Protection of Competition) as sufficiently independent.

Companies also suffer from late payments. The government-to-business payment period increased to 74 days (the highest in the EU). Additionally, 69% of Czech businesses faced late payments from private partners in 2024. More transparency and setting up a central system for the

registration, monitoring and payment of invoices could be beneficial.

State-owned enterprises (SOEs) are held back by suboptimal governance. Czechia has a significant number of SOEs, generating a total annual turnover of CZK 440 billion. However, the strategy for its SOEs is not systematically set out and the accountability and oversight of SOE management is limited. Increasing transparency and setting clear key performance indicators would improve the management of the SOEs.

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

In 2025, Czechia received country-specific recommendations (CSRs) to reduce its reliance on fossil fuels, facilitate the expansion of renewables, increase investment in electricity grids and fossil-free flexibility, and accelerate the process of decarbonising the buildings and transport sectors. Czechia adopted framework legislation on renewable acceleration areas in July 2025, with areas to be designated in August 2026. Czechia recorded very limited progress on renewable auctions and no progress on purchasing power agreements, while the Electricity Data Centre still needs to be finalised. Funding for electricity grids was strengthened, but progress in streamlining permitting remains slow. No significant new measures have been taken to support energy efficiency investments in public buildings (Annex 1).

Scaling up renewables and system flexibility to ensure affordable and competitive electricity prices

The electricity system faces the dual challenge of replacing coal capacity and further boosting the use of renewables to ensure an affordable low-carbon electricity supply. Czechia received a 2025 CSR to reduce its dependency on fossil fuels, but progress has been limited since. Fossil fuels remained the predominant source of electricity generation in 2025, accounting for around 40% of total output. Nuclear power continued to provide approximately 43% of electricity generation, while renewables accounted for 16.6% of the electricity mix, the second-lowest share in the EU ([17]). Czechia has committed to phase out coal from electricity generation by 2033. It aims to shift to a lower-carbon electricity system based primarily on nuclear power and renewable energy sources, with natural gas expected to play a temporary role. Czechia has started a new large project to increase its nuclear capacity at the Dukovany power plant and is preparing the roll-out of small modular reactors. However, no new nuclear capacity is expected before the late 2030s. In the meantime, Czechia is considering a state-supported mechanism, including auction and capacity mechanisms for natural gas ([18]). However, if not carefully designed to be proportionate and temporary, this mechanism could risk locking in gas dependency and lead to stranded assets. Given the long lead times associated with new nuclear capacity, the pace of renewable energy deployment over the coming decade will be crucial to limiting reliance on natural gas, ensuring energy security and affordability.

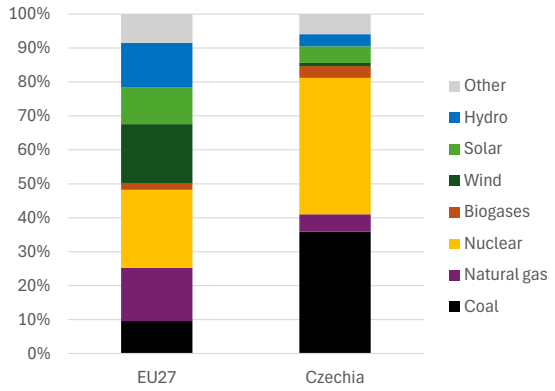
Domestic electricity prices remain set by expensive fossil fuels. Due to continued reliance on fossil fuels and limited non-fossil flexibility, wholesale electricity prices averaged EUR 99 per MWh in 2025 (EU average: EUR 85 per MWh). Natural gas retains its role as the marginal price-setting technology, with fossil fuels setting prices in 74% of hours, 23 percentage points above the EU average. Czechia remains particularly vulnerable to price spikes during peak-demand hours because of its limited non-fossil flexibility and low wind generation, which leaves supply gaps in the evenings and early mornings. While average wholesale prices mostly show convergence with the regional electricity prices, spreads with neighbouring countries have increased in recent years. Without rapid expanding renewables, Czechia risks electricity

([17]) Eurostat (March 2026).

([18]) Czechia: Country for the Future 2.0, February 2026.

supply gaps or greater dependence on an expensive and volatile supply of natural gas, with serious implications for the economy's competitiveness and energy security. To lower electricity prices for households and businesses, the POZE levy (a surcharge to support renewable energy sources) was removed from electricity bills in January 2026, and the related costs are now covered by the state budget. Although this measure can provide short-term relief for energy bills, it is essential that support for renewables continues for structurally lower energy costs (Annex 9).

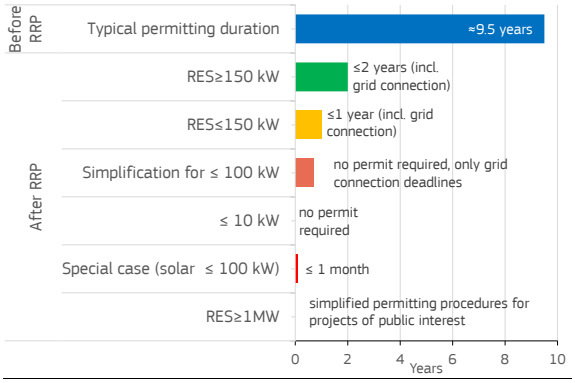
Graph 3.1: **Electricity production in 2024 by source**



Source: Eurostat, nrg_bal_peh

With wind potential largely untapped, renewable acceleration areas (RAAs) are key to scaling up capacity in line with the 2025 CSRs. The installed wind capacity stagnated at 339 MW in years 2019-2022, before increasing only slightly to 369 MW in 2025 ([19]), remaining far below Czechia's 2030 wind development target of 1 500 MW. Reforms under the recovery and resilience plan (RRP) contributed to streamlined permitting procedures, reducing it by several years (see Graph 3.2) and laying down a legal basis for designating RAAs. The designation of RAAs, expected in August 2026, with at least 3 GW of potential installed capacity, will enable faster developments of large-scale renewable installations, resulting in lower average cost of electricity generation. The addition of wind energy, which has low marginal costs and delivers in peak times (evenings and winters), can reduce the need for more expensive backup power sources like natural gas plants.

Graph 3.2: **Permitting process duration in Czechia, before and after RRP reforms**



(1) The permitting process includes construction and zoning permits, and connection authorisation
(2) Before the RRP reforms, the maximum reported time for permitting was 9.5 years. However, some capacity-based thresholds were already allowed.
(3) The RRP introduced binding times and increased capacity-based exemptions.
- The RRP raised the threshold for permit exemptions to 50 kW, and additional amendments to the law further raised the threshold to 100 kW.
- For installed capacity below 100 kW, connection deadlines are up to 165 days (distribution system operator, DSO) or up to 255 days (transmission system operator, TSO).
Source: The Council Implementing Decision of the Czech Recovery and Resilience Plan.

Progress on structural measures encouraging the roll-out of investments in renewables remains very limited. In 2025, Czechia launched an auction call to support wind energy (in addition to calls to support combined heat and power generation), but demand was weak ([20]). The lack of long-term certainty for investors continues to be a structural barrier affecting investment decisions. There has been little progress in using contracts for difference, which are currently only available for wind. Power purchase agreements (PPAs) remain at early stage of development in Czechia. Despite market interest, several factors limit their

([19]) www.irena.org.

([20]) See, for instance, www.mpo.cz.

uptake, such as bankability constraints, limited public-sector demand aggregation and the absence of state-backed risk-mitigation instruments. Moreover, trading PPAs on market platforms would contribute to increase standardisation and transparency.

Accelerating the modernisation of Czechia's electricity grids would enable higher penetration of renewables and further electrification in line with the 2025 CSRs. By 2034, new grid-related investments to modernise around 1 700 km of transmission lines are expected to reach around EUR 3.2 billion ([21]). In addition to RRP and cohesion policy investments in the distribution grids, up to EUR 600 million (CZK 15 billion) in additional subsidies were announced to support the further expansion of grid projects ([22]). However, despite recent reforms addressing connection bottlenecks, challenges persist, including rejected connection requests, unused capacity reservations and inefficiencies in grid management. Network efficiency could be improved through measures such as pooling cables, releasing unused reservations and prioritising grid connections based on project readiness and system benefits. In addition, further improvements in spatial planning and administrative capacity could accelerate infrastructure project delivery.

Czechia has recently accelerated progress to enable non-fossil flexibility, while the tariff structures need further reforms. Legislative amendments adopted in 2024–2025 enabled standalone storage, aggregation of flexibility and broader participation of storage assets in ancillary service markets. There has been an increasing number of solar photovoltaic (PV) installations in both residential and commercial buildings, often deployed together with battery storage. According to the Association for Energy Storage ([23]), installed accumulation capacity in Czechia stood at around 2 550 MWh at the end of 2025, with 21.4% of the capacity connected that year. Following the adoption of Lex RES III ([24]), several hundred MWh of new storage capacity is expected to connect to the grid in 2026. However, the tariff reform remains a critical missing piece to fully unlock the benefits of domestic flexibility. Current tariff structures are largely static and do not reflect real-time grid conditions, which dampens incentives for storage, demand response and flexibility.

The full and timely implementation of the Electricity Data Centre (EDC) would facilitate the transition to a more flexible energy sector – crucial for power management, the development of flexibility and the integration of new technologies ([25]). The first phase of electricity sharing has started delivering results. Since August 2024, 80 GWh of electricity has been shared (roughly the annual consumption of a town with 26 000 households) and more than 40 000 participants registered. The second phase of the EDC will launch three new services in August 2026: (i) electricity storage; (ii) support for aggregation of technical flexibility for balancing and balancing energy service providers; and (iii) a 'traffic light' system to show real-time network capacity and constraints for balancing services. The third phase, after 2026, will focus on commercial flexibility. Czechia has one of the lowest roll-out rates of smart meters in the EU, which does not incentivise consumer engagement.

Decarbonising buildings, industry, and transport and moving to clean technologies

The energy efficiency of buildings has improved, and Czechia has met its 2030

([21]) Plán rozvoje PS ČR 2025-2034 | eru.gov.cz.

([22]) In 2024 and 2025, DSOs allocated about CZK 30 billion a year into grid upgrades, (CEZ, EG.D).

([23]) www.akubat-asociace.cz.

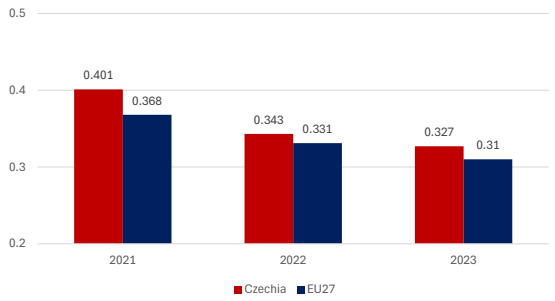
([24]) An amendment to the Czech Energy Act No. 458/2000 Coll. aimed at promoting renewable energy, flexibility and storage with most provisions taking effect on 1 August 2025.

([25]) Elektroenergetické datové centrum (EDC) – možnosti sdílení elektřiny

target of reducing building energy consumption by 8% compared with 2020, as outlined in its long-term renovation strategy. This success has been mainly driven by popular subsidy programmes, like the New Green Savings (NZÚ) programme, which support renovations, the replacement of heating sources, and the installation of solar PV in residential buildings. These improvements, however, have primarily benefited the renovation of family houses (around 70% of NZÚ subsidies); the refurbishment of apartment buildings and low-income dwellings has seen slower progress and notable regional disparities persist. This is especially troubling given that district heating remains broadly reliant on fossil fuels. In November 2025, the government announced the closure of applications for NZÚ subsidies. In March 2026, the new government announced that the NZÚ will continue from around June, but with 0% interest-free renovation loans (though low-income households will still have access to subsidies under the 'NZÚ Light' variant). The removal of the POZE levy and the subsequent expected decrease in electricity prices would help encourage households and districts to switch to electric heating, further decarbonising heating and cooling. Sustained investment in energy efficiency (through the decarbonisation of district heating, coupled with subsidies targeted at low-income households) is still needed to further reduce energy use and ease the burden of high energy prices on households.

The renovation of public buildings remains a significant challenge as highlighted in the 2025 CSR and lags behind improvements in the residential sector. Many renovations of public buildings do not result in high energy savings. The complexity of renovation projects, particularly of historical buildings, requires substantial time, technical expertise and financial resources. A more significant roll-out of innovative financial instruments, such as energy performance contracts, has potential to activate and harness private capital for energy saving investments and ensure that renovations of public buildings achieve energy savings of 30%.

Graph 3.3: **Greenhouse gas emissions in industry per gross value added (kg CO2e/EUR in 2020 prices)**



Source: Eurostat, env_ac_ainah, nama_10_a64

Czechia is one of the highest carbon-intensive economies in the EU, with its highest polluting sectors facing competitiveness pressures. The high carbon intensity mainly reflects the large share of high carbon-intensive industrial sectors in the economy. The emissions intensity of domestic manufacturing production is about 25% higher than the EU average. Since 2017, the emissions intensity of manufacturing production improved by 10%, but less than the EU average (20%). The most cost-effective path to decarbonise industry would be to proceed, as a matter of priority, with investments improving energy efficiency and electrifying processes, where feasible. A higher share of renewables in the electricity mix would make the system less exposed to fossil price-setting and lower generation costs. Given that wind provides cheaper energy, manufacturers would be able to secure long-term fixed contracts (such as PPAs) amid predictable electricity prices, reducing their exposure to geopolitical fuel shocks.

Efforts to decarbonise the economy are supported by funding from the EU and the emissions trading system. Industry decarbonisation, in particular, is supported through a wide range of EU and national funding instruments, with the EU's Modernisation Fund serving as the largest source. It allocated up to EUR 1.78 billion in 2025 calls to investments, including also in industry renewables, hydrogen and industrial emissions reduction. Between 2013 and 2022, around EUR 5.16 billion was raised in auction revenues, with an average of 55% of revenue spent on climate and energy projects over the

same period. In 2024, Czechia used ETS revenues mainly for railway modernisation and water management, complemented by funding from the Just Transition Fund, the Innovation Fund, the Recovery and Resilience Facility (RRF) and national State aid schemes. The 'domestic' ETS revenues have been assigned to the state's environmental fund. Prioritising investments with the highest energy saving potential could deliver more effective support to industrial competitiveness.

The hydrogen ecosystem, which has potential to contribute to industry decarbonisation, is still at an early stage of development. In 2025, an amendment to the Energy Act recognised hydrogen as an energy carrier. Several domestic projects and clusters are emerging, and regional strategies aim to develop infrastructure and use cases. Czechia is positioning itself in future European hydrogen corridors by developing the H2 Backbone North project. Accelerating hydrogen deployment is required, in particular, by expanding targeted financial support for electrolysers and industrial use, developing infrastructure (including in dedicated clusters), and creating stable demand through incentives.

The transition to clean technology manufacturing is well positioned, with substantial potential to scale up its production capacity. Czechia ranks third globally in clean tech exports (as a percentage of GDP) ([26]). The automative industry is the main driver, showing resilience and adaptability amid global challenges and the transition to e-mobility. The newly emerging 'battery value chain' and the demand for its input presents an opportunity, together with local reserves of strategic raw materials, for domestic industry. In other sub-sectors, suppliers of railway technology and brake systems are also making notable contributions to clean tech output. However, there is a risk that these suppliers' production processes could become heavily reliant on imported critical raw materials.

The uptake of zero-emission mobility has improved thanks, in particular, to REPowerEU investments and reforms, but much more effort is required in line with the 2025 CSR. Newly registered zero-emission passenger cars in 2024 represented nearly 5% of all new passenger cars registered ([27]), almost double compared with 2023. However, the uptake of zero-emission vehicles is still considerably behind the EU average. Czechia should maintain the adopted REPowerEU reforms linked to highway vignette cost structures and tax incentives after the RRF ends and explore further measures and support schemes to boost zero-emission mobility. For example, Czechia has a sizeable road freight sector that is struggling to decarbonise due to low incentives and tight operating margins. Adopting specific measures could incentivise the uptake of zero-emission heavy-duty vehicles (HDVs) by helping reduce the difference between the total cost of ownership of zero-emission HDVs and conventional HDVs. These measures could include Eurovignette Directive exemptions, funding schemes for HDV public charging stations and reforms to public charging cost structures.

Building and upgrading road and rail infrastructure continues. Czechia is advancing preparations for the high-speed rail network as part of the TEN-T corridors, particularly the Prague-Brno and Prague-Dresden lines, as well as the deployment of the European Rail Traffic Management System. Meanwhile, there are critical gaps in road infrastructure, especially on the TEN-T corridor. These include a highway connection to Austria, and ring roads around major cities ([28]).

([26]) Mapa příležitostí Česka.

([27]) Eurostat, road_eqr_carpda.

([28]) Ředitelství silnic a dálnic.

Climate and resource resilience for long-term prosperity

While progress has been made in developing resilience and adaptation policies, a lack of administrative governance hampers coordinated implementation. Czechia adopted three key documents on resilience and adaptation policies: (i) the national adaptation strategy; (ii) the national action plan on adaptation; and (iii) the climate change impact and adaptation assessment. Nevertheless, implementation of these policies has been blocked by the systemic lack of staff working on climate resilience across ministries and all governance levels. An unclear division of responsibilities among different ministries and among governance levels prevents effective policy implementation, exacerbated by the lack of an efficient coordination framework. Setting up a coordination system at all governance levels could address this issue. Such a reform would ensure the effective implementation of adaptation policies and remove administrative inefficiencies.

Weak water resilience and deteriorating water quality is an increasingly significant challenge for Czech industry, agriculture and energy. Low water productivity, standing at EUR 152 per m^3 of extracted water, far below the EU average of EUR 195 per m^3, is a competitiveness risk in the event of water shortages in the public water supply, energy production and industrial manufacturing. Czechia's surface waters are among the most degraded in the EU, which limits access to high-quality water for industrial and agricultural use and has a negative impact on productivity and costs. Water pollution is also a critical issue, with systemic agricultural pressures. Nitrate pollution of groundwater is intensifying, and pesticide contamination of surface water bodies exceeds regulatory limits. This contamination requires long-term additional efforts to ensure the safety of drinking water and the food chains. Tackling the main source of pressure – industrialised agriculture – could be achieved by supporting sustainable agriculture practices, prioritising organic farming and improving agriculture's adaptation to climate change. This would have a positive impact not only on water pollution and resilience but also on the sector's productiveness.

Waste management is still a challenge in Czechia. Landfilling of municipal waste remains an issue, which puts Czechia at risk of not meeting the 2035 target of a maximum 10% of municipal waste landfilled. A new deposit refund scheme for plastic bottles and cans, which would have helped increase recycling rates, was not implemented and put on hold. Total environmental tax revenue is below the EU average. Even though Czechia is finally implementing a 'pay as you throw' scheme, it only covers about 20% of the population, with a minimal impact on municipal waste. However, the reuse of material has increased considerably, sitting above the EU average, and resource productivity is also improving.

The agriculture, healthcare, construction and food sectors are threatened by degrading nature ecosystems. While the threat to biodiversity and ecosystem integrity declined in 2024, falling from 99% to 88%, habitat degradation is still widespread, with 80% of them in poor or bad conservation status. No Czech forests are in a favourable conservation status, compared with about 22% at EU level. Agriculture also continues to be a large source of soil pollution, with over 73% of soils highly contaminated by high concentrations of pesticides. Czechia has recently aligned with the EU biodiversity strategy, removing long-standing barriers to river connectivity restoration and investing in protecting ecosystems under its RRP. Nevertheless, with 44% of Czech gross value added dependent on ecosystem services (equal to the EU average), nature degradation poses serious risks to competitiveness and economic security. To tackle this challenge and reduce habitat fragmentation, it would be beneficial to create permanent incentives for landowners to adopt nature-based solutions and promote sustainable forest management and sustainable agriculture practices.

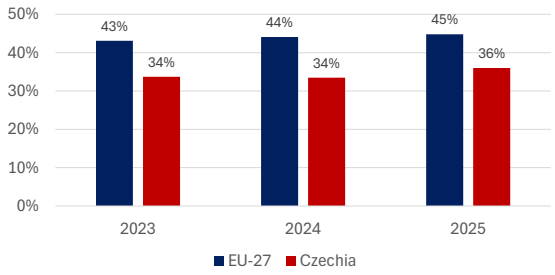
SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

In 2025, Czechia received country-specific recommendations (CSRs) to improve education by boosting tertiary participation, reducing dropouts, supporting disadvantaged and Roma students, expanding secondary access, and promoting science, technology, engineering and mathematics (STEM). The country was also urged to increase labour market participation by expanding childcare, reducing work disincentives, addressing skills gaps, simplifying foreign qualification recognition, and increasing participation of under-represented groups. On education, only limited progress has been made, particulary in secondary education, by introducing a new general education 'lyceum' pathway and taking the first steps to put in place a support programme for schools with many disadvantaged pupils. On childcare, Czechia has taken some steps to increase capacity, but supply still falls short of demand, despite fewer small children. On employment, there has been limited progress on labour shortages and skills mismatches, largely through EU-funded requalification courses, with no substantial measures in other areas (Annex 1).

Increasing tertiary educational attainment by increasing participation and reducing dropout rates

Limited tertiary educational attainment in Czechia constrains the supply of skilled professionals. Tertiary educational attainment (36.0%) for Czechs aged 25-34 remains far below the EU average (44.8%) (see Graph 4.1). This gap persists despite the demand for skilled professionals in fields like information and communications technology (ICT) (see Annex 12) and relatively high employment earnings compared with secondary education ([29]). Although the share of students enrolling in ICT has grown since 2015, overall tertiary enrolment dropped by 14%. Enrolment in STEM programmes also remains below the EU average, and in 2023, only 11.8 women per 1 000 people aged 20-29 graduated in STEM fields (EU average: 15 ([30])). These challenges vary across the country: the capital region's graduate share is considerably above the EU average, while other regions lag behind. The shortage of workers with post-secondary education hinders innovation and R&D investment in these regions (see Annex 18).

Graph 4.1: **Tertiary educational attainment (% of 25-34-year-olds)**



Source: Eurostat, sdg_04_20

High dropout rates contribute significantly to low tertiary educational attainment as raised in the 2025 CSR. Dropout rates are most pronounced in agriculture, services and ICT ([31]). Key drivers include limited financial support, insufficient career guidance, mismatches between programme and student expectations, and a lack of affordable housing. Czechia is tackling these challenges through more flexible learning pathways, including micro-credentials

([29]) OECD Education at a Glance 2025, Table A4.1.

([30]) Eurostat, educ_uoe_grad04.

([31]) Education and Training Monitor 2025 Czechia.

and short-cycle programmes, and by strengthening doctoral education through a minimum income. Czechia is also building university facilities for medicine and related fields supported by EUR 368 million from the Recovery and Resilience Facility (RRF), and by the cohesion policy funds. To address the 2025 CSR, it would be beneficial for Czechia to take further measures to strengthen student support, improve access for disadvantaged groups, including for persons with disabilities, provide career guidance, and encourage participation in STEM fields.

Broadening access to general secondary schools and reducing inequalities

Czechia has a shortage of general secondary schools and limited flexibility to move between general and specialised education, limiting possibilities for students to successfully pursue tertiary education. While interest in general secondary education tracks has increased over time, the number of general secondary schools has not kept pace. Although close to two thirds of vocational education and training (VET) students are eligible to apply to tertiary education, their success rates fall behind general-track graduates, contributing to consistently low tertiary attainment ([32]). To address these challenges, Czechia introduced a new 'lyceum' pathway combining general education with later specialisation in the 2025/2026 school year. It also aims to increase transparency, permeability and flexibility in VET with a new structure of upper-secondary education programmes that reduces the number of programmes. Further improvements to address the 2025 CSR could include expanding work-based learning, easing school-to-work transitions, strengthening the links between general and vocational secondary education, and increasing general secondary capacity.

Educational performance in Czechia is strongly dependent on socio-economic background. Pupils in Czechia perform above the EU average in literacy, mathematics, science and digital skills. However, the performance gap between socio-economically advantaged and disadvantaged pupils is among the largest in the EU, and it continues to grow. In mathematics, the gap was the fifth highest in the EU in PISA 2022. Early academic tracking, differences in pupil performance between school types and the segregation of Roma pupils contribute to these results. Regional disparities in access to education also persist, reflecting the fragmented municipal structure of service provision and the concentration of services in metropolitan areas (see Annex 19). To address these challenges and the 2025 CSR, Czechia is implementing an RRF-funded support programme for disadvantaged schools. The 2025 amendment to the Education Act, part of an RRF-supported reform of the school financing system, aims to increase support for disadvantaged schools and to reduce administrative burden by merging smaller schools. Further measures could include better support for teachers and school leaders to implement the revised (and postponed) curricula.

Czechia continues to face teacher shortages, particularly in STEM subjects, which creates risks for the quality of education. These shortages remain despite efforts to make the teaching profession more attractive, including a strengthened practical component in initial teacher training and the introduction of a new teacher skills framework. Significant regional disparities also persist in the share of underqualified teachers. The teacher salary ratio compared with earnings of tertiary-educated workers decreased from 0.74 in 2021 to 0.72 in 2024 and remains below the EU average of 0.85 ([33]). To address these challenges, Czechia is expanding capacity in teacher education, including in high-demand subjects. Strengthening the attractiveness of the profession remains crucial to ensuring sufficient supply,

([32]) OECD (2025), OECD Economic Surveys: Czechia 2025, OECD Publishing, Paris.

([33]) OECD Education at a Glance, 2020-2025, Table D3.2, Table D3.3.

Box 4:

When work doesn't pay: distortions and inequalities in Czechia's tax system

Czechia's tax system contains regressive elements and distorts economic incentives on the labour market. Compared with EU peers, Czechia overtaxes labour and under-taxes property and environmental externalities. The relatively high labour taxation (especially in the form of social and health contributions) of low-income workers discourages employment, fuels the grey economy and contributes to working poverty. Low-income earners often gain little from higher wages due to high social and health contributions without applicable deductions, and diminishing social benefits.

Tackling this, in line with the 2025 CSR, would encourage more people to join the workforce and help limit poverty. This would particularly help the more than 600 000 people in debt enforcement, as benefit eligibility is calculated based on income before any money is taken away to cover what they owe.

Additionally, tax treatment for different types of workers doing the same work differ substantially more than in neighbouring countries. This is particularly visible for self-employed people: a high-income self-employed office worker pays only a quarter of the taxes paid by an employee with the same labour costs, mainly because of lower social contributions. For budget neutrality, reforms to labour taxes could be offset by making property taxes more progressive, abolishing exemptions for high-income earners, and increasing environmental taxes ([34]).

particularly in STEM fields, and to supporting progress to address the CSR on education.

High employment levels amid low wages and untapped labour potential

Czechia's labour market boasts high employment levels, but wages are low and certain population groups' employment levels could be higher. In 2025, Czechia's employment rate was 82.9% (EU: 76.1%), and its unemployment rate was 2.8% (EU: 6.0%), both among the best in the EU. However, Czechia remains one of only a few Member States where, as of 2025, real wages had not yet returned to their pre-pandemic levels. Similarly, the share of wages and salaries in GDP is only 34%, the fifth-lowest share in the EU ([35]). This may also be related to the low share of trade union members (only 9.4% of workers, one of the lowest in the OECD ([36])) and the low share of coverage by collective bargaining (around 43% of employees). Despite high employment levels, the job vacancy rate stood at 1.9% in Q4-2025 (EU: 2.0%). Besides investment in automation and higher labour mobility, unfilled vacancies could be filled by helping more young parents and people from other under-represented groups join the workforce, in line with the 2025 CSR. For instance, the employment rate for Roma adults is 55% (compared to 82.3% in the general population) and almost half of young Roma aged 16–29 are neither in employment nor in education and training (against 8.6% nationally).

Parents, especially mothers, face barriers to working due to a lack of capacity in early childhood education and care (childcare) and a tax and benefits system that makes work less appealing, as highlighted in the 2025 CSRs. In 2025, only 7.9% of children under the age of three were in childcare (EU: 40.5%, see Graph 4.2). As a result, the gender employment gap for women aged 25-34 was 32.8 percentage points in 2025 (EU: 25.0 percentage points) and the gender pay gap was 18.5% (EU: 11.1%). The social situation of single parents, typically women, is deteriorating, with the rate of being at risk of poverty or social exclusion rising from 30.8% in 2022 to 34.1% in 2025 (EU: 34.1%). Some progress was made in expanding the network of childcare services,

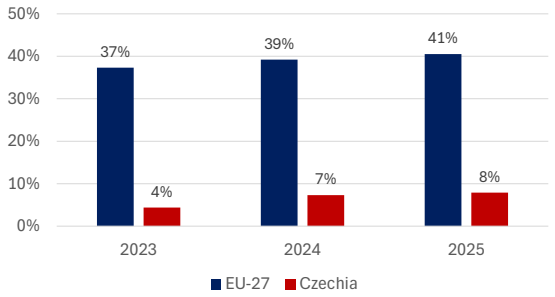
([34]) See Annex 3 and Chytřejší daně.

([35]) Eurostat, doi.org/10.2908/NAMA_10_GDP.

([36]) OECD, Membership of unions and employers' organisations, and bargaining coverage, 2025, Figure 1.

launching more than 1 000 children's groups with the support of EU funds. Czechia also concluded a Technical Support Instrument project on the monitoring and evaluation of childcare.

Graph 4.2: **Children aged less than three years in formal childcare (%)**



Source: Eurostat, tepsr_sp210

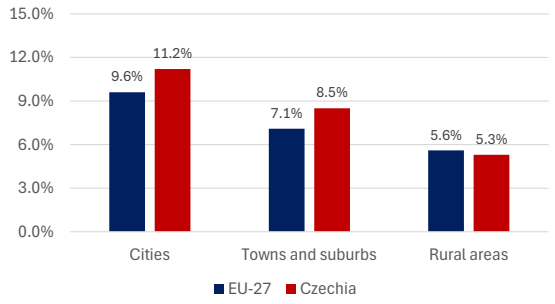
Foreign workers still face administrative barriers on the labour market. Czechia received a CSR in 2025 to simplify the recognition of foreign qualifications, but only limited steps were taken. This also concerns the almost 400 000 Ukrainians under temporary protection in Czechia: although 66% of them are employed, 50% reported that their work did not match their qualifications.

Easing job transitions to more productive jobs through affordable housing and other means

The Czech labour market has one of the lowest job transition rates in the EU. The likelihood of workers changing jobs is around 1.5% every quarter (EU: 3.1%) and transitions through unemployment are also low. This low transition rate is driven by factors such as the lack of affordable housing in cities (see Annex 16), low short-term unemployment support, transport poverty, limited skill support, a high proportion of specialised education and major barriers to obtaining professional certifications. The benefits system also holds back job transitions. In Czechia, 70% of unemployed people are at risk of poverty, one of the highest rates in the EU. Even though recent reforms increased initial benefits to 80% of previous earnings, the safety net may still be insufficient. As a results, workers are incentivised to stay in their existing jobs rather than looking for a better job or retraining.

Over the past decade, house prices have surged, while Czechia continues to grapple with a shortage of affordable and social housing, especially in cities. Since 2015, Czechia's house price to income ratio has been growing at the third-highest pace in the EU. In cities, towns and suburbs, people pay more for housing than EU average (see Graph 4.3). For people earning less than 60% of the median income, the rate is 43.4% (EU: 29.1%). High housing prices are driven by both supply and demand factors discussed in the previous section – planning and permitting, municipal incentives and taxation. Additionally, there has only been limited investment in housing construction and renovation by the public and non-profit sectors. EU funds support financial instruments, but funding from the national budget is practically non-existent ([37]). Similarly, a legal framework for housing support was adopted in 2025, but almost no funds were allocated to implement it, putting in question its real impact. Lastly, there is no legal framework for non-profit housing associations and the legal framework for landlord-tenant relationships is underdeveloped.

Graph 4.3: **Housing cost overburden rate, 2025**



Note: The housing cost overburden rate is the percentage of the population living in households where the total housing costs represent more than 40 % of disposable income ('net' of housing allowances).
Source: Eurostat, ilc_lvho07d

([37]) Public spending on support to social rental housing, OCED, Figure PH4.1.1.

Roma face even deeper housing challenges and high levels of social exclusion. In 2025, the European Committee of Social Rights (ECSR) found that Czechia had violated Art. 16 of the European Social Charter by not ensuring adequate safeguards for vulnerable groups, particularly Roma families, as regards housing and eviction protections. The ECSR raised issues such as insufficient social housing, ineffective legal remedies, and obstacles preventing low-income and disadvantaged groups, disproportionately Roma, from accessing housing benefits.

Transport poverty also limits labour mobility, particularly for low-income households. According to a recent study, every fourth person in Czechia experiences at least one aspect of transport poverty ([38]). These include issues with transportation to work, school, medical care and shops, especially in rural areas. Better and more affordable public transport, improved interconnectivity among peripheral parts of neighbouring regions as well as more transport-on-demand services and public transport capacity could help tackle this issue.

Support for reskilling and upskilling remains limited. In 2025, Czechia received a CSR to 'strengthen the competitiveness of the economy and reduce labour shortages by addressing skills mismatches.' Some progress has been made in this area by using EU funding to create a reskilling/upskilling database, which has supported over 150 000 people so far. Overall, Czechia's adult learning rate is below the EU average.

Strengthening long-term care and care and healthcare outcomes

The long-term care system remains heavily oriented towards residential services and discourages private investment. In 2022, 60.2% of public long-term care spending was allocated to residential care (EU: 46.2%), while only 8.3% (EU: 28.8%) went to home care (*terénní služby*). Home care costs are one of the highest in the OECD, resulting in 100 000 informal carers, typically women, reporting not being able to work full-time because of their caring duties. Maintaining the current service model is estimated to require 35 000 additional beds by 2035, driven by population ageing. Progress will require sustainable national, private and non-profit funding, with a stronger focus on home and community care (*terénní a ambulantní služby*). Currently, there are still barriers to private investment, such as a regulatory price cap that also applies to institutions that do not receive public funding.

The low life expectancy and high levels of preventable and treatable mortality point to inefficiencies in the overall management of the healthcare system. Mortality at working age is above the EU average, and healthy life expectancy remains below the EU average. This is linked to spending on prevention, which is below the EU average, and to behavioural risk factors. High alcohol consumption, high obesity rates, low intake of fruit and vegetables and low levels of physical activity contribute substantially to the burden of non-communicable diseases. Overall, the health system relies strongly on hospital-based care, while having relatively low occupancy rates, especially for acute care ([39]) and high hospital admissions for chronic conditions. This points to shortcomings in the organisation and coordination of care.

Regional disparities in access to primary and specialised care and an ageing health workforce add further pressure to the system. To support healthier working lives and mitigate the impact of population ageing, it would be good to strengthen prevention, primary care and the health system's efficiency (especially through better digitalisation), and increase the supply and retention of health professionals.

([38]) Institut 2050, Czech Transport Poverty – here and now, p. 73.

([39]) https://www.efektivnizdravotnictvi.cz/post/studie-2025-akutni-luzkova-pece-po-stopach-efektivity-v-pretizenem-piliri-pece.

KEY FINDINGS

In areas **covered by existing country-specific recommendations (CSRs)**, Czechia would benefit from:

- **strengthening capacity in the public administration**, including through more competitive pay for managerial and technical roles, greater stability for senior civil servants, in particular in the central administration, and a better legal framework and incentives for inter-municipal cooperation, including in Prague;

- **supporting housing affordability** by streamlining spatial planning and construction permitting procedures; making better use of existing land and housing stock, including through value-based recurrent property taxation; replacing inefficient support measures (e.g. mortgage interest deductions) with more effective ones, such as public and non-profit housing construction and renovation; reducing tax incentives for short-term rentals and speculative investment; and increasing the availability to social housing, in particular for the most disadvantaged groups;

- **improving innovation performance** by stimulating R&D investments, including through an effective use of tax incentives; reducing research system fragmentation; strengthening business–science linkages; and incentivising knowledge transfer;

- **increasing firms' access to non-bank financing** by promoting institutional investors' participation in the venture capital market and equity markets more widely; increasing retail participation in capital markets; aligning the incentive structures and improving asset allocation and real returns of voluntary savings and pension products; scaling up the use of financial instruments; and strengthening the capacity of the National Development Bank;

- **accelerating decarbonisation to boost competitiveness and economic security** by enabling higher investment in renewables and grids; removing connection bottlenecks; accelerating flexibility; incentivising decarbonisation of energy-intensive industries; strengthening the domestic supply of critical raw materials throughout the value chain; increasing uptake of zero-emission vehicles; investing further in rail infrastructure; improving the energy efficiency of buildings, especially public buildings; and better targeting renovation subsidies to social needs;

- **promoting human capital development, particularly in less developed regions,** by improving educational outcomes and access to education; facilitating the transition between general and vocational education; promoting science, technology, engineering, and mathematics skills; providing more support to disadvantaged and Roma pupils; and stepping up efforts to make the teaching profession more attractive;

- **unlocking labour market potential** by increasing labour mobility and the participation of certain population groups, in particular parents of young children and Roma, by improving tax-benefit incentives to work, increasing the capacity of early childhood

education and care, and supporting targeted social inclusion measures; and, in particular for Ukrainians, by simplifying the recognition of foreign qualifications.

In **other areas**, Czechia would benefit from:

- **limiting ageing-related fiscal pressures** by fully implementing the recently adopted pension reforms;
- **increasing the quality of public finances** by removing distortions and inequalities in the tax system; integrating performance information into budgetary decision-making; and tapping the full potential of spending reviews;
- **simplifying the business environment** by reducing regulatory and cross-border single market barriers, particularly for start-ups and SMEs; tackling late payments; easing restrictions in regulated professions; continuing the digitalisation of public services; and increasing competition in public procurement;
- **increasing public investment and territorial cohesion** by reforming municipal tax assignment rules;
- **strengthening climate and water resilience** by improving the governance and implementation of Czechia's climate adaptation and water policies, in particular in terms of coordination, human resources and monitoring; implementing sustainable agriculture practices; and prioritising the uptake of organic farming;
- **improving health outcomes** by strengthening prevention; shifting care from hospitals to primary and home-based services; removing barriers to investment in long-term care; reducing workforce gaps; and increasing the capacity of home and community-based long-term care;
- **promoting affordable and accessible transport options,** including by strengthening public transport through better regional connectivity, greater affordability for vulnerable households, and on-demand transport schemes.

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Table A1.1: **Implementation of 2025 Country-specific recommendations**

Czechia faces challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs). Czechia was recommended, among other things, to support labour market participation of parents, low-income workers and people close to retirement, increase housing availability, strengthen its capital markets, support the creation of start-ups and spin-offs, boost innovation, simplify urban planning, strengthen the civil service and the cooperation among municipal administrations, reduce the reliance on fossil fuels, facilitate the deployment of renewables, increase investment into electricity grids, boost participation in tertiary education by reducing dropouts, support disadvantaged and Roma pupils, expand childcare, reduce work disincentives, simplify foreign qualification recognition, and increase participation of underrepresented groups.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by Czechia to date*. To do so, the Commission has considered the information provided by Czechia in its Annual Progress Report as well as other information sources. This annex provides summary information on the policy actions taken or planned by Czechia for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

**CSR 2 is not assessed in CeSaR. RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.*

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
1.1 Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	Total general government defence expenditure in 2026 is projected at 1.2% of GDP, corresponding to a decrease of 0.1 ppt. compared to 2024.	Total general government defence expenditure in 2027 is projected at 1.3% of GDP, corresponding to the same level compared to 2024. However, defence expenditure in nominal terms is projected to grow to levels higher than in 2024.	Limited progress
1.2 Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, while making use of the allowance under the national escape clause for higher defence expenditure.	Cumulated deviation in 2025 amounted to -1.4% of GDP. Cumulated deviation in 2026 projected at 0.1% of GDP but it is fully explained by the NEC flexibility (0.3 pps. of GDP).		Full implementation
1.3 Reduce the tax burden on low-income workers.	The recent reform to raise flat-rate payments was reversed in March 2026, maintaining the minimum pension assessment base at 35% of the average wage, for all self-employed, not targeted at low-income self-employed. The work-related bonus embedded in the new social assistance allowance reformed in 2025 by Act No. 117/1995 Coll., on State Social Assistance may increase income of working poor families (earning up to 1.6 times the subsistence level).		Limited progress
1.4 Increase revenue from recurrent property taxes.		In its policy statement, the government announced plans to cancel the inflation adjustment for recurrent real-estate property	Limited progress

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Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
		taxes (indexation introduced for the first time from 2025).	
1.5 Improve the incentives for people close to retirement to continue working.	As of 2025, working pensioners are entitled to a discount on social insurance.	Government recently proposed to increase their earnings-related pension component.	Limited progress
3.1 Strengthen the capacity of Czechia's public administration to attract, retain and develop talent, particularly to attract people with analytical, managerial and IT skills.		In December 2025, a new Act on Government Employees was proposed. The Act would replace the current Civil Service Act. The Act is currently in Parliament.	Limited progress
3.2 Strengthen strategic steering capacities to improve consistency across policies.			No progress
3.3 Simplify urban planning and reduce administrative burden by improving digitalisation, capacity and the management of construction offices.	Only minor measures on the improvement to the construction digital systems such as the Builder's Portal.	In December 2025, a new Construction Act was proposed. The Act introduces a wide range of changes, including centralisation and postponing digitalisation until 2030. The Act is currently in Parliament.	Limited progress
3.4 Incentivise and simplify cooperation among municipal administrations.			Limited progress
3.5 Provide support for administrative capacity building and target this support to structurally affected regions.			Limited progress
4.1 Strengthen capital markets, business access to non-bank finance and the conditions for saving, investment and innovation by promoting household investments in capital markets		There is a planned proposal to reduce gold-plating for investment funds.	Limited progress
4.2 and by improving existing long-term savings products' effectiveness in mobilising new long-term investments.	An amendment, in force from May 2025, aims to improve the portability of the LTIP among different providers.		Limited progress
4.3 Encourage institutional investor participation in listed and unlisted shares, as well as venture capital and private equity.			Limited progress
4.4 Increase the use of financial instruments, including by strengthening the capacity of the National Development Bank to mobilise private	- NDB launched the IPO Fund 2025+ with the Prague stock exchange to support IPOs and equity for SMEs; - NDB and Ministry of Industry and Trade launched an expanded	NRB is planning for 2026 its own Fund of VC funds, with an overall envelope of CZK 1 bn from State resources.	Some progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
funding to boost competitiveness and the decarbonisation of the economy.	OPTAK loans facility for SMEs offering interest-free investment loans, 5.13 bn CZK (212 mil EUR); - NDB launched a call for applications for a Kč 600m EU-funded "Guarantee 2024-2030" program for SMEs. Applications for guarantees of up to 70% for working-capital and investment loans of Kč 0.5-20m.		
4.5 Support the creation of start-ups and spinoffs, for example by improving legislation on employee stock option plans.	- A new regime for employee stock option plans was approved by the Chamber of Deputies on 27 July 2025 and came into force on 1 January 2026. - As of 1/2/26, Deputy PM and Minister of Industry and Trade has appointed Martin Jiránek, chairman of the Czech Startup Association, as Government Commissioner for Startups. His role should focus on preparing a startup law (2027), improving ESOPs, incentivizing startup investment, and strengthening cooperation between the state, investors, and founders.	The Ministry of Industry and Trade is preparing a new start-up law in cooperation with the start-up industry.	Some progress
4.6 Boost innovation, including by facilitating technology transfer from academia to business.	The new law on research, development innovation and knowledge transfer was passed on 23 July 2025, it should enter into force on 1 January 2027. It contains specific provisions on knowledge transfer.		Some progress
4.7 Better tap the potential of R&D tax benefits to stimulate innovation in the private sector.	The Law on Income taxes was amended in September 2025 to make the tax deductions on R&D more attractive by increasing deduction rates and extending application periods from 3 to 5 years and simplifying administrative procedures. The change is effective from 1 January 2026. However, administrative hurdles in the implementation of R&D tax deductions remain.		Some progress
5.1 Reduce reliance on fossil fuels, notably for road transport, heating and power generation.	The energy mix remains heavily reliant on fossil fuels. Despite the expected cutbacks in coal, the role of natural gas in power generation may increase due to concerns about the security of supply. The Lex Gas Amendment (August 2025) newly provided faster permitting for "energy security projects"), including natural gas		Limited progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	power and RES plants. The district heating remains broadly fossil fuelled. On transport, Czechia has advanced with infrastructure investments but struggles to maintain a conducive approach towards zero-emission mobility.		
5.2 Provide further incentives for the roll-out of large-scale renewable energy capacity, notably by running renewable power auctions and by promoting the use of long-term power purchase agreements.	The progress in RES rollout remains limited. Czechia adopted the legislation on renewable acceleration areas (RAAs, July 2025). In 2025, the government launched two larger RES auctions, though with no progress on PPAs. As from August 2025, the new Building Code aims to facilitate the roll-out of investments into PV in industrial and commercial properties, but the impact remains to be seen. In 2025, Czechia adopted legislation which allows PVs to be installed on agricultural land. The digitalisation of the permitting process still has not materialised.	RAA designation commitment under the RRP. Czechia has proposed to designate 94 acceleration areas covering 474 km2 (April 2026).	Limited progress
5.3 Increase investment in electricity grids to enhance fossil-free flexibility	In Autumn 2025, Czechia approved an increase of funding support to both DSO and TSO networks (at additional CZK 15bn), partly financed by the EU Modernisation Fund. Czechia is pursuing the electricity interconnection projects with Germany and Slovakia, though these lines still need to be strengthened. The progress regarding streamlining of permitting for energy infrastructure remains slow.		Some progress
5.4 and enable the electrification of transport and industrial processes.	The industry decarbonisation is notably financed from the EU (the Modernisation Fund), though Czech economy remains highly carbon intensive. The removal of POZE levy aims at lower electricity prices for consumers and should promote further electrification by alleviating a disproportionate tax burden on electricity consumption which had been distorting price signals. No new substantial reform measures on electrification of transport were adopted.		Limited progress
5.5 Ensure the swift implementation of the full functionalities of the Electricity Data Centre	Preparation of the EDC is still in the pipeline under the RRP reform. The first stage of the EDC implementation regarding	The second stage of the EDC will be assessed as an RRP reform in August 2026. Implementation of all functionalities is not expected	Limited progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	electricity sharing is operational since August 2024.	before Q2 2027.	
5.6 Enact measures to reduce energy consumption and the carbon intensity of the buildings sector, especially of the public building stock	No new measures were adopted. Czechia made continuous progress in energy efficiency in buildings with the EU funding. The decrease in final energy consumption in the residential sector has been mostly driven by energy savings including through structural measures such as deep renovations. Czechia has already met its 2030 target of reducing building energy consumption by 8% compared with 2020. The popular New Green Savings subsidy programme was paused in November 2025 due to exhaustion of the funds in the calls.	The New Green Savings programme is expected to reopen in April, but it will only offer zero-interest loans.	Some progress
6.1 Lower the tax and benefit disincentives for parents to return to work	'Flexi-amendment' of the Labour Act, in force from 1 June 2025, introduced (i) guarantees of return to original position for parents returning to work by the 2nd year of age of the child, and (ii) the possibility to continue working during the parental leave on short-term contracts.		Limited progress
6.2 and improve the supply of childcare and care services to encourage more women to enter the labour market.	The capacity in child groups has grown by several hundred since July 2025. However, it is unclear whether this is sufficient or not, as the original gap estimates were in the tens of thousands, but current demographic cohorts are significantly smaller.		Some progress
6.3 Strengthen the competitiveness of the economy and reduce labour shortages by addressing skills mismatches,	Only minor measures were adopted such as Education Act amendment (in force from 1 January 2026) establishing the possibility of practical education at the workplace of an accredited instructor and short-term programmes in tertiary education.		Limited progress
6.4 simplifying the recognition of foreign qualifications	No specific measures identified.		Limited progress
6.5 and increasing the labour market participation of underrepresented groups.	The adopted 'Flexi-amendment' to the labour code provides some incentives to parents to return to work.		Limited progress
6.6 Boost educational outcomes by increasing participation in tertiary	In 2025, CZ Ministry of Education allocated an additional CZK 71 million to higher education		Limited progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
education, reducing dropout rates and providing more student support.	institutions in the Ústí nad Labem, Liberec and Plzeň regions, where tertiary attainment is comparatively lower. Also, the funding formula for Higher Education Institutions was adjusted, incentivising institutions to address early dropout. Some measures were taken to increase the completion rate of doctoral candidates and retain talents in doctoral studies. Minor adjustments were made to accommodation scholarships and subsidies for student meals, improving support for students facing rising living costs.		
6.7 Increase the number of students and graduates in science, technology, engineering and mathematics, especially women.			Limited progress
6.8 Expand access to general secondary education,	The new Lyceum programme has been launched in the school year 2025/26.		Limited progress
6.9 enable students to transition between general and vocational education,	In 2025, National Pedagogical Institute published a new structure of upper-secondary education programs that reduced a number of programs from 283 to 186 aiming to increase transparency, permeability and flexibility in VET. No other major measures were adopted.		Limited progress
6.10 and provide more support for disadvantaged schools and pupils, including Roma.	The amendment of the Education Act (in force from 1 January 2026) introduces school indexation which aims for a more efficient use and better targeting of funds, reflecting the different degrees of complexity of providing education in schools.		Some progress

Source: Czechia's reporting and Commission assessment.

