Patrik Reichl – CEO, CzechInvest



The third pillar [of the Czech Innovation Strategy], dubbed Smart Marketing, is about changing the image of the Czech Republic from a low-cost manufacturing location to an innovative country where tomorrow's technologies are being developed

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Patrik Reichl, CEO of CzechInvest, the Investment and Business Development Agency under the Ministry of Industry and Trade of the Czech Republic, breaks down the role of the agency in implementing the Innovation Strategy 2019–2030 and transforming the Czech Republic as the "Country for the Future" by fostering a local start-up ecosystem, attracting smart investments in high, added-value R&D, and more manufacturing projects. Reichl also discusses the investments made in the infrastructure of life sciences research, a sector considered as one of key priorities in the field of research by the government.

Patrik, you have been working at CzechInvest since 2005 and were appointed CEO in July 2019. What are your priorities in your new role?

At the beginning of 2019, the Czech government introduced the Innovation Strategy of the Czech Republic 2019–2030 which contains nine strategic pillars. CzechInvest is responsible for implementing three of those nine pillars.

The first pillar is to support the emergence of a thriving start-up ecosystem. In this endeavour, we prepared a methodology for spinning off projects from academia, approved by the government in December 2019. CzechInvest was already active in helping start-up projects through programs designed to accompany them at different stages of development. It starts with CzechStarter, a seven-month program that supports Czech start-ups in getting their business moving. They get the

most from mentoring from experienced entrepreneurs and services from renowned consulting firms.

It is continuous with CzechAccelerator, a three-month acceleration program in a foreign incubator in either Silicon Valley, New York, Singapore or London. Also, the European Space Agency Business Incubation Center (ESA BIC) administrated by CzechInvest focuses on incubating and developing startups that use space technologies or systems in their commercial products or services. Then, with CzechDemo, start-ups have the opportunity to present their projects at high-technology conferences around the world, test their business plans, and receive feedback from investors. Finally, the CzechMatch program connects entrepreneurs with business contacts in destinations with well-developed venture capital infrastructures. As part of these efforts, in May of last year, we organized the Czech Startup Week in New York which was attended by six start-ups based in the Czech Republic and four start-ups residing in New York under the CzechAccelerator program.

The second pillar is called Smart Investments. We want to attract more Foreign Direct Investment (FDI) and foster Domestic Direct Investment (DDI) in R&D activities with high added-value in priority sectors, including the life science and healthcare sector. However, in regions which are less developed economically, we will continue to focus on attracting manufacturing projects. Our goal is to identify and target relevant investors at home and abroad. The main hurdle to attract investment is the fact that the Czech labour market is at full employment, a situation which is unlikely to change in the near future as the economy is expected to continue growing at a rate of around 2.5 percent.

Finally, the third pillar, dubbed Smart Marketing, is about changing the image of the Czech Republic from a low-cost manufacturing location to an innovative country where tomorrow’s technologies are being developed, in line with the government’s vision to position the Czech Republic as the Country for the Future. Our aim is to contribute to the Czech Republic’s transformation into an innovation leader of Europe through its support for the establishment and development of Czech companies and support for domestic and foreign investments focused on new technologies and research and development activities. We have organized several events abroad with local embassies and chambers of commerce to communicate this new vision and present support programs for innovative businesses. For instance, in October 2019, we held two investment seminars in China, one in Nanjing and the other in Shanghai, and visited the largest engineering trade show in Canada. In September last year, I visited Taiwan to meet with local companies, including Foxconn, and associations.

The Czech life sciences sector is still relatively underdeveloped. What initiatives has the government put in place in order to promote the emergence of a life science hub in the Czech Republic?

Today, the Czech Republic is an attractive location for generic drug manufacturing. As the country aims to move up the value chain, the Czech government has set the development of new pharmaceutical treatments and diagnostics as one of the top priority areas and allocated public funding of over EUR 2.5 billion in the last decade to strengthen the sector's research infrastructure. New state-of-the-art research facilities have been completed in Prague, Brno, Olomouc and Plzeň to complement the existing institutes of the Czech Academy of Sciences and universities. In March 2019, The Pharmaceutical Applied Research Center (The Parc) was officially launched at the premises of Zentiva in Prague. The Parc is a joint initiative of Zentiva, University of Chemistry and Technology Prague, Faculty of Science of Charles University and Institute of Organic Chemistry and Biochemistry of the Czech Academy of Sciences in Prague. Its aim is to foster industry-academia collaboration and the education of PhD students in pharmaceutical sciences.

