Study on State asset management in the EU

Final study report for Pillar 3 – Czech Republic

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Czech Republic

This country fiche presents a qualitative overview of the mix of governance models and investment strategies implemented by the Czech general government to manage its assets portfolio.

1. MAPPING OF THE GOVERNANCE OF THE PORTFOLIO OF ASSETS

The Czech general government comprises three levels of governance, i.e. central, regional and municipal. Throughout this country fiche, we re-cluster these public bodies into two categories, i.e. the “central government”, which includes the central government, and the “local governments”, which include both the regional governments and the municipalities.

Currently, there is not a specific, unique government entity responsible for overseeing state asset management. However, the Czech government has a centralised model where the central government is responsible for the most important decisions regarding the management of the assets in its portfolio, by supervising their management and investment strategies.

As far as a consolidated National public data source of assets is concerned, there is no unique and comprehensive National public data source covering all assets in the government’s portfolio.

1.1. Financial assets

The PSHs owned by the Czech general government operate in a broad spectrum of the domestic economy. This variety is reflected in the patterns of ownership and governance. For example, some financial assets are owned by the central government; others by the local governments.

In compliance with the Act No 92/1991 Coll. And the Act No 178/2005 Coll., the State Property Management Department of the Ministry of Finance is responsible for exercising the power of the Ministry as a central administrative authority in the area of state property management, including the general state’s ownership. It implements privatisation decisions issued by the Ministry of Finance or by the government.

With respect to financial assets in the government’s equity portfolio, the five most important sectors in terms of Value Added (VA) generated by Public Sector Holdings (PSHs)¹ are:

1. D – Electricity, gas, steam and air conditioning supply;
2. H – Transportation and storage;
3. Q – Human health and social work activities;
4. E – Water supply; sewerage, waste management and remediation activities;
5. M – Professional, scientific and technical activities.

¹ The five most important sectors in terms of VA generated by PSHs have been mapped in Pillar 1. For industry classification we rely on data provided by Bureau van Dijk (BvD) Orbis, which in turns gets its data from other service providers and bases industry classification on the NACE codes provided.
**Table 1** Governance regimes: Financial assets, Czech Republic

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>Both central and local governments participate in the companies’ capital.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Most important sectors in terms of VA:</strong></td>
<td></td>
</tr>
<tr>
<td>1. <strong>Sector D – Electricity and gas:</strong> the majority of PSHs are owned by the local governments. However, some PSHs (e.g. Ceps A.S., Stredoceske Energeticke Zavody) are directly owned by the central government through its ministries</td>
<td></td>
</tr>
<tr>
<td>2. <strong>Sector H – Transportation:</strong> the majority of PSHs are owned by the local governments. However, some PSHs (e.g. Čepro A.S.) are directly owned by the central government through its ministries</td>
<td></td>
</tr>
<tr>
<td>3. <strong>Sector Q – Human health:</strong> the majority of PSHs are owned by local governments, although the central government retains minor ownership levels through the <em>Ministry of Health</em> and the <em>Ministry of Finance</em></td>
<td></td>
</tr>
<tr>
<td>4. <strong>Sector E – Water supply:</strong> the majority of PSHs are owned by local governments, although the central government retains minor ownership levels through the <em>Ministry of Agriculture</em></td>
<td></td>
</tr>
<tr>
<td>5. <strong>Sector M – Professional activities:</strong> the PSHs are owned by both central and local governments.</td>
<td></td>
</tr>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
<td>The <em>Ministry of Finance</em> is the main body responsible for outlining the overall strategic framework related to the Czech PSHs.</td>
</tr>
<tr>
<td><strong>Most important sectors in terms of VA:</strong></td>
<td>the relevant local governments and each relevant Ministry are responsible for the strategic decisions on PSHs operating within their jurisdiction in compliance with the strategic framework outlined by the <em>Ministry of Finance</em>.</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
<td>In compliance with the <em>Act No 92/1991 Coll.</em> and the <em>Act No 178/2005 Coll.</em>, the <em>State Property Management Department</em> of the <em>Ministry of Finance</em> is responsible for the state’s ownership and for implementing privatisation decisions issued by the Ministry or by the Government.</td>
</tr>
<tr>
<td><strong>Most important sectors in terms of VA:</strong></td>
<td>since the majority of the PSHs operating in these sectors are owned by local governments, then local governments are mainly responsible for operational decisions.</td>
</tr>
</tbody>
</table>
National public data sources: The *Ministry of Finance* monthly reports the list and the main information regarding PSHs in its portfolio\(^2\). This information includes whether or not the PSH is planned to be privatized, the *Ministry of Finance*’s stake in capital, if there is a bankruptcy procedure, a liquidation procedure, or insolvency proceedings. The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster. For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