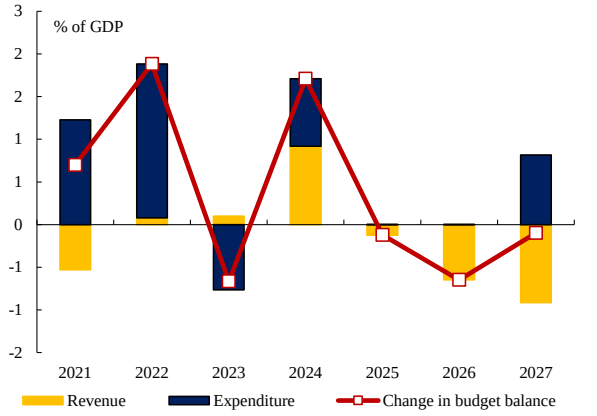
This annex discusses selected topics in public finance and developments in fiscal-structural country-specific recommendations (CSRs) addressed to Czechia in July 2025. These CSRs include a call to strengthen defence spending and readiness while implementing a fiscal strategy in line with the Council Recommendation of 21 January 2025. Czechia also received a recommendation in 2025 to reduce its tax burden on low-income workers, increase revenue from recurrent property taxes, and improve the incentives for people close to retirement to continue working.

On 21 January 2025, the Council of the European Union adopted the Recommendation endorsing Czechia's medium-term fiscal-structural plan ([40]). The plan includes a fiscal adjustment over four years. At the same time, the Council also activated the national escape clause for Czechia to facilitate the transition to higher levels of defence spending ([41])([42]).

Developments in the government balance, debt and public expenditure ([43])

Czechia's government deficit was equivalent to 2.1% of GDP and the government debt-to-GDP ratio was 44.3% at the end of 2025. Based on the Commission Spring 2026 Forecast, Czechia's government deficit is projected to increase to 2.8% of GDP in 2026 and 2.9% of GDP in 2027. Government revenue is set to decline to 39.5% of GDP in 2027, around 7 pps below the EU average. Expenditure is expected to decline to 42.4% of GDP in 2027, 8pps below the EU average.

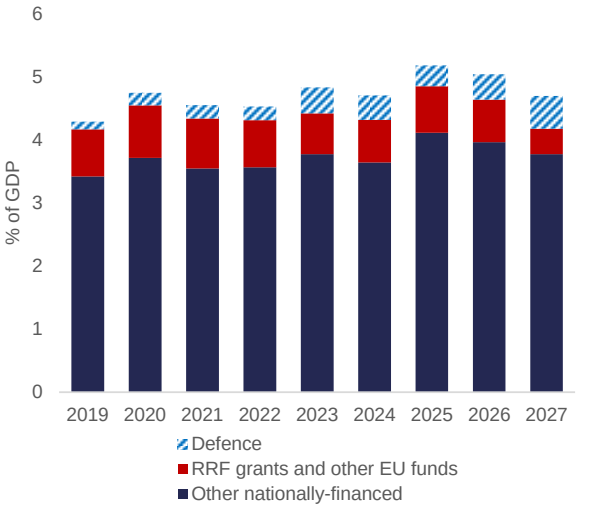
Graph A2.1: **Contributions to the change in the general government balance (% of GDP)**



Source: Commission Spring 2026 Forecast

High public investment is sustaining the quality of expenditure in Czechia. In contrast to the approach adopted following previous shocks that led to significant cuts in public investment, public investment in Czechia was increased during the COVID-19 pandemic and is expected to reach 5.0% of GDP in 2026, up from 4.3% in 2019. It is set to decrease in 2027, as the Recovery and Resilience Facility (RRF) expires. In 2026 and 2027, Czechia is projected to spend more on nationally financed investment than it did before the COVID-19 pandemic.

Graph A2.2: **Public investment evolution and composition (% of GDP)**



Source: Commission Spring 2026 Forecast

([40]) OJ C, C/2025/666, ELI: http://data.europa.eu/eli/C/2025/666/oj

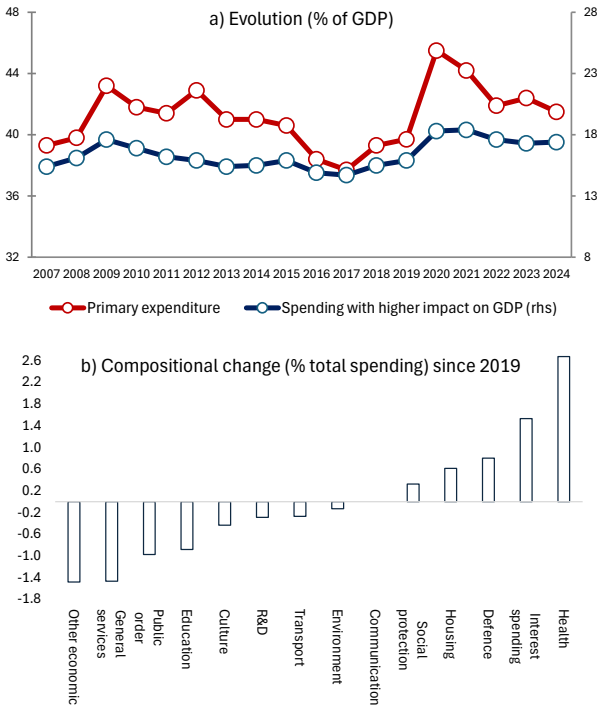
([41]) OJ C, C./2025/3962, ELI: http://data.europa.eu/eli/C/2025/3962/oj

([42]) Compliance by Czechia with the maximum growth rates of net expenditure recommended by the Council is assessed in COM(2026)200.

([43]) Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables (SWD(2026)200) providing background data relevant for the assessment of the budgetary policies of the Member States.

The type of expenditure that has a greater impact on GDP had remained broadly stable in Czechia over three decades, but has slightly increased since 2019. This may be related to the impact of the RRF, which possibly facilitated a more quality-based fiscal strategy. Zooming in on the composition of spending in 2024, social protection accounts for the largest share of total expenditure (around 30%), followed by health at 21% of total spending. Economic affairs ([44]), general public services, and education each constitute at least 10% of total spending. Since 2019, public expenditure on health and interest has increased significantly (See Graph A2.3). Spending on housing, social protection and defence has risen more modestly since 2019, with the rise in defence spending reflecting recent security developments. By contrast, spending on R&D, transport and education expenditure has declined. This trend deserves attention, as these three categories are generally considered growth-friendly spending categories (although growth-friendly spending overall has increased in Czechia since 2019, see Graph A2.3). In education, outcomes in Czechia remain relatively strong. However, significant challenges persist in the area of education, particularly in the form of pronounced inequalities in educational attainment and persistent skills shortages and mismatches in the labour market, which pose risks to long-term productivity growth. In addition, while tertiary educational attainment in Czechia is below the EU average, tertiary education remains relatively underfunded, at 0.8% of GDP (including R&D) vs 0.9% in the EU-25 (2022) (For more details, see Annex 13).

Graph A2.3: **Primary spending evolution and compositional change**



Source: Eurostat

Note: Based on economic literature, the categories considered to have a greater growth impact include education, R&D, health, transport and communication (See Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al. (2018), Cepparulo and Mourre (2020) and OECD (2025)).

Czechia has relatively low tax revenues as a share of GDP and has a relatively high tax burden on low earners while growth-friendly taxes are underused. In 2025 Czechia's total tax revenues as a percentage of GDP (including compulsory social contributions) amounted to 35.2% compared with an EU average of 39.9%. Total tax revenues are projected to fall to 34.7% of GDP in 2026 and 34.4% of GDP in 2027 according to the Spring 2026 Forecast ([45]). Although tax revenues from labour taxation are relatively low, the tax burden on low earners is high in comparison with other EU countries. Meanwhile, tax types that are considered the least detrimental to growth (such as recurrent property or environmental taxes) are underused (see Annex 3). Czechia has not adopted any substantial measures to reduce the tax burden on low-income workers or increase revenue from recurrent property taxes.

([44]) This refers to the set of government activities, policies, and expenditures aimed at regulating, supporting, and developing economic activity across major sectors, including general economic and labour policies, agriculture and natural resources, energy, industry, construction, and other economic functions not elsewhere classified. Although transport and communication, as well as research and development activities, are normally considered part of this function, they are treated separately in the graph presented.

([45]) Data retrieved from the AMECO database (https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database_en)

Table A2.1: **Projected change in ageing-related expenditure in 2025-2040 and 2025-2070**

	ageing-related expenditure	change in 2025-2040 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
CZ	19.6	*1.2*	*0.4*	*0.5*	*0.0*	***2.1***	21.7	**CZ**
EU	24.3	*0.5*	*0.3*	*0.4*	*-0.3*	***0.9***	25.2	EU

	ageing-related expenditure	change in 2025-2070 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
CZ	19.6	*2.5*	*0.7*	*1.3*	*0.1*	***4.6***	24.3	**CZ**
EU	24.3	*0.2*	*0.6*	*0.8*	*-0.3*	***1.3***	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

The costs of ageing

Total ageing-related spending in Czechia is projected to rise by around 2 pps of GDP between now and 2040 to around 22% of GDP, with a further 2.5 pp. increase between 2040 and 2070 (see Table A2.1**).** The overall increase is mainly the result of a projected rise in pension and long-term care spending, with a smaller contribution from healthcare. These projections take into account the pension reform adopted by Czechia in 2024.

Public pension spending as a share of GDP is projected to increase by about 1 pp. between now and 2040 and to continue to rise thereafter. In 2024, Czechia reformed the first pillar of its pension system, substantially decreasing its long-term public pension outlays. Overall, annual public pension outlays are now expected to rise by 2.5 pps of GDP between now and 2070, reaching around 10.5% of GDP, which is set to be lower than the projected EU average of around 12%.

Risks to fiscal sustainability remain. The 2025 CSRs highlighted Czechia's need to support the employability of older workers not claiming a retirement pension. The country has not adopted any substantial measures to improve the incentives for people close to retirement to continue working. Further encouraging older workers to stay in employment would help decrease risks to fiscal sustainability.

Supplementary pension schemes can make the pension system more resilient by diversifying retirement income sources. In Czechia, however, the uptake of supplementary pension schemes remains limited. At the end of 2024, private pension assets amounted to around 8% of GDP, while participation in these schemes covered around 52% of the working-age population ([46]). This coincides with rising medium-term spending pressures on the public pension system and a projected increase in the replacement rate by 6.9 pps between 2025 and 2040 (Table A2.2 and A2.3) ([47]).

Public healthcare expenditure is projected to be 5.9% of GDP in 2025 (below the EU average of 6.6%) and is expected to increase by 0.4 pps of GDP between now and 2040 and by a further 0.3 pps between 2040 and 2070. Czechia's public healthcare system is characterised by structural challenges in organisation and management, which compromises its efficiency. Although the projected overall increase in public healthcare expenditure is set to be driven by an ageing population, it also reflects recent improvements in access to preventive and mental healthcare ([48]). Public expenditure on long-term care is projected to be 1.5% of GDP in 2025 (slightly below the EU average of 1.7%) and is expected to increase by 0.5 pps of GDP between now and 2040 and by a further 0.8 pps of GDP between 2040 and 2070 ([49]).

([46]) Source: OECD Pension Market in Focus 2025. The highest participation rate in at least one supplementary pension plan is reported.

([47]) The (gross) replacement rate refers, depending on data availability, to both public and private pensions. It is based on projections from the 2024 Ageing Report.

([48]) Key performance characteristics, recent reforms and investments of the Czech healthcare system are discussed in Annex 15 'Health and health systems'.

([49]) The adequacy and quality of the Czech long-term care system are covered in Annex 12 'Social policies'.

Table A2.2: **Supplementary pension schemes – scope for expansion**

	Assets in 2024 (% GDP)	Gross replacement rate at retirement: (pps change 2025-2040)	Participation in 2024 (% working-age population)	
CZ	7.8	*6.9*	52.2	**CZ**
EU	32.4	*-2.8*	55.9	EU

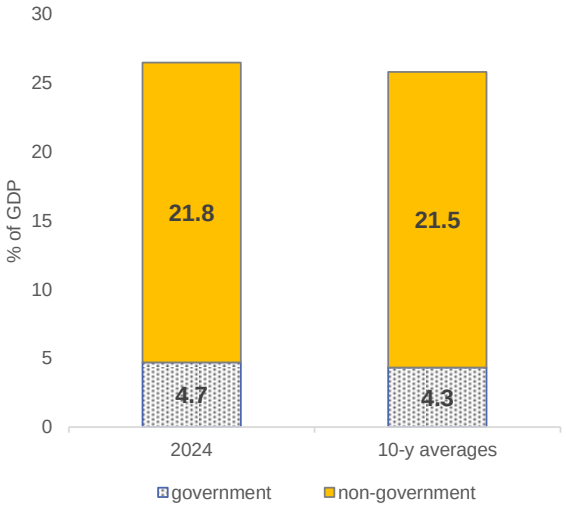
Source: European Commission.

National fiscal framework

There is wide scope to improve the quality of public finances in Czechia through performance budgeting and spending reviews. Czechia struggles to: (i) prioritise public finances and put expenditure to its most productive use; (ii) make its tax and benefit systems more efficient; and (iii) improve the quality of public services (OECD, 2025; IMF, 2026). Czechia recently piloted performance-based budgeting and spending reviews (through public investment management and support for small and medium-sized enterprises) through EU technical support instrument projects. Moving beyond pilot projects and building institutional capacity to create a performance-oriented public-finance system that regularly evaluates spending would improve the efficiency of public spending. The government's policy statement of 5 January 2026 references several priorities in the area of public-finance management: (i) managing taxpayers' money responsibly; (ii) ensuring the efficiency and transparency of state spending; and (iii) ensuring that action in key economic areas is consistent with the state budget and strategic investments ([50]). Nevertheless, there is no plan to build on recent pilots for performance-based budgeting or spending reviews. Czechia would benefit from moving away from a traditional input-based budget structure to a performance-oriented system that links expenditure to policy objectives and measurable results.

Overall, the Czech Fiscal Council (CFC) is a well-resourced independent fiscal institution (IFI) with a relatively narrow mandate. Up until now, this mandate has focused on monitoring compliance with national fiscal rules and long-term sustainability analysis. Staggered appointments of CFC members ensure gradual renewal, even though the effective staggering has been reduced in 2022. The CFC has a well-developed communication strategy, with specialised staff and frequent media-impact analyses. However, it reports that it has had difficulties in accessing information, and it has not been subject to any external reviews. Macroeconomic and budgetary forecasts (so far only for revenues) are evaluated by the Committee on Budgetary Forecasts (CBF), which is not an IFI, and the role of the CFC in the CBF's work is limited to nominating its members.

Graph A2.4: **Investment composition, % of GDP**



Source: Eurostat

([50]) https://vlada.gov.cz/cz/vlada/programove-prohlaseni/programove-prohlaseni-vlady-224629/

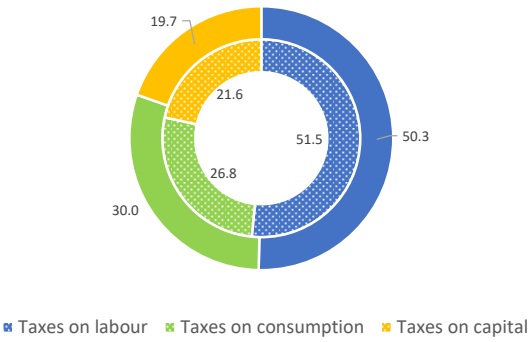
Table A2.3: **Fiscal governance database indicators and public accounting maturity**

2024	Czechia	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	12.35	14.81
Medium-Term Budgetary Framework Index (MTBFI)	0.57	0.72
2025 Public accounting maturity of general government	81%	65%

(1) The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on: i) the legal base; ii) how binding the rule is; iii) monitoring bodies; iv) correction mechanisms; and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on: i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.
The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396).
Source: Fiscal Governance Database, European Commission

This annex provides an indicator-based overview of Czechia's tax system. It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, and on tax collection and compliance. In the area of taxation, the 2025 country-specific recommendations for Czechia recommended: reducing the tax burden for low-income workers; lowering the tax and benefit disincentives for parents to return to work; increasing revenues from property taxation; and supporting private-sector innovation.

Graph A3.1: **Tax revenue by economic function in 2024, Czechia (outer ring) and EU-27 (inner ring)**



Source: Taxation Trends Data, DG TAXUD

Tax revenues in Czechia are relatively low in relation to its GDP. In 2024, tax revenues (including social security contributions) reached 35% of GDP, representing an increase of 1.1 percentage point (pp.) compared to the previous year. This is 4.4 pps below the EU average (down from 5.1 pps and 33.9% of GDP in 2023). In 2024, the below-average share of labour taxes in the tax mix (1.2 pp below the EU-average) was characterised by a high reliance on social security contributions, accounting for 15.7% of GDP (against 13% in the EU-27). Despite recent reforms, including the lowering of the threshold to apply the second 23% tax bracket from 48 to 36 times the average wage as of 1 January 2024, the personal income tax (PIT) as a percentage of GDP remains significantly below the EU-average in 2024 (3.9% of GDP against 9.6% in the EU-27, up from 3.6% of GDP in 2023, see Table A3.1).

At the same time, revenues from corporate income taxes (CIT) increased and exceeded the EU average by 1.4 pp. in 2024 (4.5% of GDP), reflecting a steady upward trend since 2019. Revenues from consumption taxes were also above the EU-average (30% of tax revenues, see Graph A3.1). The share of capital taxation in the tax mix has increased in recent years, driven by rising corporate income tax revenues, even though it is still 1.9 pp. under the EU average. Finally, Czechia reports low revenue level from environmental taxes (1.4% of GDP), suggesting scope to better leverage taxation to support environmental policies.

Despite recent legislative reforms, the contribution from recurrent property taxation to growth-friendly revenue remains limited. Several key measures aiming at increasing revenues from property taxation were enacted as part of the fiscal consolidation package ([51]). The reform included increases of property tax rates, expansion of the tax base. It also introduced an inflation coefficient, in addition to the existing local coefficients capped at 5, which enable municipalities to adjust taxation to local specificities. Despite a slight increase against 2023, revenues from property taxation remain significantly below the EU average in 2024 (from 0.3% of GDP in 2023 to 0.4% in 2024, 1.4 pp below the EU-27). In practice, municipalities have not made much use of the highest local coefficients, and the inflation coefficient was not used in 2025. There are no plans to shift towards a value-based property taxation aligned with market values. This drives low collection and also has degressive effects in practice.

Tax incentives and exemptions may have implications for affordability and revenue potential. Since 2025, the VAT treatment of real estate transfers has been revised, aligning more closely with the framework established under EU law, whereby VAT applies primarily to the first supply of new or substantially altered buildings, while subsequent supplies are exempt ()([52]) Furthermore, existing tax incentives (including the mortgage deductibility of interest payments and more favourable deductibility rules for short-term than long-term rentals) do not appear to effectively support the provision of affordable housing (See Annex 16).

Czechia has strengthened public support for private sector innovation. To address the country-specific recommendation to better tap the

([51]) Approved as Act No.349/2023 Coll. of 8 November 2023, which entered into force on 1 January 2024. See: National Reform Programme of the Czech Republic.

([52]) Act No. 461/2024 Coll.

Table A3.1: **Taxation Indicators**

		Czechia					EU-27				
		2019	2022	2023	2024	2025	2019	2022	2023	2024	2025
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	35.3	34.0	33.9	35.0		39.9	39.7	39.0	39.4	
By tax base	Taxes on labour (% of GDP)	18.9	17.2	17.1	17.6		20.6	20.1	19.9	20.3	
	of which, social security contributions (SSC, % of GDP)	15.2	15.3	15.2	15.7		13.0	12.7	12.7	13.0	
	Taxes on consumption (% of GDP)	11.3	10.8	10.3	10.5		11.2	10.9	10.5	10.6	
	of which, value added taxes (VAT, % of GDP)	7.4	7.6	7.5	7.3		7.1	7.4	7.1	7.1	
	Taxes on capital (% of GDP)	5.1	6.0	6.5	6.9		8.1	8.7	8.5	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	4.9	3.5	3.6	3.9		9.6	9.4	9.3	9.6	
	Corporate income taxes (CIT, % of GDP)	3.3	4.0	4.2	4.5		2.6	3.2	3.2	3.1	
	Total property taxes (% of GDP)	0.5	0.3	0.3	0.4		2.2	2.1	1.9	1.8	
	Recurrent taxes on immovable property (% of GDP)	0.2	0.2	0.2	0.3		1.2	1.0	0.9	0.9	
	Environmental taxes (% of GDP)	2.0	1.4	1.6	1.4		2.6	2.1	2.1	2.1	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	na	na	65.0	na		na	na	84.8	na	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	40.0	35.6	36.2	37.2	37.7	32.4	31.6	31.5	31.5	31.6
	Tax wedge at 100% of average wage (single person) (*)	44.3	40.2	40.5	41.2	41.4	40.1	39.7	39.9	39.9	40.0
	Corporate income tax - effective average tax rates (1) (*)	18.3	18.3	18.3	20.3		20.0	19.2	19.0	19.3	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	6.7	6.1	6.2	5.9		7.8	8.0	7.9	7.8	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)	30.0	20.4	15.9	na		31.8	32.6	30.7	na	
	VAT gap (% of VAT total tax liability, VTTL) (**)	14.6	8.2	8.0	na		10.5	7.3	8.2	na	

(1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) Forecast value for 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the Data on Taxation Trends webpage.
Source: European Commission, OECD, ISORA.

potential of R&D tax benefits to stimulate innovation in the private sector, as of 1 January 2026 the deductibility rate for eligible expenditures up to CZK 50 million under the R&D tax deduction regime increased from 100% to 150%, while expenditures above this threshold continue to qualify for a 100% deduction ([53]). The period to use the deduction has been extended up to five years. The fiscal reform has also simplified administrative requirements. The effect on the innovative capacity of new and small enterprises is expected as of 2027 at the earliest.

Low tax rates boost competitiveness. Overall, low rates of business taxation (a statutory CIT rate of 21% and an effective average CIT rate of 20.3% in 2024) seem to contribute to the competitiveness of the Czech economy, but the complexity of the tax system could be reduced further. In that respect, Czechia ranks 17th out of the 27 Member States in the Tax Complexity Index ([54]). New rules for taxation of qualified employee stock options entered into force on 1 January 2026 ([55]). Designed to support start-ups' competitiveness, this measure exempts qualified incomes from health and insurance contributions and defers taxation to the time of the shares' sale or 15 years after their acquisition (extended from 10 years). Simultaneously, an accelerated depreciation regime over two years encouraging sustainable corporate investments applies for company fleets' emission-free vehicles acquired and put in use between 1 January 2024 and 31 December 2028 ([56]).

Czechia's tax burden on labour is comparatively high at low levels of earnings. Czechia's labour tax burden is less progressive than the EU average. The tax wedge ([57]) for single workers earning 50% of the average wage (37.7% in 2025) was much higher than the EU average

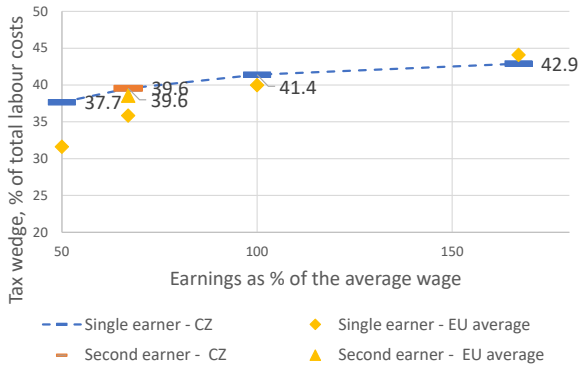
([53]) Act No. 360/2025 Coll.
([54]) See: https://www.taxcomplexity.org/
([55]) Laws No. 84/2025 and 360/2025 amending Sections 6a and 7b of the Income tax Act No.586/1992 Sb.
([56]) Section 30a of the Income Tax Act Act No. 586/1992 Coll.
([57]) The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is defined as the sum of personal income taxes, employee and employer social-security contributions and other mandatory contributions, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer). Tax wedge data in the 2026 country reports are calculated by the Joint Research Centre of the European Commission and based on the EUROMOD model, while in the past country reports they were based on the OECD tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

(31.6%), while it was close to the EU average at high earnings levels (see Graph A3.2). The ability of Czechia's tax-and-benefit system to reduce income inequality (measured by its ability to reduce the Gini coefficient ([58]) has decreased in recent years and, at 5.9 pps in 2024, was clearly below the EU average (7.8 pps, see Table A3.1), despite the 2021 introduction of a second PIT bracket. As from 1 January 2026, the threshold for the application of this higher rate is adjusted upward following an inflation-based valorisation.

The tax system's effect on work incentives for second earners has improved. The tax wedge for second earners earning 67% of the average wage was at 39.6% and remains equal to that of single earners and slightly above the EU average (38.5%; see Graph A3.2). A more targeted use of tax incentives and benefits may be an effective policy lever for strengthening labour market participation among underrepresented groups (See Annex 11). The reform of the parental allowance may have a positive impact by improving access to childcare facilities for children under the age of 2 and reducing the time limit for parents to claim the benefit from 4 to 3 years ([59]). Conditions for benefiting from the tax credit for a dependent spouse remain unchanged in 2026.

The taxation for self-employed people remains significantly lower than taxation of traditional employment, incentivising reliance on bogus self-employment or temporary work arrangements. The standard tax method allows self-employed individuals to deduct from 40% to 80% of gross annual income as business expenses, while the remainder is subject to PIT. Alternatively, self-employed people earning up to CZK 2 million a year may opt to pay a flat tax grouping their income tax, pension and health insurance liabilities. This lump sum is significantly lower than the tax that a conventional employee earning a similar amount would pay. In 2026, an increase of the flat-rate monthly payment was set to affect the first-tier group of taxpayers. However, this measure is likely to be abolished following the approval on 25 March 2026 of a parliamentary bill reversing the rise in the minimum assessment base of the self-employed for pension insurance from 35% to 40% of the average wage, with retroactive effect as of1st January ([60]).

Graph A3.2: **Tax wedge for single and second earners as a % of total labour costs, 2025**



Note: The second earner tax wedge assumes a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD, 2016, Taxing Wages 2014-2015.
Source: European Commission

Czechia promotes individual investments in securities through favourable tax conditions. As of 1 January 2026, the annual monetary threshold (set at CZK 40 000 000) for exempting incomes from the sale of securities and shares in corporations is abolished, providing that the securities are held for 3 years and the shares for 5 years ([61]). This threshold remains applicable to incomes in cryptocurrencies (See Annex 12).

The use of tax expenditures (TE) in Czechia is relatively broad and mainly directed towards PIT and VAT. In 2023, national authorities reported a level of TEs amounting to CZK 892.1 billion (about EUR 36.84 billion) ([62]), equivalent about 29.1% of the total government revenues for 2022. Most TEs concern PIT, where they amount to CZK 560.5 billion (roughly EUR 23.14 billion). While 75% of these overall expenditures have a social aspect, the main drivers lie in the basic tax credit (almost 28%), tax exemptions linked to gambling activities, pensions

([58]) The Gini coefficient measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income.
([59]) Act No. 117/1995 Coll., on State Social Support
([60]) Paragraph 14 of Act No. 589/1992 Coll. As amended by Act No. 349/2023 Coll and Parliamentary Bill amending Act No. 589/1992 Coll.
([61]) Paragraph 4 of Section 3 of the Income Tax Act Act No. 586/1992 Coll. as amended by Act No. 360/2025 Coll.
([62]) Tax expenditures estimation in the Czech Republic for 2023, Annex No.3 of the Report on the Draft Law on the State Budget of the Czech Republic, 14 November 2025

and public-health insurances benefits, as well as the child tax credit (nearly 8%). VAT expenditures account for second highest volume of TEs (CZK 298.4 billion / EUR 12.32 billion), mainly from exemptions related to: renting property; financial and insurance services; and reduced VAT rates.

Czechia monitors the use of tax expenditures as part of the annual budgetary cycle. The tax administration has developed a publicly available methodological framework to monitor and assess the use of TEs, as required by the national rules of budgetary responsibility ([63]). However, this framework suffers from a limited coverage and only applies to expenditures whose individual potential impact on public budgets exceeds CZK 100 million (roughly EUR 4.12 million) and for which data are available. The Czech authorities have flagged administrative burden behind data collection as significantly contributing to availability issues. However, the implementation of the single monthly employer's report ([64]) as from April 2026 is expected to enhance the set of data directly available to the tax authorities.

However, the monitoring of compliance gaps, except for VAT, needs further refinement. Czechia is still working on developing a robust approach to monitoring compliance gaps related to CIT, PIT, and other taxes such as employment taxes, social and health contributions. Nonetheless, 2018 estimates from the European Commission show that CIT gap in Czechia is equivalent to the EU average (around 11%), while the shadow economy is smaller than the EU average (13.5% of GDP against 17.6% in the EU-27) ([65]).

The VAT compliance gap in Czechia remains below the EU average. In 2023, the VAT compliance gap was estimated at 8.0% of the VAT total tax liability, representing a decrease of 0.2 pps compared to 2022. Between 2019 and 2023 the VAT compliance gap decreased from 14.6% to 8.0%. With an EU VAT compliance gap of approximately 9.5%, Czechia is ranked 13th among the EU Member States. The actionable VAT policy gap ([66]) stood at 18.4% in 2023, consisting of a VAT rate gap of 7.3%, a national policy-driven VAT exemption gap of 8.6%, and an EU policy-mandated VAT exemption gap of 2.5%.

Czechia has improved the effectiveness of its tax recovery policy in recent years resulting in an amount of tax arrears below the EU average. Czechia has risk-based IT systems in place for managing VAT and tax arrears. It has also recently undertaken a regional reorganisation of tax recovery offices with a view to bolstering the effectiveness of tax recovery processes. The level of outstanding tax arrears in Czechia is below the EU average, amounting to 15.9% of the total net revenue in 2023 and following a downward trend over time (the 2019 level of outstanding arrears amounted to 30% of the total net revenue, against 20.4% in 2022). Nevertheless, there is scope for further use of dedicated digital tools to improve early detection of non-compliance and tax recovery performance, and for reducing the cost of tax collection. In addition, recovery under mutual assistance remains limited with a recovery rate in 2022–2024 at around 4.7% of the amounts requested ([67]).

Enhancing tax compliance through digitalisation and improved tax administration could help to increase revenue without changing tax rates. Better data analytics can help reduce tax avoidance and tax evasion, ensuring a fairer distribution of the tax burden. In particular, Czechia has not yet developed a dedicated strategy guiding the digital transformation of the tax administration, including through the use of AI-driven processes and tools. However, a proof-of-concept phase is currently underway for some IT-tools designed to support the tax administration's daily operations. In addition, Czechia demonstrates satisfactory levels of e-filing implementation for CIT and VAT (over 97% of returns for these two tax categories are now filed electronically), indicating effective systems for businesses, and reducing errors and compliance costs.

Although there has been significant progress, there is still room to increase the e-filling rate for PIT returns. In 2023, this rate reached 67% (against 20.3% in 2018), lagging about 20% behind the EU average. Finally, pre-filling of CIT,

([63]) Czech Finance Ministry: Detailed information on the impact of tax expenditures on revenues of general government

([64]) Act No. 323/2025 Coll. on Uniform Monthly Employer Reporting

([65]) Mind the Gap Report – Czechia Country Fiche

([66]) For context: if no product or service was exempt from VAT and no reduced VAT rates were applied, the actionable VAT policy gap would be 0%.

([67]) International Survey on Revenue Administration

PIT and VAT tax returns is not yet implemented, though the launch of the single monthly employer's report may support improvements in this area. Czechia implements pre-filling for property taxes returns based on cadastral data.

In 2025, Czechia continued to be deemed a 'moderate innovator', with a performance below the EU average. Czechia's innovation performance score has dropped to 80.6% of the EU average (down from 89.7% in 2024), according to the 2025 European Innovation Scoreboard ([68]). R&D expenditure ([69]) remained at 1.82% of GDP in 2024, matching the previous year's level. This follows three consecutive years of decline after a period of annual growth from 2016 to 2020, when R&D investment peaked at nearly 2% of GDP. The current level is below the EU average of 2.2% and still far from the national target ([70]) of 3% by 2030. Moreover, the share of expenditure on science and research in the GDP of individual regions ([71]) varies significantly (see Annex 18). The 2025 country-specific recommendations (CSRs) highlighted challenges Czechia is facing in supporting the creation of start-ups and spin-offs, fostering technology transfer and improving the efficiency and uptake of public support to business innovation. In addition to these challenges, which remain acute today, the persistent fragmentation of the research ecosystem and weak coordination continue to undermine scientific output and limit overall innovation capacity. On digitalisation, Czechia continues to make progress in its business sector. AI adoption has increased rapidly, nearly doubling in 2024 and approaching the EU average. In contrast, cloud services and data analytics remain less widely used, particularly among SMEs.

Excellent science

Declining public R&D intensity and a fragmented science base hinder the quality and efficiency of the research system. Public R&D expenditure as a percentage of GDP has declined in recent years (0.63% in 2024, down from 0.75% in 2020). In real terms, inflation-adjusted public spending on R&D has returned to its 2016 level, while the number of institutions, staff and new infrastructure has continued to grow. This 'hidden deficit' - the distribution of a smaller real volume of public funding to an increasingly large ecosystem - strengthens the widespread perception of inadequate public resource allocation and is affecting all research and innovation actors. The public research system's high degree of institutional fragmentation ([72]) weighs on the quality of Czech research outputs ([73]). These are improving over time but remain below the EU average, despite a relatively high public R&D intensity compared with peer countries. Consequently, it would be highly beneficial to incentivise institutional defragmentation and prioritise merit-based and strategic funding allocation to high-performing, collaborative R&I entities.

([68]) European Commission, 2025, *European Innovation Scoreboard, country profile Czechia*. The scoreboard provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national systems ec_rtd_eis-country-profile-cz.pdf.

([69]) Defined as gross domestic expenditure on R&D as a percentage of GDP.

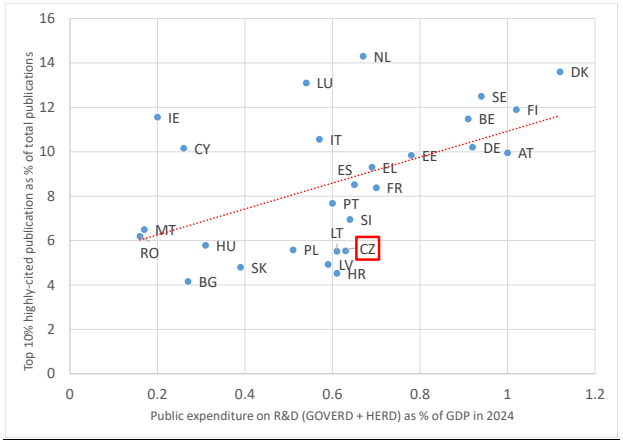
([70]) Czechia's innovation strategy for 2019-2030 sets targets for increasing R&D funding (by 2% by 2020, 2.5% by 2025 and 3% by 2030).

([71]) In the South Moravian region it accounts for 2.8% of GDP and in Prague 2.7% of GDP, whereas in the Karlovy Vary region it accounts for only 0.3% of GDP and in the Ústí region 0.4% of GDP. See data of the Czech Statistical Office: https://csu.gov.cz/produkty/ukazatele-vyzkumu-a-vyvoje-2023.

([72]) Background report, Policy Support Facility Support Czechia. Czechia on the reform of the Technology Transfer Offices sector - Publications Office of the EU (see p. 9) and Czech research cooperation in the EU is growing only slightly, AVUni is doing well | RMU – Asociace výzkumných univerzit.

([73]) This is illustrated by the share of scientific publications within the top 10% most-cited publications worldwide as a percentage of total publications (5.54% vs 9.44% of the EU average in 2022).

Graph A4.1: **Top 10% most-cited publications in relation to public R&D expenditure**



Source: Eurostat/Science-Metrix

The governance of the research & innovation (R&I) system and evaluation of policies and support programmes remain inadequate. The lack of coordination in the development and execution of R&I policies ([74]), combined with inadequate monitoring and evaluation, continue to limit effective strategic steering. The new R&I Act ([75]) effective from 1 January 2027 seeks to make strategies more consistent by requiring research organisation strategies to align with the conceptual frameworks of funding bodies, which must themselves be consistent with the national policy on research, development, innovation and transfer. A further benefit of the Act is that it opens possibilities for more flexible, differentiated R&I public funding. While the Act clarifies responsibilities regarding the development of innovation policy (now assigned explicitly to the Ministry of Industry and Trade), it fails to address broader governance inconsistencies and the lack of coordination across R&I policy actors. Fragmentation and duplication of R&I programmes across multiple providers continue to create overlaps, unclear responsibilities and administrative burdens for beneficiaries, especially innovative companies seeking public R&I funding. It also makes it harder to systematically assess the efficiency of invested resources. In spring 2025, methodological guidelines helping ([76]) to align rules and procedures for R&I support across providers were adopted by the Council for Research, Development and Innovation, an advisory body of the Czech government. While this represents a positive first step towards reducing the administrative burden, sustained efforts will be needed to achieve further simplification and efficiency.

Business innovation

A combination of foreign affiliate dependence and a still quite low value-added industrial structure constrain Czechia's innovation potential and its convergence with more advanced EU economies. Business enterprise expenditure on R&D as a percentage of GDP was below the EU average in 2024 (1.18% vs 1.49%) but has shown a steady increase over the past decade. Nevertheless, these gains have been largely driven by foreign affiliates, which account for approximately 65% of total R&D business expenditure([77]). This demonstrates that foreign firms lay a crucial role in the economy and in business R&D. On a positive note, examples of qualitative changes in the activities of foreign companies (from production to R&D) are becoming more common. At the same time, there is a lack of domestic companies capable of implementing advanced innovations ([78]). In the Czech economy ([79]), firms that act as lower-order suppliers still dominate, and even larger companies are typically positioned on the lower tiers of value chains, which is associated with a significant reliance on price competitiveness. Relatively weak innovation output

([74]) OECD, 2025, *OECD Economic Surveys: Czechia 2025*, OECD Publishing, Paris, https://doi.org/10.1787/7a70af5c-en. (see p. 49)

([75]) Zákon o výzkumu, vývoji, inovacích a transferu znalostí, 328/2025 Sb

([76]) Milestone under Czech recovery and resilience plan component 5.3.

([77]) The amount of R&D spending in foreign-controlled companies has increased more than threefold in nominal terms since 2010.

([78]) INKA 3: Výsledky mapování - INKA 3 | INKAviz – Technologicka Agentura CR.

([79]) There is a reliance on mid-tech industries and a weaker innovation output rate: the value added in medium-high-tech manufacturing (e.g. automotive) as % of total value added significantly prevails (9.57 vs EU average of 5.63 in 2023). Value added in high-tech manufacturing as % of total value added lags behind the EU average and is decreasing over time (it stood at 1.87 in 2013 and reduced over time to 1.50 in 2023). The majority of business expenditure on R&D is spent in the manufacturing sector (54%), with a visible pattern of growth also in the ICT sector (20%) (source: Policy Support Facility background report).

is also reflected in a decline in patenting activity, which is well below EU average and has decreased in recent years ([80]). At the same time, a large part of the value of intellectual property created in the form of patents is offshored abroad ([81]), limiting the domestic capture of economic value and knowledge spillovers.

Public support for innovation is less effective in reaching young and smaller innovative firms. A recent report ([82]) highlights that public funding for innovation in Czechia predominantly advantages large, well-established industrial companies, yet falls short in aiding smaller, innovative enterprises. In 2023, indirect support through R&D tax incentives constituted 0.04% of GDP, significantly lower than the EU average of 0.10%. Fewer than 30% of companies actively involved in R&D use these incentives ([83]), with small and emerging firms employing them at an even lower rate. Businesses have criticised the scheme for its complexity and bureaucratic nature. In line with the 2025 CSR on *better tapping the potential of R&D tax benefits to stimulate innovation*, a reform ([84]) effective from January 2026 aims to make the tax credit scheme more attractive for SMEs by increasing deduction rates, extending application periods from three to five years and simplifying administrative procedures. Although this is a positive step towards making the R&D tax deduction more attractive for small businesses, its impact would be strengthened by further efforts to reduce the administrative hurdles in implementation. Moreover, direct innovation support programmes (in the form of grants) would benefit from a review and potential restructuring to better accommodate the needs of young, innovative companies.

The transfer of knowledge and technology between academia and businesses remains subdued. Linkages between businesses and academia remain weak, as evidenced by the low share of public R&D expenditure funded by the business enterprise sector. In 2024 this stood at 0.02% of GDP, a third of the EU average of 0.06%. Additionally, the transfer of research outcomes to entrepreneurial ventures is limited, reflected in the country's persistently low number of spin-offs. While good practices are emerging in some universities and research institutes, Czech universities are absent from the top 181 European institutions in spin-out performance ([85]). Reasons for this may include: (i) inconsistent support and uneven quality of technology transfer offices; (ii) bureaucratic hurdles in intellectual property rights (IPR) management for researchers and entrepreneurs; and (iii) a lack of institutional incentive for universities, and in turn researchers, to prioritise activities beyond their core educational and research missions. Concerning CSR 2025 on *facilitating knowledge transfer from academia to business*, the new R&I Act (no. 328/2025 Coll.), effective from 1 January 2027, integrates knowledge transfer for the first time explicitly into the legislative framework. This requires organisations and funding providers to have a strategy for translating scientific findings into practice. Knowledge transfer is a criterion ([86]) under the new methodology for research assessment in universities. However, these measures appear insufficient to effectively incentivise knowledge transfer activities. As universities retain full autonomy over their strategic orientation, the commitment and capacity of individual institutions will be decisive. Stronger and more consistent incentives and improved professionalisation of technology transfer functions would help foster research commercialisation.

The uptake of digital technologies by firms in Czechia continues to progress, although performance remains mixed compared with the EU average. In 2025, 70% of SMEs in Czechia reached at least a basic level of digital

([80]) Patent applications filed under the Patent Cooperation Treaty per billion of GDP (in purchasing power standards EUR) stood at 0.7 in 2022 in Czechia. The EU average was 2.8.

([81]) Although 'offshored patents' account for only 5.5% of the total number of patents between 2000-2021, their value reaches almost 40%. In other words, nearly half of the value created during this period was offshored to foreign countries. Source: fin TAČR analýza hodnoty patentu.

([82]) Martin Srholec, Národohospodářský ústav AV ČR,2024 IDEA_Studie_06_2024_Nedotovani_inovatori_tisk_0926.pdf *Which Innovative Firms Do/Do Not Receive Public Support for Innovation?*, Jaké inovativní firmy (ne)čerpají veřejnou podporu na inovace?).

([83]) A number that has been gradually decreasing (by more than 40%) since 2015. Policy Support Facility, *Background report 2024*, (see p. 33).

([84]) Mainly an amendment to the Income Tax Act.

([85]) European Spinouts Report - 2025 | Dealroom.co.

([86]) Methodology HEI 2025+, modul 3.

intensity. This was close to the EU average of 71%, indicating steady but still incomplete diffusion of basic digital tools among smaller firms. The adoption of more advanced digital technologies shows a differentiated picture. AI uptake by enterprises reached 18% in 2025, remaining below the EU average of 20%, suggesting that barriers persist in scaling AI solutions across the business sector. Cloud computing adoption stood at 43% of enterprises, also below the EU average of 47%. This points to slower uptake of scalable digital infrastructure, particularly among SMEs. By contrast, Czechia performs above the EU average in data analytics, with 45% of enterprises using data analytics tools in 2025, compared with 40% at EU level. This indicates relatively strong capabilities in data use and analysis, which could provide a solid foundation for further uptake of AI and advanced digital applications. To support continued progress in digital transformation, Czechia has expanded its set of targeted measures, notably under the Operational Programme Technologies and Applications for Competitiveness (OP TAC), supported by the Recovery and Resilience Facility and cohesion funding ([87]). These measures are complemented by national initiatives promoting cloud, data analytics and AI uptake. Implementation of the national AI strategy is also beneficial in this regard, as it addresses key adoption barriers through skills development, awareness raising and access to experimentation platforms, with a particular focus on SMEs.