The Czech Republic is the birthplace of medical inventions that have significantly improved the lives of millions. For instance, in 1961, Otto Wichterle produced the first soft gel contact lenses. More recently, pioneering Czech scientist Prof. Antonín Holý developed breakthrough antiretroviral drugs which have revolutionized the treatment of HIV and hepatitis B. Czech research teams are internationally recognized for their quality research in molecular genetics, immunology, analytical and pharmaceutical chemistry and biochemistry, cardiology, neurology, metabolic diseases and, more recently, medical applications of nanotechnologies.

Our role is to strengthen the link between our research infrastructure, scientists, and the business environment so that Czech inventions in life sciences can reach the global market and help patients.

The government recently amended the Investment Incentives Act. Since CzechInvest is the sole access to these incentives, what should potential investors know about the changes?

This amendment is more geared towards helping Czech SMEs invest in the country. In order to get access to these incentives, companies need to generate revenues of at least one million euros. In the case of companies with revenues higher than four million euros, they can normally only claim incentives for R&D projects, but exceptions can be made for manufacturing projects with high added value in poorer regions. The same applies to foreign investors who want to invest in the

Czech Republic. The goal is to foster the creation of high-paying jobs in different regions.

What other services do you offer for companies looking to enter the country?

We offer a package of services to foreign companies in order to ensure a soft landing in the country. We provide consulting services on business conditions in the Czech Republic and can help them find the right partners for their projects, as well as arrange meetings with regional authorities. We can also assist them in finding offices, manufacturing or R&D sites as we maintain a database of available properties and help them prepare the required documentation. For R&D projects, we can connect them with representatives of incubators, R&D centres and universities. We also provide support in hiring talent as we have information on new graduates from all universities in the Czech Republic.

When meeting investors abroad, what do you tell them about the advantages of investing and doing business in the Czech Republic?

The Czech Republic offers a safe investment environment with a transparent system of incentives, conveniently located in the heart of Europe with most European destinations easily accessible within a two-hour flight which is why many companies choose to establish shared services centre here.

Moreover, we have a skilled and well-educated workforce on par with countries like Germany or France but with much favourable labour costs. Finally, we have a strong focus on R&D with 48 R&D centres located throughout the country.

Where would you like the Czech Republic to be ten years from now?

Before the Second World War, the Czech Republic was one of the top ten most developed countries in the world. Today, we are ranked about 35th. The Czech economy has undergone a great transformation since the Velvet Revolution, shifting from a centrally planned to an open market economy. As state companies were progressively privatized, company managers had to learn how to become businessmen instead of simply employees. Moreover, while under the communist regime everybody was employed by the state, the transition to a market economy led to high unemployment in the nineties. To solve the issue, the country focused on attracting investments by

positioning itself as a competitive manufacturing location in Europe. When I joined CzechInvest in 2005, the main objective was still to tackle unemployment. Today, however, the situation has drastically changed. The economy is at full employment, salaries are increasing, and people want better work conditions, reducing the competitiveness of the country for manufacturing. Moreover, the population is highly educated. The natural development for the Czech Republic is to move up the value chain.

Ten years from now, I would like the Czech Republic to be a prospering economy built on innovation. Currently, the Czech Republic is considered a moderate innovator in the European Innovation Scoreboard, but the country aims to become one of Europe’s innovation leaders and a country of the technological future within the next twelve years. If we want to maintain our performance in an increasingly competitive environment, we must focus on final production, technology solutions and services based on knowledge. Support for science, research and innovation will become an absolute priority to develop projects with potential for global success. Attracting talent from abroad will also be crucial to moving in this direction as we lack human resources. As a matter of fact, we have projects for attracting talents from Spain, France, Germany and other countries by promoting the Czech Republic as an attractive place to live and work. I feel very optimistic about the future of my country.

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