Entrepreneurial dynamism

The start-up ecosystem remains underdeveloped, but initiatives are under way to support the growth of innovative companies in Czechia. According to the *EU Startup Nations Standard of Excellence*, Czechia meets 38% of start-up standards, while the average for the participating countries' alliance is 55% ([88]). This indicates that the ecosystem conditions remain suboptimal ([89]). In 2025, Czechia had 167 start-ups per million inhabitants ([90]), below the EU average (201) and far behind the USA (512) and leading EU countries like Estonia (843). In 2024, a Czech start-up association ([91]) was created. This is helping other already existing stakeholder organisations such as Czech founders and public support providers to nurture growth and improve the conditions to ensure a more supportive ecosystem. The 2025 *Analysis of support for the startup environment in Czechia* ([92]) revealed the shortcomings and challenges for the development of innovative companies and should serve as a basis for a new start-up act. This act, expected to be adopted by 2027, aims to provide a holistic framework covering principal areas such as: (i) a legal definition of start-up/scale-up firms; (ii) labour flexibility and talent attraction; (iii) public procurement and sandboxes; (iv) taxation of start-ups and investors (business angels); and (v) simplification measures cutting red tape. Quickly putting the act into practical operation could help address low business dynamism and strengthen the economy's ability to generate innovation. In response to the 2025 CSR on *supporting the creation of startups, for example by improving legislation on employee stock option plans*, several measures have been introduced to support start-up financing, including initiatives under the Czech recovery and resilience plan (RRP). A reform to Czechia's employee stock option framework, implemented on 1 January 2024, was supplemented and refined in 2025 to increase its effectiveness and competitiveness relative to EU and global counterparts. With effect from 1 January 2026, employee stock ownership plans are subject to income tax only, similar to ordinary shares, and therefore are not burdened by social and health levies. This brings the framework in line with other EU countries in terms of total taxation. It should also help Czech companies and start-ups to better compete in foreign labour markets. The principle of 'no tax before cash' applies – i.e. employees are taxed only when they earn money from the sale of shares, not upfront.

([87]) Flagship initiatives such as 'Digital Enterprise – Call I' and the planned Call II provide financial support for SMEs to invest in Industry 4.0-related digital technologies, including cloud solutions, cybersecurity, digital twins and advanced ICT systems, while 'DEEP TECH – Call III' supports industrial research and experimental development in advanced technologies such as AI, big data, 5G and semiconductors.

([88]) https://scoreboard.esnalliance.eu/.

([89]) Czechia does not have a single start-up that meets the definition of an 'innovative start-up' (i.e. founded in the last 20 years, having a patent, and a valuation over EUR 100 million). By way of comparison, Sweden has 40, Europe 979, and the USA 2 725.

([90]) Analyza_startupy.pdf.

([91]) Česká startupová asociace.

([92]) Idem.

Venture capital activity has seen growth but remains well below the EU average. The average venture capital investment as a share of GDP climbed from 0.003% in 2013 to 0.02% in 2024, yet this figure remains significantly below the EU average of 0.06%. Additionally, domestic institutional investors play only a limited role in funding start-ups and venture capital initiatives, exacerbating the underdevelopment of the local risk capital ecosystem. As a result, a substantial funding shortfall persists for early-stage, innovation-driven enterprises requiring capital that accommodates high-risk exposure throughout their growth trajectory (see Annex 6).

Czechia's innovation procurement framework would benefit from significant improvement. In the benchmarking of national innovation procurement policy frameworks across Europe, Czechia is ranked 24th in the EU, with a total score of 14% ([93]). Even though the country improved its score a little, it dropped three places compared with the previous benchmarking in 2020 as other countries improved their policy framework faster. Its performance is below the European average (33%) in total and on all 10 indicators. Czechia has implemented so far only a few of the policy measures to establish a comprehensive framework for innovation procurement.

Czechia's innovation potential is constrained by a shortage of skilled labour. There is a declining share of the population with tertiary education. In 2024, only 33.5% of young people aged 25 to 34 held a tertiary degree, below both the national target of 35% and the EU-level target of 45% by 2030 (vs 44.2% in the EU) ([94]). The number of graduates in science and engineering fields has continued to decline (14.2 per 1 000 people aged 25–35 in 2012, vs 10.4 in 2023). At the same time, demand for university-level graduates has exceeded the available supply ([95]). To address labour shortages, Czech employers are increasingly seeking workers from abroad. Despite this, the current immigration policy is not making it easier to attract highly skilled foreign talent. A planned legislative amendment to the Act on the entry and stay of non-EU nationals was submitted to facilitate the admission process but was not adopted before the end of the legislature. Challenges in the domestic labour market are further detailed in Annex 11.

In Czechia, a national research and innovation strategy for smart specialisation aims to support the development of entrepreneurship education. A revised framework educational programme for basic education adopted in 2024 includes 'entrepreneurship and work' among key competences to be developed during compulsory education. Entrepreneurship is integrated into general upper secondary education through a cross-curricular approach (2024/2025), and the entrepreneurship competence is also highlighted in the framework education programme for general secondary education. Students, including those in vocational education and training (VET), are helped to obtain entrepreneurial skills through the Centre for Fictitious Companies ([96]). Schools can also cooperate in this area with the Junior Achievement organisation and other NGOs. The Czechinvest agency invests in adult learning on entrepreneurship. Furthermore, the RRP is investing in the 'Entrepreneurship Support Project' (CZK 14.3 million) aimed at boosting the entrepreneurship skills of a target audience ranging from students in basic schools to young adult entrepreneurs. However, there is no explicit reference to entrepreneurship education in Czechia's top-level teacher competence frameworks in primary and general secondary education. In addition, there are a lack of data on entrepreneurship education and its results, including on the entrepreneurial skills of recent graduates.

([93]) CZECH REPUBLIC. COUNTRY PROFILE – Benchmarking of national policy frameworks for innovation procurement, 2024.

([94]) See Annex 13.

([95]) OECD, 2025, *OECD Economic Surveys: Czechia 2025*, OECD Publishing, Paris, https://doi.org/10.1787/7a70af5c-en.

([96]) Podkrušnohorský veletrh fiktivních firem (SŠ) | ICUK.

Table A4.1: **Key innovation indicators**

CZECHIA	2010	2015	2020	2022	2023	2024	2025	EU average (1)	US
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	1.31	1.91	1.95	1.89	1.82	1.82	:	2.24	3.44
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	0.56	0.86	0.75	0.67	0.62	0.63	:	0.72	0.64
Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country	5.09	6.64	4.77	5.54	:	:	:	9.44	12.31
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	3.2	3.6	4.2	4.4	4.3	4.4	:	4.3	:
International co-publications as % of total number of publications	35.45	40.01	51.09	53.65	55.06	57.54	:	57.24	:
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	0.74	1.04	1.19	1.21	1.18	1.18	:	1.49	2.69
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.34	0.36	0.32	0.35	0.35	0.34	:	0.47	0.30
Researchers employed by business per thousand active population	2.4	3.7	4.3	5.2	5.3	5.1	:	5.9	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	1	1.49	1.22	1.34	0.9	:	:	2.81	2.20
Employment share of high-growth enterprises measured in employment (%)	:	:	:	0.75	0.74	:	:	0.87	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	49.30	:	70.46	71.39	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	19.49	:	44.60	39.85	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	35.23	:	42.93	46.69	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	5.90	11.26	17.60	19.95	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	7.61	7.95	7.17	8.09	7.99	7.75	:	7.62	:
Public expenditure on R&D financed by business enterprises (national) as % of GDP	0.02	0.03	0.03	0.02	0.03	0.02	:	0.06	0.02
Public support for business innovation									
Total public-sector support for BERD as % of GDP	0.16	0.17	0.15	0.14	0.12	:	:	0.21	:
R&D tax incentives: foregone revenues as % of GDP	0.03	0.05	0.04	0.04	0.04	:	:	0.10	0.16
BERD financed by the public sector (national and abroad) as % of GDP	0.13	0.12	0.11	0.10	0.08	0.07	:	0.11	:
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.01	0	0.01	0.03	0.03	0.02	:	0.06	:
Seed stage funding share (% of GDP)	0	0	0	0	0	0	:	0.01	:
Start-up stage funding share (% of GDP)	0	0	0	0	0	0	:	0.03	:
Later stage funding share (as % of GDP)	0.01	0	0	0.01	0.01	0.01	:	0.03	:
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	:	13.06	10.56	10.30	10.40	:	:	16.82	:
Graduates in the field of computing per thousand population aged 25-34	:	2.66	2.64	2.91	3.12	:	:	3.84	:

(1) EU average for the last available year or the year with the highest number of country data. * break in series.
Source: Eurostat, OECD, DG JRC, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard.

Czech businesses continue to face challenges primarily due to high energy prices, which weigh heavily on competitiveness and investment decisions, while administrative and regulatory burdens add further pressure and ongoing technological and digital transformations require significant adaptation across sectors. The 2025 country-specific recommendations (CSRs) highlighted challenges in simplifying urban planning and construction-permitting processes, strengthening business access to non-bank finance, increasing the use of financial instruments, supporting the creation of start-ups and spin-offs, as well as stimulating innovation in the private sector. Despite several anti-bureaucracy packages and digital initiatives, the perception of the business environment has worsened among businesses, which cite administrative hurdles, regulatory obstacles and late payments as key concerns. Access to finance and scaling mid-sized firms remain weak points. Labour shortages, particularly in skilled areas, hinder investment alongside permitting delays, while public procurement inefficiencies and regulated professions limit the potential of the Single Market. While the automotive sector shows resilience and clean-tech exports position Czechia as a global leader, heavy import reliance on critical raw materials and supply chain vulnerabilities underscore the urgency for stable regulations and strategic resource development.

Business dynamics

The economy faces a scale-up problem, as the step from micro to medium-sized firms remains difficult, limiting technology diffusion and the emergence of strong domestic champions. In 2025, the business economy of Czechia was strongly dominated by micro-enterprises (0-9 employees), which represented 96.7% of registered firms (94.5% in the EU), generating more than one third of total employment and almost one quarter of value added([97]). Small and medium-sized enterprises (10-249 employees) were far fewer in number (3.2%), accounted for 35% of employment and 38% of value added, underscoring their central role in driving innovation, production and domestic supply chains. Large enterprises (250+ employees) formed only a tiny fraction of all firms (0.1%), but they provided almost 40% of value added and 30% of total employment, reflecting much higher labour productivity and strong export orientation. Policy efforts focused on improving access by small to medium-sized enterprises (SMEs) to finance, skills and innovation support, with the twin objective of raising micro-firm productivity and enabling scalable SMEs to grow into larger, internationally competitive businesses, would contribute to sustainable competitiveness. In addition, providing support to clusters in key economic sectors would help foster innovative collaboration activities, improve access to funding and scale-up support services, thereby helping to alleviate these challenges.

Czechia's business demography is less dynamic, characterised by a relatively lower business churn rate than in the EU. While Czechia's lower churn rate (15.75% vs the EU average of 19%) may suggest greater business stability - with fewer enterprises closing relative to new registrations, reflecting stronger firm survival and resilience - it could also indicate reduced economic dynamism and structural rigidities. These rigidities, such as barriers to entry and exit, may protect less efficient firms, hindering resource allocation and innovation. A clearer understanding, based on further analysis of the drivers of churn, could help inform the design of more targeted policy approaches.

Czechia is home to a dynamic and growing start-up ecosystem with several hubs across the country. Like other eastern European economies, Czechia's start-ups primarily offer digital services, with many achieving international expansion. A few in tech-travel and cybersecurity have become notable success stories by scaling up abroad, while other manage global operations domestically – with foreign investors holding shares or ownership – though most are acquired by national buyers. According to Czech Founders([98]), in 2025, the total amount of investment in Czech start-ups fell by 18.1% compared with 2024, mirroring global trends, where a small number of companies absorb most market investments. The Czech start-up ecosystem ranks third in eastern Europe and has

([97]) SME Performance Review 2026.

([98]) Czech Founders, January 2026.

remained stable since 2024([99]). It continues to grow, supported by a broad network of incubators and accelerators operating across the country. However, there is substantial heterogeneity in the quality of these business incubators, which could be mitigated by strengthening the skills and capacities of incubator managers and staff. The forthcoming start-up law could further boost this environment, in line with the 2025 CSR on *supporting the creation of start-ups and spin-offs* (see Annex 4).

Despite its high share of total investment, Czechia has the potential to enhance the efficiency of its investment activities. Total investment (government, households, business) at 26.5% of GDP places Czechia among the top investing EU countries. Over the past five years, public investment has remained stable at approximately 4.7% of GDP, exceeding the EU average (3.7% in 2024). This share is primarily driven by increased investments in transport infrastructure and defence and serves as an important source of economic growth. However, a more effective national system for project prioritisation and coordination could lead to greater strategic coherence. Engaging business investments has the potential to expand the volume of investment resources without increasing the immediate burden on the public budget.

Czech enterprises report investment barrier concerns comparable to the EU average. The biggest obstacles are the availability of skilled staff (88%) and uncertainty about the future (84%), especially in construction. Energy costs are less of a worry than before (69%, down from 95% in 2024)([100]).

Business environment

Despite ongoing efforts to improve the business environment, regulatory and administrative obstacles remain and significant untapped potential for further improvement still exists. Following the introduction of the three 'anti-bureaucratic packages' in 2022-2024([101]), the Czech government approved a fourth package in August 2025 to alleviate the excessive administrative burden on businesses. The Ministry of Industry and Trade has launched its online Reporting Obligations Database, offering businesses a one-stop resource for navigating their legislative responsibilities. Despite these efforts, the perception of business regulations as a barrier to investment substantially worsened among Czech businesses, with the share increasing from 57% in 2024 to 71% in 2025([102]). This trend was also echoed in labour regulations, which many more businesses (70%) saw as an obstacle to investment in 2025 (45% in 2024).

Czech gold-plating of EU directives imposes stricter rules than required, increasing bureaucracy within firms. Such additional burdens put the businesses concerned at a competitive disadvantage compared with businesses from Member States that have avoided regulatory gold-plating. In Czechia, gold-plating decreased after 2016, when the government mandated transposition of these regulations into domestic laws with minimal amendments([103]). According to the Report on Reducing the Burden on Entrepreneurs([104]), 171 legal acts imposing 1 870 information obligations for businesses have been identified. Most of these obligations arise from national legislation (56%), followed by directives of the European Parliament and the Council (37%) and EU regulations (7%). The largest share of the burden stems from employment and health protection legislation (see Annex 7).

The gold-plating phenomenon in the construction sector illustrates its negative economic impact. Cumulative over-implementation of environmental and digital requirements has resulted in gold-plating within construction-permitting processes. According to the Chamber of Commerce([105]), Czechia has incorporated so many obligations and references to standards into the building permit system that

([99]) Global Startup Ecosystem Index 2025.

([100]) EIB Investment Survey 2025.

([101]) Vládní antibyrokratické balíčky | Vláda České republiky.

([102]) EIB Investment Survey 2025.

([103]) Gold-plating of EU Law in the Czech Republic Revisited, 2024.

([104]) Ministry of Industry and Trade: Report on reducing the burden on entrepreneurs, October 2025.

([105]) Jak nás gold plating připravuje o byty | BusinessInfo.cz.

constructing any apartment or house is more complicated than ever.

Czechia's urban planning and construction-permitting processes remain a key bottleneck for business investment and development. The 2025 CSR recommended simplifying urban planning and reducing administrative burden by improving digitalisation, capacity and the management of construction offices. These hamper not only the housing, energy and digital sectors but also foreign direct investment, industrial expansion, brownfield investment and overall economic competitiveness. Czechia is currently working on a major amendment to the relatively new Construction Act([106]), approved in 2021. However, spatial planning, which suffers from excessive administrative burden and slows down development([107]), is largely left out of this review, with a larger review planned according to the government's economic strategy([108]). The digital permitting system, launched in July 2024, encountered technical difficulties in its roll-out and the draft amendment postpones full digitalisation from 2027 to 2030.

Czech businesses are calling for a substantial reduction in administrative burdens to create more room for growth, innovation and investment. The Czech Chamber of Commerce has launched the comprehensive 'Bureaucratic Detox' initiative([109]), which includes a concrete proposal for a systemic reform, the Anti-Bureaucratic Act. It recommends that every new piece of EU or national legislation be accompanied by a concise and easily understandable summary of the obligations for its addressees. The proposal also envisages a regular annual review to assess the effectiveness of the obligations imposed.

Czechia is ready to introduce 13 new measures to help SMEs overcome challenges stemming from recent economic and geopolitical developments. The mid-term review of the SME strategy was completed in June 2025. Based on it, the revision of the SME strategy was expected to be finalised by the end of 2025. Among the measures are the digitalisation of SMEs, preparation of a new start-up law, brownfield development, tax incentives for early-stage investments and research and innovation (R&D) policy (the 2025 recommendation on *stimulating innovation in the private sector*) and strengthening resource and energy efficiency in SMEs. Coordination across ministries will be crucial to successfully implementing these measures.

In Czechia, oversight of state-owned enterprises (SOEs) remains limited due to unclear strategic objectives, restricted audits and inadequate accountability for public interests and efficiency. These 50 fully state-owned companies([110]) generate an annual turnover exceeding CZK 440 billion, manage assets worth CZK 1.3 trillion (representing around 5.5% and 16.1% of Czechia's GDP respectively)([111]), and employ over 85 000 people. Despite this significance, SOEs often lack clear owner-defined mandates, develop their own strategies without state guidance, deliver uneven financial results across sectors, and feature non-competitive and non-transparent management selections. Consequently, substantial public funds flowing into these firms face insufficient strategic and audit checks, as the Supreme Audit Office still cannot examine state joint-stock companies. Strengthening strategic governance, management accountability and transparency in Czechia's SOEs would enhance their overall performance and better align operations with the specific public interests for which they were established.

There is a strong push for digitalisation to facilitate communication between businesses and the state. While some measures (e.g. the online Reporting Obligations Database for businesses) are already in place, others are being developed or are in the pipeline. The Licensed Trades Portal([112]) already makes it possible to set up a business fully online([113]). The Entrepreneurial

([106])https://www.psp.cz/sqw/historie.sqw?o=10&T=67.

([107])https://reforms-investments.ec.europa.eu/technical-support-instrument-0/competitiveness/recommendations-and-legislative-proposals-building-act-reform-area-spatial-planning_en.

([108])Country for the future 2.0, Section 3.

([109])Bureaucratic Detox.

([110])Ministry of Finance, State Ownership Policy Strategy in 2024.

([111])Czech Statistical Office, 2024 GDP data, Annual national accounts.

([112])Licensed Trades Portal.

([113])Part of the barriers highlighted in the 2025 Single Market Strategy ('Terrible Ten'), Single market strategy.

Portal – an umbrella platform and a measure of the recovery and resilience plan (RRP) – will serve as the central e-government point for businesses, incorporating all administrative procedures, including tax filing. An inspections portal (JePEK) will coordinate between inspection authorities and businesses, including providing information on planned inspections for entrepreneurs. The aim of the digital project Stop Bureaucracy([114]) is to present specific measures to reduce bureaucracy for entrepreneurs and to provide information about key digital projects.

Czechia combines near-universal 5G coverage with a persistent gap in fixed gigabit connectivity. While overall 5G coverage reached 99.08% in 2024 (above the EU average), the roll-out of very high-capacity networks (VHCN) and fibre to the premises (FTTP) remains well below EU levels. This could weigh on productivity and firms' ability to scale digital solutions. This matters in the context of the Digital Decade 2030 objectives on connectivity, as Czechia's national targets remain ambitious (95% VHCN, 60% FTTP, 100% 5G by 2030). But delivery will depend on accelerating deployment and addressing bottlenecks, such as lengthy permitting processes and limited take-up of high-speed broadband. Czechia is pursuing measures to simplify roll-out procedures, including an action plan to support network planning and construction and to promote fibre-ready construction. On the mobile side, it relies on a package of measures, including spectrum-related actions and subsidies for underserved areas. Additional efforts are still needed to accelerate VHCN/fibre deployment and strengthen 5G capacity and stand-alone ecosystem development.

Czechia ranks low in terms of the ease of equity financing. According to the 2025 EIF SME Access to Finance (ESAF) Index([115]), the equity sub-index places Czechia second among the worst-ranked EU countries. The weakness of the venture capital ecosystem, particularly in pre-seed investments, has been highlighted by stakeholders as a major barrier to accessing finance. Numerous initiatives – including grant schemes (e.g. Technologická inkubace by CzechInvest) or regional funding (e.g. the South Moravian Innovation agency JIC Ventures) – seek to address funding gaps, in line with the 2025 recommendation on *strengthening business access to non-bank finance*. Efforts are also underway to establish a deep-tech venture capital fund by the end of 2027. Additional support measures, such as tax incentives for equity investors and the development of financial instruments, would improve access to early-stage financing options (the 2025 recommendation on *increasing the use of financial instruments*) (see Annex 6 and Annex 18).

In recent years, Czechia has consistently ranked among the EU Member States with the largest share of companies reporting difficulties due to late payments. The problem([116]) intensified in 2024, encompassing 69% of Czech companies, which is a considerably higher share than the reported EU average for the same year (52%)([117]). This represents a deterioration of 4 percentage points in relation to the 2023 value and 13 percentage points more than the lowest value recorded during the period 2019-2024 (56% in 2020). Czechia is the Member State with the longest payment times by government-to-business (G2B) (73.8 days, above the EU average of 69.8). Compared with 2023, the average payment period for G2B transactions increased by seven days. On a more positive note, the share of SMEs experiencing late payments from public entities and payment gaps in the public sector is well below the EU average, while the share of payments made by the due date ranks well above the EU average. The average payment period for business-to-business (B2B) was longer than 60 days (62.3 days) and Czechia was one of two countries in which companies took the longest to settle their invoices. Czech businesses most often attribute delays to invoice disputes and supply chain disruptions. The 'transport and logistics' sectors remain the weakest performers in Czechia. The Czech government has implemented several measures – effective from 2025 - to tackle late payments, primarily through tax and VAT reforms aligned with EU directives.

([114])Stop byrokracii !.

([115])The EIF SME Access to Finance Index (ESAF) is a composite indicator measuring SME financing ease across EU countries, capturing debt (loan) and equity conditions.

([116])Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

([117])EU Payment Observatory - Annual Report, December 2025.

Single Market

Czechia's deep integration into the Single Market substantially strengthens economic performance. As a country which is highly integrated into EU value chains, Czechia is among the EU countries with the highest spillover-to-GDP ratio at 1.3%([118]). Also, with one of the highest shares of GDP represented by EU trade in goods([119]), Czech businesses demonstrate strong export orientation (both within and beyond the Single Market). Three quarters of Czech firms engage in international trade, well above the EU average (66%) ([120]). Germany remains the dominant destination (30% of exports), followed by Slovakia, Poland and France. While this reliance confirms Czechia's position as a manufacturing hub within the Single Market – mainly exporting vehicles, machinery and electronics – it simultaneously heightens the economy's vulnerability to external shocks, in particular a slowdown in Germany and fluctuations in EU demand. The posting of workers involves extensive formalities, including prior notification, record-keeping and the availability of Czech-language employment documents at the workplace, backed by financial penalties in case of non-compliance([121]). The requirement to secure an A1 portable document in advance can further delay short-notice cross-border assignments.

While Czechia ranks among the most open EU countries for services trade within the Single Market, it also has one of the highest numbers of regulated professions. The 2024 OECD Services Trade Restrictiveness Index([122]) indicates an open regulatory environment for services trade([123]). However, conditions for temporary entry of contractual service suppliers remain more restrictive than international best practices. According to Product Market Regulation indicators([124]), there are also still restrictions regarding administrative requirements for new firms. Despite shortages of skilled workers, Czechia regulates 365 professions – the second highest reported number of regulated professions in the EU (EU average: 210)([125]). The European Commission's data([126]) and the OECD's Product Market Regulation (PMR) figures suggest that restrictions on regulated professions in Czechia are higher than the EU average for lawyers, civil engineers, architects and estate agents. So far, progress in addressing barriers in the field of business services has remained limited. In answer to a survey carried out by the Commission between December 2025 and February 2026, Czechia reported it did not implement any of the 8 2021 Commission recommendations. The Commission is currently assessing Czechia's answer to measure actual progress in implementing the 2021 recommendations. Undertaking reforms at national level, streamlining regulations and lowering unnecessary barriers can unlock new opportunities for businesses. According to the OECD, easing entry and conduct regulations in professional services can boost competition, business dynamism and productivity growth. Moreover, the role of the Regulatory Impact Assessment (RIA) Board, a watchdog, could be strengthened to ensure high quality regulatory impact assessments([127]).

Czechia has potential to further leverage Single Market opportunities. For example, the timely transposition of Single Market directives could still be further improved. The percentage of Single Market directives not transposed into national law increased from 0.7% in 2024 to 0.9% in 2025 (still below the 1% target set by the EU Council). In 2025 Czechia resolved 73.9% of the SOLVIT cases it handled as lead centre (the EU average was 84.6%). The conformity deficit (% of all directives transposed incorrectly) and the number of pending infringement proceedings remained at 2024 levels in 2025, within the EU

([118])European Commission, Report on the Implementation of the Recovery and Resilience Facility, October 2025.

([119])https://single-market-scoreboard.ec.europa.eu/competitiveness/integration_en.

([120])European Investment Bank, 2025, EIB investment survey.

([121])Státní úřad inspekce práce (State Labour Inspection Office) (2026) Posting of Workers. Available at: Posting of Workers | Státní úřad inspekce práce - EN (Accessed 16 March 2026).

([122])OECD Services trade restrictiveness index, February 2025.

([123])Part of the barriers highlighted in the 2025 Single Market Strategy ('Terrible Ten'), Single market strategy.

([124])2023-2024 OECD Product Market Regulation indicator.

([125])European Commission: Regulated Profession Database.

([126])European Commission, 2021, Communication on updating the reform recommendations for regulation in professional services, COM(2021) 385, 9/7/2021.

([127])OECD Economic Outlook, Volume 2025 Issue 2, December 2025.

average. For goods, packaging compliance is shaped by the national system ([128]).

Compliance of products circulating in the Single Market([129]) is key to ensuring a level-playing field for law-abiding companies and the safety of consumers. In Czechia, the number of market surveillance investigations has increased compared with 2019. In 2025, national authorities reported in the EU system for market surveillance (ICSMS) a total of 1283.9 investigations per one million inhabitants, which is higher than the EU median of 136.2. The number of notifications remains limited in absolute terms, which may also be the result of insufficient IT national interoperability to the ICSMS system. The upcoming revision of the Market Surveillance Regulation will upgrade ICSMS to a fully interoperable EU digital platform.

Competition in the public procurement system remains below the EU average, attracting too few bidders and featuring lengthy, costly procedures, particularly in the review system. Single-bid tenders persisted at high levels in 2025 (41%, compared to EU median of 27%), despite ongoing implementation of the 2024 Public Procurement National Strategy (PPNS) and its action plan (an RRP measure), including digitalisation efforts and a new competence centre for training and centralised purchasing. In April 2025, an amendment to the Public Procurement Act entered into force aiming to simplify and clarify the public procurement process, increase transparency and strengthen the protection of competition. However, it remains too early to assess the impact on the level of competition in public procurement markets. The data also suggest that structural issues – such as an over-reliance on lowest-price criteria (used in 81% of contract awards) – and practical implementation challenges persist. Improving professional expertise, regional collaboration and anti-corruption safeguards remains crucial to enhancing competition, efficiency and value for money in public procurement.

Businesses' views on corruption risks in public procurement are above the EU average. In Czechia, 70% of companies (EU average: 58%) consider tailor-made specifications for particular companies in public procurement procedures and 53% (EU average: 51%) the involvement of bidders in the design of specifications to be a 'very' or 'fairly widespread' practice. Among companies that have experience of and have participated in a public procurement procedure, 27% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%)([130]). 43% of businesses perceive the level of independence of the public procurement review body (the Office for the Protection of Competition) to be very or fairly good, which is the eighth lowest in the EU([131]). Public procurement processes are seen as a main corruption risk area and are addressed in the new anti-corruption action plan, which strengthens links with the existing 2024-2028 public procurement strategy to ensure a level playing field for businesses([132]).

Czechia's e-procurement landscape and limited lifecycle data highlight the need for interoperable systems, common standards and stronger data governance. The implementation of Czechia's Electronisation Public Procurement Strategy is addressing market fragmentation, data quality, and access to procurement opportunities. Moreover, the pilot project for its publication portal zakazky.gov.cz([133]) facilitates access points, along with other relevant aspects such as professionalisation, centralised procurement, and regional cooperation. Nevertheless, suppliers from other Member States must still use the Czech system and single access point to participate in national procurement procedures. This remains a significant issue in terms of complexity and barriers to participation. This challenge could be mitigated through greater interoperability and common standards. The once-only principle is only partially implemented at national level (see Annex 7), and buyers across the

([128])Czech Republic (2001) Act No 477/2001 on packaging and amending certain other acts (Packaging Act).

([129])Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

([130])Flash Eurobarometer 557, p. 133.

([131])Justice Scoreboard (2025), Figure 59, p. 53; Flash Eurobarometer 555, p. 39.

([132])Rule of Law Report - Country Chapter Czechia (2025), pp. 11-12.

([133])Zakázky GOV

EU still lack digital access to relevant evidence. The pilot project also aims to further centralise public procurement data and make information on tender procedures available to suppliers. This demonstrates Czechia's ongoing efforts to enhance digitalisation, data management, and data access. However, monitoring and reporting do not yet fully cover the public procurement lifecycle. Strengthening data collection and analysis could support more data-driven management and oversight of the public procurement lifecycle([134]).

Czechia remains outside the unitary patent (UP) system. Although Czechia participates in the 'enhanced cooperation' on unitary patent protection and has already signed the Unified Patent Court Agreement, it has not yet ratified it. The unitary patent therefore does not cover Czechia. This has the following consequences. Firstly, Czech and non-Czech companies remain burdened by the significant administrative costs of national validation and maintenance fees for obtaining patent protection in Czechia. Secondly, the enforcement of European patents in Czechia can only take place before national courts, without benefiting from the advantages offered by the Unified Patent Court in terms of centralised litigation. For all these reasons, by refraining from joining the UP system, Czechia may be less attractive, in terms of innovation support, than those Member States already participating in that system. Finally, the fact that several Member States do not participate in the UP system weakens the Single Market, making the EU less attractive for inventors and innovative entities.

As technological change accelerates, the effectiveness of the European Standardisation System depends on the ability of National Standardisation Bodies to engage a sufficiently broad and skilled expert base. The Czech Office for Standards, Metrology and Testing, reported only 63 experts in its last published annual report, highlighting the challenge of maintaining a critical mass of contributors to standardisation activities. For Czechia, investing in its national standardisation body is key to ensuring a more robust and future-proof standardisation system to enable businesses to fully benefit from the opportunities of the Single Market. Moreover, the transition towards a digitalised national standardisation system – which would make it faster, more efficient and more inclusive – as well as the need to attract and retain expertise in new technologies, such as AI and quantum, call for more resources directed to the national standardisation system.

Industry and economic security

Czech industry faces one of its biggest transformations in decades. Higher electricity costs since the energy crisis and decarbonisation pressures are fundamentally reshaping investment decisions. Although Czech industry shifted structurally toward less energy-intensive industries between 2010 and 2023([135]), Czechia still ranks among the EU's most energy-intensive countries (41% above the EU average in terms of energy consumption). Its industry is approximately 13% more energy-intensive than the EU average per unit of gross value added([136]). Energy-intensive industries accounted for approximately 10% of Czechia's total manufacturing gross value added in 2023. Steel, chemical and ceramics manufacturers in particular face pressures from comparatively higher electricity prices, a construction sector slowdown and intense foreign competition. Electricity prices for Czech large-scale and energy-intensive industries are well above the EU average (around EUR 0.19/kWh in H1 2025 vs EU average EUR 0.11/kWh)([137]) (see Annex 9). Consequently, some factories([138]) are suspending production. According to the Steel Union([139]), raw steel production in Czechia fell by 40% between

([134])European Court of Auditors, Special Report 28/2023: Public Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to 2021, 2023, Special report 28/2023: Public procurement in the EU

([135])Czechia energy efficiency & Trends policies | Czechia profile | ODYSSEE-MURE

([136])UniCredit Bank, Weekly Notes, 09/2026.

([137])Eurostat - Electricity prices for non-household consumers, consumption band is IF, referring to large-scale, energy-intensive industrial plants, providing an insight into international competitiveness (price used for the calculation excludes VAT and other recoverable taxes/levies/fees as non-household consumers are usually able to recover VAT and some other taxes).

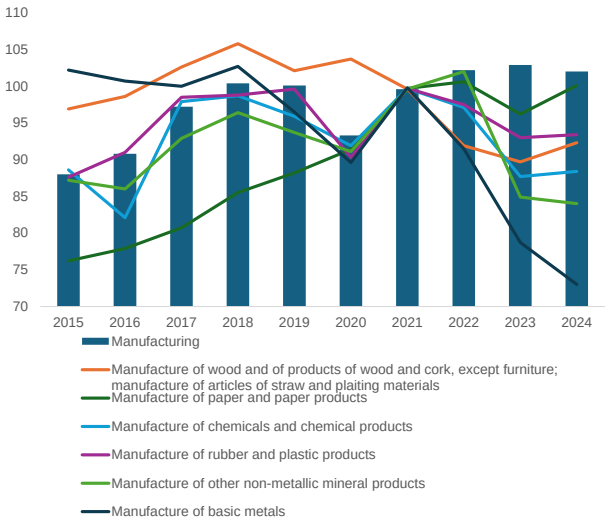
([138])Spolana (PVC producer) in Neratovice; Synthos Kralupy (chemical plant); Yokohama Rubber (closure of Mitas OHT plant in Prague).

([139])https://www.ocelarskaunie.cz/.

2022 and 2024, while steel exports dropped by almost 25% over the same two-year period. The overall situation was driven mainly by production cutbacks followed by the closure of the country's largest steel producer.

Czechia's automotive sector – a cornerstone of the national economy – showed resilience with record output amid European challenges. It represents around 9% of Czech GDP, 26% of Czech industrial production, and 23% of Czech exports. The sector demonstrated remarkable resilience in 2025, achieving its second highest ever production level of nearly 1.44 million passenger cars([140]) despite challenging market conditions across Europe. While the industry remains anchored in internal combustion engine production, electric vehicle manufacturing and the sector's ongoing technological transformation have emerged as key drivers of growth. The sector's transition toward electrification continues to accelerate, strongly supporting Czechia's export balance, with over 92.5% of passenger cars produced going to foreign markets. Domestically, Czechia also emerged as the second highest growth market for electric vehicle sales in the EU in the first half of 2025, with registrations rising by 67%([141]). Czechia in 2025 used a mix of direct purchase subsidies (an RRP measure), tax breaks and infrastructure support to encourage electric vehicle adoption for households, businesses and the public sector.

Graph A5.1: **Manufacturing industry production: total and selected sector, index (2021=100), 2015-2024**



Source: Eurostat

Czechia is well prepared for transitioning towards clean-tech manufacturing, where it has significant potential to expand production capacity. A study by the Second Economic Transformation([142]) ranks Czechia third globally in clean-tech exports as a share of GDP, with these exports growing three times faster than total domestic exports. By 2030, such products are projected to comprise one third of Czech exports – up from just over one fifth today – and could nearly double in volume from 2023 levels, if global trends persist. The clean technology sector currently constitutes a significant component of the Czech labour market, employing around 16 000 workers in 2023, representing 0.31% of the total workforce. Establishing a one-stop-shop and regulatory sandboxes for simplified permitting would further accelerate the growth of Czechia's clean-tech sector by reducing administrative barriers and encouraging innovation.

The main driver of Czechia's clean tech is the automotive industry – electric cars and their electrical components, including battery systems and electric drives. This growth is supported by new investments (expansion of production by the three main automotive manufacturers in Czechia) and growing demand in the EU. At the same time, this type of production

([140])Czech Automotive Industry Association, January 2026.

([141])CzechTrade, August 2025.

([142])https://www.mapaprilezitosticeska.cz/

can move the Czech economy up in the value chain. In particular, the newly emerging 'battery chain' and the demand for its inputs (e.g. chemistry, cathodes, anodes) present significant opportunities. In addition to electromobility, suppliers of railway technology, such as train manufacturing and brake systems, are also propelling Czechia's clean-tech sector forward.

Czechia has made sound progress in implementing the Net-Zero Industry Act (NZIA). It has successfully designated a single point of contact and established the Net-Zero Europe Platform, which are important for streamlining communication and coordination among stakeholders. Furthermore, Czechia has introduced a national contact point to process applications, facilitating the advancement of net-zero strategic projects. In particular, Czechia has indicated two projects for the net-zero acceleration valleys and a list of projects has been prepared under the NZIA framework([143]).

Czechia's heavy reliance on imports in its production processes heightens supply chain risks for its manufacturing sector. Despite ranking among the EU's top three producers of critical raw materials, like coking coal and feldspar([144]), the manufacturing sector depends heavily on imports of sub-components for green and digital transitions. In 2024, 34.8% of material inputs were imported (well above the EU average of 22.4%), exposing Czechia to disruptions. Key 2023 non-EU imports by value included coking coal (mainly US/Canada), vanadium (Russia), phosphorus (Kazakhstan) and titanium (Ukraine).

Czechia's reserves of strategic raw materials, such as lithium and manganese, present a major opportunity for its industry. In March 2025, the Czech government and the European Commission designated the Cínovec lithium and Chvaletice manganese deposits as strategically important([145]). While lithium production (7-8% of the projected 2030 European lithium demand) is projected to begin in 2029 and manganese (up to 20% of projected 2030 European demand for high-purity manganese) in 2028, both projects will supply key materials for electric vehicle batteries, enabling Czechia to create jobs, diversify its economy, bolster energy security and emerge as a leader in Europe's battery supply chain.

Materials management is evolving in a more sustainable direction. Czechia has advanced circular materials use to reduce import dependence, with the rate rising to 14.8% in 2024 from 11% in 2021 – now above the EU average of 12.2%. This positive shift supports more sustainable practices amid ongoing challenges. However, heavy import reliance still raises risks to sustainability and resilience, including supply chain risks, environmental degradation and social concerns.

([143])Ministry of Industry and Trade, discussion during the European Semester mission to Czechia, December 2025.

([144])RMIS - Country Profiles.

([145])Selected strategic projects under CRMA, March 2025.

Table A5.1: **Single Market and Industry**

Czechia								
POLICY AREA	**INDICATOR NAME**		**2021**	**2022**	**2023**	**2024**	**2025**	**EU-27 average**
Business environment and investment								
Productivity and investment	Labour productivity (GDP per hour worked in PPP terms), % of EU27[1]		79.9	78.6	79.9	78.5	78.4	100.0
	Business investment (share of GDP)[1]		15.3	16.4	16.6	15.6	-	12.6
	Public investment (share of GDP)[1]		4.6	4.5	4.8	4.7	-	3.9
Business environment and simplification	Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle[2]		14.6	10.7	3.6	1.8	26.0	34.0
SME liquidity	EIF Access to Finance for SMEs index - loans[3]		0.37	0.34	0.21	0.26	-	0.43
	EIF Access to Finance for SMEs index - equity[3]		0.13	0.07	0.07	0.05	-	0.19
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[4]		11.5	9.4	14.8	16.0	18.5	17.4
	Payment gap - public sector, difference in days between offered and actual payment[4]		9.8	9.2	17.4	14.8	11.3	13.6
	Share of SMEs experiencing late payments, %[5]	from private entities in the previous or current quarter	-	-	-	62.4	59.9	47.1
		from public entities in the previous or current quarter	-	-	-	13.8	8.2	15.9
Single Market								
Integration	EU trade integration, average(intra-EU imports + intra EU exports)/GDP, %[1]		48.3	50.2	46.8	46.1	44.7	40.7
	EEA Services Trade Restrictiveness index[6]		0.049	0.049	0.049	0.049	0.049	0.050
Public procurement	Single bids, % of total contractors[7*]		39	41	39	40	41	27
	Direct awards, % of negotiated procedures[7*]		10	10	10	10	8	6
Compliance	Transposition deficit, % of all directives not transposed[8]		2.4	1.4	0.9	0.7	0.9	1
	Conformity deficit, % of all directives transposed incorrectly[8]		2.3	2.1	1.7	1.1	1.1	1.1
	SOLVIT, resolution rate per country, %[8]		82.35	94.9	76	88.9	73.9	84.6
	Number of pending infringement proceedings[8]		33	30	29	26	25	25
Industry and economic security								
Energy-intensive industries	Electricity prices for non-household consumers[1]		0.1275	0.2317	0.2418	0.2187	0.2098	0.1462
	Electrification (electricity as a share of total energy consumption in industry)[1]		30.1	31.4	32.9	-	-	32.7
	Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption)[1]		17.6	18.1	18.6	19.2	-	25.2
Critical raw materials	Material import dependency, %[1]		33.2	32.9	34.0	34.8	-	22.4
	Circular material use rate[1]		11.0	11.3	13.6	14.8	-	12.2
Operational cleantech manufacturing capacity in 2025[9]	- Solar PV (c: cell, w: wafer, M:module), GW		-		- Electrolyzer, GW		-	
	- Heat pump assembly		2.1038		- Battery, GW		7.3	

Source: (1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: **Savings and Investments Union summary diagnostic**

Topic	*Main features*	*Relative EU positioning*
Asset-backed pension schemes	Assets at 7.8% of GDP (32.3% in the EU) 10-year real return of -2.7% (1.4% in the EU)	Low share in asset-backed pension assets, negative real returns over a ten-year period partly due to still-high share of legacy transformed funds. The share of participation funds, with more balanced investment profiles, is growing.
Households' financial assets	EUR 42 305 per capita (EUR 85 090 in the EU) o/w 5.0% in listed shares and bonds (7.6% in the EU) o/w 12.3% in investment funds (11.0% in the EU) o/w 2.1% in life insurance (13.4% in the EU) o/w 4.8% in pension claims (13.6% in the EU)	Low household wealth. Smaller share invested in capital markets than EU peers but investment fund holdings are growing fast. Low holdings of life insurance products or pension claims. New SIA (long-term investment product) has encouraging but still limited takeup.
Venture capital (VC) **Private equity (PE)**	VC at 0.017% of GDP (0.064% in the EU) PE at 0.163% of GDP (0.487% in the EU)	Low venture capital and private equity investments.
Capital taxation	*Capital gains tax:* 0% if a) held for three years and, for crypto-asset transactions only since 1 Jan 2026, subject to an annual cap of CZK 40 mn i.e. EUR 1.6 mn, or b) gross income from the sale of securities does not exceed CZK 100 000 in the tax period, otherwise subject to headline PIT or CIT rates. *Dividend and interest income tax:* 15% withholding tax for residents in Czechia or EU/EEA countries. For tax residents of third countries, the rate may vary depending on double tax treaties or can be as high as 35%. Interest expenses are tax deductible from CIT.	Favorable capital gains tax framework. Dividend and interest income taxation is modest but there is lack of standardisation in the taxation of third country tax resident investors. Some bias towards debt financing, as interest expenses are CIT tax deductible.
1-3 **4-10** **11-17** **18-24** **25-27**	Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features.	

Source: OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (capital taxation). End-2024.

For Czechia, 2025 country specific recommendations (CSRs) stressed the need to strengthen capital markets, business access to non-bank finance and the conditions for saving, investment and innovation. Czechia should achieve this by both: (i) promoting household investments in capital markets; and (ii) improving the effectiveness of existing long-term savings products in mobilising new long-term investments. The CSRs also highlighted the need to: (i) encourage institutional investor participation in listed shares, unlisted shares, venture capital and private equity; and (ii) strengthen the capacity of the National Development Bank to mobilise private funding to boost competitiveness and the decarbonisation of the economy.

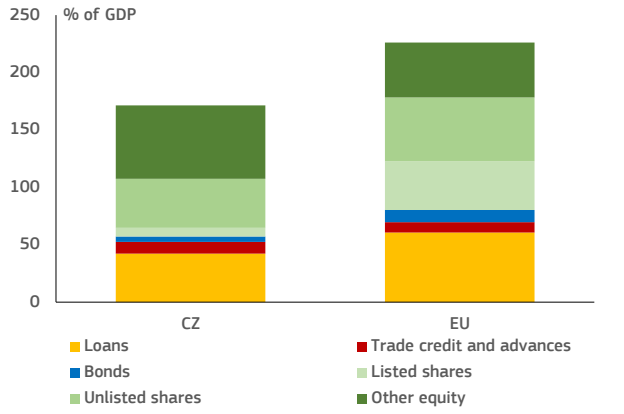
Compared with their EU peers, Czech firms rely more on their own profitability to fund themselves and much less on capital markets. The domestic equity market lacks relative size and depth, while the debt market is dominated by Czech government bonds. Czech households invest their below-EU-average wealth conservatively, but investment behaviour is changing, as reflected in the fast-growing Czech investment fund industry. The tax framework is favourable for retail investors and a long-term investment product was introduced in 2024, with encouraging but still limited take-up. Czech banks exhibit good resilience to risks, while bank lending to households and corporates accelerated in 2025. Insurers and legacy transformed pension funds invest conservatively, with a preference for domestic government bonds. Nevertheless, the growing participation funds have a balanced investment profile. There is no second pillar in Czechia's pension system and no auto-enrolment regime. Participation rates in third pillar pension funds are both falling and low among younger employees, while the average contributions by pension savers are also relatively low. Duration mismatches and the regulatory framework influence the investment strategies of institutional investors. The funding these institutional investors provide to the venture and growth capital ecosystem is limited. Of the third pillar pension funds, only alternative participation funds are allowed to invest in venture capital and private equity funds. The Czech venture and growth capital ecosystem is fragmented, with most funds domiciled abroad, and it does not fully meet the financing needs of Czech start-ups.

Business landscape and company funding

Czech firms rely more on their own profitability to fund operations – and much less on capital markets – than their EU peers. Unlisted and other equity (i.e. a measure of the capital invested by firms' owners and earnings retained) was equivalent to 106.7% of GDP in

2024 (see Graph A6.1), accounting for 62.3% of all funding for Czech companies vs an EU average of 45.7%. Lending is the other main source of financing for Czech companies, with loans equivalent to 42.4% of GDP as of end-2024. Loan financing in Czechia is slightly below the EU average as a share of all financing sources (24.7% of all financing versus 26.9% in the EU). The use of listed shares and bonds by Czech non-financial corporations (NFCs) was much lower than the EU average, both as a percentage of GDP (12.2% in 2024 vs 53.2%) and as a percentage of NFC financing (7.1% vs 23.5%). This is in line with Czechia's business structure, which is slightly more tilted towards micro firms and SMEs than the EU average (see Annex 5 for more detail). Overall, NFC funding was equivalent to 171.4% of GDP in 2024, below the EU's 226.2%.

Graph A6.1: **Composition of non-financial corporations' funding**



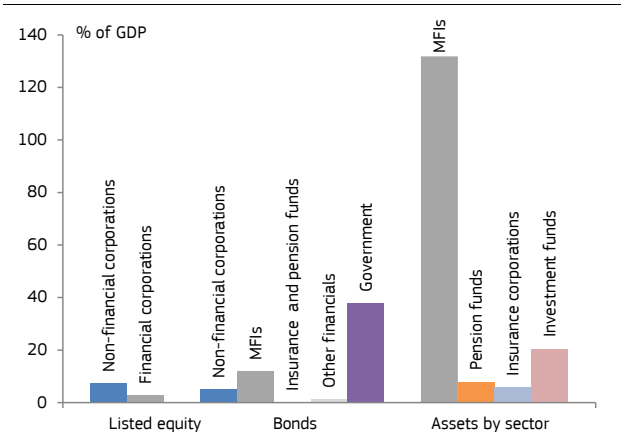
Source: Eurostat. end-2024.

Size and structure of the financial sector

The Czech financial sector is dominated by banks, while investment funds have gained in importance more recently. With assets equivalent to 131.8% of GDP in 2024, the country's banking sector accounts for roughly 80% of the domestic financial sector's assets (see Graph A6.2). Foreign banks control 78.3% of the sector's assets, including the three largest banks in the country. Banking concentration is significantly above the EU average of 50.9%, as the top five banks control 65.1% of the sector. The total assets of Czech insurers have declined from 8% of GDP at end-2020 to less than 6% of GDP at end-2024, much lower than the EU average of 55%. Third pillar pension funds were equivalent to roughly 7.8% of GDP at end-2024, while investment funds continued to show significant growth, reaching 20.5% of GDP at end-2024, up from 11.7% at end-2020.

The main stock exchange in Czechia is the Prague Stock Exchange (PSE). It is almost wholly owned by the Vienna Stock Exchange, but the integration of infrastructure between these two exchanges is incomplete. PSE uses the Xetra T7 trading system, operated in partnership with Deutsche Börse AG, while its trades are settled by Central Securities Depository Prague, a wholly owned subsidiary of the PSE, which also clears all trades, providing limited risk mutualisation through a clearing fund. This set-up is in contrast to the more typical practice of clearing trades through a central clearing counterparty. The country also has a second, smaller stock exchange, RM-System, focusing on retail investors, which also includes companies traded on the PSE.

Graph A6.2: **Capital markets and financial intermediaries**



Source: ECB, OECD, AMECO, CNB. End-2024.

The Czech capital market is relatively small, with low trading volumes and little IPO activity. If we exclude the Free Market segment, which contains dual-listed foreign equity titles and has low trading volumes, the PSE's total market capitalisation as of end-2024 was CZK 1.56 trillion (i.e. around EUR 64 billion and the equivalent of 20.1% of GDP, much lower than the EU average of 66.8% ([146])). The size, number of listings, and

([146])See Market Capitalisation Summary | Prague Stock Exchange and the CNB's 2024 Financial market supervision report. However, 4 of the 10 listed companies in PSE's prime market

overall liquidity of the Czech equity market remain limited, despite both: (i) initiatives by the PSE (such as the introduction of an option for a cheaper listing in the Start Market via the PSE's own PX-Public Offer platform, and a 12-month period of no settlement fees for trades on newly admitted stocks); and (ii) a revamp of the National Development Bank's IPO fund to act as an anchor investor in new listings in the PSE's START growth market. In 2023 and 2024, trading volume on the PSE was on a downward trend, falling to the lowest level in more than 20 years, before recovering in 2025. At the same time, the volume of over-the-counter transactions (i.e. bilateral trades that occur outside of a trading venue) has long been in excess of the one on the PSE, both for equities and bonds ([147]), a sign of a lack of depth in Czechia's listed capital markets. This also raises investor-protection concerns in the case of i) unlisted corporate bonds below the EUR 1 m threshold, which fall outside the supervision of the Czech National Bank (CNB), Czechia's central bank, or ii) corporate bonds directly marketed and distributed by their issuer, in practice often via distribution channels, that are not licensed and supervised by the CNB.

The PSE's liquidity and depth are adversely affected by a number of factors. These factors include: (i) its classification as an emerging capital market; (ii) the relatively low level of financial literacy of retail investors; (iii) the lack of harmonisation in the taxation of non-resident investors and cross-border listings; and (iv) information asymmetries due to lack of research, especially for SMEs listed in the START market. Plans by the Czech government to fully acquire part or all of the energy group ČEZ may adversely affect liquidity on the PSE as ČEZ accounts for a third of the PSE's total market capitalisation ([148]).

The Czech domestic bond market is relatively small and dominated by the sovereign. The outstanding volume of debt securities traded on this market was equivalent to 56% of GDP at end-2024, less than half the EU average (139.9%). General government bonds accounted for two thirds of this amount, compared to 51.2% for the EU average. Bonds issued by banks (21.1%), NFCs (9%) and other financial intermediaries (2.3%) accounted for the remainder. However, the total volume of bonds issued by non-financial corporations increased for the second year in a row in 2024, reaching CZK 396.3 billion (i.e. circa EUR 16.1 billion), the highest value since 2020. Moreover, the PSE's new distributed ledger technology platform for corporate bonds provides new options for NFC issuers.

Regulatory burden for market participants is being reduced. There has not been an updated dedicated strategy to develop Czechia's capital markets since 2024. However, supporting financial innovation and better access to finance for firms and individuals are goals of Czechia's new 2040 economic strategy. In 2025, the CNB abolished 36 rules set out in the CNB's decrees and reporting duties, in order to lift unnecessary burden on market participants ([149]), while a legislative proposal to limit regulatory 'goldplating', beyond what is envisaged under EU rules, for investment funds is being discussed in Parliament.

Households' participation in capital markets

Czech households' wealth is invested conservatively, despite gradual changes in investment behaviour. The overall financial wealth of Czech households is substantially below the EU average, both in per capita and share-of-GDP terms (see Graph A6.3). Nevertheless, the savings rate of Czech households is one of the EU's highest (19.9%). So far, this wealth has been invested conservatively, but there has been a gradual change in investment patterns in the past two decades. The share of households' financial assets held in pension and investment funds or directly in financial instruments is quite low, which has led to the 2025 CSR stressing the need for Czechia to promote household investments in capital markets. However, this share is gradually rising, reaching 24.7% in 2024 (EU average 46.5%), compared with only 17.8% in 2008.

are dual-listed foreign firms established in Austria and Slovakia. This explains why the market capitalisation of listed Czech firms, irrespective of the stock exchange where they are listed, was only equivalent to 10.3% of GDP in 2024 (see Table A6.2).

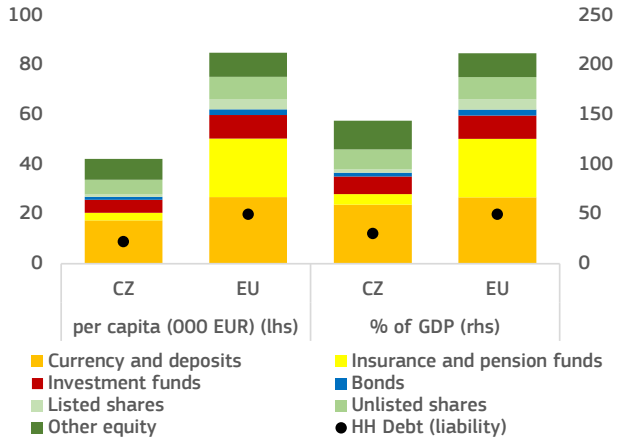
([147])See Financial Market Development Report 2024 | Ministry of Finance of the Czech Republic.

([148])See Section 3.1 of 'Czech Republic: Country for the Future 2.0' economic strategy, as well as relevant press reports.

([149])See CNB press release

Compared with the EU average, Czech households have a much lower share of financial assets invested in listed shares (2.3% vs 4.8%), supplementary pension funds (4.8% vs 13.6%) and insurance products (2.6% vs 14.2%), while they have a similar share invested in bonds (2.7% vs 2.8%) and a higher share in investment funds (12.3% vs 11.0%, up from only 6% in 2015).

Graph A6.3: **Composition of households' financial assets**



Source: Eurostat. End-2024.

Czech retail investors benefit from a favourable tax framework. Investors can benefit from a full exemption from capital gains tax on equities and bonds subject to a minimum holding period of three years and certain ceilings. Dividend and interest income-tax rates for tax resident investors in Czechia or EU/EEA countries are set at a modest 15%, but are less standardised for tax residents of third countries. In the absence of double-taxation treaties, these tax rates can reach as high as 35%.

Czechia introduced a long-term investment savings account in 2024. The 'long-term investment product' or LTIP, offers an alternative to other state-supported long-term savings products such as pension funds, life insurance products and the new long-term care insurance product. The new account, which is flexible in terms of permitted asset allocations and investment strategies, is subject to the same cumulative tax-relief cap as these other products ([150]). Its take-up has been encouraging, and as of end-March 2026, 244 217 people in Czechia were making use of the LTIP, with a total invested amount of circa CZK 9.5 billion ([151]) and a median investment three times higher than third pillar pension funds.

Czechia has taken some measures to make LTIPs more attractive. A law amendment in force since May 2025 improved the portability of the saving period in the transfer of an LTIP between different providers, applying retroactively since the 2024 tax period ([152]). It aims to address the 2025 CSR to 'improve existing long-term savings products' effectiveness'. However, there are still no comprehensive data to allow for an appropriate, granular evaluation of the LTIP and all other long-term savings products, including their additionality and attractiveness for new savers. Current plans to improve data availability on LTIPs from tax services may take up to two years to bear fruit, and even then will still have shortcomings (e.g. with regards to having data on investors' income groups). Moreover, the overall design of the LTIP risks that the public perceives it as being a substitute choice for – and not complementary to – third pillar pension funds ([153]). This could lead to LTIPs diverting investment flows from these funds, instead of bringing in fresh retail investment. In addition, there is demand in Czechia for a transparent framework for savings and investment accounts for children.

Czech retail investors have access to a variety of investment products and investment funds. There is increasing competition between providers of LTIPs (which are mainly used as a tax-efficient vehicle to take positions in investment funds), and this is pushing costs down. Czech retail investors, and by extension LTIPs, have access to: (i)) UCITS funds; (ii) 'special funds', which are alternative investment funds (AIFs) with almost the same eligible assets as UCITS funds but broader investment limits; and (iii) 'qualified investor funds', which are AIFs that can invest in any type

([150]) Employees can get tax relief from their tax base for contributions to: (a) third pillar pension funds (for contributions above the minimum required for the state contribution); (b) life insurance products; (c) the new long-term care saving product; and (d) the long-term investment product (LTIP) up to a cumulative limit of CZK 48 000.

([151]) See relevant Press release by AKAT

([152]) 84/2025 Coll. Act amending Act No. 247/2014 Coll.

([153]) Namely, the fact that its lock-up period is tied to the same age limit as for third pillar pension funds, and that tax relief for contributions is subject to the same cumulative ceiling as third pillar pension funds, albeit from the first euro invested.

of assets and have minimal restrictions on investments. The latter are subject to minimum investment limits and are only available to high net-worth individuals with sufficient knowledge of financial products. They have become quite popular in recent years, experiencing strong growth. However, such AIFs rarely include venture capital and private equity funds with headquarters in Czechia, as most of those are domiciled abroad.

Financial literacy in Czechia is slightly below the EU average. Financial education has been included as a subject in Czech elementary schools since 2008, but the level of financial literacy in the country remains slightly lower than the EU average, based on the 2023 Eurobarometer survey. The overall financial-literacy indicator for Czechia is 44.5 vs 45.5 for the EU on average. More recently, the 2025 edition of the Czech Banking Association's financial-literacy index showed a slight year-on-year improvement to a score of 57, up from 56 in 2024, particularly for the 18-34 age group, which nevertheless continues to have the weakest scores. Czechia has a national strategy for financial education which was updated (version 2.0) in 2021 ([154]).

The banking sector: resilience and financing of the economy

Czech banks exhibit good resilience to risks and are thus not constrained in funding the economy. The capital position of Czech banks improved as of September 2025 compared with end-2024 and remains above EU the average, with good quality of capital (see Table A6.2). Czech banks' above-average profitability has continued to increase, while asset quality is robust, with a non-performing loan (NPL) ratio well below the EU average, a solid NPL-coverage ratio (50.1%), and a declining share of stage 2 loans. However, banks' asset quality is subject to increased uncertainty due to the current conflict in the Middle East and its potential impact on energy prices and economic growth. Czech banks maintain strong liquidity positions while their liquidity in euro improved year-on-year as of June 2025. However, banks' exposure to their sovereign has increased rapidly in recent years. Czech government bond holdings represented 14.7% of Czech banks' assets as of September 2025, up from 6.9% at the end of 2019.

As interest rates have gradually eased, credit demand and therefore credit growth have both begun to recover. Credit growth was on a general downward path between August 2022 and August 2024, but has been recovering since then, picking up speed in 2025. For households, the annual rate of credit growth for adjusted loans gradually edged up from 4.1% in April 2024 to 8.7% in December 2025, while the 2026 outlook for housing loans is positive. For NFCs, following a steep fall from December 2023 to July 2024, annual credit growth began to gradually recover in November 2024, reaching 6.7% in December 2025. Credit growth for NFCs is expected by the CNB to remain in the 4-6% range until end-2027.

Role of non-bank financial intermediaries

Czechia has a growing fund-management industry. At the end of 2025, assets invested in domestic domiciled investment funds and qualified investor funds offered in Czechia amounted to CZK 2 142 billion (i.e. equivalent to 25.1% of GDP or circa EUR 88.8 billion). They were up 29.4% year-on-year and 253% in nominal terms since 2019. If we add foreign domiciled funds, the total amount of assets under management by investment funds in Czechia reaches CZK 2 601 billion (i.e. equivalent to 30.5% of GDP) ([155]). As of end-2025, the assets of domestic domiciled collective investment funds and qualified investor funds were allocated as follows: (i) 12.7% in equity funds; (ii) 22.2% in bond funds; (iii) 10.5% in mixed funds; (iv) 19.3% in real estate funds; and (v) 35.3% in other funds. Almost 50% of these investments are in foreign assets and the rest in domestic assets, a greater home bias than other EU peers ([156]). Foreign domiciled funds distributed in Czechia are more invested in equities, with 43.1% in equity funds, 25.9% in mixed funds,

([154])See Czechia's national financial education strategy 2.0.

([155])Based on CNB data for domestic domiciled and AKAT data on foreign domiciled investment funds.

([156])EFAMA Asset Management in Europe, December 2025.

20.4% in bond funds, 5.0% in money market funds and 5.7% in other funds.

The liability structure of Czech insurers does not favour long-term equity investments, and leads to a bias towards bond holdings. The liability structure of Czech insurance companies tends to have a short duration, which does not easily allow for long-term or illiquid equity investments. This is because: (i) the non-life segment, which has mainly short-term claims, is dominant, representing 73.5% of total net premiums written in the first nine months of 2025; and (ii) the life insurance segment is also exposed to early surrenders with relatively short minimum prior notice periods. Hence, faced with strict asset–liability matching rules and currency risk, Czech insurance firms prefer liquid, low-risk investments. Government bonds, mostly domestic, accounted for 44.1% of total assets held by Czech insurers as of September 2025 (compared with 19.1% for insurers in the EU on average), with another 5.8% held in cash and deposits ([157]). Equities accounted for 8.2% of insurance fund assets, and corporate bonds for 9.9%. Investment funds accounted for another 22.2% of Czech insurers' investment portfolio, of which 44.7% was in equity funds.

The Czech supplementary pension system is a voluntary third pillar system. The mandatory, state pay-as-you-go first pillar system is complemented by a voluntary, private, fully funded third pillar fund industry. A second pillar in the pension system was briefly adopted in the past but was soon abolished, which makes the introduction of an auto-enrolment mechanism very difficult. Third pillar pension funds have been growing in terms of total assets since their introduction in 1994, but this growth has not kept pace with GDP growth in recent years. As a result, their assets were equivalent to 7.8% of GDP as of end-2024, compared with 8.6% as of end-2019 ([158]). Participants in the voluntary third pillar pension funds are entitled to a state contribution, while there are tax benefits linked to the contribution of participants and their employers.

There are two types of third pillar pension funds in Czechia, with different investment profiles. There are two types of pension funds, transformed funds and participation funds. Legacy transformed funds are closed to new entrants since a reform in 2013. These provide a no-loss guarantee, resulting in very conservative and low-return allocation strategies. Government bonds (almost entirely domestic) represent the vast majority of their assets (circa 81%), while participation funds maintain more balanced investment strategies, with about 46% of their assets in shares and equity mutual funds, including ETFs and derivatives ([159]). Transformed funds still represented 55.1% of third pillar pension fund assets as of September 2025, and their phase-out is expected to be slow. This also largely explains the overall poor performance of the Czech private pension system, with a -2.7% average annual net real return over a 10-year period (OECD data). Policy changes in 2024 ([160]) have accelerated the shift to participation pension funds and less conservative investment strategies, with assets of legacy transformed funds dropping by 13.2% year-on-year at end-2024, and their participants falling from 2.4 m to just below 2 m. 39% of 2024 contributions to participation funds came from transfers from transformed funds.

The participation of young employees – and average contributions – in third pillar pensions are low. The overall participation rate in third pillar pension schemes as a percentage of the total population aged 15-64 years is rather high, at 57.3%, but the number of members is falling ([161]) and young people participate less. Participants aged 30 and younger represented only 10.4% of third pillar pension fund members (but a higher 20.9% of participation fund members) as of end-2024, compared to a 14.2% share for this age group in the overall labour force ([162]). The average annual contributions per member is also low, amounting to 15 040 CZK (i.e. circa EUR 597) ([163]), with similar figures for

([157])EIOPA Insurance statistics - Asset exposures.

([158])OECD, Asset-backed pensions database.

([159])Czech Association of Pension Companies, Quarterly statistics, September 2025. Similar picture in CNB's database.

([160])In place since July 2024, they included: (a) the abolition of the state contribution for workers aged over 65 years; and (b) facilitating the switch of pension investments between transformed and participation pension funds.

([161])CNB and Czech statistical office data. Members were down from 4.45 m in 2019 to just below 4 m in 2024.

([162])Based on Figure 8.3 of Financial Market Development Report 2024, Ministry of Finance of the Czech Republic and Eurostat labour force data.

([163])With employer contributions but outside state contributions.

transformed and participation funds respectively, despite the positive effect of measures taken to promote contributions in 2024 ([164]). In fact, as most third pillar planholders do not contribute enough to reach state-contribution and tax-relief ceilings, more targeted fiscal incentives (e.g. for first-time employees, young employees, or for employees under age 40 who wish to transfer their assets from transformed funds to less conservative participation funds ([165])) may be more effective than increases in these ceilings.

The investment strategy of participation funds is influenced by duration mismatches and regulation. The duration of their liability structure depends not only on regular payouts, but also on the possibility of early withdrawals. Although there are disincentives in place against early withdrawals by planholders ([166]), minimum notice periods are usually short, with the main condition before requesting an early withdrawal being a minimum 24 months of contributions, irrespective of age. Conservative participation sub-funds (circa 21% of participation fund assets) are not allowed to invest even a small share of their portfolio in listed equities, while there is a mandatory switch to conservative sub-funds for all participants five years before pensionable age. In addition, before planholders can make any investment in alternative participation funds, they must complete an investment-suitability questionnaire, which is binding and may lead to the planholder being forced to switch to a conservative portfolio.

Other elements also impact the return profile of pension funds and competition in the market. There is a statutory cap on pension fund fees, which some studies ([167]) consider ineffective in preventing fees from eroding pension fund returns. The all-in-one nature ([168]) of Czech pension fund fees may unintendedly create an incentive for pension fund managers to invest in low-fee financial products, irrespective of the return profile. Meantime, there is no blended option between full lump-sum withdrawal on the one hand and taking an annuity on the other, and the tax advantage for the annuity option has been significantly reduced for participation pension funds. This makes lump-sum withdrawal the preferred choice of members. A publicly available monitoring tool at individual pension fund level for easy comparison of returns and fees could foster competition, and there is no pension-tracking system to allow pension planholders to see the combined value of their pension entitlements from all (i.e. both public and private) pension schemes.

Venture capital ecosystem

Czechia's local venture and growth capital market is not developed enough to meet start-up financing needs. The Czech private equity (PE) and venture capital (VC) ecosystem is fragmented and most funds are domiciled abroad, while a large part of the innovation in Czechia relies on funding from abroad. Both PE and VC investment (respectively 0.16% and 0.02% of GDP on a three-year moving average in 2024) lost traction in 2024 and significantly lag behind the EU averages of 0.49% and 0.06% of GDP respectively. The annual flow of VC investment in Czechia in 2024 fell by 65% in 2024 relative to 2023, to USD 22.7 m ([169]).

Institutional investors provide limited funding to innovative start-ups. Based on data from EIOPA, only 0.1% of Czech insurers' assets is invested in PE funds ([170]). Investment by 'traditional' third pillar participation pension funds in the VC and PE asset classes is prohibited by law, but would also be *de facto* limited by: (i) risk aversion; (ii) lack of expertise; (iii) due diligence costs; (iv) pension fund concerns with regards to

([164])CNB data and FISMA own calculations. In July 2024, there was an increase in the lower and upper limits to obtain the state contribution when investing in pension funds. This contributed to a 9.2% increase in average employee contributions by end-2024 relative to end-2023.

([165])According to CNB data, such planholders represented approximately 26% of transformed funds' participants as of end-2024.

([166])Early withdrawal results in the obligation to repay the tax relief received (including the state contribution) and any capital gains lose their tax-exempt status.

([167])See IDEA Studie 01 2026 Penzijni fondy 0106, which however has been criticised for its methodology by the Czech pension funds' association.

([168])I.e. a single annual fee is charged to cover essentially all operating costs of the pension company for that scheme (management, administration, distribution, overhead), except any explicitly listed additional one-off costs set by law.

([169])OECD Data Explorer, Venture capital investments statistics.

([170])EIOPA Insurance statistics - Asset exposures.

Table A6.2: **Financial sector indicators**

		2018	2019	2020	2021	2022	2023	2024	2025-Q3	EU
Banking sector	Total assets of MFIs, % of GDP	133.9	131.0	138.8	140.8	129.4	126.1	131.8	136.2	246.1
	Common equity Tier 1 ratio	17.1	18.2	20.3	19.8	18.7	18.8	18.5	19.0	16.8
	Total capital adequacy ratio	18.3	19.7	22.1	21.2	20.3	20.6	20.6	21.0	20.2
	Overall NPL ratio, % of all loans	2.1	1.7	1.9	1.7	1.4	1.2	1.2	1.1	1.9
	NPL ratio, loans to NFCs	5.4	4.3	4.8	4.3	3.6	2.7	2.8	2.6	3.5
	NPL ratio, loans to HHs	2.3	1.9	2.0	1.7	1.4	1.4	1.5	1.5	2.1
	Return on equity ratio[1]	13.3	13.9	6.7	10.6	14.4	13.7	15.1	16.6	9.6
	Loans to NFCs, % of GDP	20.0	19.4	19.6	19.6	18.0	17.3	17.7	17.6	29.3
	Loans to HHs, % of GDP	30.1	30.0	32.2	33.5	31.0	28.5	29.5	30.0	43.6
	NFC credit growth rate, %	6.3	3.9	-0.6	8.1	6.8	8.1	3.7	5.4	2.5
	HH credit growth rate, %	7.9	6.6	6.8	10.2	6.6	4.8	6.1	8.1	2.6
Non-banking sector	Stock market capitalisation, % of GDP	-	-	9.8	13.3	9.3	9.7	10.3	13.0	69.9
	Initial public offerings, % of GDP	0.01	0.00	0.00	0.04	0.01	0.00	0.00	-	0.06
	Market funding ratio	47.2	46.1	46.1	41.8	41.0	38.9	41.0	-	49.7
	Private equity, % of GDP	0.153	0.166	0.199	0.184	0.214	0.227	0.163	-	0.487
	Venture capital, % of GDP	0.004	0.007	0.009	0.022	0.026	0.030	0.017	-	0.064
	Financial literacy, composite index	-	-	-	-	-	44.5	-	-	45.5
	Bonds, % of HHs' financial assets	1.9	1.9	1.9	1.7	2.6	2.6	2.7	-	2.8
	Listed shares, % of HHs' financial assets	3.0	2.9	2.8	2.9	2.3	2.3	2.3	-	4.8
	Investment funds, % of HHs' financial assets	6.6	7.1	6.9	8.1	8.5	10.5	12.3	-	11.0
	Insurance/pension funds, % of HHs' financial assets	10.6	10.4	9.8	9.5	8.9	8.1	7.4	-	27.8
	Total assets of insurers, % of GDP	8.6	7.8	8.0	7.8	6.2	5.9	5.9	5.7	53.9
	Pension assets, bn EUR	-	-	-	22.4	24.4	25.8	24.9	-	5813.8
	Pension assets, % of GDP	-	-	-	9.1	8.5	8.1	7.8	-	32.3
	10y real return average of pension assets, %	-	-	-	-	-	-2.7	-2.7	-	1.4
	Pension funds assets, ECB (% of GDP)	-	-	-	-	-	-	-	-	-
	1-3 / 4-10 / 11-17 / 18-24 / 25-27	Colours indicate performance ranking among the 27 EU Member States.								

(1) Annualised data. EU data for credit growth and pension funds refer to the EA average.
Source: ECB, Eurostat, European Insurance and Occupational Pensions Authority, DG FISMA CMU dashboard, AMECO.

fees incurred, given their all-in-one fee structure; and (v) the risk of early withdrawals from their liability side. Most of these barriers also apply for Czech insurers, given their strict asset-liability matching rules and the dominance of the non-life segment. Alternative participation pension funds have been available since July 2024, and their fee policy and investment strategy can be set more freely allowing them to invest in VC and PE funds. However, there are only a few of these alternative participation funds in existence (only four) and they are small in size (assets of CZK 2 billion as of September 2025, i.e. EUR 85 m).

The Czech development bank (NRB) is building up capacity in the area of VC. A fund of VC funds, with an overall budget of EUR 55 m, has already been set-up under the Czech recovery and resilience plan ([171]) and is being managed by the EIF, which has launched the relevant calls for the selection of VC managers for the three underlying VC funds. The NRB, in cooperation with the Ministry of Industry and Trade, also plans to launch its own fund of VC funds in 2026, aimed at supporting cutting-edge technologies, and with an overall budget of CZK 1 billion (i.e. circa EUR 41 m) from State resources ([172]). The NRB hopes that this fund of VC funds will broaden the VC investor base and allow domestic institutional investors to access this asset class in a cost-effective and risk-controlled way, leveraging the NRB's skills in fund selection and due diligence. This would be in line with the 2025 CSR to 'encourage institutional investor participation in listed and unlisted shares, as well as venture capital and private equity' and 'to strengthen the capacity of the National Development Bank to mobilise private funding to boost competitiveness'.

Other initiatives may materialise to foster institutional investment in VC and PE funds. A new start-up law is being drawn up, but is not expected to be adopted before 2027 (see Annex 4 for more details). Fiscal incentives are also under consideration to promote institutional investment in the venture and growth capital ecosystem. Such measures would provide scale-up funding to local start-ups, fostering innovation and improving competitiveness.

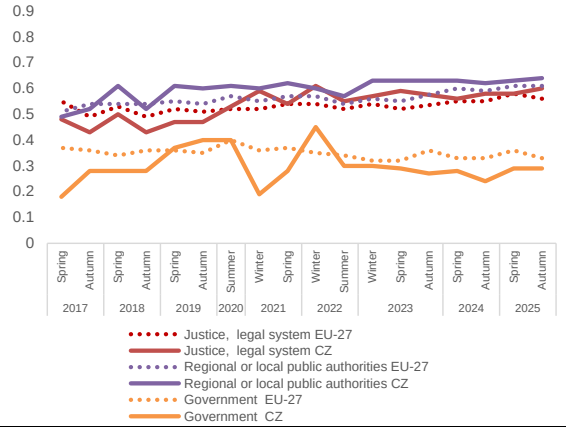
([171])Component 1.4, Investment 9, see RRF Czech Republic FoFs.

([172])New DeepTech fund to support highly innovative start-ups - Ministry of Industry and Trade.

An effective institutional framework is essential for competitiveness. This requires public trust built on integrity, quality legislation, regulatory simplification and efficient services for people and businesses. The 2025 country-specific recommendations for Czechia highlighted the challenges of fragmented governance and cooperation arrangements, limited strategic steering and long-standing challenges in terms of the attractiveness and skills base of the civil service.

Public trust

Graph A7.1: **Trust in the justice system, regional / local authorities and in government**



(1) EU-27 since 2019; EU-28 before
Source: European Commission, Standard Eurobarometer surveys

Public trust in central government remains among the lowest in the EU (Czechia 29%; EU 36%). However, in the past two years, the proportion of people describing public administration as 'slow and burdensome' has fallen by 7 percentage points (pps) to 38%, and the proportion saying it is 'close to the citizens' has increased by 12 pps to 31%, the highest increase in the EU ([173]). Trust in the justice system and in regional and local authorities has remained stable, around the EU average (Graph A7.1).

Quality of lawmaking

Czechia faces challenges in the application of lawmaking rules. Regulatory Impact Assessments (RIAs) are integrated into the legislative workflow and overseen by the Office of the Government. However, uneven application, frequent exemptions and inconsistent quality pose significant hurdles. RIAs are compulsory by default only for executive proposals, which constitute just 45% of tabled primary laws (i.e. not covering parliamentary initiatives) which leaves a considerable gap ([174]). Additionally, RIAs often function more as procedural steps rather than effective policymaking tools, marked by frequent quality variations and scant quantification if evidence ([175]). There is a board that reviews and comments on RIAs, with strong transparency measures in place, yet it lacks the formal authority to enforce changes, which means that its recommendations may be disregarded. In November 2025, Czechia adopted a new impact assessment procedure, funded by the Recovery and Resilience Facility ([176]).

Legislative drafts are publicly accessible via a government portal ([177]). Additionally, filibustering has been increasingly used in the Chamber of Deputies, with speeches lasting over 10 hours, intended to delay law-making as not prohibited in the rules of procedure.

***Ex post* evaluations remain discretionary, which hinders the development of robust management of regulatory stock** ([178]). More systematic data collection and sharing is expected with the implementation of compulsory *ex post*

([173])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([174])OECD, 2025, OECD Economic Surveys: *Czechia 2025*, OECD Publishing, Paris https://doi.org/10.1787/7a70af5c-en.

([175])Publications Office of the European Union, 2025, Building capacity for evidence-informed policymaking in governance and public administration in a post-pandemic Europe, https://data.europa.eu/doi/10.2760/9257621.

([176])ria.vlada.cz, 2025, Nový Manuál hodnocení dopadů regulace představen.

([177])OECD, 2025, OECD Economic Surveys: *Czechia 2025*, OECD Publishing, Paris https://doi.org/10.1787/7a70af5c-en.

([178])Publications Office of the European Union, 2025, Building capacity for evidence-informed policymaking in governance and public administration in a post-pandemic Europe, https://data.europa.eu/doi/10.2760/9257621.

Table A7.1: **Czechia. Selected indicators on better regulation practices for primary legislation**

Tools for smart legislation:	
Share of possible impacts assessed for all primary laws when developing legislation	●
Regulators are required to identify and quantify the benefits of a new primary law	●
Regulators are required to identify and assess the impacts of alternative non-regulatory options	●
Tools for effective implementation: when developing laws, regulators are required to:	
Assess the level of compliance	●
Identify and assess potential enforcement mechanisms	●
Specify the methodology of measuring progress in achieving the law's goals	●
Oversight of better regulation:	
There is an external body responsible for reviewing the quality of RIAs and of ex post evacuations	●
There are publicly available assessments of the effectiveness of RIA in modifying regulatory proposals	●
There are reports on the level of compliance by government department with the requirements of RIA	●
There are indicators on the percentage of ex post evaluations that comply with guidelines	●
The effectiveness of ex post evaluations in improving the regulatory stock has been assessed in the last five years	●

● High / yes / for all primary laws ● Medium / in part / for major primary laws ● Low / for some primary laws ● Very low / no / never

Source: OECD (2025), Regulatory Policy Outlook 2025 [https://doi.org/10.1787/56b60e39-en] and Better Regulation across the European Union 2025

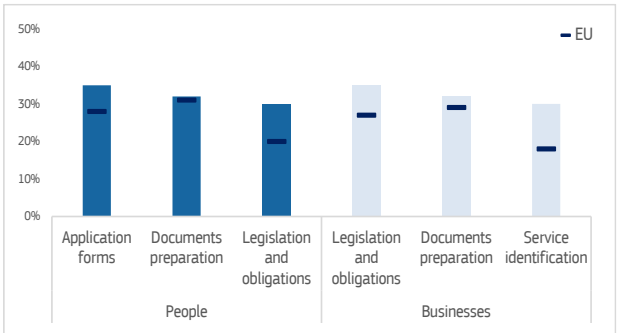
evaluations and the introduction of a standardised format ([179]).

Czechia performs below the EU average in stakeholder engagement While consultations are obligatory, a broader range of perspectives, particularly from traditionally underrepresented groups, is lacking. It can also contribute to the evidence base and may help address potential biases in existing data ([180]). The quality of legislation is compromised by the frequent use of a procedural technique whereby members of parliament submit amendments that are unrelated to the substance of the legislative proposal, a practice ruled unconstitutional by the constitutional court ([181]).

Public service delivery and digitalisation

Czechia has made progress in digitalising public services, but user-friendliness and burden reduction remain uneven. Satisfaction with public administration services is above the EU average, for both people (Czechia 55%; EU 45%) and businesses (Czechia 46%; 42% EU). At the same time, services are perceived as functional, a high percentage of people and companies providing neutral responses (both 37%). This suggests that public services are not entirely user-friendly. This is particularly visible on the business side: 92% of businesses interact with public administration to fulfil regulatory obligations (25 percentage points above the EU average and the highest in EU), while 38% report difficulties in understanding how to comply with regulation. 21% of businesses also have difficulty complying with data protection rules (13% EU) ([182]).

Graph A7.2: **Most time-consuming aspects of service delivery**



Source: European Commission. Flash Eurobarometer 567 / 568 on satisfaction with administrative services (2026)

([179])OECD, 2025, OECD Economic Surveys: *Czechia 2025*, OECD Publishing, Paris https://doi.org/10.1787/7a70af5c-en

([180])OECD, 2025, Better Regulation Practices across the European Union 2025, https://doi.org/10.1787/6f007516-en.

([181])For a more detailed analysis of the performance of the justice system in Czechia, see the upcoming 2026 EU Justice Scoreboard and the 2025 Rule of Law Report.

([182])European Commission, forthcoming, Simplification of key life events.

Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

	Czechia			EU-27
	2023	2024	2025	2025
Digital public services for citizens (0 to 100)	**76**	**76**	**81**	**82**
Digital public services for businesses (0 to 100)	**84**	**84**	**86**	**86**
Access to electronic health records (0 to 100)	**47**	**51**	**77**	**83**

(1) Digital Decade target by 2030: 100. (2) Publishing year, data was collected in the previous year
Source: European Commission, State of the Digital Decade report 2025

The availability of digital public services for people is improving (Table A7.2). 81% of people are e-government users, suggesting relatively high usage. However, gathering and submitting documents remains a major source of friction (35%), and the proportion of pre-filled forms is just 44/100, well below the EU average of 71. This suggests persistent weakness in data reuse. Services are also hindered by legal barriers to the automation of administrative processes ([183]). Access to electronic health records has increased sharply from score of 51 to 77, nearing the EU average of 82 (See Annex 15). Furthermore, cross-border eID usage rose to 35.4%, the second highest increase in the EU, as Czechia prepares to implement the EU Digital Identity Wallet under eIDAS 2.0 ([184]).

The availability of digital services to businesses is in line with the EU average. However, businesses remained concerned about understanding legislation and obligations and completing and submitting forms ([185]). For example, in the area of business registration, only 10% of data is pre-filled, despite established data exchange between registers ([186]). Life-event portals provide clear guidance, yet users are still required to initiate and complete each procedure separately, which means that gathering and submitting documents takes even longer. This has a detrimental impact on businesses: 41% report increased costs due to public administration obstacles, above the EU average of 30%. This highlights a gap between technical capability and practical implementation.

Despite recent reforms, permitting is still hindered by incomplete interoperability and uneven implementation capacity. The 2024 Construction Act and the Single Environmental Opinion were intended to simplify procedures by consolidating zoning and building proceedings and reducing the number of separate environmental opinions. However, not all relevant authorities are yet fully integrated into a single end-to-end digital workflow and the full rollout of the system has been put back to 2030 (from 2027). This hampers simplification, with applicants facing multiple interfaces and fragmented exchanges. This is exacerbated by the territorial fragmentation (over 6 000 municipalities) and weak municipal capacity. This includes Prague, responsible for more than 25% of Czechia's GDP, which is splintered into 57 municipalities, the second highest number of EU capitals and three times the average. The small size of municipalities often undermines service quality, administrative efficiency ([187]) and investment capacity – Czechia's municipalities have the highest savings relative to GDP in the EU ([188]).

Czechia is technically ready to enable cross-border exchange of data and documents between authorities through the EU once-only technical system (OOTS)([189]). Once the system is configured, people and businesses will no longer have to search for their data, download and upload documents manually across e-government portals in different Member States. To derive full benefit, more authorities will need to connect to OOTS, to identify documents and data

([183])Cesko funguj.

([184])Evropská peněženka digitální identity.

([185])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([186])European Commission, forthcoming, Simplification of key life events.

([187])World Bank, 2025, Subnational Business Ready in the European Union 2025: Czechia.

([188])Eurostat, 2025, Government deficit/surplus, debt and associated data.

([189])European Commission, *Once-Only Technical System Acceleratormeter*, Ec.europa.eu.

for exchange and to move from unstructured to structured document formats.

Civil service

Czechia continues reforms of the civil service framework, yet capacity constraints remain. Despite major investment ([190]), including from the RRF, improvements in quality, professionalisation and attractiveness of the civil service have yet to materialise. The causes of this include limited central steering, a lack of trust between politicians and the civil service and limited data-driven HR policy ([191]).

Attractiveness and retention continue to present barriers to civil service capacity, in particular in the central administration. 16% of civil servants said that they planned to leave within a year, with the highest proportion among those under 39. While some turnover can provide fresh skills and perspectives, excessive turnover disrupts workflows and undermines service continuity. Although civil servants are motivated by public-service values, they cite low pay, poor recognition and limited career prospects as reasons for leaving. The salaries of civil servants have been declining both in real terms and compared to the average salaries in the private sector for more than eight years ([192]), especially for managerial and expert positions; in Prague there is a 46% difference in relation to the private sector ([193]).

Demographic pressure is nearing the EU average, **with the ratio of staff aged below 55 to those aged 55+ at 1.50, compared to the EU average of 1.45.** Czechia has experienced one of the steepest declines in the proportion of younger staff, alongside a decrease in younger staff recruitment, posing medium-term risks.

Skills development of civil servants is improving but lacks coherent structure and platforms. Progress has been made in systematic upskilling: adult learning is above the EU average (19.2% compared to 19%). While most staff feel they have the skills needed for their jobs, these skills are under-used. Strategic areas such as law, IT and data analysis, precisely those needed for regulatory, digital and evidence-informed reforms, are the main shortage areas of skills ([194]). Measures to improve the civil service, such as the Civil Service Information System, lacked measurable performance indicators and systematic evaluation ([195]).

Czechia's gender gap in senior civil service roles remains one of the widest in the EU, with a deviation from parity of 43.8 pps (EU average: 4.6%). This figure has changed little over the past decade, signalling persistent barriers to advancement pathways and problems ingrained in the workplace culture ([196]).

Changes of government continue to affect the stability of senior management. According to recent analysis, over 40% of the nominally non-political top-level management are replaced with each change of government ([197]). The legal protection of civil servants against unfair dismissal (the 'service committee') is largely unused, mainly because most dismissals are classified as reorganisation. The integrity of the civil service is a major topic for civil servants as only 23% feel protected from undue political pressure, only 13% believe politicians respect civil servants' expertise, and 49% believe that politicians influence appointments in managerial positions ([198]). These

([190])Department of the Supreme Audit Office, 2026, CZK 870 million between 2015 – 2024.

([191])Government of the Czech Republic, 2025, Civil service 2.0 study, https://vlada.gov.cz/cz/statni_sluzba/aktuality/statni-sluzba-2-0-225598/.

([192])Bouchal & Münich, 2025, State employees and civil servants, https://ideaapps.cerge-ei.cz/zamestnancistatu/#5b.Vůčiprůměrnémzdě.

([193])IDEA CERGE EI, 2025, Comparison of salaries and wages in the Czech Republic, https://idea.cerge-ei.cz/studies/srovnani-platu-a-mezd-v-ceske-republice-vetsi-problem-nez-se-zda.

([194])Ministry of Interior of the Czech Republic, 2024, Survey Civil Servant's View - Civil Service.

([195])Department of the Supreme Audit Office, 2026, CZK 870 million between 2015 – 2024.

([196])EIGE, 2025, Gender Statistics Database, National administrations: top two tiers of administrators by function of government.

([197])The State in Form project, 2025, Stability of state administration after changes of governments: Did the Civil Service Act help?.

([198])Pohled úředníka, 2024, https://mv.gov.cz/sluzba/clanek/pruzkum-pohled-urednika-ce.aspx.

findings suggest that i) without stronger safeguards, trust in reform processes and policy continuity may erode further and ii) the views of civil servants need to be considered in any future reform. An RRF-financed analysis of the HR management of central government institutions has been completed and needs to form the basis for an HR action plan for 2026 ([199]).

Integrity

While the perception of corruption when doing business in Czechia is around the EU average, the level of experienced corruption is low. 62% of companies consider that corruption is widespread (EU: 63%) and 83% that too close links between business and politics lead to corruption (EU: 76%). Over a third of businesses identify corruption as an obstacle to doing business, similar to the EU average (35%)([200]). A sector particularly vulnerable to corruption is public procurement (see Annex 5)([201]). At the same time, few companies have been asked or expected to offer a gift, a favour or extra money for permits, services or procurement well below the EU average (Czechia 5%; EU 10%). The proportion of companies indicating that people and businesses caught bribing a senior official are appropriately punished is lower than the EU average (Czechia 24%; EU 33%) ([202]).

Legislation on transparency of lobbying was adopted. It includes provisions to ensure the transparency of the legislative footprint, but effective implementation depends on sufficient resources. The constitutional court declared that the procedure to revise legislation on conflicts of interest was unconstitutional and annulled the application of the amended provisions to beneficial owners and media ownership. Following judgments by the European Court of Justice, unrestricted access to the beneficiary ownership registry has been curtailed ([203]).

Corruption cases are largely investigated and prosecuted, yet there is room for improvement as regards high-level corruption cases. Some measures were taken to reduce the length of proceedings and to ensure the independence of investigation and prosecution in such cases, but concerns remain. Only a small number of cases of foreign bribery are detected and prosecuted.

Justice

The justice system is performing efficiently. The time taken to reach a decision in civil and commercial cases in first-instance courts remained stable at 126 days in 2024, one of the lowest in the EU. The estimated time taken to resolve administrative cases at first instance decreased from 212 days in 2023 to 202 days in 2024.

Czechia is performing moderately well in digitalising the justice system. It is doing well for digital solutions to initiate and follow proceedings in civil/commercial and administrative cases, and in online access for the public to published judgments. The procedural rules permit the use of digital tools, but they are not fully in use by courts and prosecution services. The implementation of the e-file system was delayed further. Case law is accessible online, but it is not yet possible to download it in bulk to enable reuse by private companies. Czechia performs well regarding arrangements for producing machine-readable judicial decisions ([204]).

([199])Government of the Czech Republic, 2025, Civil service 2.0 study, https://vlada.gov.cz/cz/statni_sluzba/aktuality/statni-sluzba-2-0-225598/.

([200])European Commission, 2025, Flash Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU.

([201])European Commission, 2025, Rule of Law Report, https://commission.europa.eu/publications/2025-rule-law-report-communication-and-country-chapters_en.

([202])European Commission, 2025, Flash Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU.

([203])https://esm.justice.cz/ias/issm/rejstrik.

([204])European Commission, 2025, Rule of Law Report, https://commission.europa.eu/publications/2025-rule-law-report-communication-and-country-chapters_en.

Czechia is advancing on decarbonising its industry and road transport, but challenges persist on both fronts, and on waste generation and water pollution. In 2025, Czechia received country-specific recommendations, for example to reduce reliance on fossil fuels in road transport, to promote the use of long-term power purchase agreements and enable the electrification of industrial processes. Czechia is focusing its policy action on industry decarbonisation under various strategies including electrification and updating its hydrogen strategy. It uses financial support from EU and national schemes to aid the process of decarbonisation, with substantial funding for energy efficiency and low-carbon innovation. Challenges persist in increasing the take-up of electric vehicles and reducing transport emissions. Czechia's transition to a circular economy remains slow, with high volumes of waste generated. The country has an ambitious circular economy strategy that aims, among others, to reduce its heavy reliance on imports of critical raw materials for the green and digital transitions and to develop its secondary raw material market. It is too soon to assess implementation. Water pollution from industry remains a critical challenge, despite some improvements, with only 38.6% of surface water bodies reported to achieve good chemical status.

Industry decarbonisation

Greenhouse gas emissions from industry

Industrial processes generate a high share of the greenhouse gas emissions from Czechia's manufacturing industry ([205]). It is the second most polluting sector, with emissions from industry generating 17% of all Czechia's greenhouse gas (GHG) emissions, and a greenhouse gas emissions intensity of about 300 g CO_2eq per euro of gross value added ([206]). Since 2019, the emission intensity of Czechia's manufacturing has improved by 15% The main share of Czechia's manufacturing greenhouse emissions, about 55%, is generated by industrial processes and product use; in the EU overall, this share is about 42%.

Policies to promote industry decarbonisation

Czechia is taking some measures to address the 2025 country-specific recommendation on the electrification of industrial processes. Czechia's main strategies for industrial decarbonisation include its national energy and climate plan, which aims to phase out coal generation of electricity and heat by 2033 and the development of nuclear power and renewables. Another main strategy is the Economic Strategy of Czech Republic, which sets out specific measures to decarbonise the economy. Czechia has also updated its hydrogen strategy to develop hydrogen for use in industrial processes. This strategy plans for hydrogen to replace a share of fossil fuels in transport, to be used as a carrier for energy transport and storage, a raw material for the chemical industry and as a heat resource for specific technologies. An example of good practices in industry decarbonisation is AGC's Barevka-patterned glass production line in Dubí, which will be entirely refurbished into a high performing and state-of-the-art line that aims to become 50% electric and 50% fired by a combination of oxygen and gas, funded by the Innovation Fund. An example of the challenges is that, in 2025, *Třinecké železárny* steelworks postponed a CZK 20 billion investment in the construction of an electric arc furnace until the end of the decade.

Czechia finances industrial decarbonisation through a mix of EU and national funding

([205])This Annex discusses the transition of Czechia's manufacturing industry, specifically its energy-intensive industries, to low-carbon and net-zero modes of production, which is key to preserving competitiveness on the path towards climate neutrality as mandated by the European Climate Law. A broader perspective on the current competitiveness challenges facing Czechia's manufacturing industry is provided in Annex 5. For a more detailed description of greenhouse gas emissions from industry, see European Commission (2025), 2025 Country Report - Czechia, Commission staff working document, SWD (2025) 205 final, Brussels, 4.6.2025, Annex A7. Clean industry and climate mitigation.

([206])Data on the manufacturing sector exclude the NACE division C19 – manufacture of coke and refined petroleum products, for better match of the sectoral data from Eurostat (gross value added) with those from the UNFCCC under the Common Reporting Format. Also see further indicators on industry decarbonisation, as well as the annotation for further information, in table A8.1 at the end of this Annex.

instruments. The Modernisation Fund is the largest source. It has already provided EUR 1.05 billion and up to EUR 1.78 billion in 2025 calls for projects to finance energy efficiency, renewables, hydrogen and industrial emissions reduction. Recent calls for projects published in 2025 included the RES+ programme that funds industrial photovoltaics and broader funding rounds targeting industrial energy savings, hydrogen and low-carbon innovation.([207]) Czechia has raised over EUR 5.16 billion in auction revenues since 2013 (EUR 605 million in 2024), available for further climate action and energy transformation. Czechia reported that, on average, it spent 55% of revenue on climate and energy purposes over this period.([208]) The highest share of emissions trading scheme (ETS) revenue in 2024 was allocated to projects to modernise railway junctions and stations (EUR 131.9 million), to modernise and optimise railways (EUR 128.8 million) and water management (EUR 76.9 million).

Additional funding is provided under the Just Transition Fund (JTF) (EUR 1.6 billion). Czechia is the third largest coal producer in the EU and the fourth largest beneficiary of the JTF. The Czech just transition programme covers three coal regions: Ústecký kraj (where 80% of Czechia's lignite is extracted), Karlovarský kraj (where there are two lignite mines and the mining company provides around 3 000 jobs plus another 1 000 jobs related to coal-power generation) and Moravskoslezský kraj (where the last cart of hard coal in Czechia was extracted on 4 February 2026). The three coal regions are the least developed regions in Czechia and face social and development challenges. Currently, the Innovation Fund supports three projects with a grant of EUR 20.3 million ([209]). Czechia also uses national, EU-approved State aid schemes including support for efficient heat/power generation and energy infrastructure. The RRF investments focus notably on energy grids, infrastructure and transport.

([207]) Investments - Modernisation Fund.

([208]) 7c8c3bcb-7c34-4750-9c2c-65570edf9165_en.

([209]) INNOVFUND_Czechia.pdf.

Reduction of effort sharing emissions

Compliance with effort sharing limits with domestic measures

Czechia is projected to overachieve its 2030 effort sharing target ([210])**.** In 2024, greenhouse gas emissions from Czechia's effort sharing sectors are expected to have been 11.4% below 2005 levels. By 2030, with current and planned policies and measures, these emissions are expected to decrease by 36.6%, resulting in a surplus of 10.5 percentage points relative to the 2030 target, a 26% reduction. Czechia is projected not to exceed its effort sharing emissions limits in any year in the 2021-2030 period.

Sustainable transport

In 2024, road transport generated 38% of Czechia's effort sharing emissions, a 25% increase on 2005 levels ([211]). Czechia's 2025 country-specific recommendations highlighted challenges related to the electrification of transport, plug-in hybrid vehicles (PHEVs) and the shift of freight transport from road to rail and waterways. Sales of electric vehicles (EV) in Czechia continued the growth seen in 2024 after a record year, with the difference that in 2025, the highest increase was for sales of PHEVs. In 2025, 15 325 battery EVs (BEVs) were registered (5.45% of sales) and PHEVs reached 11 273 units (4% of sales), meaning EVs reached a 9.47% market share, up from 6.61% in 2024.([212]) However, more

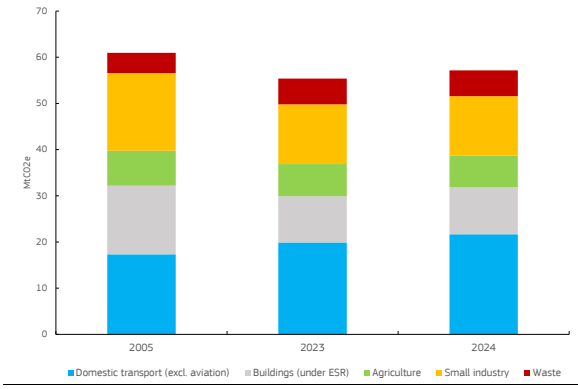
([210]) The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling), road transport, agriculture, waste and small industry (known as the effort sharing sectors). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Czechia's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (2025), Climate Action Progress Report 2025 – Technical Information, Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

([211]) See Graph A8.1 below and Table A8.1 at the end of this Annex.

([212]) Czechia: PHEVs dominate growth in the electrified segment in 2025 | European Alternative Fuels Observatory.

needs to be done to incentivise the uptake of BEVs and PHEVs as the average age of Czechia's national car fleet is higher than the average, and the take-up of BEVs and PHEVs is still relatively low. Decarbonising the fleet of heavy-duty trucks remains a challenge as the average truck age in Czechia is approximately 14 years, and the purchase price remains high. Czechia does not yet encourage the take-up of zero-emission trucks by exempting them from the infrastructure charge component of tolls, which is a demand-side economic incentive allowed under EU law until 30 June 2031.

Graph A8.1: **Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024**



Source: European Environment Agency.

Transport poverty in Czechia disproportionately affects rural, low-income and elderly populations. This is due to limited access to public transport, the high level of dependency on cars and insufficiently affordable alternatives, which exacerbates social exclusion.

Sustainable industry

Circular economy industry

Waste management is still a challenge in Czechia. Waste generation remains rather high, at 538 kg per capita in 2023 ([213]), the recycling rate was 43.5% in 2023, lower than the EU average (47.7%), and the landfilling rate is decreasing, but slowly. In 2023, 42.3% of municipal waste was landfilled (EU average 22%), which puts Czechia at risk of not meeting the 2035 target of a maximum 10% of municipal waste landfilled. The planned new deposit refund scheme for plastic bottles and cans (due to take effect in January 2026) would have helped increase recycling rates but it has been put on hold([214]). Equally, the use of raw materials has stayed high, with only a negligible reduction over the last 10 years([215]). On the positive side, the circular material use rate has increased considerably from 7.5% in 2016 to 14.8% in 2024, above the EU average. Similarly, resource productivity is improving, increasing to EUR 2.19 per kg in 2024 but still below the EU average of almost EUR 3 per kg ([216]).

Czechia's circular economy strategy is ambitious and comprehensive, but it is too soon to assess implementation. The strategic framework 'Circular Czechia 2040', finalised as a reform under the RRP, includes an action plan adopted in June 2023 that covers a six-year period with measures in many sectors such as products, design, raw materials, bioeconomy, waste management and circular cities ([217]). The first monitoring report evaluating the action plan was published in December 2025 ([218]). One of the objectives is to reduce Czechia's heavy reliance on imports of critical raw materials for the green and digital transition by increasing the use of secondary raw materials and reducing pressure on natural resources.

Czechia performs quite well on patents related to recycling and secondary raw

([213])Eurostat , Waste generation and treatment (kg per capita), https://ec.europa.eu/eurostat/databrowser/view/env_wasgen/default/table?lang=en

([214])360 Excise duties. Amendment to Czech Packaging act on hold, https://www.excise-360.com/newsletter/amendment-to-czech-packaging-act-on-hold-deposit-system-for-bottles-and-cans-delayed#:~:text=The%20Czech%20government%20has%20proposed%20an%20amendment,operator%20and%20paying%20deposits%20and%20associated%20fees.

([215])Eurostat, Material footprints, https://ec.europa.eu/eurostat/databrowser/view/cei_pc020/default/table?lang=en.

([216])Eurostat, Resource productivity, https://ec.europa.eu/eurostat/databrowser/view/env_ac_rp/default/table?lang=en.

([217])Czech Ministry of Environment, Circular Czechia 2040 Strategic Framework, https://mzp.gov.cz/cz/agenda/odpadove-hospodarstvi-a-cirkularni-ekonomika/cirkularni-ekonomika/cirkularni-cesko-0.

([218])Czech Ministry of Environment, 1st Monitoring report of meeting the Action Plan Circular Czechia 2040 for 2022-2024, December 2025, https://mzp.gov.cz/system/files/2026-02/OCE0-1_Monitorovaci_zprava_CC_2040-20260223.pdf.

materials. In 2020, it filed 10.74 patents (though this dropped to 5.75 in 2021, still above the EU average) ([219]), more than most Member States of a similar size. Together with the high number of EU Ecolabel-awarded licences and products (5 408) and 26 companies registered in the Eco-Management and Audit Scheme, this is a positive sign that drives the country's pace of innovation. Against this backdrop, the circular economy generates 2.6% of total employment, above the EU average.

Czechia has scope to further develop fiscal tools for circular practices to boost potential revenue and reduce waste. Total environmental tax revenue is below the EU average (1.5% of GDP in 2022, EU average of 2.24%) ([220]). Taxes on pollution and resources make up a low share of overall environmental tax revenue (0.7%). Environmental taxes have increased by 23.1% over the last 15 years (2009-2023) in absolute terms, but they decreased by 32% in terms of GDP ratio ([221]). Czechia is finally implementing a gradual increase in landfill tax rates that has been delayed for many years, and 'pay as you throw' schemes cover about 20% of the population([222]). The current Waste Act, in force since 2021, complemented by a reform under Czechia's RRP to adopt the implementing legislation, provides for an annual increase from EUR 32/t in 2021 to EUR 73/t in 2029.

The new circular economy strategy (Circular Czechia 2040) reflects the role of environmental taxation in the transition. It proposes increasing landfill fees and bringing in taxes based on product recyclability, on single-use plastics, fertilisers and on incineration. The Czech administration considers that the low share of municipal waste incinerated (14,2% in 2023, but increasing) does not justify bringing in a new tax. However, under the 2025 waste management plan, Czechia plans to double the capacity of energy installations that incinerate mixed municipal waste to 1.8 million t/year. Caution is required as increasing incineration capacity could lead to a reduction in the volume of waste sent for recycling, given the situation where separate collection still needs to be substantially improved. In addition to the investments in recycling infrastructure under the RRP, Czechia would need a further EUR 470 million in investment per year ([223]) to reach the circular economy objectives.

Bioeconomy industry

Czechia's bioeconomy is anchored by a strong food and beverage sector and a traditional wood and furniture industry. Together these two sectors employ the highest number of people in the field ([224]). In bio-based chemicals and plastics - the highest-performing sub-sector, averaging 7.6% value-added growth between 2018 and 2023([225])- Czechia's traditionally strong research in chemistry, biochemistry, biology and biotechnology, combined with advanced agriculture and food industries provide a solid foundation for locally based circular systems. Despite this, overall employment in the bioeconomy slightly fallen, with the exception of the bio-based chemicals and plastics manufacturing sector recording a growth in total employment between 2018 and 2023 (0.6%)([226]). Under its recovery and resilience plan, Czechia has invested in expanding university facilities for biomedical studies, in supporting companies in the biotechnology sector and([227])and biomass.

([219])Eurostat, Patents related to recycling and secondary raw materials, https://ec.europa.eu/eurostat/databrowser/view/cei_cie020/default/table?lang=en&category=cei.cei_cie.

([220])European Commission, Environmental Implementation Review (2025), Czechia country report, https://environment.ec.europa.eu/law-and-governance/environmental-implementation-review_en.

([221])European Commission, Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the European Semester and integration of environmental priorities into the EU's economic governance framework, 2025.

([222])European Environmental Agency, Waste Management country profile, 2025, C:\Users\paolagi\Downloads\CZ Municipal waste factsheet.pdf.

([223])European Commission, Environmental Implementation Review (2025), Czechia country report, https://environment.ec.europa.eu/publications/2025-environmental-implementation-review-country-report-czechia_en.

([224])Shapingbio, Bioeconomy country file

([225])Bioeconomy subsectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

([226])Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, https://datam.jrc.ec.europa.eu/datam/mashup/BIOECONOMICS/.

([227])Czechia's recovery and resilience plan, https://planobnovy.gov.cz/.

Labor productivity in the bioeconomy – measured as value added per person employed – stood at 73.5% of the national average and it has been almost stable from 73.9% in 2018([228]).

Research and Development (R&D) business expenditure from bioeconomy-relevant sub-sectors has grown slightly more than the overall R&D business expenditure in Czech Republic (8.8% compared to 7.2% on average between 2018 and 2023) ([229]).

Zero-pollution industry

Over the past decade, Czechia has made progress in reducing key air pollutants through cleaner energy production and tighter vehicle emission standards. However, the intensity of industrial releases in water and air remains high and above the EU average ([230]). In 2023, air pollutants (NOx, NMVOC, PM2.5, PM10, SOx) decreased by 29% in kg per capita of emissions ([231]). The New Green Saving Programme, also financed under the RRF, has had a key role by investing in the energy efficiency of more than 600 000 households, mostly (about two thirds) since 2021. Despite these advancements, Czechia continues to grapple with air pollution costs as it is estimated that 66 years of life are lost per 100 000 inhabitants, over the EU average in 2022. In the same year, multiple air quality zones exceeded the target limit for ozone, resulting in annual damages estimated to cost EUR 13 million per year([232]). This underscores the need for further action, particularly in industrial regions and urban transport corridors. Czechia has not levied any new taxes on major air pollutants such as NOx, SO_2 or particulate matter lately. A moderate increase could incentivise abatements, reduce those pollutants by 7-44% (depending on the tax rate) and increase revenue by up to EUR 13 million by 2030([233]).

Water pollution from industry remains a critical challenge. Czechia has made progress on water pollution including achieving a 34% reduction in industrial heavy metal releases (Cd, Hg, Ni, Pb) and a 43% reduction in total nitrogen emissions to water since 2010, as reported under the Industrial Emissions Directive (IED) ([234]). Nonetheless, only 38.6% of Czechia's surface water bodies were reported to achieve good chemical status in the third river basin management plan (RBMP), a significant drop from 68.5% reported in the second RBMP. Degradation is mainly due to the presence of ubiquitous, persistent, bio-accumulative and toxic substances (uPBTs) generated by past-industrial activities([235]). Czechia still faces a heavy environmental burden deriving from mercury-contaminated waste and soil, a major source of pollution in rivers and groundwater. Water pollution by industry imposes direct and indirect costs of EUR 30 million a year, not yet sufficiently borne by the polluters([236]).

The total economic cost of industrial pollution in Czechia is about EUR 48 million a year ([237]) encompassing healthcare expenses, lost

([228])Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, https://datam.jrc.ec.europa.eu/datam/mashup/BIOECONOMICS/.

([229])Joint Research Centre, Business expenditure in Research and Development (R&D) in the EU bioeconomy, https://datam.jrc.ec.europa.eu/datam/mashup/BERD_BIOECONOMY/.

([230])EEA, European Industrial Emission portal, https://industry.eea.europa.eu/industrial-emissions/dataset.

([231])Eurostat, Air emissions accounts, https://ec.europa.eu/eurostat/databrowser/view/env_ac_ainah_r2__custom_19207573/default/table

([232])European Commission: Directorate-General for Environment, EMRC, Logika Group and RPA Europe; Update of the costs of not implementing EU environmental law (2025), https://op.europa.eu/en/publication-detail/-/publication/4dead000-263d-11f0-8a44-01aa75ed71a1/language-en?mc_cid=d30edf72a9&mc_eid=3bdab86db2. The damage cost is calculated as VOLY.

([233])European Commission: Directorate-General for Environment, Camboni, M., Markandya, A., Tyrer, D., Goonesekera, S. et al., *Greening the European Semester – Resource and pollution taxes. Annex 6, Country factsheets*, Publications Office of the European Union, 2026. https://data.europa.eu/doi/10.2779/7798318

([234])EEA, Water pollutant releases changes from 2010 to 2022 for the EU Member States, 2024, https://www.eea.europa.eu/en/analysis/maps-and-charts/water-pollutant-releases-3.

([235])European Commission. Third river basin management plans, second flood hazard and risk maps and second flood risk management plans, Member State: Czechia, 02/2025, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025SC0033.

([236])EU study, Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay, https://environment.ec.europa.eu/publications/green-taxation-and-other-economic-instruments-internalising-environmental-costs-make-polluter-pay_en.

([237])About EUR 18 million for air pollution and about EUR 30 million for water pollution.

productivity and environmental degradation ([238]). The level of investment is still insufficient to meet national and EU targets for pollution prevention and control. To reach the targets, Czechia would need to spend an additional EUR 1 billion every year (about 0.38% of GDP), largely on reducing environmental noise, remediating industrial sites and on protection from nuclear radiation ([239]).

([238])EEA, The cost of health and the environment from industrial air pollution in Europe - 2024 update, 2024, https://www.eea.europa.eu/en/analysis/publications/the-costs-to-health-and-the-environment-from-industrial-air-pollution-in-europe-2024-update. The costs reported are calculated as value of a statistical life.

([239])European Commission: Directorate-General for Environment, EMRC, Logika Group and RPA Europe; Update of the costs of not implementing EU environmental law (2025), https://op.europa.eu/en/publication-detail/-/publication/4dead000-263d-11f0-8a44-01aa75ed71a1/language-en?mc_cid=d30edf72a9&mc_eid=3bdab86db2.

Table A8.1: **Key clean industry and climate mitigation indicators: Czechia**

Climate mitigation	Czechia							Trend	EU	
Industry decarbonisation	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emissions intensity of manufacturing production, g/€ (1)	385	356	380	401	342	283	302	↘	330	-
Share of energy-related emissions in industrial GHG emissions (2)	38.6	38.6	41.0	44.6	43.0	44.4	-	↗	55.5	57.9
Energy-related GHG emissions intensity of manufacturing and construction, g/€ (3)	208.0	190.6	224.3	278.8	225.0	193.6	-	↗	203.9	163.0
Share of electricity and renewables in final energy consumption in manufacturing, % (4)	37.8	39.1	38.4	38.1	39.7	41.5	43.6	↗	42.8	43.9
Energy intensity of manufacturing, GWh/€ (4)	1.52	1.44	1.61	1.69	1.46	1.28	1.26	↘	1.27	1.05
Share of energy-intensive industries in manufacturing production, % in GVA (5)	13.24	12.79	12.41	12.25	13.68	11.97	11.73	↘	-	-
GHG emissions intensity of production in sector [..], g/€ (6)										
- paper and paper products (NACE C17)	533	544	478	472	497	375	411	↘	722	619
- chemicals and chemical products (NACE C20)	3 649	3 520	2 825	5 229	3 935	3 880	3 955	↗	-	-
- other non-metallic mineral products (NACE C23)	1 597	1 598	1 656	1 559	1 537	1 550	1 790	↗	2 495	2 352
- basic metals (NACE C24)	6 202	5 047	5 454	12 433	22 056	12 206	9 494	↗	2 842	3 099
Reduction of effort sharing emissions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emission reductions relative to base year, %				-9.0	-11.5	-14.5	-11.4			
- domestic road transport	8.5	9.5	2.1	9.1	11.9	14.8	25.1	↗	-1.4	-5.6
- buildings	-9.1	-13.0	-14.7	-11.4	-19.7	-32.5	-31.5	↘	-20.3	-33.5
	2005			**2021**	**2022**	**2023**	**2024**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	65.0			59.1	57.5	55.5	57.5	-26.0%	-27.6%	-36.5%
Sustainable road transport	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**		**2018**	**2021**
New zero-emission vehicles, electricity motor, % (7)	0.28	0.31	1.65	1.54	2.13	3.09	4.99		↗	1.03	8.96
Number of publicly accessible AC/DC charging points (8)	-	-	1031	2001	3817	4664	6359	7574	↗	446956	n/a
Share of electrified railways, % of total (9)	33.80	33.79	33.91	33.96	33.97	34.44	34.44		↗	55.47	56.49

Sustainable industry	Czechia							Trend	EU-27	
Circular economy transition	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**latest data**
Material footprint, tonnes per person	18.1	17.6	16.0	19.0	18.6	17.9	17.1	↘	14.8	13.7
Circular material use rate, %	10.5	10.6	11.5	11.0	11.3	13.6	14.8	↗	11.6	12.2
Resource productivity, €/kg	1.3	1.3	1.4	1.5	1.7	2.1	2.2	↗	2.1	3.0
Employees in circular economy	2.5	2.6	2.6	2.9	2.6	2.6	-		2.1	2.0
Patents in circular economy	4.67	9.8	10.7	5.8					12.3	12.0
Recycling rate	32.2	33.3	40.5	43.3	41.4	43.5	:		46.40	48.1
Plastic recyling	57%	61%	42%	45%	-	52%	-		41%	42%
Construction and demolition waste (CDW) recovery	na	-	96						88	89
Bioeconomy industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**CAGR 2018-2023**	**2018**	**2023**
Value added, million EUR	10 398	10 918	10 858	11 579	14 039	15 000	-	6.3%	642 438	863 436
Employment, total number of people employed	391 517	381 326	371 596	369 975	376 908	377 091	-	-0.6%	17 649 040	17 085 642
Productivity										
Valued added per worker, thousand EUR	26.6	28.6	29.2	31.3	37.2	39.8	-	7.0%	36.4	50.5
Valued added per worker, % of national average	73.9	73.8	76.0	73.7	76.0	73.5	-	-	62.2	70.7
R&D business expenditure										
Total bioeconomy (biomass producing and converting sectors)	52	55	55	63	71	86		8.8%	15 672	23 335
Total R&D business expenditure	2 482	2 680	2 612	2 986	3 484	3 766	-	7.2%	196 587	259 525
Zero pollution industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2021**
Damage cost for industrial pollution	23.1	19.9	17.8	-	-	-	-		414.9	352.7
Water industrial pollutants releases	Cd, Hg, Ni, Pb		nitrogen		TOC		Phosporus			
	2021	change (2010)	2021	change (2010)	2021	change (2010)	2021	change (2010)		
	-	-34%	-	-43%	4 366 620	no data	-	no data		
Water chemical status		Good	432	Good (%)	0.4		Poor	480.0	Poor (%)	43%

Sources and notes: **Industry decarbonisation:** All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19), and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. **Reduction of effort sharing emissions:** Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. **Sustainable road transport:** (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). **Sustainable industry**: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

This annex outlines the progress made and the ongoing challenges faced in enhancing energy affordability, while advancing the transition to net zero. It reflects the implementation of past energy-related country-specific recommendations.

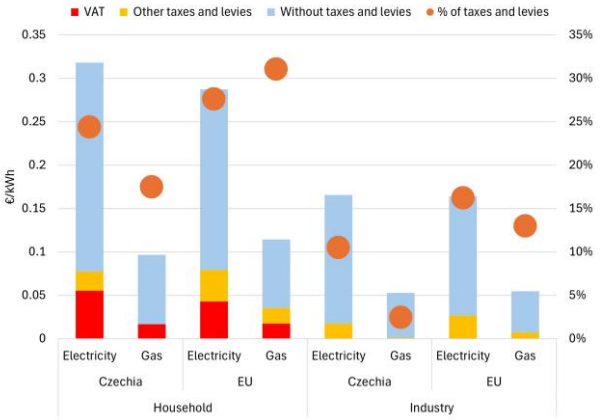
Czechia's 2025 energy-related country-specific recommendations highlighted the need to reduce reliance on fossil fuels, notably for heating and power generation, while expanding large-scale renewable energy through auctions and long-term power purchase agreements. The recommendations also called for investment to be increased in the electricity grid in order to achieve greater non-fossil flexibility, for the electrification of transport and industrial processes to be enabled, for Czechia's Electricity Data Centre to be made fully operational, and lastly, for measures to be enacted to reduce the energy consumption and carbon intensity of the building sector, especially the public building stock.

Czechia continues to see low levels of renewables deployment and grid flexibility, with incentives only partially available. This is especially due to the lack of support instruments (Contracts for Difference and power purchase agreements). Nevertheless, important legislative steps have been taken to streamline permitting and empower consumers. Progress towards improving the energy efficiency of the building stock has remained steady but slow despite the introduction of programmes to support the decarbonisation of the heating sector.

Energy prices and costs

In S1 2025, the retail cost of energy was below or close to the EU average, except for households electricity users. The tax burden is disproportionately skewed towards electricity in Czechia, undermining affordability and distorting price signals for further electrification. In the first half of 2025, household gas prices in Czechia continued their downward trend and remained below the EU average at EUR 0.0967/kWh, However, household electricity prices, despite being down on 2024, remained above the EU average at EUR 0.3179/kWh (the sixth highest in the EU). Retail energy prices for industrial consumers also continued their downward trend and were almost in line with the EU average. However, industrial electricity prices (EUR 166/MW) increased, remaining slightly above the EU average (EUR 164/MWh). While wholesale costs account for 43% of industrial electricity prices, network costs, carbon costs and taxes represent 27%, 20% and 10% respectively of electricity bills.

Graph A9.1: **Electricity and gas prices for household and non-household consumers, first half of 2025**



(i) For household consumers, the consumption band is DC for electricity and D2 for gas.
(ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the '% of taxes and levies', which is shown excluding VAT and recoverable charges for non-household consumers.
(iii) 'Without taxes and levies' indicates the retail price excluding all taxes and levies. It always includes the energy/supply and network cost components, which are not disaggregated in Eurostat's six-monthly price dataset.
Source: Eurostat

Importantly, since tax is disproportionately skewed towards electricity, final energy prices in Czechia have stayed imbalanced. For large businesses, electricity was 3.1 times more expensive than gas in the first half of 2025, with taxes and levies (excluding VAT) for non-household consumers representing on average 11% of electricity bills but only 2% of gas bills. Excluding taxes and levies, the electricity-to-gas price ratio would have fallen to 2.9. The situation was similar for household consumers, where the ratio would have decreased from 3.3 to 3 if taxes were excluded, meaning Czech fiscal measures have a negative balancing effect, particularly on household electricity bills. Czechia took a positive step to address this issue in early 2026 by

transferring the renewables levy to the state budget

Due to its continued reliance on expensive fossil fuels for electricity generation and its limited level of non-fossil flexibility, Czechia's wholesale electricity prices averaged EUR 99/MWh in 2025 (vs EU average of EUR 85/MWh ([240]). Fossil fuels accounted for 40.8% of Czechia's electricity generation in 2025 (mainly coal at 34%), retaining their important role as costly marginal price-setting technology (74% of price-setting hours). Average day-ahead electricity prices in Czechia increased by 14% in 2025 amid rising natural gas costs. Short-run marginal costs of natural gas in the EU rose from EUR 96/MWh in 2024 to EUR 103/MWh in 2025. Czechia remains vulnerable to severe price spikes during peak-demand hours. This is because falling solar power output in the evening and early morning, combined with limited non-fossil flexibility, requires natural gas-fired generation to be significantly ramped up to cover the supply–demand gap. As a result, price spreads in Czechia averaged EUR 122/MWh in 2025, up 7% from 2024, nearly matching the EU average of EUR 121/MWh.

Graph A9.2: **Low-carbon electricity generation vs. electricity wholesale prices, 2025**

Unavailable data for Cyprus and Malta. Wholesale price is given as average of day-ahead electricity prices over 2025. EU-27 average is calculated as consumption-weighted. EU low-carbon share is calculated out of total EU electricity generation. Low-carbon share by country is calculated out of total public electricity generation. Low-carbon includes renewables and nuclear.
Source: Eurostat

([240])Ember.

Flexibility and electricity grids

Czechia is relatively well interconnected with its neighbours and has a high level of cross-border trade, although in recent years price differentials with its neighbours have grown, illustrating the need to further increase cross-border capacity and reinforce the Czech internal grid. Czechia is in the Core capacity calculation region (CCR) and is market-coupled at all of its borders with the other members of the CCR. Czechia is a net electricity exporter (12% of own consumption), exporting significant volumes to Slovakia and Austria, while importing from Germany and Poland. Average wholesale prices show a generally good level of convergence with the average regional electricity price, however price spreads have been increasing in recent years. Member States must ensure that a minimum of 70% of technical cross-border capacity is available for trading which, in the case of Czechia, was successfully achieved for 100% of hours ([241]), the only country in the region to do so. Czechia's interconnection rate reached 26.3% in 2025, well above the EU requirement of 15%. At the same time, congestion has been increasing at certain borders, illustrating the need for further infrastructure reinforcements, as also pointed out in Czechia's 10-year national development plan from 2024 ([242]). To further support interconnectivity, Czechia is working on electricity interconnection projects with Germany and Slovakia which are included on the second Union list of Projects of Common Interest and Projects of Mutual Interest.

Despite high levels of investment in Czechia's electricity grid, the construction of new internal power lines remains challenging. Based on its 2025-2034 national development plan, Czechia has invested in the distribution grid, notably through the Recovery and Resilience Facility, with further investments planned with the intention of integrating an additional 1.9 GW of new capacity. Looking ahead, Czechia's transmission system operator (ČEPS) is preparing investments worth approximately EUR 3 billion to modernise and reinforce 1 700 km

([241])ACER market monitoring report.

([242])TYNDP 2024 / Infrastructure Gaps Report / Opportunities for a more efficient European power system by 2050

of power lines, which will address grid congestion and enhance interconnectivity. However, Czechia continues to allow critical infrastructure projects to be heavily delayed (e.g. two internal power lines which are a Project of Common Interest are not expected to be finalised until 2030), notably due to zoning plans which can take as long as 9 years to finalise for a single project (see below). Further efforts are also needed to strengthen and upgrade the grid infrastructure. The number of rejected grid connection requests has increased, while a 38% increase has also been recorded in the number of connection agreements refused due to insufficient connection capacity or for supply security reasons ([243]). With regard to hydrogen infrastructure, Czechia adopted an updated hydrogen strategy in mid-2024, confirming the country's involvement in the Central European Hydrogen Corridor through the Czech H2 Backbone North project, which is on the second Union list of Projects of Common Interest and Projects of Mutual Interest. A cluster of projects relating to the Czech–German Hydrogen Interconnector intended to expand the internal hydrogen infrastructure in Czechia (Czech H2 Backbone West) and Germany have also been included on the second Union list.

Czechia continues to make slow progress on streamlining permit-granting procedures for energy infrastructure. Since January 2024, Czechia carried out major reforms of its Construction Act and Energy Act. This led to the introduction of the Transport and Energy Authority – which handles strategic infrastructure projects, including in the energy sector – and the Builder's Portal which digitalises the building permit process and indicates the development status of public infrastructure or energy security projects for specific infrastructure and plants. The digitalisation process has experienced repeated delays. Moreover, understaffing of the Transport and Energy Authority remains a critical problem. Spatial planning is also still in need of reform since the permit-granting process for grid infrastructure projects often takes several years to start, delaying construction and significantly extending the time it takes to complete Projects of Common Interest.

Challenges remain in addressing the 2025 country-specific recommendation to increase investment in electricity grids to enhance non-fossil flexibility, however Czechia has taken steps in the right direction. Czechia has committed to further promoting demand-side response and energy storage in order to increase the flexibility of its energy system. It has adopted a legal framework (Lex RES III) that allows aggregation (including independent aggregation) on wholesale markets. Electricity storage is still in the early stages of development but is growing, with 2.5 GWh of operational energy storage capacity currently available, of which 546 MWh was installed in 2025. As of 2024, Czechia had 480 MW of battery storage capacity connected to the grid, mostly behind-the-meter storage, however large scale batteries are gaining momentum. A State aid scheme worth EUR 279 million is expected to accelerate battery roll-out by supporting an additional 1.5 GWh of large-scale electricity storage projects. While the scheme has attracted significant interest, much of this may be considered speculative. In addition, with support from the Recovery and Resilience Facility, Czechia is setting up the Electricity Data Centre (EDC), a new centralised entity responsible for data provision and exchange on the electricity market. This platform should further enable services such as aggregation and energy sharing for energy communities. However, the expected capabilities of the EDC are not all yet fully in service.

Despite some progress since 2024, an incomplete legislative framework and slow smart meter roll-out are continuing to limit consumer engagement. With the support of its recovery and resilience plan, Czechia amended its renewable energy legislation in August 2025, to foster the development of energy communities, however it still needs to put in place secondary legislation in order to fully implement the reform Czechia had around 50 registered energy communities in 2025, suggesting the momentum from the previous year has begun to stall. Although energy sharing has seen increased uptake, with 35 000 participants sharing nearly 60 GWh of electricity in 2025, there is still untapped potential. While most consumers are on fixed-price retail contracts, the share of consumers that switched supplier increased to 6.8% from 4.2% in 2023 ([244]). Both the roll-out of smart meters (below 15%) and the percentage of

([243])Monitoring připojování výroben elektřiny - aktualizace k 30.06.2025 | eru.gov.cz

([244])Report by ACER and CEER

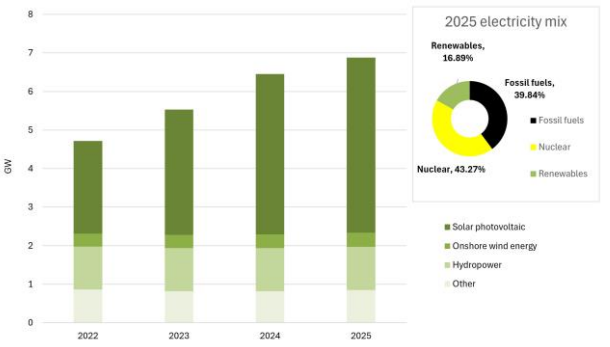
prosumer households (4%) remain low. This indicates limited consumer engagement in the energy market. Czechia has adopted legislation (Lex RES III) to strengthen consumer empowerment, especially as regards demand response, energy communities, dynamic pricing and smart grids. Moreover, it has introduced comparison tools to help consumers find the best offers on the market. However, due to the low smart meter roll-out rate, customers have limited scope to provide flexibility services, even with the wholesale markets shortly being opened up to demand response once the possibility of independent aggregation is introduced. Delayed reforms to energy tariffs are further slowing down the roll-out of dynamic pricing, for which a 'pilot project' is now not envisaged until 2027-2028.

In 2024, electricity accounted for 21.6% of Czechia's final energy consumption (FEC) (below the EU average of 33.5%), a share which has remained largely unchanged in recent years ([245]), partly due to an unfavourable electricity-to-gas price ratio that disincentivises electrification and cost-effective decarbonisation. Electricity accounts for 21.6% and 33.5% of household and industrial FEC respectively (see Annex 8). In the transport sector, the share of FEC accounted for by electricity remains negligible at 2.2%. Further progress in electrification across sectors would help to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers.

Renewables and long-term contracts

The deployment of renewables has been progressing slowly, in particular wind energy. In 2025, renewable energy accounted for 16.6% of Czechia's electricity mix, largely unchanged from 2024 (+0.6 percentage points) and still well below the EU average of 47%, the second lowest in the EU. Hydro represented 3.7%, biomass 7.5% and solar 5.9% of the electricity mix. Installed renewables capacity grew by 8.7% in 2025, meaning total renewable energy capacity increased to 6.880 ([246]) MW (see Graph A9.1) in Czechia. Solar deployment has continued its steady acceleration, with total installed capacity in 2025 reaching 4 500 MW (an increase of almost 13.9% compared to 2024). In contrast, installed wind energy capacity in Czechia grew only modestly (+24 MW, i.e. an increase of 6.7%), reaching 380 MW in 2025, relatively far from Czechia's 2030 wind capacity target of 1.5 GW (as per its National Energy and Climate Plan). Czechia's new Economic Strategy sets a target for renewables deployment of 10 GW by 2030.

Graph A9.3: **Czechia's installed renewable capacity vs electricity generation mix**



Electricity mix is given as net electricity generation (gross electricity production minus consumption of power stations' auxiliary services). Electricity produced in pumped hydro plants is excluded from total net electricity production, as it was previously counted as electricity produced from another source.
"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Eurostat

In 2025, Czechia made progress towards speeding up permitting for renewable energy installations, but there is scope for further action. In July 2025, as part of its recovery and resilience plan, Czechia adopted framework legislation establishing renewables acceleration areas for wind and solar (Act No. 249/2025 Coll). While the framework allowed municipalities to participate in the designation process, no acceleration areas have yet been designated despite targeted regional-level incentives. As of April 2026, a draft proposal of acceleration areas of national significance has been published by the Ministry for Regional Development. Czechia has also raised the thresholds below which solar and

([245])The CAGR (compound annual growth rate) was 0.34% between 2015 and 2024. The minimum/maximum shares were 20.2% and 21.1% respectively. (Source: Eurostat).

([246])International Renewable Energy Agency (IRENA) - Renewable Capacity Statistics 2026

storage installations ([247]) do not require a licence (100kW). Furthermore, the Czech government has passed legislation to regulate the framework for agrivoltaics. A specific grid connection fee has also been introduced to help reduce the backlog of renewables projects awaiting connection to the grid. Beyond these efforts to simplify permit-granting procedures for renewables and promote the deployment of agrivoltaics, Czechia has scope to improve other aspects of permitting, e.g. by ensuring additional human resources and skills, enabling digitalisation and public participation, and promoting the development of other innovative technologies and forms of deployment.

In 2025, Czechia ran auctions to support renewable energy sources, helping to make progress towards its 2025 country-specific recommendation to provide further incentives for the roll-out of large-scale renewable energy capacity. However, the lack of long-term price certainty remains a fundamental barrier. In 2025, the Czech Ministry of Industry and Trade published two calls for bids in a renewables auction to award support for the installation of a total of 5 MWe of small hydropower plants (construction of new plants and upgrade of existing plants) and 180 MW of wind power plants. After the latter failed to attract sufficient bids, highlighting the lack of a sustainable stream of projects, a second auction was launched in December 2025, with a simplified design and with a target capacity of 360 MWe of wind power plants. There has been almost no progress in relation to Contracts for Difference, which are only available for wind, or in relation to power purchase agreements, which have seen very limited uptake in Czechia in the absence of an enabling framework, including measures such as state-backed guarantees, a matching platform or demand-pooling facilities.

Energy efficiency

Czechia made slight progress towards improving overall energy efficiency, despite taking measures to ensure the timely implementation of related EU legislation. In 2024, final energy consumption (FEC) decreased by 0.3% to 22.6 Mtoe, as compared to 2023, slowing the downward trend observed since 2019. Czechia's FEC in 2024 was in line with the trajectory for meeting its expected contribution by 2030. At sectoral level, FEC has decreased substantially since 2019. In industry FEC decreased by 14.8%, mainly due to structural changes and technical energy savings, in services FEC decreased by 15%, whereby an increase in activity was outstripped by energy savings and increased productivity, and in the residential sector FEC decreased by 14.2%, mainly due to building renovations and energy-saving behaviour. Czechia was the first Member State to fully transpose the 2023 update to the Energy Efficiency Directive. Moreover, several successful energy efficiency programmes financed by national and EU funds have been continued, while in February 2026, the National Energy Efficiency Financing Platform was launched.

Further to its 2025 country-specific recommendation to reduce the energy consumption and carbon intensity of the buildings sector, especially the public building stock, Czechia continued making progress towards improving the energy efficiency of residential buildings, although these efforts could be undermined if the support framework is phased out. The aforementioned decrease in final energy consumption in Czechia's residential sector was mostly driven by energy savings, including through structural measures such as deep renovations. Czechia has already met the 2030 target from its long-term renovation strategy to reduce the energy consumption of buildings by 8% compared with 2020. However, as buildings are responsible for 37.8% of energy use, Czechia is encouraged to submit its draft national building renovation plan pursuant to the recast Energy Performance of Buildings Directive in order to ensure a clear and predictable pathway towards an energy efficient and decarbonised building stock. The potential phase-out of Czechia's successful 'New Energy Savings' renovation programme in favour of a loans-based approach could put at risk the positive trend in energy efficiency if the approach is not properly targeted, especially in relation to energy-poor households. In the absence of a Social Climate Plan, it is unclear how Czechia will ensure renovations are carried out to the public building stock, including social housing.

([247]) Czechia introduces new licensing rules for energy storage - Energy Storage

Czechia is continuing to transition away from the use of coal for heating, but major challenges remain for both individual and district heating. Heating and cooling account for 83% ([248]) of Czechia's residential final energy consumption, with renewables supplying 28% ([249]) of total energy used for heating and cooling across all sectors. Approximately 2.5 million households use a gas boiler for heating purposes ([250]). Around 20 000 heat pumps were sold in 2024, a decrease of 64% compared to the previous year, taking Czechia's total stock of heat pumps to nearly 320 000 ([251]). The retail electricity-to-gas price ratio in the residential sector was 3.29 in the first half of 2025 and has been on an upward trend since 2022 ([252]). This means that by switching from an individual gas boiler to a heat pump end users will save energy but may not save money.

Decarbonising the district heating system still represents a challenge for Czechia which intends to replace coal-based sources with renewable energy, using gas as the main transitional fuel. Thanks to investment under the recovery and resilience plan and the HEAT programme (financed by the Modernisation Fund), the use of coal in district heating has gradually decreased, with a target to completely phase out coal by 2030. The main sources which are replacing coal are combined heat and power, biomass, biogas/biomethane and nuclear waste heat. The estimated cost of decarbonising district heating by 2030 is CZK 200 billion (EUR 8 billion). The potential for using large industrial heat pumps in the district heating sector remains untapped.

([248])Eurostat,2025. https://data.europa.eu/data/datasets/uvygjkxev6pywqwbgmgwyg?locale=en

([249])Eurostat,2025. https://ec.europa.eu/eurostat/databrowser/product/view/SDG_07_40?lang=en&category=sdg.sdg_07

([250])JRC analysis based on data from European Hearing Industrie, Hotmaps and the Czech Statistical Officce

([251])European Hear Pump Association (EHPA) 2025. https://ehpa.org/market-data/

([252])Eurostat 2025 Household electricity priceshttps://ec.europa.eu/eurostat/databrowser/view/nrg_pc_204/default/table?lang=en and housold gas prices https://ec.europa.eu/eurostat/databrowser/view/nrg_pc_202/default/table?lang=en

Security of supply and diversification

Czechia made substantial progress in ending its reliance on Russian oil. Czechia ended its reliance on Russian oil supplies in mid-2025 following the completion of the TAL Plus pipeline.

Despite making progress on renewables, Czechia's overall energy mix in 2024 was still heavily based on fossil fuels. Coal accounted for 25% of gross inland consumption, oil for 26% and natural gas for 15%. Nuclear and renewables (including biofuels) contributed 19.3% and 14% respectively ([253]). This reliance underscores the importance of Czechia's ongoing efforts to diversify its energy sources, to phase out coal and strengthen its energy security.

Czechia plans for nuclear energy (alongside renewables) to play a key role in decarbonising its economy, securing its energy supply and providing affordable energy for consumers. The Czech government plans to further increase the share of Czechia's energy mix accounted for by nuclear energy to 25-33% (currently around 15%) of primary energy sources and to 46-58% (37% in 2022) of gross electricity production by 2040. To meet these targets, Czechia plans to construct up to four new nuclear reactors and to deploy small modular reactors (mainly at brownfield sites). A Korean consortium (led by KHNP) was selected following a competitive procedure to build two nuclear reactors at Dukovany (1055 MWe/unit), the contract for which was signed on 4 June 2025. In addition, in 2024, ČEZ Group entered into a strategic partnership with Rolls-Royce to deploy small modular reactors. Czechia has also secured alternative nuclear fuel supplies by concluding supply contracts with Westinghouse and Framatome. Having received the new fuel assemblies in 2025, Czechia expects to start licensing in 2026 While these steps will reduce reliance on nuclear fuel from Russia, Czechia continues to be dependent on Rosatom due to its VVER reactors. Czechia is prioritizing industrial localization and domestic manufacturing in line with EU efforts to strengthen nuclear supply chains. However, Small Modular Reactor (SMR) projects face persistent financing uncertainties

([253])Gross inland consumption (Eurostat).

due to limited cost benchmarks, necessitating clearer EU risk-sharing and state-aid frameworks. Furthermore, the use of foreign reactor designs presents ongoing challenges for regulatory licensing convergence and cross-border cooperation

In response to the regional crisis in the Middle East, Czechia has imposed a fixed margin cap of CZK 2.50 (€0.10) per litre on petrol and diesel, with daily price ceiling updates based on wholesale indices. The government has also reduced excise tax on diesel by CZK 1.939 (≈€0.08) per litre and is conducting anti-gouging checks at petrol stations. Czechia has released 100,000 tonnes of oil as part of the IEA collective action and is drafting legislation for permanent fuel price regulation tools.

Fossil fuel subsidies

In 2024, environmentally harmful ([254]) fossil fuel subsidies without a planned phase-out before 2030 represented 0.01% ([255]) of Czechia's GDP ([256]). However, Czechia's 2023 Effective Carbon Rate ([257]) averaged EUR 65.00 per tonne of CO_2, below the EU weighted mean of EUR 84.80([258]).

([254])Explicit fossil fuel subsidies (e.g. direct transfers) and implicit fossil fuel subsidies (i.e. tax expenditures linked to forgone tax revenues that have an identifiable fiscal impact for the central budget) that support fossil fuel energy production, transmission and/or consumption.

([255])European Commission calculation based on underlying data from the *Study on energy subsidies and other government interventions in the EU – 2025 edition,* Enerdata.

([256])2024 Gross Domestic Product at market prices, Eurostat.

([257])The Effective Carbon Rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

([258])OECD (2024), Pricing Greenhouse Gas Emissions 2024

Czechia has made some progress in developing resilience and adaptation policies over the last year, but various challenges remain. The main obstacle to implementing climate resilience policy is a systemic lack of human resources in ministries and at regional and local levels, and inefficient coordination between them. With respect to water management, Czechia's urban wastewater treatment compliance has improved, but its surface waters remain among the most degraded in the EU. Nature in Czechia is under significant pressure from intensive agriculture, forestry and urbanisation, which also significantly limits the landscape's rainwater retention capacity. Habitat degradation is widespread, but Czechia is taking steps in this regard and restoring river ecosystem connectivity. Pesticide contamination remains a critical issue, affecting both surface water bodies and soils.

Climate adaptation and preparedness

Czechia faces significant climate adaptation challenges and substantial economic impacts from weather and climate-related extreme events, such as floods, droughts and heatwaves. Between 1980 and 2024, 1 382 persons died due to extreme climate-related events ([259]). The risk of floods caused by the combined effect of heavy precipitation and low water retention of soils has significantly increased (in terms of exposure of both the population and property). During the floods of summer 2024, Czechia demonstrated that it was very well prepared in terms of prompt weather forecasts, an efficient early warning system and effective cooperation under its integrated rescue system. However, the floods showed that some key causes of the fatalities and damage remain to be tackled. For example, current conventional agriculture and forestry practices reduce the quality of soil, decrease water retention in soils and prevent forests from becoming resilient. These practices exacerbate not only the impacts of floods, but also the impacts of water and wind erosion, landslides, heatwaves, droughts, etc. In 2025, droughts posed a major threat to economic activities and ecosystems, while heatwaves significantly increased mortality. A recent study commissioned by DG CLIMA ([260]) estimates that Czechia will need to invest almost EUR 1.244 billion per year until 2050 (0.3% of annual GDP, below the EU average of 0.5%) – in infrastructure retrofitting and reinforcement (almost 47% of the total), ecosystems restoration (around 33%), food (around 10.5%) and health (around 9.5%) ([261]).

Czechia's adaptation policy (defined by its national strategy and action plan) is developing but faces implementation challenges due to a lack of human resources in ministries and at regional and local levels and to inefficient coordination between them. Czechia's adaptation policy is embedded in two key documents: the national adaptation strategy and the national action plan on adaptation. The Czech Hydrometeorological Institute has completed the climate change impact and adaptation assessment, which will serve as the basis for the revised national action plan on adaptation for 2026-2030. Policies focusing on individual environmental aspects (e.g. protection of soil, water, forests and air) are well established in the key ministries. However, the implementation of a comprehensive adaptation policy is not yet well established. The main reason for this is a systemic lack of human resources working on climate resilience in ministries and at regional and local levels ([262]). The adaptation policy is rather comprehensive, but implementation often only consists of a group of separate policies rather than mutually reinforcing measures based on a comprehensive climate risk assessment. The division of responsibilities for implementing the

([259])EEA, 2024, *Economic losses from weather- and climate related extremes in Europe*, https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related.

([260])European Commission (2026), Assessment of adaptation investment needs, Table 25, https://op.europa.eu/en/publication-detail/-/publication/d2039eac-f742-11f0-b9bc-01aa75ed71a1/language-en%20(Table%208). The study provides detailed estimates of adaptation investment needs at the level of the EU and individual Member States per type of measure. It relies on a common methodology that makes estimates comparable across the EU. Four accompanying methodological reports provide a detailed description of how the results were estimated to ensure full transparency.

([261])Typical investments in ecosystems include soil restoration, wildfire prevention, biodiversity protection and coastal ecosystems restorations while typical investments in health are linked to occupational health and safety, wastewater treatment facilities upgrade and wildfire disaster response.

([262])It has been identified by CZ authorities in the questionnaire on climate resilience submitted on 02/12/2025 and reconfirmed during the Semester work trip in December 2025

adaptation policy is not clear among ministries or between governance levels (national-regional-local). At sub-national level, some self-governing regions have drafted climate change adaptation plans or strategies.

The adoption of Czechia's landscape policy is likely to support adaptation efforts. The share of Czechia's population covered by the EU Covenant of Mayors signatories has remained at 30% (EU-27: 34%). Only 14% of Czechia's signatories have submitted their sustainable energy and action plan (SECAP). 46% of signatories have submitted at least one monitoring report within the recommended timeframe (i.e. at least two years after submission of their SECAP) ([263]).

Climate risks have a direct and significant effect on Czechia's economy, but insurance coverage remains low. Between 1980 and 2024, Czechia recorded EUR 21.7 billion in economic loss ([264]) caused by weather and climate-related extreme events. It therefore has one of the highest ratios of natural catastrophes damages in relation to GDP in the EU ([265]). Flood events were particularly damaging, accounting for over half of total economic loss ([266]). The latest studies show that extreme weather events are likely to have a prolonged and intensifying impact on economic activity in Czechia ([267]). However, Czechia's rate of insurance coverage against weather-related and climate-related extreme events in the EU is just 13% and one of the lowest in the EU (EU-27: 19%) ([268]). Czechia currently does not have a national insurance scheme in place ([269]) that could improve insurance coverage and reduce the insurance protection gap ([270]).

Neither climate resilience by design approach nor climate proofing methodology have been systematically applied across sectors and key infrastructure so far. The Expert Group on Sustainability and Resilience of Investments has been established to align public investment planning with climate risks.

Significant progress has been made in developing the climate-proofing web application. The aim is to provide end users (primarily applicants for EU funds) with a systematic tool for climate-screening infrastructure investments in line with EU regulations and national legislation. It would provide project-screening based on sensitivity, exposure and vulnerability to climate risks. It will also support the implementation of climate risk assessments by evaluating both the likelihood of climate hazards and their potential impact on infrastructure.

The transport vulnerability index of the TEN-T network to climate change in Czechia has been assessed as 'medium' and well above the EU average. This is mainly due to poor quality of transport infrastructure, limited logistic capacity, insufficient 'social capacity' (readily deployable means to effectively respond to climate-related disruptions) and a generally low level of adaptation preparedness ([271]). Czechia's transport

([263])European Commission, https://eu-mayors.ec.europa.eu/en/explorer.

([264])EEA, 2024, *Economic losses from weather- and climate-related extremes in Europe,* https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related.

([265])ECB and EIOPA, 2024, *Towards a European system for natural catastrophe risk management*, Chart 2, https://www.eiopa.europa.eu/document/download/d8c87070-f602-4bf7-b8d8-726ec0b5c173_en?filename=eiopa-ecb-climate-insurance-protection-gap.pdf. This figure includes earthquakes which happened in 2020-2023.

([266])EEA, 2024, *Economic losses from weather- and climate related extremes in Europe*, https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related.

([267])Usman, Parker & Vallat, 2025, *Dry-roasted NUTS: early estimates of the regional impact of 2025 extreme weather*, pp. 9-14, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5484206.

([268])EEA, 2024, *Economic losses from weather- and climate-related extremes in Europe,* https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related.

([269])These type of schemes supplement private insurance cover for natural catastrophes by improving risk awareness and prevention, while increasing insurance capacity through more affordable (re)insurance.

([270])ECB and EIOPA, 2024, *Towards a European system for natural catastrophe risk management*, Chart 4b), https://www.eiopa.europa.eu/document/download/d8c87070-f602-4bf7-b8d8-726ec0b5c173_en?filename=eiopa-ecb-climate-insurance-protection-gap.pdf.

([271])European Commission, 2024, *Support study on the climate adaptation and cross-border investment needs to realise the*

infrastructure has been particularly exposed to floods in the past, but extreme temperatures are likely to play an important role in the future. The highest costs are expected for adaptation to floods and heatwaves. An estimated EUR 500 million will need to be invested in TEN-T until mid-century, mostly in railways (EUR 369 million) ([272]).

There is scope to tap into nature-based solutions (NbS) more widely and systematically. NbS have not been deployed at a large scale and widely across different sectors in Czechia. This is despite the efforts of the Ministry of the Environment to strengthen inter-ministerial coordination, facilitate access to methodological support and make full use of available funding instruments. NbS are also supported within Czechia's recovery and resilience plan (RRP) (the components focusing on nature protection and climate change adaptation (2.6) and promotion of biodiversity and fight against drought (2.9)). Preparatory works are underway for the implementation of the EU Nature Restoration Law (NRL), whereby NbS are expected to play a central role in delivering ecosystem-based outcomes and enhancing landscape resilience.

Water resilience

The risk of drought in Czechia is not yet alarming but is increasing. A prolonged period of dry weather between 2014 and 2020 resulted in one of the most severe droughts in recent history, particularly affecting the Central Bohemian Region, parts of the Ústí nad Labem Region and the South Moravian Region ([273]). Nevertheless, the national water exploitation index plus (WEI+) ([274]) indicates lower overall pressure than the EU average. This lower value is primarily related to abstraction patterns and water-use efficiency This is due to abundant renewable freshwater resources. Water utilities, energy production and manufacturing are among the most water-dependent sectors ([275]). Their economic sustainability could benefit from increasing water efficiency.

Abstraction-intensive sectors like energy and water utilities face competitiveness risks in the event of water scarcity. Czechia's low water productivity ([276]), at EUR 152 per m^3 of abstracted water in 2023 (below the EU-27 average of EUR 195 per m^3), can be an additional burden. It is partially mitigated by the clear hierarchy of water uses established by the national legislation, that prioritizes critical infrastructure, energy supply and water services in the event of water scarcity. In 2023, the sectors abstracting the most freshwater were public water supply (55%), energy production (23%) and manufacturing (6%) ([277]). However, abstraction has decreased by 20% since 2014, particularly in surface water.

The ecological status of Czechia's surface water bodies has continued to decline. In the third river basin management plan (RBMP), only 5.9% of surface water was reported as having good ecological status (compared with 19.2% in the second RBMP). This means that Czechia's surface waters are among the most degraded in the EU. About 39% of water bodies had a good ecological status at EU level according to the data in the Member States' third RBMPs ([278]). This limits access to high-quality water for industrial and

TEN-T network, Table 4.6, Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2832/7839720.

([272])European Commission, 2024, *Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network,* Table 4.28. Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2832/7839720.

([273])Copernicus, Drought in Czechia, https://www.copernicus.eu/en/media/image-day-gallery/drought-czech-republic.

([274])Eurostat, Water Exploitation Index, plus, https://ec.europa.eu/eurostat/databrowser/view/sdg_06_60/default/table?lang=en. The WEI+ is a measure of how much water is being used compared with the total renewable freshwater resources available for a given territory and period.

([275]) EEA, 2025, *Water abstraction by economic sector, 2000-2023*, https://www.eea.europa.eu/en/analysis/indicators/water-abstraction-by-source-and/water-abstraction-by-economic-sector.

([276])Water productivity is a metric that is calculated by dividing GDP (in chain-linked volume) by total water abstraction. It indicates the average economic value (GDP) a Member State creates for each unit of water it takes from nature.

([277])EEA, 2025, *Water abstraction by economic sector, 2000-2023*, https://www.eea.europa.eu/en/analysis/indicators/water-abstraction-by-source-and/water-abstraction-by-economic-sector.

([278])*WISE, Surface water bodies: ecological status or potential,* https://water.europa.eu/freshwater/resources/metadata/wfd-dashboards/surface-water-bodies-ecological-status-or-potential-group-table. Note that the deterioration can be also partially due to more accurate monitoring methodology.

agricultural use and therefore has a negative impact on productivity and costs.

Ensuring the long-term reliability and resilience of Czechia's drinking water infrastructure remain a challenge. Investments are being implemented through a combination of EU and national funding. Alongside cohesion policy support and the RRP, national programmes focusing on network renewal, reduction of water losses, and the interconnection and reinforcement of water supply systems to increase resilience to water scarcity. Czechia is also progressively deploying smart metering technologies, which improve water management efficiency and strengthen consumer protection. Measures to improve water management in the industry like more efficient use of water resources (e.g. water recycling in production sectors with high water consumption) and measures to optimise water use in utility plants and reduce water losses have also been promoted by the RRP.

Compared with 2020, Czechia has increased its compliance rate with the Urban Waste Water Treatment Directive (UWWTD) by improving the level of treatment of wastewater. Czechia has therefore made significant and rapid progress by treating almost 96% of its sewage in line with the requirements of the UWWTD in 2022 (up from just 78.11% in 2020). Czechia still has some wastewater that is not collected nor treated or collected and discharged without treatment mainly in small and dispersed settlements not connected to centralised systems, where individual or alternative treatment solutions are applied in accordance with EU legislation. The additional funds (EUR 52 million) allocated for water management infrastructure in the 'Operational Programme Environment' of cohesion policy in the last mid-term review in 2025 are intended to close the compliance gap with the UWWTD and improve the energy efficiency of water infrastructures. Looking ahead, the annual financial needs of new and renewed urban wastewater infrastructure (including the additional requirements associated with the revised UWWTD) amount to EUR 858 million. Investments will cover only part of this, leaving a gap of about EUR 238 million.

Nature restoration

Nature in Czechia is under significant pressure from intensive agriculture, forestry and urbanisation – and the resulting highly fragmented natural landscape. Degradation of habitats is widespread. Approximately 80% have a poor or bad conservation status. Most ecosystems (including soil, grasslands, wetlands and forests) are at risk. Czechia's forests are under particular pressure and none of them are reported as having a favourable conservation status (compared with approximately 22% at EU level) ([279]). Healthy ecosystems are a prerequisite for stable growth in Czechia. 44% of its gross value added (GVA) is directly dependent on them ([280]) (this is the same share as the EU average). This vulnerability is particularly acute for healthcare, agriculture, the construction sector and the food industry, which all have a very high downstream dependency on healthy ecosystems ([281]). Degradation of ecosystems might therefore directly impact the competitiveness of companies working in these sectors.

Czechia has hardly extended the proportion of its territory designated as a protected area in the last ten years. Its national target is to reach 28.3% by 2030, but the share barely increased from 21.4% in 2015 to 21.9 in 2024 ([282]).

Nature degradation is further amplified by invasive alien species. 32were recorded in Czechia in 2024, inflicting estimated damages of EUR 80 million up to 2020 ([283]). However,

([279])European Commission, 2025, *Environmental Implementation Review, Czechia country report*, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022SC0264.

([280])Hirschbuehl et al. (JRC), 2025, *The EU economy's dependency on nature*, Vasilakopoulos, P. editor(s), European Commission, https://publications.jrc.ec.europa.eu/repository/handle/JRC140304?mode=full.

([281])Ibid.

([282])Eurostat, *Protected Areas Indicator*, https://ec.europa.eu/eurostat/databrowser/view/env_bio4/default/table?lang=en&category=env.env_biodiv.

([283])Neobiota, *Economic cost of invasive alien species across Europe*, 2021, https://neobiota.pensoft.net/article/58196/. European Commission, 2025, *Environmental Implementation Review, Czechia Country Report*,

eutrophication – a threat to biodiversity and ecosystem integrity – has partially improved, with the areas at risk declining from 99% to 88% ([284]). Nitrogen deposition from agriculture and industrial combustion remains a critical driver of this degradation.

Czechia has recently taken steps to help meet the EU Biodiversity Strategy's objective of making at least 25 000 km of rivers free-flowing by 2030. Czechia is contributing to the objective of making rivers flowing free by removing long-standing obsolete barriers in order to restore river ecosystem connectivity ([285]). These efforts support the Water Framework Directive's ([286]) objectives of restoring freshwater ecosystems (the natural function of rivers) and mitigating the impact of floods. Free-flowing rivers also generate broader socio-economic benefits. These include enhanced rural landscape quality; new recreation and tourism opportunities; strengthened local job creation; improved water quality; and better sediment transport, which protects deltas and coastal areas against erosion and rising sea levels. Czechia is also investing in protecting river ecosystems within its RRP by prioritising nature-based solutions for flood protection projects and promoting natural water retention of torrents in forested areas. Czechia is continuing to invest about EUR 1 billion per year in its ecosystems, but an additional EUR 251 million is needed to address conservation priorities and accelerate nature restoration ([287]).

Sustainable agriculture and land use

Czechia is expected to overachieve its **2030 target for land use, land-use change and forestry (LULUCF).** While its LULUCF sector shifted from a carbon sink into a carbon source between 2019 and 2022, the most recent reporting from 2023 shows that it has once again become a net carbon sink, with carbon removals exceeding carbon emissions. The latest available projections show an overachievement of some 4 $MtCO_2$-eq for 2030([288])(). Further investments in healthy forests and soils are key to building resilient bio-based product value chains and enabling a growing, competitive EU bioeconomy. In particular, continuing improvements to the monitoring system of net removal data would significantly support timely and effective action in the sector in the future.

Czechia faces environmental and public-health risks due to persistent agricultural pollution pressures and rapid transfer of contaminants in groundwater systems. Czechia's functional urban area (FUA) has considerably expanded in recent years. Net land taken between 2018 and 2021 accounted for 819 ppm per year of the total urban surface of the country (above the EU average of 670 ppm/year). Most of this land had previously been arable. This ongoing 'land take' and the associated soil-sealing has made the ecosystem less resilient, decreased carbon sequestration and impaired flood protection ([289]).

Water quality pressures are intensifying. Under the EU Nitrates Directive, 23% of Czechia's groundwater monitoring stations recorded average nitrate concentrations above 25 mg/l (11.7% above 50 mg/l) ([290]). This trend underscores systemic agricultural pressures, despite Czechia's relatively low livestock density (0.46 livestock units

https://ec.europa.eu/transparency/documents-register/detail?ref=SWD(2025)305&lang=en.

([284])EEA, 2024, *Eutrophication caused by atmospheric nitrogen deposition in Europe*, https://www.eea.europa.eu/en/analysis/indicators/eutrophication-caused-by-atmospheric-nitrogen.

([285])South-Eastern Europe Barrier Removal Progress, https://damremoval.eu/wp-content/uploads/2025/10/SOUTHEASTERN-EUROPE-BARRIER-REMOVAL-MOVEMENT-PROGRESS-REPORT-2024-2025.pdf.

([286])Directive 2000/60/EC.

([287])European Commission, 2025, *Environmental Implementation Review, Czechia country report*, https://environment.ec.europa.eu/law-and-governance/environmental-implementation-review_en.

([288])Climate action progress report 2025, Fig. 20, https://climate.ec.europa.eu/eu-action/climate-strategies-targets/progress-climate-action/eu-climate-action-progress-report-2025_en.

([289])EEA, 2022, *Land take and land degradation in functional urban areas*, https://www.eea.europa.eu/en/analysis/publications/land-take-and-land-degradation.

([290])EEA, 2025, *Nitrate in groundwater in Europe*, https://www.eea.europa.eu/en/analysis/indicators/nitrate-in-groundwater-8th-eap/nitrate-in-groundwater-nitrates-directive-reporting.

per hectare in 2023 ([291]). A 14% reduction in ammonia emissions between 2018 and 2023([292]) underscores improvements in emission control, but the persistence of nitrate pollution indicates gaps in Czechia's nutrient management strategy.

Pesticide contamination remains a critical issue. Most surface water bodies exceed regulatory thresholds for pesticide residues ([293]) (66% of rivers and 75% of lakes). This is above the EU average of 27% for rivers and 18% for lakes. Pesticide contamination also affects 25% of Czechia's groundwaters (above the EU average of 19%). The aquatic ecosystem's contamination requires long-term additional efforts to ensure the safety of drinking water and the food chain.

Over 73% of Czechia's soils are highly contaminated. The concentration of pesticides exceeds 0.05 mgkg-1 ([294]). With time, this can reduce agricultural productivity, decrease land value and result in high remediation costs.

([291])Eurostat, *Livestock density*, https://ec.europa.eu/eurostat/databrowser/view/ef_fsi_lskds/default/table?lang=en.

([292])Eurostat, *Ammonia emissions from agriculture*, https://ec.europa.eu/eurostat/databrowser/view/tai07/default/table?lang=en.

([293])EEA, 2024, *Pesticides in rivers, lakes, and groundwater in Europe*, https://www.eea.europa.eu/en/analysis/indicators/pesticides-in-rivers-lakes-and.

([294])Vieira et al. (JRC), 2023, *Pesticides residues in European agricultural soils – Results from LUCAS 2018 soil module*, Publications Office of the European Union.

Table A10.1:**Key Adaptation Indicators**

Climate adaptation and preparedness:							**EU-27**
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**latest data**
Drought impact on ecosystems *[area impacted by drought as % of total]*	10.19	1.74	0.03	5.86	0.27	-	2.76
Forest fires burned area [1] *[burned area in ha. per year]*	-	-	-	1 436	-	-	354 510
Economic losses from extreme events *[EUR million at constant 2022 prices]*	-	183	687	79	22	2 625	40 452
Insurance protection gap [2] *[composite score between 0 and 4]*	-	-	-	1	1	1	-
Sub-national climate adaptation action *for Climate & Energy]*	23	24	27	32	33	34	34

Water resilience:							**EU-27**
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**latest data**
Water Exploitation Index Plus, WEI+ [3] *[total water consumption as % of renewable freshwater resources]*	3.40	2.35	2.34	3.24	2.16	-	4.53
Water productivity *[EUR per m^3]*	132	138	145	139	152	-	151
Water abstraction							
Water abstraction by source (% from surface water)	76.15%	74.02%	73.15%	75.35%	73.01%		-
Water abstraction by sector	Agriculture	Electricity	Manufactu-	Public water	Mining and	Constru-	
	3.90%	23.15%	15.51%	55.37%	2.06%	0.01%	
Status of water bodies [4] *[% of water bodies in a good status]*							
Surface water bodies (ecological)	-	-	-	-	-	6%	38%
Groundwater bodies (quantitative)	-	-	-	-	-	94%	93%

Nature restoration:							**EU-27**
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**latest data**
Ecosystem dependency *[% of direct dependency]*	-	-	-	44%	-	-	44%
Protected area *[% of terrestrial protected areas]*	21.9	21.9	21.9	21.9	21.9		26.4
Invasive alien species (IAS) *[number of IAS of Union concern]*	-	-	-	-	-	32	29.2
Damage cost of IAS *[EUR billion]*	-	-	-	-	0.08		1.69
Eutrophication *[AAE of area at risk of euthrophication]*				324	324		295

Sustainable agriculture and land use:							**EU-27**
			2012-2018		**2018-2021**		**latest data**
Yearly net land taken by Member State *[ppm of total urban surface per Member State]*			576		819		670
Land conversion in functional urban area *[% of total land taken from 2018-2021]*							
Arable land					59%		
Complex and mixed cultivation					0%		
Forests					6%		
Herbaceous vegetation associations					3%		
Open spaces with little or no vegetation					0%		
Pastures					29%		
Permanent crops					2%		
Water					1%		
Wetlands					0%		
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**latest data**
Nitrates in groundwater [5] *[$mgNO_3/l$]*	19.5	19.4	19.4	19.6	19.6		
Livestock density *(number of livestock units per hectare of utilised agricultural area)*		0.47			0.46		0.75
Ammonia emissions *[% of total utlised agricultural area]*	96%	96%	96%	96%	96%	-	94%
Pesticide contamination on rivers and lakes water bodies *[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]*				rivers	66%		27%
				lakes	75%		18%
Pesticide contamination in soil *[% of samples with a concentration over 0.5 mg/Kg^{-1}]*					73%		57%
Net greenhouse gas removals from LULUCF [6] *[$ktCO_2$-eq]*	4762.5	7459.6	4427.2	1447.1	-3568.4	-	-198 421

(1) EFFIS (European Forest Fire Information System). https://forest-fire.emergency.copernicus.eu/apps/effis.statistics/estimates.
(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires and windstorms and on the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.
(3) This measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal to or greater than 40% indicate severe water scarcity.
(4) European Commission, 2024, *Seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).*
(5) Indicator refers to concentrations of nitrate (NO_3) in groundwater, measured as milligrams per litre ($mgNO_3/L$). Nitrate can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard is limited to 50 $mgNO_3/L$ to avoid threats to human health.
(6) Net removals are expressed in negative figures and net emissions are expressed in positive figures. Reported data are from the 2025 GHG inventory submission. 2030 value of net GHG removals as in Regulation (EU) 2023/839 – Annex IIa.
Sources: Eurostat, EEA and JRC.

Czechia's labour market remains resilient, yet **some structural challenges persist.** The 2025 country-specific recommendations for Czechia highlighted the need to reduce the tax burden on low-income workers, improve the incentives for people nearing retirement age to continue working, lower the tax and benefit disincentives for parents to returning to work and improve the supply of childcare and care services to encourage more women to enter the labour market. Moreover, the recommendations stressed the need to strengthen the competitiveness of the economy and reduce labour shortages by tackling skills mismatches, simplifying the recognition of foreign qualifications and increasing the participation of under-represented groups in the labour market. While overall employment remains strong, women continue to face barriers to full participation, despite recent steps to improve the tax and benefit incentives and increase the supply of early childhood education and care. Access to employment also remains limited for other disadvantaged groups, such as Czech citizens of Roma background and persons with disabilities. The tax framework continues to place a disproportionate burden on low-income and part-time workers, exacerbating income inequality.

Czechia has some of the most favourable employment and unemployment rates in the EU, although regional disparities persist and demographic challenges could arise. In 2025, the employment rate of people aged 20-64 reached 82.9%, well above the EU average of 76.1%, and above Czechia's national 2030 target of 82.2%. In 2025, the unemployment rate of people aged 15-74 was 2.8%, the lowest in the EU (EU: 6.0%). At regional level, the Prague metropolitan region and the Střední Čechy region continue to have exceptionally low unemployment: 1.8% and 1.5%, respectively. In contrast, the northern industrial areas in Severozápad and Moravskoslezsko are consistently affected by higher unemployment (4.8% and 4.3% respectively) ([295]) – more than double the level of the capital area, which points to structural issues and slower economic diversification in those regions. The persistence of this gap indicates that measures such as upskilling, attracting investment and industrial transformation in regions which lag behind the rest of the country remain crucial for convergence. Unemployed individuals face a significantly higher risk of poverty compared with the EU average (60% vs EU: 49.3.% in 2025).([296]) In the long term, Czechia's labour market faces strong demographic pressures. In 2024, Czechia's total fertility rate was 1.36 child per woman, slightly above the EU average ([297]), but well below the replacement rate of 2.1 and the lowest in Czech history.

The labour taxation structure places a heavier burden on low-income and part-time workers, encouraging non-standard forms of employment ([298]). The tax wedge on labour remains comparatively high for low-wage earners: 36.8% for those earning 50% of the average wage (EU 31.8%), and only 7.5% of workers aged 25-64 have part-time jobs (EU: 17.1%). At the same time, Czechia has one of the highest shares of self-employed workers in the EU (13% vs EU: 9% in 2024) ([299]), and self-employed people earning less than EUR 82 200 have benefited from a generous lump-sum tax regime since 2021. Survey data from the Czech Statistical Office indicate that in Q4-2025, nearly 1.5 million labour-law work agreements were in place which also have a lower tax burden.([300]) These included agreements to complete a job (*dohoda o provedení práce*), which are designed for short-term employment, and agreements to perform work (*dohoda o pracovní činnosti*), designed for longer-term part-time work. The difference in tax pressure can encourage bogus self-employment and lower-tax work agreements, which reduces social contributions and potentially leads to lower retirement pension benefits.

Women continue to encounter significant obstacles to accessing and remaining in the

([295])[tgs00010] Unemployment rate by NUTS 2 region

([296])[tesem210] At-risk of poverty rate of unemployed persons

([297])Eurostat, DOI: https://doi.org/10.2908/DEMO_FIND, URL: https://ec.europa.eu/eurostat/databrowser/bookmark/b70204a6-cd4b-4d29-9dc0-717453cc842c?lang=en&createdAt=2026-02-28T20:44:46Z

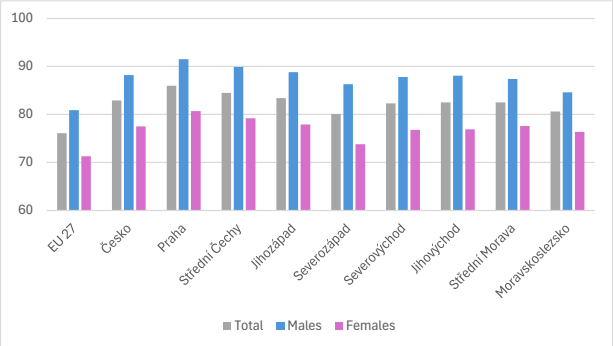
([298])2025 country-specific recommendations for Czechia (1.4): Reduce the tax burden on low-income workers.

([299])Proposal for a Joint Employment Report 2026

([300])Persons working under agreements on work performed outside an employment relationship | Products

labour market ([301]). In 2024, the gender employment gap reached 12.6 pps but has decreased to 10.7 pps in 2025 (EU 9.6 pps) ([302]). The gender pay gap was 18.5% in 2024 (EU: 11.1%), driven by differences in economic activities and occupations, long parental leave and over-representation of women in part-time and non-permanent forms of work. In 2024, a tax reform restricting the use of the dependent-spouse tax credit to households where one spouse is caring for a child under three years of age was introduced with a view to reducing financial disincentives for second earners. Access to childcare is a key barrier to women's participation in the labour market. Only 7.9% of children under three years of age were enrolled in formal childcare in 2025, an improvement of 3.5 pps compared with 2023, but still far below the EU average of 40.5% ([303]). Funding from EU structural investment funds ([304]) is supporting the expansion of affordable and accessible childcare services. Despite a Technical Support Instrument project titled 'Developing a comprehensive framework for the monitoring and evaluation of early childhood education and care', which was concluded in July 2025, Czechia does not have accurate data on the required early childhood education and care capacity (Annex 13).

Graph A11.1: **Employment rates by NUTS-2 region**



Source: Eurostat: lfst_r_lfe2emprt

Disadvantaged groups, including Ukrainians under temporary protection, Roma and persons with disabilities, continue to face barriers in the labour market ([305]). In 2025, approximately 66% ([306]) of economically active Ukrainian refugees were employed; however, half of them reported working in roles that did not match their qualifications. In addition, 47% faced financial stress, 37% experienced unstable employment, and 33% lacked appropriate legal or social protection ([307]). Czech citizens of Roma background remain particularly vulnerable in the labour market, with an employment rate of about 55% in 2024, compared with 82.3% in the general population. Moreover, in 2024, the share of young people neither in employment nor in education and training (NEETs) was 8.6% for young people overall (EU: 11%), compared with 48% among young Roma ([308]). The disability employment gap increased by 2.1 pps in 2025 reaching 23.8 pps (EU: 24.2 pps). In 2023, Czechia introduced a 5% tax reduction in social contributions for part-time employment of target vulnerable groups, including parents and informal carers. The act on Work Integration Social Enterprises entered into force in January 2025, and in July 2025 the government approved the Strategic Framework for Social Entrepreneurship for 2026-2030.

Labour shortages are close to the EU average overall, with significant differences

([301])2025 country-specific recommendations for Czechia (6): Lower the tax and benefit disincentives for parents to return to work and improve the supply of childcare and care services to encourage more women to enter the labour market.

([302])Social Scoreboard.

([303])See the 2025 country report for Czechia.

([304])https://reforms-investments.ec.europa.eu/technical-support-instrument-0/skills-education-and-training/developing-comprehensive-framework-monitoring-and-evaluation-early-childhood-education-and-care_en.

([305])Integrace ukrajinských uprchlíků: trh práce, bydlení, znalost češtiny a vzdělávání dětí.

([306])Document - High employment rates, but low wages: a poverty assessment of Ukrainian refugees in neighboring countries

([307])Integrace ukrajinských uprchlíků: trh práce, bydlení, znalost češtiny a vzdělávání dětí.

([308])Roma and Travellers Survey - 2025 - Country Data - Czechia.

between sectors. The job vacancy rate stood at 1.9% in Q4-2025, slightly below the EU average of 2.0% ([309]). In some sectors, however, job vacancy rates are significantly higher – especially in administrative and support service activities (9.6%), real estate activities (6.9%) and accommodation and food service activities (5.3%). Employers' perceptions of labour shortages vary by sector: in October 2025, 42% of construction firms considered such shortages to be a major production constraint (EU: 28%), compared with 12% in both industry (EU: 18%) and services (EU: 23%) ([310]). In parallel, although a comparatively high share of the population possess at least basic digital skills (70.45%, well above the EU average), the share of ICT specialists in total employment (4.5%) remains below the EU average (5.0%), pointing to persistent bottlenecks in the development of a workforce with advanced digital skills, which may constrain productivity growth in skill-intensive sectors. The European Social Fund Plus (ESF+) is allocating EUR 293 million to facilitate labour market access for jobseekers, particularly for disadvantaged groups, and EUR 275 million is being invested under the Recovery and Resilience Facility in upskilling and reskilling initiatives. The 2025 amendment to the Czech Higher Education Act simplifies the recognition of academic qualifications obtained abroad, but Czechia has the second highest reported number of regulated professions in the EU. ([311]). The Czech public employment service (UPCR) is undergoing an ambitious transformation which involves modernising its operations through digitalisation, streamlined counselling and stronger employer engagement. Challenges remain, including work uncertainty among staff due to the restructuring, limited systematic employer feedback, gaps in youth outreach, and skills mismatches.

Skills mismatches are relatively low. Macroeconomic skills mismatches remained broadly unchanged in 2024, at around 17%, slightly below the EU average of 19% ([312]). Moreover, relatively few Czech workers are overqualified for their jobs: in 2025, 13.2% of higher education graduates worked in jobs below their qualification level, against 21.4% in the EU. The overqualification rate was below the EU average in nearly all sectors. The Ministry of Labour and Social Affairs has piloted individual learning accounts through the Database of Retraining and Further Training Courses, an online platform created under the recovery and resilience plan, which brings together course providers, applicants and labour offices. In April 2025, the Czech authorities approved a framework for the operation of the database during the sustainability period, using ESF+ financing. By the end of October 2025, 153,395 people had already completed training through the system.

The labour market is characterised by limited mobility, with low job transition rates. The quarterly likelihood of changing jobs in Czechia is around 1.5%, well below the EU average of 3.1% ([313]). The reasons for this may include low unemployment benefits, which may encourage people to accept a job offer quickly rather than finding a more appropriate match. Another possible factor is limited returns from skills development in terms of career or wage progression and low regional mobility, which is linked both to the affordability of housing in cities and transport infrastructure (see Annex 19). These conditions hinder an efficient allocation of labour, enabling low-productivity sectors to continue operating due to low wages, while the emerging high-productivity industries struggle to attract qualified workers. Several measures entered into force in January 2026 to support job transitions by increasing early unemployment benefits and extending support periods, especially for older people. Unemployment benefits have been increased to 80% of previous earnings during the initial phase of the support period, but payments drop more sharply in the final months, reducing the level of long-term support. At the same time, retraining benefits have been recently set at 80% of the average wage in the national economy (up from 60% previously); they are now also paid out for days spent attending courses.

([309]) Methodological changes in official job vacancy rate statistics for Czechia collection took place starting from Q1-2025.

([310]) European Business and Consumer Surveys, data until Q4-2025 (i.e. they refer to October 2025).

([311]) Regulated Profession Database.

([312]) The macroeconomic skills mismatch indicator measures the discrepancy between employment outcomes for workers with low, medium and high levels of skills (represented by qualification levels, with ISCED 0-2 – low, 3-4 – medium and 5-7 – high).

([313]) IDEA_PB_Strnulost_trhu_prace_0614A.pdf

Real wages continued to increase and finally reached their pre-pandemic levels in 2025. Nominal wages grew by 6.1% in 2024 and 6.5% in 2025, and are expected to increase by 5.4% in 2026([314]). Following a sharp decline of 4.1% in 2023, real wages grew by 3.4% in 2024 and 4.5% in 2025, and are projected to further increase by 2.6% in 2026 ([315]). The statutory minimum wage went up 38% between 2022 and 2026, a rather modest increase of 9% in real terms due to the relatively high inflation rates in recent years. n 2024, collective bargaining coverage stood at 43.2%, and although both higher-level collective agreements and company-level agreements are legally binding, the most common level of collective bargaining is at company level ([316]). While trade union density was 9.4% in 2023, the employer organisation density stood at 67.8%. The recently adopted action plan to support collective bargaining foresees increased funding to strengthen the capacity of social partners and support activities promoting social dialogue and collective bargaining.

Czechia faces considerable labour market challenges in the transition towards climate neutrality. While the emission intensity of employment across all economic activity has decreased (-21.3% from 2019 to 2024), and jobs in the environmental goods and services sector are expanding (+30.4% from 2018 to 2023), Czechia still employs the highest share of workers in energy-intensive industries in the EU (7.0% vs EU: 2.7% in 2025). This is driven by automotive manufacturing, which employed 4.2% of the Czech workforce in 2024 – the highest share in the EU (1.5 in 2025). While this subsector generates a substantial share (above 40%) of the sector's value added, it is highly affected by the shift towards clean mobility. As the skills required in the automotive sector evolve due to the ongoing automation and transition to electric vehicle production, upskilling and reskilling investment is essential to maintaining the workers' employability and the country's competitiveness. Training is also crucial for workers leaving the mining sector, which experienced an employment decline of 28.4% between 2019 and 2024 due to the coal phase-out.

([314])Based on the European Commission Spring 2026 economic forecast.

([315])Nominal wages from AMECO. For real wages, the HICP is used as deflator.

([316])Collective bargaining in Czechia | Eurofound

Overall, Czechia has low risks of poverty and social exclusion, but some groups, such as children, Roma communities and single parents, face increasing challenges. Czechia is making progress towards its 2030 poverty reduction target but still lags behind in reducing child poverty. Long-term care remains heavily oriented towards residential care. Unmanageable levels of household debt remain a significant social challenge and continue to hinder labour market participation for many people. Tackling these issues would help strengthen Czechia's competitiveness and inclusive growth.

The risk of social exclusion in Czechia remains low but is increasing in some regions. In 2025, 11.5% of the population was at risk of poverty or social exclusion (AROPE), significantly below the EU average of 20.8%. The risk of poverty or social exclusion remains comparatively low across all degrees of urbanisation: 11.9% in cities (EU 21.0%), 11.6% in towns and suburbs (EU 20.5%), and 11.1% in rural areas (EU 21.4%). However, poverty and social exclusion are unevenly distributed across Czechia, with marked regional disparities. In 2025, poverty rates ranged from 8.8% in Jihovýchod to 14.5.% in Moravskoslezsko, which remains the most vulnerable area, followed by Jihozápad (13.7%) and Severozápad (13.5%) ([317]). The coal regions of Ústí nad Labem, Karlovy Vary, and Moravian Silesia experience persistently lower income levels, higher unemployment and poverty, and greater poverty concentration due to the decline of heavy industry and mining.

Czechia is making progress towards its 2030 poverty reduction target but remains behind on reducing child poverty. By 2030, Czechia aims to reduce the number of people at risk of poverty or social exclusion by 120 000, including a reduction of 50 000 in the number of children affected. The overall population at risk of poverty or social exclusion fell by 51 000 between 2019 and 2024, but the number of children at risk of poverty increased by 63 000. To mitigate child poverty, Czechia is implementing the European Child Guarantee (ECG) under its 2022 action plan. The European Social Fund Plus (ESF+) is providing EUR 434 million over 2021–2027 to support active inclusion and improve equal opportunities.

Single parents and quasi-jobless households face higher poverty risks. The situation for single-parent households has deteriorated, with the AROPE rate rising from 30.8% in 2022 to the EU average of 34.1% in 2025 ([318]). In 2025, single people experienced an in work at risk of poverty rate of 5.7%, well below the EU average of 11.8%. The risk was even lower for households without dependent children (2.2% vs 7.0% in the EU), while households with dependent children faced a poverty risk of 6%, compared with 9.8% at EU level.([319]) However, the situation is significantly worse for single-parent households, where the in-work poverty rate increased from 16.4% in 2022 to 23.4% in 2025 (EU 20.5%).([320])This deterioration makes single parents the only household type where Czechia now performs worse than the EU average, due to rising food and housing prices, high relative taxation for low-income workers, and greater difficulties returning to the labour market and balancing paid work with childcare, particularly in the context of low participation in early childhood education and care (see Annex 13). Moreover, between 2021 and 2024, the at-risk-of-poverty rate for quasi-jobless households rose much more sharply in Czechia than in the EU overall, increasing by 15.3 pps from 59.0% to 74.3% but has decreased to 69.4% in 2025 ([321]). Although Czechia initially performed better than the EU average, in 2025 its rate was 3.1 pps above the EU level, showing a comparative deterioration. A comprehensive approach, as set out in the EU anti-poverty strategy, could help address the multiple dimensions of poverty and achieve the national anti-poverty target.

([317])[ilc_peps11n] Persons at risk of poverty or social exclusion by NUTS 2 region

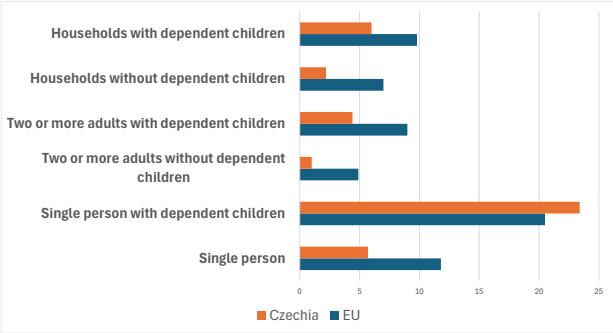
([318])[ilc_li03] At-risk-of-poverty rate by poverty threshold and household type

([319])[ilc_iw02] In-work at-risk-of-poverty rate by household type

([320])[ilc_iw02] In-work at-risk-of-poverty rate by household type

([321])[tespm060] At risk-of-poverty rate for the population living in (quasi-)jobless households

Graph A12.1: **In-work at-risk-of-poverty rate by household type**



Source: Eurostat, SILC (ilc_iw02)

Over-indebtedness and debt enforcement continue to push many people in Czechia into poverty and undeclared work. The number of people subject to debt enforcement proceedings declined from 646 000 in 2023 to 596 000 in 2025, indicating a gradual improvement. Nevertheless, this number represents 5.5% of the Czech population, and 375 000 people are involved in multiple debt enforcement proceedings ([322]). Over-indebtedness is closely linked to poverty, housing insecurity and poor mental health. Indeed, 55% of people facing over-indebtedness live in income poverty (vs 10.2% of the overall population), 71% live in rental or unstable housing (vs 27%), 52% live in poor-quality housing (vs 26%), and 50% report depression or anxiety (vs 17%) ([323]). Awareness of available debt relief options remains limited, which may hinder their effective and consistent use. Over 40% of individuals affected by over-indebtedness are unfamiliar with the basic eligibility conditions, 45% are unaware that remaining debt is generally written off, and 68% do not know that the 30% repayment requirement was abolished in October 2024. Debt enforcement proceedings are disproportionately concentrated in structurally disadvantaged regions, with Ústecký (12.5%) and Karlovarský (11.2%) displaying rates more than double the national average, while Liberecký (8.1%) and Moravskoslezský (8.0%) record higher rates than wealthier regions such as Praha (5.6%) and Středočeský (5.2%) ([324]).

Roma people continue to face significant social and economic challenges despite some improvements. They remain disproportionately affected by discrimination, poverty, educational segregation, labour-market exclusion and overcrowded housing ([325]). Furthermore, the proportion of Roma people who complete secondary education decreased significantly between 2024 and 2026 (see Annex 13). These interlinked challenges perpetuate a wide gap between Czech citizens of Roma background and the general population, despite improvements in material deprivation and employment outcomes. Poverty remains systemic, with 52% of Czech citizens of Roma background at risk of poverty, compared with 11.3% in the general population. Severe material deprivation still affects around a quarter of Roma households, although the situation has improved compared with 2016. By contrast, the proportion of Roma children at risk of poverty has increased to 70%, compared with 14% in the general population, mirroring the upward trend observed for children overall. The number of Czech citizens of Roma background is estimated at 250 000, but the absence of comprehensive, disaggregated data makes it difficult to design and implement targeted measures. More detailed and targeted data collection could support evidence-based policymaking, help monitor progress and strengthen the evaluation of reforms, including those focused on inclusive education. Full compliance with the Race Equality Directive is essential to guaranteeing equal treatment and preventing discrimination across all sectors, particularly education. Effective implementation could help dismantle structural barriers and promote inclusive policies that uphold the rights and employment prospects of Roma communities and other vulnerable groups.

The social integration of people fleeing the war in Ukraine remains uneven. At the end of November 2025, the ratio of temporary protection beneficiaries from Ukraine relative to the population in Czechia was the highest in the EU (36.0 per 1 000 people). Although 66% of economically active refugees are employed ([326]), only 20% of households report incomes above the

([322]) Statistiky exekucí | IPŘP.

([323]) Vstupu do oddlužení brání stres, neznalost i obavy. Téměř polovina dlužníků nezná základní smysl procesu.

([324]) Podíl osob v exekuci po krajích (Q3 2025) / Mapa zadlužení.

([325]) Roma and Travellers Survey - 2025 - Country Data - Czechia.

([326]) Document - High employment rates, but low wages: a poverty assessment of Ukrainian refugees in neighboring countries

national median ([327]). In Q3-2025, refugees under temporary protection contributed CZK 8.2 billion (about EUR 337 million) in taxes and social contributions, while related state spending was CZK 3.9 billion (about EUR 160 million)([328]). Since early 2024, revenues from taxes and social contributions from Ukrainian refugees have consistently exceeded costs. Approximately two thirds of Ukrainian refugees have reached at least an intermediate level of Czech (B1)([329]). The growing number of Ukrainian citizens under temporary protection who plan to remain in the country long term could benefit from better access to language training, suitable jobs and social inclusion measures.

The long-term care system remains heavily oriented towards residential services, which poses risks linked to high care costs. In 2022, 60.2% of public long-term care spending was allocated to residential care (EU: 46.2%), while only 8.3% went to home care (*terénní* služby), far below the EU average of 28.8% ([330]). Approximately 63% of people with disabilities between 18 and 64 do not used field services due to systemic issues such as insufficient capacity, inflexible services, and high costs, rather than personal preference([331]). Furthermore, 65% of residential social services for people with disabilities is provided in large institutional-type facilities ([332]). The percentage of the population over 65 and those with severe difficulties who receive home care services is substantially lower than the EU average (16.2%) vs 28.6%) ([333]). Around 18 000 (23.5%) of residential care patients in retirement and special care homes have low or moderate needs and could potentially live at home with appropriate support. The deinstitutionalisation process continues to face significant administrative and implementation obstacles due to varying levels of commitment among regional governments, with home and community service capacity being roughly 3 times lower in some regions compared to others ([334]). There is currently no accurate way to determine real capacity needs, as waiting-list data count applications rather than people and are inflated by duplicates and applications that have not been cancelled. Only after the entry into force of a personal identifier in January 2028 will it be possible to calculate the unmet demand for long-term care accurately. Maintaining the current service model is estimated to require 35 000 beds by 2035 as a result of population ageing ([335]). The Ministry of Labour and Social Affairs is undertaking an analysis that will compare future long-term care costs under the current institutional model with scenarios that expand home and community *(ambulantní služby*) provision. Between 2021 and 2027, the recovery and resilience plan and ESF+ are investing EUR 365 million and EUR 197 million, respectively, to improve access to high-quality, sustainable and affordable care, while the European Regional Development Fund is providing EUR 233 million to support outpatient care and deinstitutionalisation. However, long-term progress will require sustainable national funding and stronger involvement from the private and social economy sectors. A new long-term care law came into force in 2025 under the recovery and resilience plan. It aims to integrate health and social care, set service quality standards, expand home and community-based options, and ensure adequate financing. Home care costs are among the highest in the OECD. Without public support, the cost of long-term care for older people represents a large percentage of their national median disposable income (86% for home care with low needs, 299% for home care for moderate needs, 548% for home care for severe needs and 143% for institutional care for severe needs) ([336]). Effective from 1 January 2026, an amendment to

([327]) Spurný, M. & Tabery, P. (2025). Integration of Ukrainian Refugees: Labour Market, Housing, Knowledge of Czech and Children's Education. Hlas Ukrajinců Research, Waves 8 and 9. Prague: Institute of Sociology of the Czech Academy of Sciences.

([328]) Uprchlíci z Ukrajiny dál posilují českou ekonomiku: příjmy do rozpočtu převyšují výdaje na pomoc | MPSV.

([329]) CVVM 2025. Prezentace aplikace PowerPoint.

([330]) The EU Monitoring Framework on the Council Recommendation on access to affordable high-quality long-term care

([331]) PAQ research: Living Conditions of Persons with High Care Needs — Research Report

([332]) Analýza základních dat o kapacitách a financování sociálních služeb pro osoby se zdravotním znevýhodněním (a seniory) v Česku

([333]) 2024 Ageing Report. Economic & Budgetary Projections for the EU Member States (2022-2070).

([334]) Analýza základních dat o kapacitách a financování sociálních služeb pro osoby se zdravotním znevýhodněním (a seniory) v Česku

([335]) Predikce potřeb dlouhodobé péče: Česko čeká jeden z největších úkolů příštích desetiletí | MPSV.

([336]) Social protection for older people with LTC needs | OECD.

the Social Services Act sets monthly care allowance amounts for adults at approximately EUR 54 (CZK 1 300) for low needs, EUR 223 (CZK 5 400) for moderate needs, EUR 610 (CZK 14 800) for severe needs, and EUR 947(CZK 23 000) for full dependence if care is provided by a residential social services provider, or EUR 1 114 (CZK 27000) ([337])

The reform of the social benefits system aiming to simplify support has entered into force. The reform, which combines four means-tested benefits into a single payment, will reduce the overall proportion of households eligible for social benefits, particularly among households in the second income decile and single-person households ([338]), which could lead to an increase in income poverty among these vulnerable groups. To help more households receive support, more proactive and better targeted outreach is needed. Adjusting the subsistence minimum, which is currently low, revising housing costs to reflect regional rent differences and broadening the vulnerability criteria could ensure the reform is better targeted ([339]). The law took effect on 1 October 2025 and is currently in a nine-month transition phase.

Energy poverty remains comparatively low in Czechia. In 2025, 4.1% of the population reported being unable to keep their homes adequately warm, well below the EU average of 8.8%.([340]). To address energy poverty, Czechia has introduced national energy efficiency programmes. However, existing policies focus primarily on social and consumer protection, with fewer targeted initiatives addressing underlying structural drivers. Price pressures from the EU emissions trading system for buildings and road transport (ETS2) are projected to be relatively limited. Heating spending is projected to increase by less than the EU average, reflecting lower use of fuels covered by ETS2 in household energy use, although solid fuels remain more prevalent than in many other Member States. From 2026, the Social Climate Fund will help mitigate these impacts through targeted energy efficiency investments.

Transport affordability is a moderate issue overall but remains a significant concern for low-income households. Transport fuels spending is projected to rise by less than the EU average as a result of ETS2. However, vulnerable households with limited alternatives may continue to face significant pressure. Cross-regional public transport is not interconnected due to the presence of different public providers, which also results in different fare systems (see Annex 18 ([341])). In many rural or remote districts, public transport options are limited or slow, and people rely on cars instead ([342]). Strengthening the affordability and availability of public transport would therefore be beneficial, for example by deploying on-demand transport services ([343]).

([337])Příspěvek na péči | MPSV.

([338])Superdávka pomůže rodinám čerpat více podpor. Ohrozí ale jednočlenné domácnosti.

([339])Superdávka pomůže rodinám čerpat více podpor. Ohrozí ale jednočlenné domácnosti.

([340])[sdg_07_60] Population unable to keep home adequately warm by poverty status+

([341])Koncepce veřejné dopravy 2020-2025, Ministry of Transport.

([342])https://csu.gov.cz/produkty/over-three-quarters-of-employed-persons-commute-to-work-at-leastfive-times-a-week-most-often-by-car.

([343])No data on public transport accessibility in Czechia exist on the Commission's Transport Poverty Hub, because only partial data are available on Czechia's national access point (set up under Delegated Regulation (EU) 2017/1926 (the Multimodal Travel Information Services Regulation)), which are not usable as they do not include stop coordinates.

Skills mismatches, low tertiary educational attainment and low adult learning combined with educational inequalities pose a risk for competitiveness and for the green and digital transitions. The 2025 country-specific recommendations (CSRs) for Czechia pointed to the need to strengthen the competitiveness of the economy and reduce labour shortages by addressing skills mismatches. Moreover, the CSRs stressed the importance of boosting educational outcomes by increasing participation in tertiary education, reducing dropout rates and providing more student support. They also called to increase the number of students and graduates in science, technology, engineering and mathematics (STEM), especially for women. Czechia was also invited to expand access to general secondary education, enable students to transition between general and vocational education, and provide more support for disadvantaged schools and pupils, including Roma. Efforts have been made in enhancing access to general secondary and higher education, but support for students to complete their tertiary education remains limited, including in STEM fields. Steps have been taken to support disadvantaged schools, but challenges persist. In particular, the declining number of Roma completing secondary education and the segregation of Roma pupils are pressing concerns. Czechia combines a very high number of people who have completed vocational education and training (VET) with strong employment outcomes despite limited work-based learning experience. Adult participation in education and training learning remains low. Greater emphasis on reskilling and upskilling would help to adapt to changing skills requirements and strengthen competitiveness.

Increasing participation in high-quality early childhood education and care (ECEC) requires further policy action. In 2024, 85.2% of children between the age of three and the start of compulsory primary schooling in Czechia were enrolled in ECEC (EU average: 95.0%) ([344]). The participation of Roma children in ECEC is very low (48% in 2024 vs 85% of Czech children in general; EU average: 53%) and has slightly decreased (by 3 percentage points (pps), down from 51% in 2021) ([345]). Furthermore, the share of children under three who attend formal childcare in Czechia is among the lowest in the EU (7.9% in 2025; EU average: 40.5%), but slightly increasing (up 3.5 pps compared with 2023). The ECEC capacity shortages ([346]) decrease naturally in coming years due to demographic developments. At the same time, further policy attention is needed to ensure high quality, against generally lower formal qualification levels for ECEC teachers than in the EU average ([347]) and missing unified standards for ECEC. A new framework programme for pre-education will be implemented in all kindergartens in 2027. With the support of the Technical Support Instrument, a new Framework for the Monitoring and Evaluation of Early Childhood Education and Care was developed ([348]). However, it is a non-binding, recommendatory document. The implementation will require further investments in data collection and monitoring tools. According to a recent Education Act amendment (2025) ([349]), school entrance deferrals are granted only in exceptional cases (see Annex 11).

Declining basic skills among disadvantaged students, particularly in mathematics, and regional disparities exacerbate inequalities. One in four 15-year-old students (25.5%; EU average: 29.5%) fail to reach basic proficiency in mathematics, and one in two fail to do so among disadvantaged students (48.5%), according to PISA 2022. In Děčín, Most and Teplice ([350]), Ústí nad Labem region, more than 8% of pupils fail to complete lower secondary school each year, while in Prague-West it is only 1%. Czech students are tracked into different education programmes earlier compared to some other countries. Limited availability and accessibility of general education disproportionately affect students with less family support. In 2023, a higher share of students with some or severe limitation or disability left school early in comparison with those without limitation (18.4% vs 5.1%), and this is larger than in the EU on average (19.1% vs 9.3%) ([351]). A new framework education programme introduces an

([344])Eurostat: educ_uoe_enra21.

([345])Fundamental Rights Agency, 2025.

([346])https://csu.gov.cz/births.

([347])Eurydice, 2025.

([348])Developing a comprehensive framework for the monitoring and evaluation of early childhood education and care in the Czech Republic - Reforms and Investments.

([349])Act No. 561/2004 Coll.

([350])According to Commission's own information

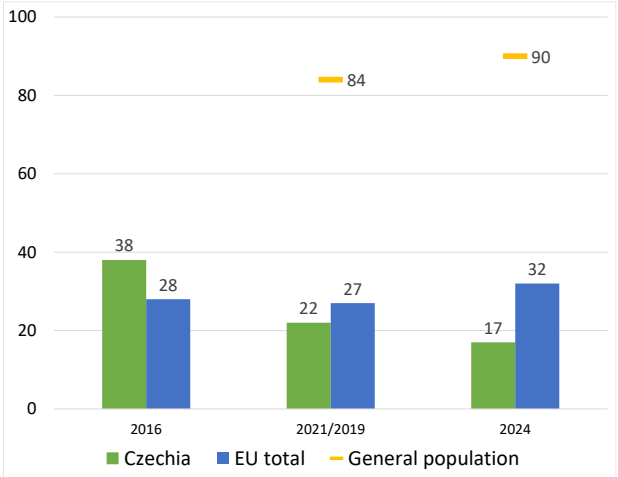
([351])EU-SILC 2023 (2024)

updated curriculum in all primary schools from September 2028 ([352]). It includes strengthening key competences, STEM subjects and English language learning. To enhance general education options, Czechia has introduced a new educational pathway 'lyceum' in the 2025/2026 school year, which combines general secondary education with later specialisation in professional subjects. Furthermore, the country is piloting a reform to enable school management to dedicate more time to pedagogical leadership.

Further action to address the increasing segregation of Roma children in education and to improve their educational outcomes. Around 58% of Roma children in Czechia attended a school where all or most pupils are Roma in 2024, compared to 29% in 2016 ([353])). Schools with a high concentration of Roma pupils are found more often in poorer regions such as the Ústí nad Labem Region and the Moravian-Silesian Region, but segregated schools are also present in the Central Bohemian, Liberec and Zlín Regions, as well as in Prague. A report showed that 36% of Roma pupils left education before age 16; and 64,6% of Roma (18-24) completed lower secondary education (ISCED-2) (against 6.2%([354])() early school leavers in general education). Furthermore, the share of Roma with upper-secondary education significantly decreased between 2016 and 2024 (see Graph A13.1). In 2024, just 17% of young Roma in Czechia had completed upper-secondary education, down from 38% in 2016 (EU average: 32%), compared with 90% of the general population. A new methodical portal (Desegregace.cz) is available to municipalities and schools. The 2025 amendment to the Education Act establishes the possibility for differentiated school funding based on the 'complexity of education' provision (part of a reform under Czechia's recovery and resilience plan). However, the financial resources necessary for its implementation have not yet been secured. From 2026, the funding of support positions at schools such as psychologists and social workers are embedded in this act and covered by the state budget. Collecting data on Roma pupils would be crucial to evaluate the impact of measures on desegregation. Overcoming inequalities in primary and secondary education is key to increasing enrolment in higher education.

Czechia faces staff shortages in STEM subjects. Across Czechia, teacher shortages are particularly acute in STEM subjects (physics, mathematics and information and communication technology (ICT) ([355]). Significant regional disparities occur in the shares of non-fully qualified teaching.

Graph A13.1: **Roma people aged 20-24 who completed at least upper-secondary education between 2016 and 2024 (in %)**



Source: Fundamental Rights Agency, Rights of Roma and Travellers in 13 European countries, 2024

The lowest proportion of qualified teachers is in the Central Bohemian Region (82.7%, Prague (83.4%) and the Karlovy Vary Region (84.3%) ([356]). The ratio of teacher salaries to the earnings of those with tertiary-education has increased (from 0.66 in 2018 to 0.72 in 2024), although it remains lower than the EU average (0.85) ([357]). From January 2026, teacher salaries increased by 7%, following a similar increase in September 2025 ([358]). According to some projections, the need for teachers in schools might decrease by around one tenth over the next decade because of a decline in students ([359]). Just slightly more than half of teachers in Czechia

([352])https://mojeedu.npi.cz/.

([353])Fundamental Right Agency, 2024. Furthermore, according to the PAQ research (2025), there are more than 130 segregated schools, of which in 78 of them Roma children make up more than half of the students. It should be noted that there are methodological differences in the data collection for FRA and PAQ research.

([354])vz_555.pdf.

([355])OECD Economic survey Czechia, 2025.

([356])https://msmt.gov.cz/file/65003.

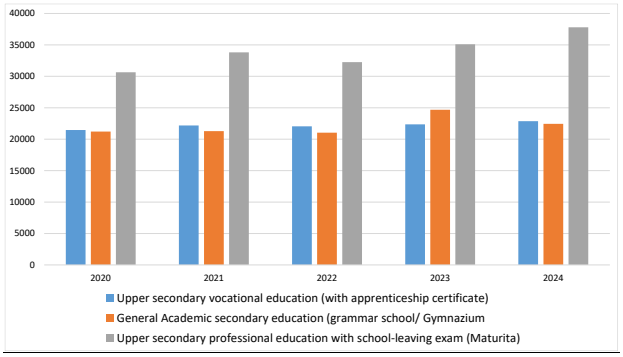
([357])OECD's Education at a Glance 2025.

([358])Ministry of Education, Youth and Sport, 2025.

([359])Koucky, 2025. Teacher Shortage: How to Identify, Solve and Prevent It.

(57.2%) report having participated in impactful professional learning (around the EU average of 56% in 2024) ([360]). A recent transfer of competences has placed new responsibilities on municipalities, including in the area of teacher training, even though some small municipalities may have limited financial and administrative capacity to provide it.

Graph A13.2: **Students who have completed secondary education**



Source: Vývoj počtu absolventů SŠ a VOŠ | Infoabsolvent.cz

Czechia is improving teachers' initial training and education. A programme to increase the capacity of public universities in teaching, special education and psychology started in 2026 ([361]). In 2025, a programme was announced aiming to support universities in offering study programmes for future teachers in high-demand subjects, such as computer science and mathematics ([362]).

The VET system shows strong results in terms of participation and employability, despite limited work-based learning. In 2025, the employment rate for people who had recently completed VET was high at 85.7% (EU average: 80.2%), but only 15.2% of people who had recently completed VET in Czechia had work-based learning experience, far below the EU average of 66.0% ([363]). Clear rules for training, enhanced collaboration between VET schools and stakeholders and financial incentives for both schools and employers could help to expand work-based learning opportunities and increase the long-term employability of VET participants. In 2025, 75.7% of all those who had completed secondary school had completed VET programmes: 27.4% (25,903 students) held a vocational certificate (*Výuční list*) and 48.3% (45,690 students) had completed baccalaureate-oriented VET (*Maturita*) ([364]). Among medium-level VET pupils, 42.7% were enrolled in STEM fields (above the EU average 36.6%). Only 12.7% of STEM pupils in VET were female (EU average 15.9%). Only 25% of medium-level VET pupils completed general secondary education. ([365])This pattern is related to long-term structural features of the Czech system and economy, such as industry-oriented training, early tracking and low permeability between educational pathways. In 2025, the National Pedagogical Institute published a new structure of upper-secondary education programmes reducing the number of programmes from 283 to 186, aiming to increase transparency, permeability and flexibility in VET. ([366])

Czechia performs well on digital skills, but some groups still require further training. In 2025, 70.5% of the population had at least a basic level of digital skills (EU average: 60.4%) ([367]). Among older adults, 56.1% of men aged 55-64 and 61.5% of women aged 55-64 have basic or above basic overall skills levels (EU average: 46.5% and 42.4%, respectively). Among adults with lower levels of education, 58.6% report having at least a basic level of digital skills (EU average: 33.6%) ([368]). Data from the International Computer and Information Literacy Study show similar results the younger generation, as Czech eighth graders ranked the highest among participating EU countries. The gap in digital skills between students with lower and higher parental education is relatively small suggesting a consistent level of digital competencies among all students. 69% of Czech pupils in lower secondary education use artificial intelligence (AI) regularly

([360])OECD TALIS 2024

([361])https://msmt.gov.cz/vzdelavani/vysoke-skolstvi/program-na-podporu-navyseni-kapacit-verejnych-vysokych-skol-1.

([362])https://msmt.gov.cz/vzdelavani/vysoke-skolstvi/program-na-podporu-navyseni-kapacit-verejnych-vysokych-skol-1.

([363])EC Education and training monitor 2025 – Comparative report.2025, https://data.europa.eu/doi/10.2766/2221794.

([364])Vývoj počtu absolventů SŠ a VOŠ | Infoabsolvent.cz

([365])Eurostat, based on UNESCO-OECD-Eurostat administrative data collection, data code [educ_uoe_enrs10] (% calculated by EMPL).

([366])https://revize.rvp.cz/sov/navrh-ios.

([367])Eurostat: [isoc_sk_dskl_i21] Individuals' level of digital skills (from 2021 onwards).

([368])Eurostat: [isoc_sk_dskl_i21] Individuals' level of digital skills (from 2021 onwards).

for school-related purposes, while 62% of them believe that AI should be taught in schools ([369]).

Participation in tertiary education remains low, including among students with disabilities, and affordable housing is a major challenge for students. In 2025, only 36% of young people aged 25 - 34 held a tertiary degree, below the EU-level target of 45% by 2030 (EU average: 44.8%) ([370]). The share of students enrolling in tertiary education has grown since 2015 ([371]). 4.4% of all doctoral students pursue ICT, more than in the EU on average (3.8%), but only 19.4% of them are women (EU average: 24.3%), although their share has substantially increased (from 12.0%) since 2015. Czechia is also among the countries with low intergenerational education mobility: children with low parental education face higher barriers to tertiary qualifications ([372]). In 2023, the share of persons with disabilities (aged 25-34) who had completed tertiary education in Czechia was 29.8% (EU average: 36%), lower than among people without disability ([373]) (36%; EU average: 45.8%). Furthermore, by 2050, student cohorts are projected to shrink by 10.5%. In Czechia, over one third of students drop out of tertiary education without obtaining a degree. Reasons for high dropout rates from tertiary education include low financial support, high levels of student employment, insufficient career guidance and mismatches between the programme and student expectations. In 2023, 24.9% of all students were enrolled in STEM programmes, below the EU average of 26.9%, and the proposed EU target of 32% ([374]). The share of women graduating from higher education is steadily growing, including in STEM programmes (from 34.5% in 2015 to 37.7% in 2023) ([375]). However, there is still a significant gap between female enrolment in STEM and 33%) their enrolment in tertiary education in general (57%). About 70% of students work during term time, one of the highest rates in the EU, with two thirds working to cover living costs. Affordable housing remains a major challenge for university students, with government grants accounting for just 2% of their income, compared to 12% on average in the EU ([376]). Supporting young people, enhancing their motivation and addressing teacher shortages are key for attracting students to STEM. The drivers behind young people's choices to study STEM subjects are not systematically mapped. However, available regional data suggest that societal perceptions of STEM studies (e.g. their perceived difficulty) and professions (e.g. expected earnings), as well as access to high-quality information on STEM career opportunities, shape Czech students' interest and motivation ([377]).

Czechia is expanding flexible study options to improve access to tertiary education and strengthen doctoral programme quality and participation. Micro-credentials and short-cycle tertiary education are being introduced to increase the access to tertiary education. In 2026, a new evaluation methodology (HEI2025+) will be put in place in higher education ([378]). An amendment to the Higher Education Act (2024) ([379]) aims to improve the quality of doctoral programmes and increase the completion rate of doctoral candidates. The minimum net income for doctoral students (received as a scholarship, contractual payment, or a combination of both) has been set at 1.2 times the national minimum wage. Furthermore, Czechia provides targeted funding to stimulate interest in STEM disciplines, including programmes specifically designed to encourage female participation ([380]).

Adult participation in lifelong learning remains low, limiting the development of skills for the green and digital transitions. In 2022, only 21.2% of adults aged 25-64 had participated in formal or non-formal learning (excluding on the job training) in the previous 12 months, compared to an EU average of 39.5%. This is 23.8 pps short of the national 2030 target of 45%. However, Czechia's on the job training rate was 24.5%, the highest in the EU and likely

([369])AI Kompas study, 2025.AI-Kompas-2025.pdf https://scioresearch.com/media/d1zmsmjq/scioreserch_2025_final.pdf

([370])Eurostat, edat_lfse_03.

([371])Eurostat: educ_uoe_entr03.

([372])According to Commission's own information

([373])EU-SILC 2023 (release 2024 v1).

([374])Eurostat: educ_uoe_entr03.

([375])Eurostat: educ_uoe_grad02.

([376])Eurostudent survey.

([377])Trexima et al., 2024.

([378])Methodology of Evaluation of Research Organisations in the Segment of Higher Education Institutions 2025+ (2024).

([379])52/2025 Sb.

([380])https://irt.zcu.cz/en/about-us/projects/girls-labs/.

indicating different statistical training classifications at national level. When included, Czechia's overall training rate is 45.7%, compared to an EU average of 46.6%. Czechia has experienced a decline in literacy skills in the last decade but is still performing slightly above the EU average. However, more recent data from the labour force survey suggest that the participation rate in education and training increased between 2022 and 2024.

Strengthening the quality and efficiency of spending in education will contribute to improving skills in Czechia. The expenditure on education in Czechia has slightly decreased from 4.7% in 2020 to 4.5% of GDP in 2023 and stands below the EU average (EU: 4.7%). The share of total government spending remained almost stable during the same period, reaching 10.3% in 2023 (vs 9.6% in the EU) ([381]). Improving skills in Czechia requires enhancing educational outcomes for all students by addressing inequalities and increasing the quality and efficiency of spending in education ([382]). This includes further investments in high-quality and affordable early education and care, improving teachers' working conditions and increasing the efficiency of the school network. Also, while tertiary attainment is in Czechia below the EU average, tertiary education remains relatively underfunded at 0.8% as a percentage of GDP (including R&D) vs 0.9% in the EU25 (2022) ([383]).

([381])Eurostat, gov_10a_exp__custom_16025691
([382])OECD Economic Surveys: Czechia, 2025.
([383])OECD, Education at Glance (2025) Table C1.2.; Economic Strategy Czechia: Country for the future 2.0, 2026.

Table A14.1:**Social Scoreboard for Czechia**

Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	21.2
	Early leavers from education and training (% of the population aged 18-24, 2025)	6.1
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025)	70.5
	Young people not in employment, education or training (% of the population aged 15-29, 2025)	8.0
	Gender employment gap (percentage points, population aged 20-64, 2025)	10.7
	Income quintile ratio (S80/S20, 2025)	3.34
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2025)	82.9
	Unemployment rate (% of the active population aged 15-74, 2025)	2.8
	Long term unemployment (% of the active population aged 15-74, 2025)	0.8
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2024)	125.2
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025)	11.5
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025)	15.4
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025)	40.0
	Disability employment gap (percentage points, population aged 20-64, 2025)	23.8
	Housing cost overburden (% of the total population, 2025)	8.2
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025)	7.9
	Self-reported unmet need for medical care (% of the population aged 16+, 2025)	0.3

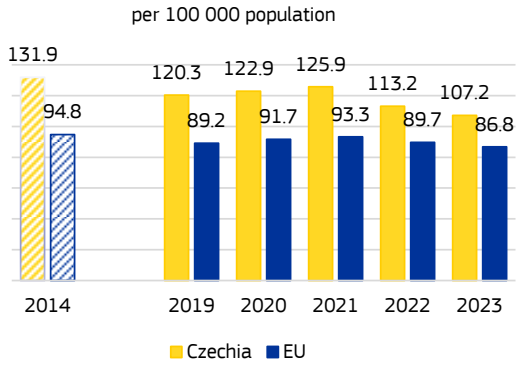
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

Update of 4 May 2026. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).

Source: Eurostat

Czechia's health system faces challenges that negatively affect the health of its population, social fairness and productivity. Key challenges include comparatively low life expectancy, driven by high preventable and treatable mortality and low spending on disease prevention. Workforce shortages, combined with a strong reliance on hospital-based care and relatively low bed occupancy rates, highlight inefficiencies in service delivery. These challenges are compounded by an ageing health workforce and regional disparities in access to primary, outpatient and specialised care, contributing to uneven health outcomes across the country.

Graph A15.1: **Treatable mortality**



Age-standardised death rate - mortality that could be avoided through optimal quality healthcare.
Source: Eurostat (indicator: hlth_cd_apr)

Life expectancy at birth in Czechia remains below the EU average, with 2022 treatable mortality among the highest in the EU. In 2024, life expectancy at birth stood at 80.1 years compared with 81.3 at EU level. Women can expect to live 5.9 years longer than men. However, women live only 1.1 years more than men in good health (in 2023). In 2024, two thirds of Czech adults reported good or very good health, slightly below the EU average of 68%. However, income disparities are pronounced, with 82% reporting good health in the highest quintile, while only 54% do so in the lowest ([384]). Despite inequalities, self--reported good health among low-income groups has risen in recent years.

Despite a considerable improvement over the last decade, Czechia's treatable mortality still largely exceeds the average at EU level. Cardiovascular diseases (CVDs) were the leading cause of deaths in Czechia in 2023 (39%), followed by cancers (24%), in particular lung cancer and colorectal cancer. Respiratory diseases constitute the third leading cause of death ([385]). To address the heavy burden from its top two causes of death, Czechia launched a national cancer plan in 2022 and in 2024 adopted a national plan on cardiovascular health (CVD), depending on the formal national designation. This is also partially addressed by the Czech recovery and resilience plan (RRP), through, for example, (i) the setting-up of an oncological institute; (ii) preventive screening; (iii) intensive care medicine; (iv) diagnostic and treatment tools for CVDs; and (v) research and development. Czechia also participates in EU4Health-funded joint actions aimed at cancer, CVDs, diabetes and mental health.

Czechia's high rate of preventable mortality is a cause for concern. In 2023, the share of spending on prevention dropped sharply from 5.2% in 2022 to 2.7% of total spending on health, below the EU average of 3.7%. Low funding can be linked to high levels of preventable mortality. Behavioural risk factors account for many deaths in Czechia and, similarly to other EU countries, they are unevenly distributed across socio-economic groups, with people with lower levels of education and income disproportionately presenting health-risky behaviour ([386]). Unhealthy lifestyles and dietary habits and insufficient physical activity contribute to high adult obesity rates ([387]). Czechia's public health agenda prioritises tackling behavioural risk factors, with healthier lifestyles and health literacy as core goals of the Health 2030 strategy. To address childhood obesity, the Ministry of Health has also rolled out significantly improved nutritional standards for school canteens. Furthermore, a new programme, Be Fit 2024, was launched in 2024, with a focus on increasing physical activity levels among overweight children.

Tobacco use, alcohol consumption and immunisation rates present a mixed picture. Czechia has made notable progress in reducing

([384]) OECD/European Observatory on Health Systems and Policies (2025), *Country Health Profile 2025: Czechia. State of Health in the EU*.

([385]) Country Health Profile 2025: Czechia – see earlier footnote.

([386]) Country Health Profile 2025: Czechia – see earlier footnote.

([387]) Country Health Profile 2025: Czechia – see earlier footnote.

Table A15.1:**Key health indicators**

	2020	2021	2022	2023	2024	10-year change**	EU average* (latest year)
Cancer mortality per 100 000 population	268.0	257.0	258.4	250.4	n.a.	0.88	233.1 (2023)
Mortality due to circulatory diseases per 100 000 population	557.8	525.6	505.5	463.8	n.a.	0.75	313.0 (2023)
Current expenditure on health, purchasing power standards, per capita	2 666	2 863	2 759	2 925	3 104	1.63	3834.9 (2023)
Public share of health expenditure, % of current health expenditure	88.2	86.8	85.0	84.5	85.1	1.00	80.6 (2023)
Spending on prevention, % of current health expenditure	3.9	8.4	5.2	2.7	n.a.	0.79	3.7 (2023)
Available hospital beds per 100 000 population***	572	575	566	554	n.a.	0.97	440 (2023)
Doctors per 1 000 population*	4.1	4.3	4.2	4.2	n.a.	n.a.	4.3 (2023)*
Nurses per 1 000 population*	8.2	8.3	8.1	7.9	n.a.	1.01	7.6 (2023)*
Mortality at working age (20-64 years), % of total mortality	15.1	16.0	15.3	15.4	15.3	0.84	14.3 (2023)
Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants	13.4	13.7	17.1	18.1	19.0	n.a.	20.3 (2024)

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2023 data (or latest available). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.

** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.

***'Available hospital beds' covers somatic care, not psychiatric care.

Source: Eurostat

traditional tobacco use, with daily smoking among adults declining to 16% in 2024 – below the EU average ([388]). This may partially reflect the impact of smoke-free legislation and higher excise taxes. However, this progress is increasingly challenged by a rapid shift towards alternative nicotine products, particularly e-cigarettes, with uptake especially high among adolescents and young adults. At the same time, alcohol consumption remains among the highest in the EU, at 11.6 litres per capita in 2022 ([389]), presumably reflecting high affordability and only recent, gradual increases in excise duties. Immunisation coverage in Czechia varies, with recent declines in some key vaccines alongside comparatively strong performance in others. Measles and influenza vaccination coverage in Czechia remains below the EU average, while human papillomavirus (HPV) vaccination for 15-year-old girls exceeds the EU average. In addition, mortality linked to air pollution is high (see Annex 8).

These poor health outcomes negatively affect Czechia's workforce and hence its productivity and competitiveness. In Czechia, mortality at working age as a proportion of total mortality (15.4%) was above the EU average in 2023, exacerbating the effects of population ageing on a shrinking labour force (see Annex 11). Gains in health status from further prevention efforts could alleviate this impact. As regards non-communicable diseases (NCDs), it is estimated that up to 80% of CVDs and type 2 diabetes in the world, up to half of cancer cases and most chronic lung diseases ([390]) can be prevented. Cancer in particular has a large impact on workforce participation and productivity. For example, preventing all deaths from NCDs in Czechia – in particular CVDs – would result in a 1.1% gain in working-life years from 2022 to 2040 (vs 0.9% for the EU). It would save about 1 093 268 life years in Czechia over 2022-2040. This increase would mitigate an otherwise expected 6% reduction of the workforce due to demographic ageing of the 2022 population (7% for the EU) ([391]). Czechia also faces high absenteeism rates due to illness. This further undermines productivity and competitiveness and highlights the urgency of stronger prevention and primary care investments. Total productivity loss due to temporary work incapacity in 2024 was estimated at EUR 10.4 billion (CZK 263 billion), about 5% of Czech annual gross value added ([392]).

Spending on health in Czechia, including on capital formation in the health system, is low. In 2023, Czechia's health expenditure per

([388])EC/OECD, State of Health in the EU: 2025 Synthesis Report.

([389])EC/OECD, State of Health in the EU: 2025 Synthesis Report.

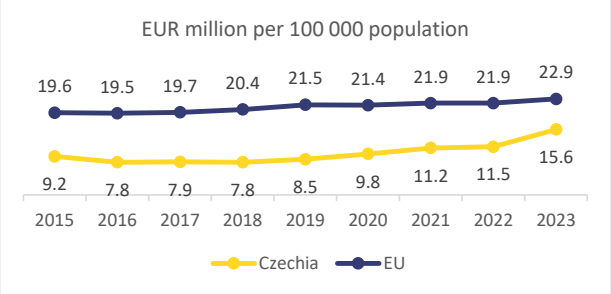
([390])NCD Alliance, 2025: Noncommunicable Diseases (NCDs) overview | NCD Alliance.

([391])OECD/European Commission (2025), EU Country Cancer Profiles Synthesis Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/20ef03e1-en.

([392])Losses in productivity due to work incapacity amount to hundreds of billions of Czech koruna annually PR_nemocenska_FINAL_aktualizovano.pdf.

capita, adjusted for purchasing power, was 24% below the EU average, while total health spending accounted for 8.4% of GDP (vs 10% for the EU average) (see Annex 2). The share of healthcare expenditure covered by public funds stood at around 85%, above the EU average. The largest shares of health expenditure went on outpatient care (around a third in 2023), followed by inpatient care ([393]). In 2023, out-of-pocket (OOP) spending in Czechia remained relatively low (14% compared to EU average of 15%). Most OOP spending was for pharmaceuticals (41%) and dental care (22%), while inpatient care accounted for 10%, largely reflecting voluntary payments for comfort-related amenities ([394]). Moreover, capital formation, measured by capital expenditure on health as a percentage of GDP, is among the lowest in the EU, remaining well below the EU average in recent years. This is reflected in the low availability of key diagnostic (medical imaging) technology.

Graph A15.2: **Healthcare infrastructure investment by year**



Source: Country Health Profiles - Dashboard

Czechia's hospital sector is characterised by high bed capacity alongside low occupancy rates, pointing to structural challenges in the organisation of care. In 2023, Czechia had a relatively high number of hospital beds (see Table A15.1), while the bed occupancy rate stood at just 62%. Czechia's hospital admission rates for chronic conditions – including asthma, chronic obstructive pulmonary disease (COPD), congestive heart failure (CHF) and diabetes – were 18% above the EU average. This gap was driven mainly by CHF, for which admission rates were nearly 50% higher than the EU average ([395]). This pattern reflects both a higher underlying disease burden and limitations in primary and community care management, in a system where primary care doctors do have a limited gatekeeping role and many patients can access specialist care directly. Patient-reported data indicate strong continuity in general practice, with most people having multiple chronic conditions remaining with the same primary care provider for an extended period, well above the EU average. There is also a high level of trust in self-management among people with chronic conditions, but comparatively lower trust in the healthcare system ([396]). Taken together, these factors help explain the coexistence of high hospital bed capacity, relatively low occupancy rates and high avoidable admissions. This highlights persistent fragmentation between inpatient care and primary care and reflects insufficient coordination and integration across different parts of the health system. One of the measures addressing this challenge is financial incentives introduced in 2023 which encourage the expansion of one-day surgery, with reimbursement rates aligned to promote shorter hospital stays.

Czechia is developing a referral system that would also allow waiting times to be monitored. Czechia continues to record very low levels of self-reported unmet needs for medical and dental care. However, Czechia does not have a comprehensive nationwide system for monitoring waiting times, though available evidence indicates substantial regional variation for certain diagnostics and treatments. Legislative changes in 2025 led to the launch of e-Žádanka, an electronic medical referral system set to become operational in 2026, which will allow providers to issue and transmit referrals for laboratory tests, imaging and specialist consultations digitally. Patients will be able to access their referrals via national digital platforms, supporting the routine collection of waiting-time data for key diagnostic services and laying the foundation for more systematic monitoring.

Health workforce capacity in Czechia has increased, but ageing, regional imbalances and rising care needs continue to pose challenges. In 2023, Czechia had 4.2 doctors and 9.0 nurses ([397]) per 1 000 population, close to the

([393])*Country Health Profile 2025: Czechia* – see earlier footnote.

([394])*Country Health Profile 2025: Czechia* – see earlier footnote.

([395])*Country Health Profile 2025: Czechia* – see earlier footnote.

([396])*Country Health Profile 2025: Czechia* – see earlier footnote.

([397])Under the newly adopted Eurostat definition of nurses (following the EU Directive 2005/36/EC on the recognition of professional qualifications), the nurse density figures shown

EU averages. The number of recently graduated doctors is slightly above the EU average. However, the number of nursing graduates is among the lowest in the EU and the pipeline of students may be insufficient to meet growing needs for healthcare. The workforce is also ageing: in 2023, 39% of practising doctors and 28% of nurses were over 55 years of age, creating ongoing replacement challenges. Rising healthcare needs, population ageing and regional disparities have contributed to shortages, particularly of nurses and outpatient doctors and have led to reported ward closures in some hospitals. In addition, Czechia's healthcare system faces obstacles due to restricted roles for nurses, administrative burdens and low levels of digitalisation, while allocation issues stem from a wide hospital network and insufficient incentives for doctors to work in less populated areas ([398]). The health workforce is unevenly distributed, with some regions facing shortages in primary care or outpatient specialist services (see annex 18). The primary-care workforce is projected to fall steeply by 2035 compared with 2022 – by about 40% among GPs and 55% among paediatricians. To address these pressures, Czechia has expanded its training pipeline, increasing first-year medical student enrolments by 20% from 2019 onwards and boosting the number of nursing graduates. At the same time, salary reforms have raised physicians' pay significantly, with doctors earning twice the national average wage in 2023. This is complemented by higher reimbursement rates for outpatient physicians, making general practice increasingly attractive. These combined measures aim to increase the supply of health professionals, improve retention and mitigate regional and sectoral workforce gaps, but their impact remains to be seen. Czechia's RRP includes upskilling opportunities for health professionals. Moreover, Czechia participates in the EU4Health-funded joint action HEROES ([399]), through which EU countries share best practices and expertise on health workforce planning.

The digitalisation of the health system has accelerated in recent years, although the use of online and electronic health services by the public remains comparatively limited. Despite high levels of online health information searches among adults (see Annex 7), the uptake of digital health services remains low, with relatively few people booking appointments online, and some services coming online only in 2026, such as the RRP-funded database of electronic health records. This partly reflects the late development of comprehensive, user-facing digital platforms. Historically, investment in health information and communication technology (ICT) has been below the EU average, but spending has increased markedly since the COVID-19 pandemic, reflecting a gradual strengthening of digital capacity. A key milestone was reached in June 2025, with legislation expanding the national digital health infrastructure, building on existing tools such as e-Žádanka and electronic vaccination records, and introducing new components, including an electronic vaccination card, an electronic referral system and a national registry for preventive check-ups. Additionally, under the 2021-2027 cohesion funds and EU4Health joint actions, the country dedicates funding towards e-health services and applications, along with further investment in the digitalisation of healthcare.

Czechia's pharmaceutical sector is of comparatively modest economic significance. In 2024, employment in pharmaceutical manufacturing (0.28%) remained among the lowest in the EU (EU average of 0.48%). However, Czechia stands out as a clinical research hub, reporting 20.6 clinical trials per million population in 2024 (above the EU average of 18.3) and ranking among the top European countries, with 3 391 total trials (2015-2025) ([400]). Regarding trade and commercialisation, extra-EU exports accounted for a modest 1.3% share of the total in 2025 (vs EU 13.9%). This is reflected in the low number of European patents granted: 0.7 per million population in 2024, below the EU average of 1.8 ([401]). The Czech RRP supports research and development for priority areas of medical sciences and related social sciences.

below are significantly lower than those using a broader definition, such as those used for OECD health statistics.

([398]) Zdravotnictví pro budoucnost | Svaz průmyslu a dopravy České republiky.

([399]) The project – JA HEROES | Health Workforce Planning Project.

([400]) US National Library of Medicine, https://clinicaltrials.gov.

([401]) European Patent Office: Statistics & Trends Centre | epo.org.

Affordability of housing is a major challenge in Czechia. The 2025 country-specific recommendations already highlighted the need to simplify urban planning and cut red tape by improving digitalisation, capacity and the management of construction offices. They also called on Czechia to increase revenue from recurrent property taxes (see also Annex 3).

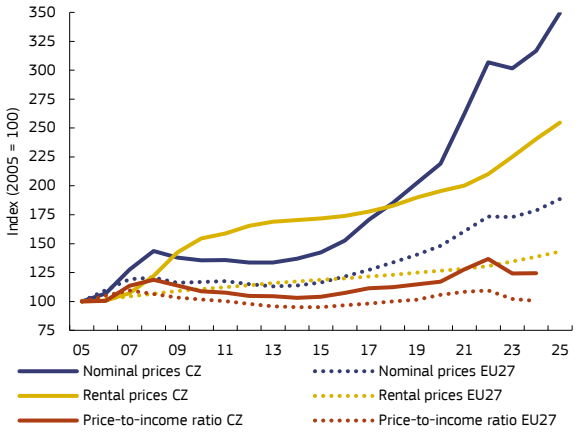
Czechia suffers from a lack of affordable housing, an over-reliance on the private housing market, an underdeveloped long-term rental market and the absence of a comprehensive housing policy. House prices and rents in Czechia recorded significant increases over the last ten years faster than the EU average, creating affordability problems for many Czech households, both buyers and renters, and even more so in growth areas. There is a growing rental market([402]). Overall**,** while housing supply is lagging behind demand in Czechia, demand side incentives persist in the tax system, as do disincentives for landlords to rent out properties on a longer-term basis.

There are major regional differences in house and rent prices in Czechia, but affordability is increasingly a problem countrywide. Prices and rents per square metre are among the highest in Europe in Prague and the surrounding region, as well as in Brno and major tourist areas, and are increasing in other major cities. While prices are much lower elsewhere, they have still grown more than income, causing affordability issues.

Housing market developments

House prices have recorded a steep increase over the past 10 years. By 2022, nominal prices were over three times as high as in 2005. Following a small correction in 2023, prices kept growing, reaching 10.4% year-on-year growth in 2025 and they are expected to continue increasing at a brisk pace over the coming years. In 2025, prices were estimated based on the standard European Commission methodology) by around 18%. Nominal rental prices (including existing and new rental contracts) displayed a similar trend, but with a smoother pace and significantly lower overall growth. Despite a parallel increase in economic activity and household income, between 2005 and 2024 the house-price-to-income ratio increased by 24.4%, with most of this increase occurring in the last decade. This indicates that housing has become less affordable in the country, particularly in the largest urban areas.

Graph A16.1: **House prices, rents and price-to-income evolution in CZ and EU27 since 2005**



Source: Eurostat

Significant housing supply bottlenecks remain. Investment in dwellings as a share of GDP declined markedly after the financial crisis, from 5.3% in 2007 to 4.2% in 2014. Investment activity picked up significantly from 2017, peaking at 6.3% of GDP in 2022, and falling to 5.5% in 2025. The amount of residential building permits issued followed a similar pattern, but remains well below its pre-crisis values and the EU average. In this respect, in 2024, permits for 330.4 m^2 per 1000 inhabitants were issued, compared with an EU average of 363.3 m^2. Several factors appear to be hindering the construction of new dwellings, including long permitting procedures, labour shortages and constraints at municipal level. At the same time, Czechia's population grew significantly ([403]), driven by, among other things, migratory flows ([404]). A considerable share of the

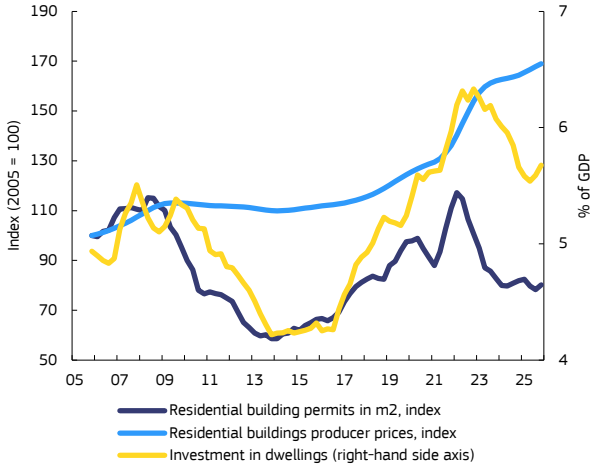
([402])According to the Ministry for Regional Development between 800 000 and 1 million tenants have contracts of up to two years.

([403])Eurostat, https://doi.org/10.2908/DEMO_GIND.

([404])CNB 2025. 'The Czech housing market in the upward phase of the cycle', Appendix 1 to Monetary Policy Report, Summer 2025.

housing stock is reported as unoccupied, even in the Prague region ([405]).

Graph A16.2: **House supply indicators in CZ since 2005**



(1) Figures are reported on a quarterly basis, as the average of the previous 4 quarters Source: Eurostat

Source:

Productivity in construction has decreased significantly since 2015. Despite a broad-based increase in productivity in the country, in 2024 real labour productivity per person in the construction sector was 23.6% lower than in 2015. Rising interest rates and higher construction costs since 2021, together with changes in construction standards and composition, have likely played a role. However, structural issues in the sector appear to still be an important factor behind the decline in productivity. The construction sector is experiencing severe labour shortages, recording the second highest job vacancy rate in the EU, 6.5% in 2024, albeit on a declining path from 15.2% in 2019.

Demand for housing continues to grow, as mortgage interest rates decline. The number of apartment purchases has been growing since 2023. Purchases of new apartments more than doubled between Q1-2023 and Q1-2025, while in the same period new mortgages issued grew by over 221%, also due to a remarkable increase in the average mortgage size ([406]). This surge in new housing loans was driven by (i) a reduction in borrowing costs, which declined from 6.08% in the last quarter of 2022 to 4.59% in the third quarter of 2025, and (ii) an increase in borrowing capacity due to rising household incomes and savings. Looking ahead, supply constraints are expected to persist, with new constructions not matching housing demand. Therefore, price pressures are expected to remain, especially in an environment of looser financing conditions.

Structural policies

Planning and permitting procedures in Czechia remain complex and slow and are recognised as a priority for reform among stakeholders and politicians. The government proposal to reform the Construction Law would address some of these aspects (and part of the 2025 country-specific recommendation) if implemented, but the underlying issues are much broader. There is a general agreement among stakeholders and authorities that the current very slow, bureaucratic, burdensome and multi-layered urban planning procedures are a major factor slowing down housing supply in Czechia and increasing costs. Municipalities are not empowered to take final decisions on land-use planning in the event of disputes between different public authorities which also delays possible housing developments. There is very limited use of inclusive zoning in Czechia: municipalities do not use the possibility of mandating that a certain share of housing projects be dedicated to affordable housing. Lastly, the current burdensome planning system leads to urban sprawl, because repurposing existing building stock and brownfields is too difficult administratively. Municipalities also have limited capacity to actively capture land value increases and engage in land development.

A major driver for the limited affordability of housing in Czechia is over-reliance on the private housing market. In spite of the tradition of municipal housing, following the privatisation of the municipal housing stock in the 1990s and a lack of new investment, the municipal housing stock is limited, with few incentives for municipalities to invest in affordable housing (see later). There is no third housing sector in Czechia

([405]) https://scitani.gov.cz/number-of-dwellings.

([406]) CNB Statistics and CNB, 2025 'The Czech housing market in the upward phase of the cycle', Appendix 1 to Monetary Policy Report, Summer 2025.

(e.g. non-profit or limited profit ([407])), which contributes to the affordability problem. There is also no accurate data – neither on flats nor on actual residence (as opposed to permanent residence) – which makes it difficult to assess the share of underutilised properties, thus potentially increasing housing supply.

Czechia does not have a long-term, sustainable financing model for affordable housing to succeed the EU-funded recovery plan. Czechia was able to revive municipal housing construction in 2025, with a steady pipeline of projects under preparation thanks to financing from the Recovery and Resilience Facility. An affordable housing system was launched, which consists of a legal definition of affordable housing with a framework for investments and State aid. With the August 2026 deadline to commit Recovery and Resilience Facility funds, the existing support programmes for affordable housing from the State Fund for Investment Promotion and the National Development Bank will run out. At present, there is no funding in place to continue and expand these instruments. There is clearly an opportunity to draw first lessons learned and to develop a cost-effective financing model, potentially with the assistance of EU funds.

Czech tax systems favour home ownership and contribute to pushing up house prices. Czechia has an above-average share of property owners (75%) compared with the EU average (68%), although getting onto the property ladder has become more difficult. The Czech tax system favours home ownership in several ways. First, [recurrent] property taxation remains very low. Second, the mortgage deductibility of interest payments persists in the Czech tax system, in spite of its regressivity, with the effect of pushing up house prices and debt. Third, when selling a property, there is zero capital gains tax even for short ownership, making it more attractive to put savings into real estate than other capital investments.

The Czech rental market is characterised by short-term, insecure tenancies due to tax differentials and an underdeveloped institutional tenant/landlord framework. The income tax framework favours short-term rentals over long-term ones, because deductibility rates for short-term rental services are higher than for long-term rental. Using short-term rental contracts brings instability and insecurity into the market for both landlords and tenants. The fact that there are no templates for rental contracts or procedural assistance reinforces insecurity for tenants and discourages small landlords from participating in the rental market. There is no specialised court for rental relations and the use of mediators is very limited, meaning dispute resolution relies on lengthy judicial procedures.

Vulnerable groups

Housing affordability in Czechia has worsened in recent years, affecting low-income households and single parents in particular. In 2025, households experiencing poverty spent a much larger share of their disposable income on housing (46%) compared with the EU average for people experiencing poverty (36.3%) ([408]). The housing cost overburden has increased by 2 percentage points (pps) to 8.2% since 2021 (EU 7.7%)([409]). This situation is much worse for people earning below 60% of the median equivalised income, where the housing cost overburden in Czechia is 43.4% (EU 29.1%), an increase of 7.1 pps since 2022 ([410]). The housing cost overburden is also very high for single parents, where the situation has worsened

([407])The Czech cooperative cannot be considered a non-profit nor limited profit for several reasons. Cooperative shares are freely transferable, allowing members to capitalise on the market value of their membership; the law permits the distribution of up to one third of profits to members; there is no general obligation to reinvest all surpluses into affordable housing; and there is no legal regime requiring cost-based development with a limited margin. In light of the European understanding of the social economy, a Czech housing cooperative can therefore be regarded as a social-economy actor only if these principles are secured voluntarily in its statutes or through a specific public-law framework. Such a status cannot be inferred from the legal form of a housing cooperative alone.

([408])[ilc_mded01] Share of housing costs in disposable household income, by type of household and income group

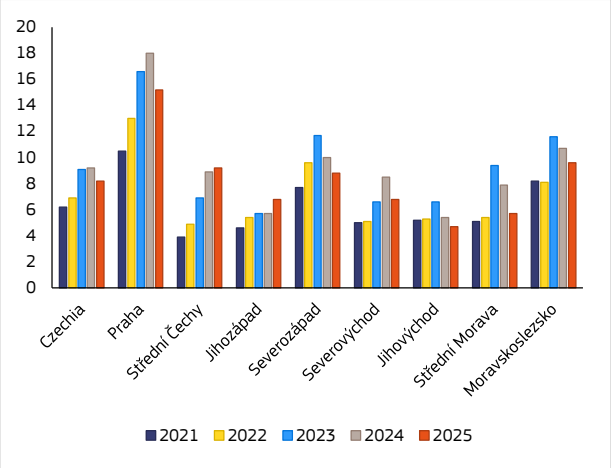
([409])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

([410])[ilc_lvho07a] Housing cost overburden rate by age, sex and poverty status

by 3.5 pps since 2022 to 22.5% (EU average 14.6%)([411]).

Social housing is essential to address affordability and access issues, but supply remains insufficient. Social rental dwellings account for only around 3.6% of the housing stock, significantly below both the EU and OECD average ([412]). Municipal housing, which forms the core of social and affordable rental provision, is among the smallest in the OECD ([413]), with around 70% of municipalities reporting it as insufficient ([414]). Each year, only about 4% of municipal flats become available, amounting to roughly 6 000 dwellings nationwide ([415]), despite demand from 70 000 households in housing deprivation ([416]).

Graph A16.3: **Housing cost overburden rate by NUTS 2 region**



Source: ESTAT [ilc_lvho07_r]

Czechia launched long-awaited housing legislation in 2025 to help the most vulnerable households find housing solutions. This legislation lays down the first systemic framework to reduce housing deprivation. The changes in legislation aim to reduce the number of households in housing deprivation to 60 000 by 2028 (−10%), 50 000 by 2032 (−25%), and 41 500 by 2039 (−38%). Without this framework, the number of affected households is projected to increase to 81 000 by 2039 ([417]). Czechia has so far lacked a systemic solution to housing deprivation and social housing. This fragmented approach has created high societal and financial costs, including a secondary hostel-based housing market serving over 10 000 people ([418]) – including children – and making use of housing benefits. As part of a multi-country project, Czechia is benefiting from technical support to improve housing affordability and develop housing solutions for social inclusion. The project focuses on demand- and supply-side approaches to affordable housing, housing solutions for vulnerable groups and strategies to fund the development of affordable and social housing.

Homelessness affects a significant number of people in Czechia, with certain regions particularly concerned. Around 150 000 people living in 67 500 households are affected by homelessness and housing exclusion in Czechia ([419]). By living situation, 12 000 people are roofless, approximately 24 800 are houseless, 37 500 live in inadequate housing, and nearly 66 500 people are estimated to be in insecure housing, making this the largest single category ([420]), with the regions of Moravia Silesia, Ústí nad Labem and Karlovy Vary being the most affected. Only about 2 400 people living in more than 1 000 households have benefited from Housing First projects supported by the European Social Fund and the European Social Fund Plus ([421]).

Housing conditions for Roma remain significantly worse than for the rest of the population. Around 27% of Roma experience housing deprivation, nearly three times higher than the 10% recorded for the overall Czech population. In addition, 81% of Roma in Czechia live in overcrowded housing compared with just 17% of

([411])[ilc_lvho07e] Housing cost overburden rate by household type

([412])Overview of housing affordability in cities in the Czech Republic, OECD.

([413])Overview of housing affordability in cities in the Czech Republic, OECD.

([414])Dotaznik socialni bydleni - vysledky od MMR.pdf.

([415])04-Zakon-o-podpore-bydleni-zprava-RIA_1.pdf.aspx.

([416])Sčítání osob z vybraných kategorií klasifikace ETHOS.

([417])04-Zakon-o-podpore-bydleni-zprava-RIA_1.pdf.aspx

([418])RILSA (2024): Komerční ubytovna jako prostředek řešení bytové nouze.

([419])https://socialnibydleni.mpsv.cz/download/dokumenty/156-zaverecna-zprava-ethos_verze_6_fin.pdf Vláda ČR (2024): Závěrečná zpráva z hodnocení dopadů regulace (RIA), Zákon o poskytování některých opatření v podpoře bydlení (zákon o podpoře bydlení)

([420])Ibid

([421])Sociální bydlení | Housing First.

Graph A16.4: **Housing affordability selected indicators**

		EU27				CZ							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	112.7	112.7		YoY%	-9.1	0.1	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	82.7	84.1	85.1	YoY%	-1.0	1.7	1.2
Overburden rate, total	%	9.9	8.8	8.2		9.2	9.1	9.2	8.2	PPS/y	2.2	0.1	-1.0
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		27.7	27.4	30.6	26.0	PPS/y	1.3	3.2	-4.6
Overvaluation gap	%					0.2	15.0	13.5	18.0				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	96.1	90.4	89.3	89.7	YoY%	-5.7	-1.1	0.4
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	362.8	340.1	330.4	330.4	YoY%	-18.7	-2.9	0.0
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	5.1	6.1	5.7	5.7	YoY%	-3.2	-6.6	0.0
Share of ownership	%	70.0	69.1	68.4		77.4	76.0	74.7	75.1	PPS/y	-1.4	-1.7	0.5
Share of people living in overcrowded homes	%	17.7	16.8	16.9		21.0	15.9	16.6	16.7	PPS/y	0.8	0.7	0.1

Source: Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

the general population, in line with the EU-wide Roma average of 83%. Discrimination remains a major barrier, with 45% of Roma reporting discrimination when looking for housing, which marks a substantial decline from 65% in 2016 but remains notably higher than the EU average of 35% ([422]). In January 2025, following a complaint made by the European Federation of National Organisations Working with the Homeless (FEANTSA), the European Committee of Social Rights found that the country's deficient housing policy violated the European Social Charter. The Committee's findings revealed serious shortcomings in the protection of vulnerable groups, particularly in relation to evictions, the provision of social housing and systemic discrimination against the Roma community.

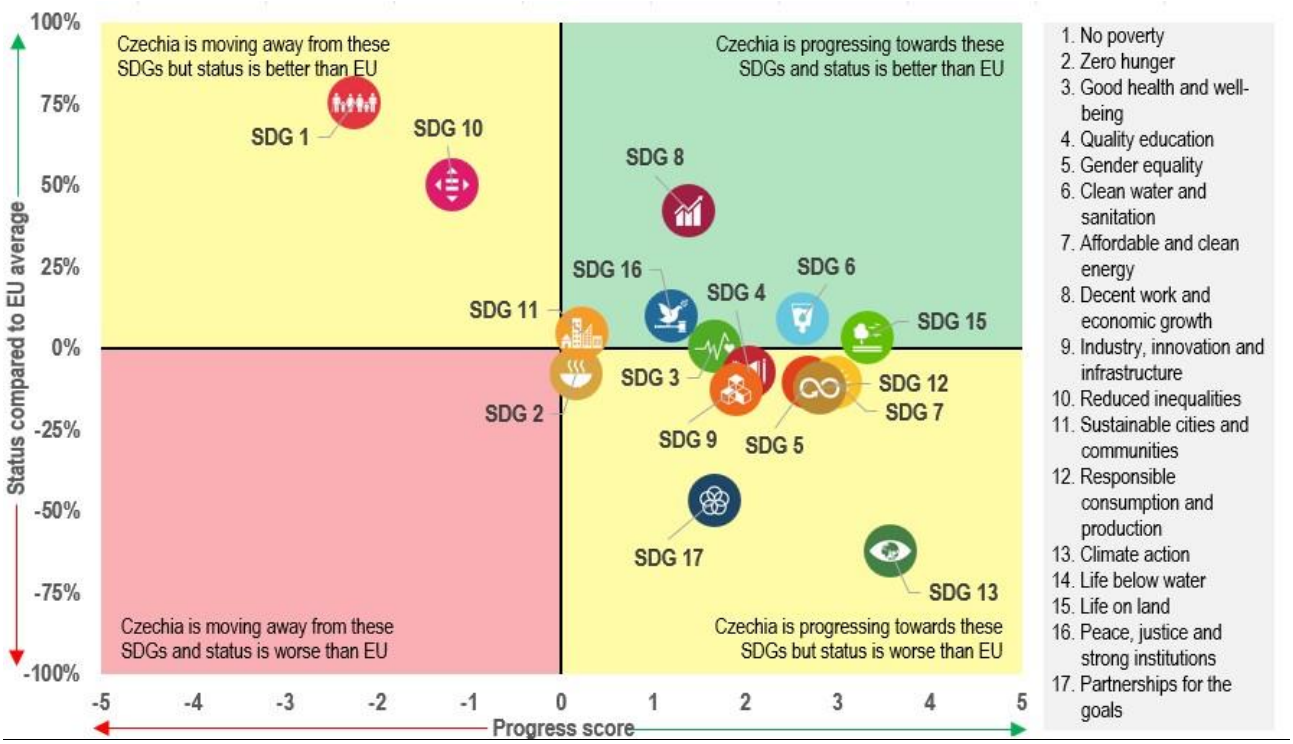
([422])Roma and Travellers Survey - 2025 - Country Data – Czechia.

This annex assesses Czechia's progress on the sustainable development goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

Czechia performs well on SDG 8 (Decent work and economic growth), but despite recent improvements it still needs to catch up with the EU average on other SDGs related to *competitiveness* (SDGs 4 and 9). Czechia's long-term unemployment rate (SDG 8) was 0.8% in 2025, well below the EU average (1.9% in 2025). Czechia also recorded an increase in its employment rate (SDG 8) from 81.7% of the population aged 20 to 64 in 2023 to 82.9% in 2025, above the EU average of 76.1%. Additional efforts on research and innovation (SDG 9) would be beneficial. The percentage of GDP spent on R&D decreased from 1.95% in 2020 to 1.82% in 2024, well below the EU average of 2.24%. While Czechia is performing better than the EU average on early leavers from education and training (SDG 4; 6.1% of the population aged 18 to 24 in 2024, compared to 9.1%), it needs to catch up on tertiary education attainment and adult education.

While Czechia is improving on all SDGs related to *sustainability*, its progress on SDGs 2, 9, 11 and 15 has slowed down recently. The circular material use rate (SDG 12) improved, from 12.8% of material input for domestic use in 2023 to 14.8% in 2024 (above

Graph A17.1: **Progress towards the SDGs in Czechia**



For a detailed progress assessment towards the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for extensive data on the short-term SDG progress of EU countries, see Key findings – Sustainable development indicators; for an interactive visualization of SDG progress of EU countries, see SDG country overview. A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five or six years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

the EU average of 12.2 in 2024). The average CO_2 emissions per km from new passenger cars (SDG 12) decreased from 144.9 g CO_2 per km in 2020 to 132.6 g CO_2 in 2024, but remained above the EU average (107.9 g CO_2 in 2024). Energy productivity (SDG 12) improved slightly, from EUR 5.23 per kilogram of oil equivalent (kgoe) in 2023 to EUR 5.4 per kgoe in 2024 but remained below the EU average (EUR 10.0 per kgoe in 2024). On a more positive note, the recycling rate of municipal waste increased from 32.2% in 2018 to 43.5% in 2023 (below the EU average of 47.7%).

At the same time, Czechia is still significantly lagging behind the EU average on SDG 13 (Climate action). Net greenhouse gas emissions are higher (SDG 13; 8.4 tonnes per capita in 2024) than the EU average (6.5 tonnes per capita), while the share of renewable energy in gross final energy consumption (19.2% in 2024, up from 15.1% in 2018) is still below the EU average (25.2% in 2024).

Czechia is moving away from SDGs related to *social fairness* (SDGs 1 and 10), even though it performs better than the EU average. Czechia's positive stance on reducing poverty (SDG 1) is reflected in a number of indicators such as people at risk of poverty or social exclusion, the severe material and social deprivation rate, and the in-work at-risk-of-poverty rate, all of which significantly outperform the EU average.

At the same time, there is a need for improvement on SDGs 3, 4 and 7 and for a strong focus on SDG 5 (Gender equality). Czechia's percentage of the population unable to keep their homes warm enough (SDG 7; 4.9% of the population in 2024) remains below the EU average (9.2% in 2024). However, there is some room for improvement, mainly on SDG 5 (Gender equality) as regards employment and leadership positions. There have been some positive trends in closing the gender gap (SDG 5; from 20.1% of average gross hourly earnings of men in 2018 to 18.5% in 2024). This remains above the EU average of 11.1% in 2024.

Czechia continues to improve on all SDGs related to *macroeconomic stability* (SDGs 8, 16, 17) but still needs to catch up with the EU average on certain indicators related to SDG 17 (Partnerships for the goals). Czechia maintains very positive macroeconomic standards, reflected mainly in low general government gross debt (SDG 17; 44.3% in 2025), which is significantly below the EU average (81.7% in 2025). The official development assistance (SDG 17) which had reached 0.38% of GNI in 2022 due to large-scale support for Ukrainian refugees, decreased to 0.16% GNI in 2024 - far lower than the EU average of 0.5([423])(). Doing more on the percentage of environmental taxes in total tax revenues (SDG 17) would be beneficial, as these decreased in recent years from 5.7% of total tax revenues in 2017 to 4.1% in 2024. The percentage of the population that perceives the independence of the justice system as very or fairly good increased in Czechia from 51% in 2019 to 64% in 2025 (compared with the EU average of 54% in 2025).

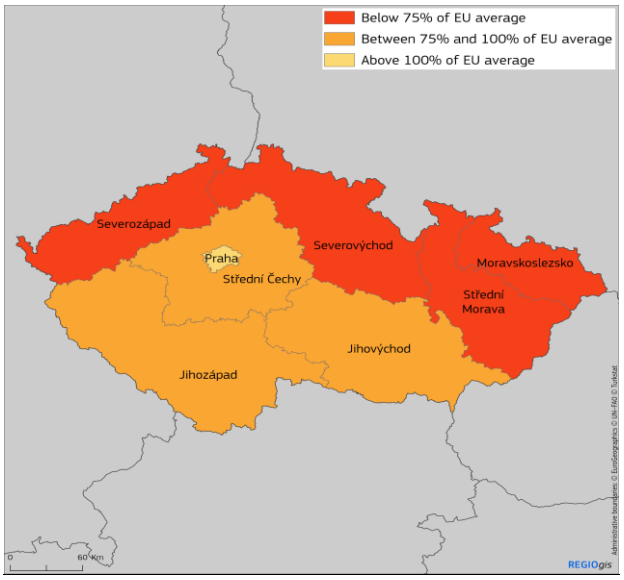
As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

([423])OECD, Preliminary official development assistance levels in 2024, Paris, 16 April 2025

Regional development trends

Although Czechia has converged with the EU average of GDP per head (in purchasing power standard, PPS) in the last 20 years, regional disparities have widened. All NUTS 2 regions experienced a gradual improvement in GDP per head compared with the EU average through the 2000s, with a more pronounced catch-up occurring after 2013. While there was a visible setback in convergence after a peak in 2020, the pace of progress differs across regions. Praha stands out as a clear outlier, reaching 192% of EU average in 2024, while the weakest regions have a GDP per head (in PPS) of around 60-75% of the EU average (see Table A18.1). Over past two decades this gap has been increasing. In growth terms, Praha and Jihovýchod are the standout performers, with sustained growth up to 2020 and continued high levels afterwards. However, Jihozápad, Severovýchod, Střední Morava and Moravskoslezsko show more modest and intermittent improvements, while Severozápad has seen long-term stagnation. This underscores the need for targeted regional development strategies (Map A18.1). In less developed and transition regions tourism contributes to regional convergence by generating income and employment opportunities.

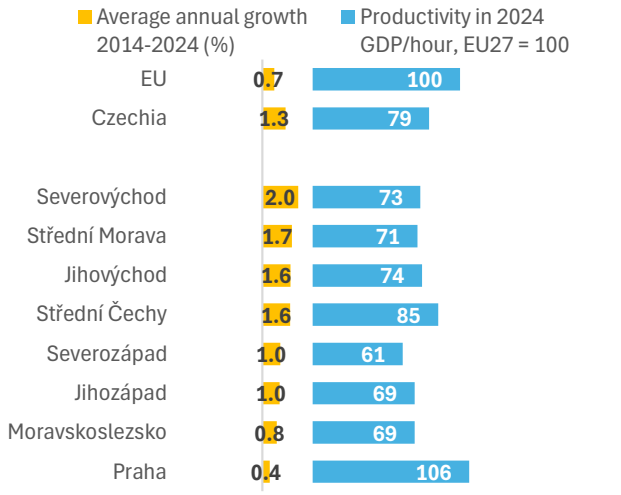
Map A18.1: **GDP per head compared with the EU average.**



2021-2023 average GDP per head in purchasing power standard compared with the EU average.
Source: Commission calculations based on Eurostat 16 July 2025 data.

Disparities in labour productivity persist across regions and mirror the disparities in GDP per head. While Praha stands out with productivity levels surpassing the EU average, other regions remain below it. From 2014 to 2024, labour productivity growth, although positive, showed significant regional differences. Praha, once leading the charge, recorded the lowest growth rates of only 0.4% annually. Meanwhile, all other regions have now outpaced the EU average annual growth, with Severovychod achieving growth of 2% per year. By contrast, Moravskoslezsko and Severozápad edged forward at a slower pace, with growth rates of 0.9% and 0.8%, respectively (see Graph A18.1).

Graph A18.1: **Labour productivity growth (2014-2024) and labour productivity (2024), Czechia (NUTS 2 regions)**



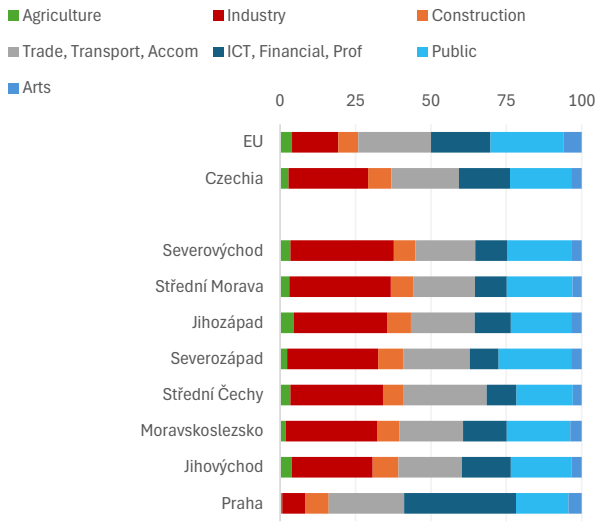
Source: Calculations by the Directorate-General for Regional and Urban Policy (REGIO) based on Joint Research Centre (JRC) (ARDECO) data

The labour market remains an area of strength for Czech regions; however, demographic changes have an adverse impact outside the capital region. The overall good national picture masks regional variations, with Severozápad and Moravskoslezsko both experiencing unemployment rates higher than the rest of the country (4.8% and 4.3%), indicating areas for targeted action (see Annex 11). Population changes are affecting the macroeconomic landscape, with declines in the working-age populations in the regions of Moravskoslezsko, Střední Morava and Severozápad. By contrast, there have been increases in Praha and Střední Čechy, hinting at potential labour supply constraints outside the capital's reach.

Key challenges for regional competitiveness

The structure of Czechia's economy varies across the regions, which is reflected in productivity and innovation capacity lagging behind in less developed regions. Praha is a services-dominated hub (48% of gross value added (GVA) in 2024), with the highest employment rates in high-technology sectors and the highest R&D spending relative to GDP (see Table A18.1). This strong focus on services contributes heavily to Praha's regional competitiveness, scoring well above the EU average (114 vs EU: 100) ([424]). The regions of Střední Čechy, Jihovýchod, Jihozápad, Střední Morava and Severovýchod feature a balanced mix of manufacturing and services, where the automotive and engineering sectors play crucial roles in contributing to GVA. Finally, Moravskoslezsko and Severozápad continue to have a pronounced industrial profile. Almost one third of the workforce is employed (see Graph A18.2) in, among other things, legacy-heavy industries and energy-intensive branches, which contributes to lower productivity levels (see Graph A18.1).

Graph A18.2: **Share of employment in different sectors (2024), Czechia (NUTS 2 regions)**



Source: REGIO calculations based on JRC (ARDECO) data

Development of innovation centers in less developed regions is halted. Low relative R&D expenditure in Moravskoslezsko and Severozápad (see Table A18.1) drives slower industrial modernisation. The lack of long-term financing, evaluation and strategic ownership limits the development of innovation centres in these regions (see Annex 4). Smart specialisation strategies have been a good starting point to provide a strategic framework for regional innovation; however, they are developed without sufficiently considering recent geopolitical developments and existing and new EU value chains.

The capital region's competitiveness is boosted by the high availability of individuals with a tertiary-education, while less developed regions trail behind with a limited offer of professional-oriented higher education institutions ([425]). In 2025, the national share of tertiary education attainment among the youngest cohort (aged 25-34) was 36%. However, there is a significant disparity between the capital region and other parts of the country. The share of graduates is significantly higher in Praha (62%) and continues to rise, with other regions still falling below the national target of 35%, except for Jihovýchod (42%) (see Table A18.1) ([426]). The shortage of workers with a tertiary education might be the greatest barrier to innovation and R&D investment in regions affected by industrial transformation. Current financing models treat all universities as research-oriented, but regional economies would benefit from professionally oriented higher education institutions that cater to local business needs. This could limit the number of young people leaving Střední Morava and Moravskoslezsko.

([424]) Regional Competitiveness Index 2022.

([425]) Karlovy Vary region in Severozápad is the only region without a public university, and Severozápad records the lowest population share with high educational attainment.

([426]) The EU targets for 45% of people aged 25-34 holding tertiary degree by 2030.

Table A18.1:**Key regional indicators (at NUTS 2 level) for Czechia**

	GDP per head (PPS, index)	Net migration of population aged 15-39	Population aged 25-34 with high educational attainment	Employment in high-technology sectors	Unemployment rate	Employment in industry	R&D expenditure
	EU27=100	Average annual change per 1000 residents aged 15-39	% of population aged 25-34	% of total employment	% of labour force	% of total employment	% of GDP
	2024	2014-2023	2025	2025	2025	2024	2024
EU	100	7.1	44.8	5.1	6.0	15.3	2.24
Czechia	91	12.6	36.0	5.7	2.8	26.4	1.82
Praha	192	36.3	61.5	12.9	1.8	7.5	2.77
Střední Čechy	84	21.6	28.6	6.2	1.5	30.7	1.85
Jihozápad	75	12.9	29.6	3.7	2.2	30.9	1.26
Severozápad	61	4.1	19.7	1.7	4.8	30.1	0.33
Severovýchod	75	7.6	31.5	4.7	3.3	34.3	1.2
Jihovýchod	84	11.0	42.2	6.2	2.5	26.7	2.25
Střední Morava	74	3.0	32.9	4.0	2.7	33.6	1.51
Moravskoslezsko	71	0.7	32.3	4.4	4.3	30.5	1.06

Dark green – the indicator is at least 120% of the EU average.
Light green – the indicator is at least 100% but less than 120% of the EU average.
Yellow – the indicator is at least 90% but less than 100% of the EU average.
Light red – the indicator is at least 75% but less than 90% of the EU average.
Dark red – the indicator is less than 75% of the EU average.
This colour scale applies to 'positive' indicators where higher values are favourable.
For 'negative' indicators (where higher values are unfavourable), the colours are reversed.
Source: Eurostat and JRC

Transport connectivity has improved through the expansion of highways and expressways ([427]), **but border and peripheral regions remain poorly accessible** ([428])**.** Intra- and inter-regional transport is fragmented, with incompatible fare systems and weak cross-regional integration, which affects social and labour mobility in administrative regions like Karlovarský and Jihočeský kraj ([429])([430]). Commuter burden is most pronounced in Střední Čechy, where more than half of those who leave Praha relocate to the surrounding region but continue to commute back to the city for work ([431]). The development of coordinated park & ride facilities around Praha and other metropolitan areas, alongside more frequent public transport connections, could alleviate traffic congestion and the environmental costs of high commuter flows.

The lack of affordable housing directly impacts regional competitiveness and labour market mobility. Praha currently ranks as the third-least affordable city in Europe, and prices continue to rise ([432]). There is still no stable long-term public investment framework for social and affordable housing. This results in a mismatch among regions where those with high rates of unemployment have a surplus of labour that cannot afford to move to areas with a high demand for workers (see Annex 16).

([427])Roads and motorways of the Czech Republic, Road and Motorway Directorate of the Czech Republic.

([428])Length of roads in the regions as of 31/07/2024 (km), Czech Statistical Office.

([429])Commuting data 2021, Czech Statistical Office.

([430])Koncepce veřejné dopravy 2020-2025, Ministry of Transport.

([431])PAM Prague, Visitors and Commuters.

([432])Deloitte Property Index 2024.

Table A18.2:**Main development trends, challenges and the concentration of resources**

	Main development trends
Less developed regions (population 5 million)	**Severozápad, Severovýchod, Střední Morava and Moravskoslezsko** are classified as less developed regions. Common features include (i) an unfavourable industrial legacy, with a strong presence of traditional manufacturing or extractive industries; (ii) a lower concentration of knowledge-intensive services; and (iii) weak innovation capacity compounded by human capital challenges.
Transition regions (population 4.5 million)	In the 2021–2027 EU programming period, **three Czech regions moved up to the transition category. Střední Čechy** benefits strongly from spillover effects from Prague, including transport links, commuting flows, investment activity and integration into the metropolitan supply chain. The **Jihovýchod region,** centred around Brno, combines a solid manufacturing base with expanding services, research institutions and universities, creating a more diversified and innovation-oriented economy. The **Jihozápad region's** export-focused industries and cross-border ties with Germany and Austria drive its steady growth. Plzeňský kraj specializes in manufacturing linked to German value chains, while Jihočeský kraj provides stability through energy production (Temelín), food processing and a relatively resilient SME sector.
More developed regions (population 1.4 million)	**Prague**, the main economic engine and the sole Czech region classified as more developed, thrives on market and knowledge-intensive services. However, its success has also led to challenges, such as rapid population growth, strains on transport infrastructure, shortages in social and educational services, and a pronounced housing crisis.
Areas affected by industrial transformation	**Severozápad and Moravskoslezsko (1),** both less developed regions with legacy of coal mining and heavy industry, are affected by industrial transformation. **Severozápad**, despite its strategic location between Prague and Germany, continues to lag behind. This reflects deep-rooted economic and social problems, such as low educational attainment, an ageing population and household indebtedness. **Moravskoslezsko** is on a more promising development path, gradually restructuring its economy through the expansion of the automotive sector, alongside strengthening its universities and R&D activities.
National cohesion aspects	Czechia's strategic transit location requires multimodal transport infrastructure. However, both the TEN-T road network and the conventional railway system are unfinished, with railways not yet fully compliant with technical specifications for interoperability. Key motorway sections, including D3, D11, D35, and D6, remain unfinished, especially in peripheral regions, which need better cross-border connections with Germany, Poland and Austria. Czechia has made environmental progress, using EU funds effectively. However, it could intensify its efforts to adopt a circular economy by diverting more recyclable waste from landfill. Climate action remains a challenge as ecosystems face threats from inefficient land use practices that fail to serve as net carbon sinks. Progress in transport decarbonisation and increasing the share of renewables in the electricity sector could support the country further in tackling environmental challenges.

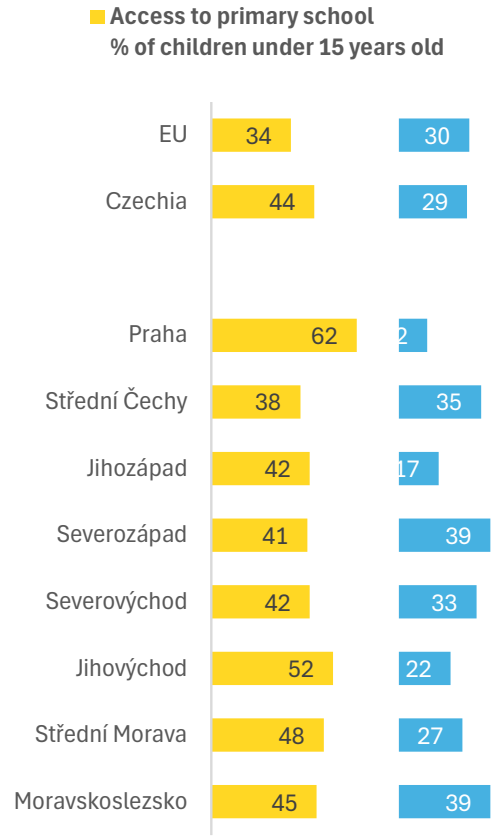
(1) Czechia's territorial just transition plan identifies both of these areas as most affected by the transition away from coal mining and combustion for energy use.

Source: European Commission based on Eurostat data; categories of regions based on Map A18.1.

Regional disparities in access to services, such as education and healthcare, affect the quality of life and hinder social mobility. While approximately 92% of children under 15 living in cities have a primary school within a 15-minute walking distance, rural areas significantly lag behind urban centres (44%) (see Graph A18.3). Limited educational opportunities for students from underperforming areas, including those with high educational potential, lead to limited regional innovation capacity and further hinder economic growth (see Annex 13). Similarly, hospital access varies among the types of territories: 79% of people in cities live within a 10-minute drive of a

hospital, while this number drops to only 29% in rural locations, with the worst accessibility in rural areas of Jihozápad. Furthermore, the capacity of the healthcare workforce is also characterised by regional imbalances (see Annex 15). These disparities reflect settlement density and the clustering of services in metropolitan areas and underscore the need to improve accessibility to services in rural areas, particularly in south-eastern Czechia.

Graph A18.3: **Share of children with a primary school within a 15-minute walk and share of population with a hospital within a 10-minute drive by car in rural areas, (NUTS 2), 2023**



Source: Eurostat

Environmental sustainability remains a challenge and is driven by regional industrial structures and energy profile, particularly in heavier industry regions like Severozápad. Although renewable energy production, especially wind and solar energy, remains low compared with its technical potential, there is considerable room for growth, especially in rural areas where solar PV production. Water quality is an additional regional stress: the Ústí nad Labem and Karlovarský administrative regions – both situated along the heavily industrialised Ohře and Elbe (Labe) river basins – have some of the poorest surface water quality in Czechia. Nitrate pollution from agricultural run-off and industrial effluents contribute to persistent failures to meet good ecological status under the EU Water Framework Directive (see Annex 10).

The 2025 country-specific recommendation for Czechia noted the necessity to 'provide support for administrative capacity building and target this support to structurally affected regions'. The Just Transition Fund has contributed to that effort by providing the technical assistance to applicants from coal regions and developing a project pipeline. In addition, local action groups, representing a partnership of citizens, civil society, the private sector and municipalities, have a territorial focus that enables them to channel resources into overlooked rural territories.

Czechia has one of the most fragmented systems of self-government in Europe. There are over 6 000 municipalities, half of them with less than 500 inhabitants ([433]). Czechia's municipalities are the smallest among all OECD countries, with an average population six times smaller than that of other countries ([434]). About one third of municipalities have no full-time mayors ([435]). This fragmentation leads to significant hidden costs, the duplication of essential municipal activities, a lack of expertise in specialised areas, prolonged savings for investments, and investment restrictions ([436])([437])([438]). A study for the European

([433])Territorial units in Czechia, 2025, Czech Statistical Office.

([434])OECD (2025), Subnational governments' structure and finances in OECD countries: Key data.

([435])PAQ Research, Neuvolněný starosta/ka (počet obcí, 2015 – 2024) po obcích.

([436])Sila, U. and C. de la Maisonneuve (2021), *Enhancing Administrative and Fiscal Decentralisation in the Czech Republic*, OECD Economics Department Working Papers, https://doi.org/10.1787/c1d0c9bb-en.

([437])OECD (2023), *OECD Public Governance Reviews: Czech Republic Towards a More Modern and Effective Public Administration*, OECD Publishing, https://doi.org/10.1787/41fd9e5c-en.

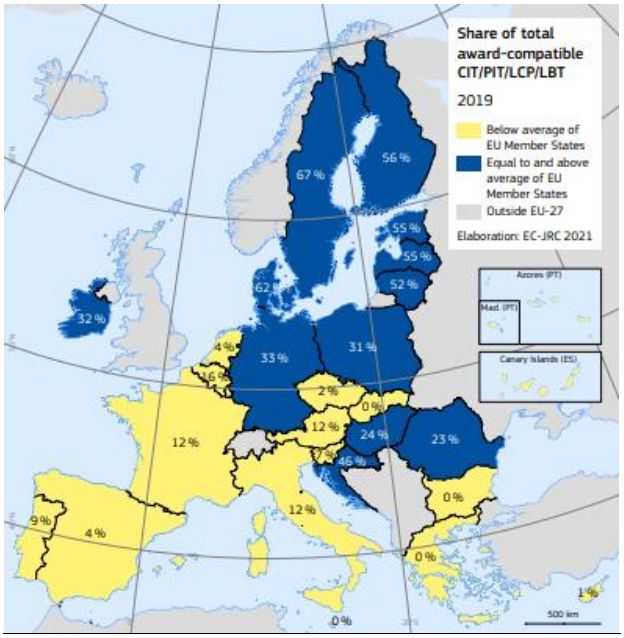
([438])OECD (2024), *Optimising Public Infrastructure Investments in Czechia*, OECD Public Governance Reviews, OECD Publishing, Paris, https://doi.org/10.1787/d4532316-en.

Parliament ([439]) reveals that smaller municipalities not only struggle to receive subsidies but also to implement them, mainly due to a lack of staff capacity.

Municipal tax assignment rules fail to provide strong fiscal incentives for municipalities to deliver quality services and promote growth ([440]). Municipalities and regions receive more than CZK 400 billion (around EUR 9 734 billion) per year from the state budget. The current framework redistributes funds to municipalities primarily based on population, which favours the four largest cities. This assignment broadly neglects regional economic development as it ignores local economic activity when allocating municipal tax (see Map A18.2) ([441]),([442]). Local and regional authorities bear the economic and political costs of population growth, which take the form of increased congestion, noise and infrastructure needs, while revenues are collected centrally and redistributed through tax assignment. It could be beneficial to revise the system by incorporating objective indicators, such as population size, alongside metrics designed to incentivise alignment with national strategies, including, for example, secondary school development and economic growth.

The 2025 country-specific recommendations advise Czechia to incentivise and simplify cooperation among its municipal administrations. A key instrument for this structural reform is the Community of Municipalities (*společenství obcí*). This model preserves municipal autonomy and enables the joint delivery of public services and shared administrative agendas. Although this framework is currently used by around 18% ([443]) of municipalities, its potential remains largely untapped. For these communities to achieve meaningful scale and impact, it could be beneficial to align with the territorial scope of Administrative Districts of Municipalities with delegated authorities (*správní obvody obcí s rozšířenou působností*) and have access to stable funding mechanisms. Czech think tanks and key stakeholders have already started policy discussions to explore specific reform options in this area. Furthermore, a well-designed budgetary tax assignment could encourage municipalities to form communities of municipalities ([444]).

Map A18.2: **Incentive-based tax revenues as a share of local government budgets**



Source: JRC, Local taxes on economic activity in municipalities in EU Member states

Territorial disparities in Czechia are even more prominent at lower territorial levels and are not fully captured at NUTS 2 level. Stronger use of regional (NUTS 3) and functional territories is therefore important for effective policy design and implementation. A combined model could be considered, with strategic coordination at national level and implementation at regional level through existing structures and regional strategies.

([439])Wojtowicz, D 2024, Research for REGI Committee – Streamlining EU Cohesion funds: addressing administrative burdens and redundancy, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.

([440])PAQ research (2025), Spolupráce, investice a silná centra. Reforma RUD může zlepšit život v regionech,

([441])NERV (2025), Růst chudších regionů: Investice, motivace, efektivita samospráv a rozvoj služeb.

([442])JRC Publications Repository - Local taxes on economic activity in municipalities in EU Member States.

([443])Přehled společenství | spolecenstviobci.gov.cz.

([444])OECD (2025), OECD Economic Surveys: Czechia 2025, OECD Publishing, Paris, https://doi.org/10.1787/7a70af5c-en.

This Transport Annex presents the state of play and the challenges the Czechia faces with the implementation of the Trans-European Transport Network (TEN-T) and the European railway traffic management system (ERTMS).

Two European Transport Corridors cross Czechia (Baltic Sea – Adriatic Sea and Rhine – Danube). The Czech TEN-T rail network is 3 200 km long (1 842 of which are on the core network). The road network is 2 148 km long (1 015 of which on the core network). Czechia has 333 km of inland waterways, three airports (including two core airports), nine ports (including five core port) and 10 urban nodes on TEN-T ([445]).

The rail infrastructure in Czechia has improved considerably over last two decades. However, significant investments are still lacking on the core and extended core network to ensure a full compliance with TEN-T requirements and to deploy the high-speed network connecting the main cities in the country and further on to Berlin and Vienna and other EU neighbouring countries.

In accordance with the TEN-T Regulation, the most important high-speed lines to be constructed in the next decade are the one connecting Prague and Brno, and modernisation of the Brno railway node, including high-speed access to that city. Together with the cross-border sections Dresden-Prague and Brno-Vienna/Bratislava/Katowice, this line is an essential part of the Rhine – Danube corridor which connects Germany to central and southeastern Europe. Another priority constitutes the modernisation of the Velký Osek-Hradec Králové-Choceň line that has a key importance for the freight transport in the country.

The ERTMS is essential to digitalising the railways and to modernising and harmonising railway operations across Europe. The ERTMS ensures the safety of rail networks by providing a unified signalling system that significantly reduces the risk of accidents. It also provides interoperability between national rail systems, improving cross-border train movements. Finally, the ERTMS enhances network capacity and operational efficiency, increasing the competitiveness of the rail sector.

By the end of 2024 ([446]) **ERTMS was in operation on 33% of the TEN-T network in Czechia.** To achieve its ambitious national plan, long-term funding is lacking to reach the 2035 ERTMS roll-out target aiming to deploy the system on an additional length of 1 600 km.

In Czechia, public procurement of infrastructure projects is lengthy and complex. Combined with a weak administrative capacity for planning and implementing major infrastructure projects, this often leads to delays in project implementation and high project costs. Administrative structures and processes lack the efficiency needed to accelerate the upgrading of key corridors and develop the infrastructure that high-speed rail requires. It would also be of benefit for Czechia to continue strengthening the National Safety Authority's operating conditions, as it still faces challenges related to its budgetary and staffing needs, staff retention and a more risk -based and effective supervision.

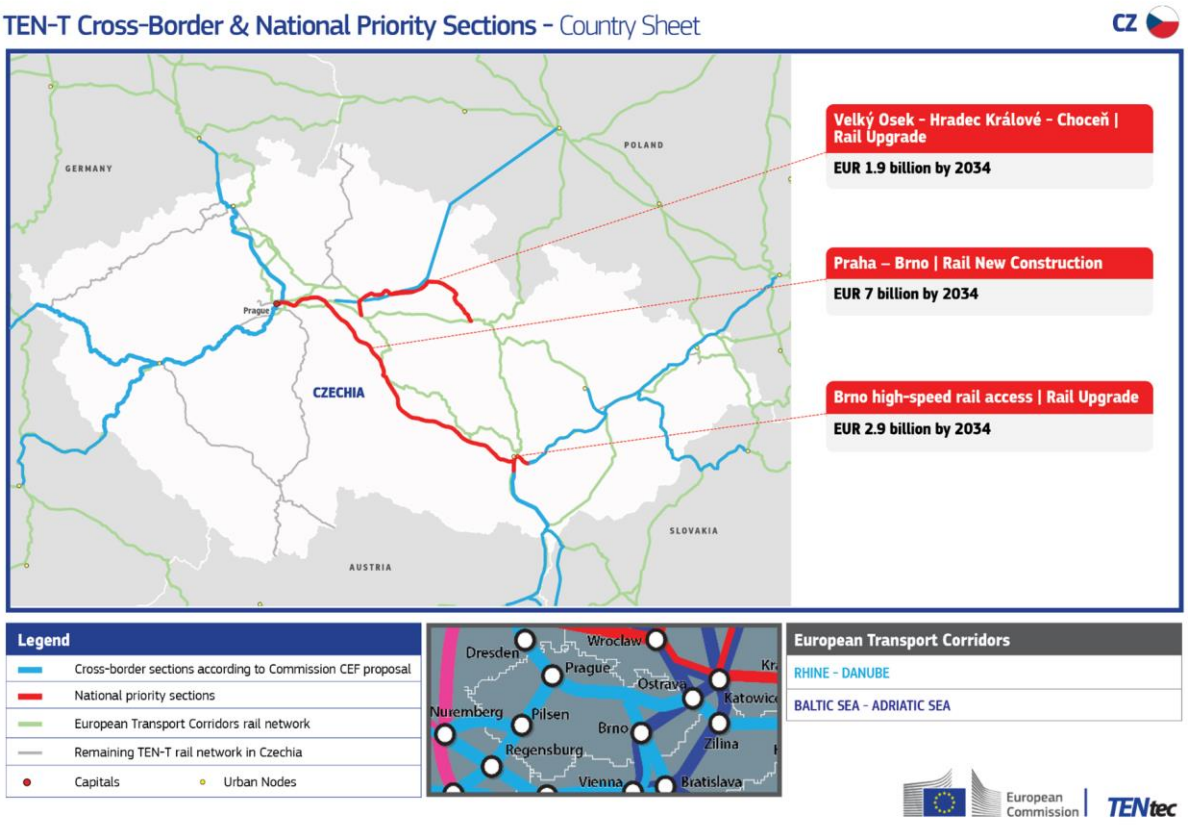
Czechia recently introduced a single permit procedure which replaced previous separate procedures for zoning and building permits. This change of legislation is expected to facilitate and shorten permit procedures, but it is too early to conclude on its effectiveness. Finally, harmonising technical and operational rules with the minimisation of national rules in line with the EU directives on rail interoperability and safety remains critical to ensuring seamless cross-border rail transport.

([445])TENtec Information System, according to Reg. 2024/1679

([446])Based on ERTMS – Third work plan of the European coordinator Matthias Ruete.

Map A19.1:

Czechia				
TEN-T rail network	ERTMS (trackside) in operation			Min. estimated cost of additional deployment until 2035
	year	length	% of total TEN-T	
3 200 km	end 2024	1 062 km	33 %	
	by 2035	2 662 km	83 %	EUR 384 million

Source: Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

Map A19.2: **TEN-T Cross-Border & National Priority Sections in Czechia.**