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### 1.2. Non-financial assets

- **Airports**

**Table 2 Governance regimes: Airports, Czech Republic**

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>The ownerships of the airport infrastructures (e.g. Karlovy Vary airport, Brno Airport, Ostrava Airport) were transferred to the relevant local governments(^3). The only exception is the Prague airport which is owned by the central government. C1 D1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
<td>The Ministry of Transport is responsible for the strategic and investment decisions regarding airport infrastructure. C1</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
<td>The Ministry of Transport entrusts the use of airport infrastructures to different airport operators, which are responsible for operational decisions. Each airport runs its business as separated commercial law company, and it cooperates closely with the Ministry of Finance, the Ministry of Transport, and the Civil Aviation Authority. Currently, all airport operators are owned by the public sector. The airport operator of Prague airport (i.e. Letiště Praha a.s.) is fully owned by the Ministry of Finance, while other airport operators are owned by the local governments(^4). C3 D3</td>
</tr>
<tr>
<td>National public data sources</td>
<td>The Ministry of Transport reports the key information about the opened procedures for granting concession agreements on airport infrastructures(^5). In addition, the National Statistical Institute annually collects and reports information about airport traffic in the country (e.g. the air passenger traffic). With regard to the airport infrastructures, there is currently no single, definitive, public source of information. C1 C2</td>
</tr>
</tbody>
</table>

**Legend**

- C1 = Central government
- C2 = Central public body
- C3 = Central company-type structure
- D1 = Local governments
- D2 = Local public body
- D3 = Local company-type structure
- PM = Private body

**Source:** KPMG elaborations.

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\(^3\) Act No. 166/2004 Coll.


(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

- Ports

Czech Republic does not have maritime ports\(^6\).

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\(^6\) Fluvial ports are not considered in the analysis. For further detail please see Methodological Notes of Pillar 2.
## Roads

### Table 3 Governance regimes: Roads, Czech Republic

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>The property of the road network belongs to the general government, which entrusts it to other entities. In detail:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• motorways and 1st class roads(^7) are owned by the central government;</td>
<td>C1</td>
</tr>
<tr>
<td></td>
<td>• 2nd, 3rd class roads(^8), and local roads are owned by the relevant local governments.</td>
<td>D1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bodies responsible for the strategic and investment decisions</th>
<th>The Ministry of Transport is responsible for the strategic and investment decisions regarding road infrastructure.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>C1</td>
<td></td>
</tr>
</tbody>
</table>

| Bodies responsible for the operational decisions | The responsibility for the operational decisions related to motorways and the 1st class roads network is entrusted to the Road and Motorway Directorate of the Czech Republic (ŘSD ČR)\(^9\). It is a state-funded organisation established by the Ministry of Transport,.

The relevant local governments are responsible for operational decisions regarding the road network under their jurisdiction. | C2 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>D1</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>National public data sources</th>
<th>The National Statistical Institute and ŘSD ČR collect and report key information about road infrastructures (e.g. the length of the road network) and road traffic.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>C2</td>
<td></td>
</tr>
</tbody>
</table>

### Legend

- C1 = Central government
- C2 = Central public body
- C3 = Central company-type structure
- D1 = Local governments
- D2 = Local public body
- D3 = Local company-type structure
- PM = Private body

**Source:** KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

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\(^7\) The 1st class roads are designated for long-distance and international transport and include the so-called expressways.

\(^8\) The 2nd class roads enable transport between districts. The 3rd class roads provide connections between particular towns or link villages to other land communications.

\(^9\) Ředitelství silnic a dálnic ČR - ŘSD ČR.
- **Railways**

### Table 4 Governance regimes: Railways, Czech Republic

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>The property of the railway network belongs to the central government.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
<td>The <em>Ministry of Transport</em> is the main body responsible for strategic and investment decisions related to railway infrastructures. Specifically, it acts as coordinator of the railway sector addressing the activity of <em>Railway Infrastructure Administration (SŽDC)</em> through the <em>Operation of Railway Infrastructure Contract</em>.</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
<td>The management of the infrastructure is entrusted to the <em>SŽDC</em>. It acts as the infrastructure manager in accordance with the <em>Operation of Railway Infrastructure Contract</em>, and is responsible for the operational decisions.</td>
</tr>
<tr>
<td>National public data sources</td>
<td>The <em>SŽDC</em> annually collects and reports information and data about the Czech railway network (e.g. the length of railway tracks). In addition, the <em>National Statistical Institute</em> collects and reports key information about the railway infrastructure (e.g. the length of railway tracks) and traffic in Czech Republic.</td>
</tr>
</tbody>
</table>

**Legend**

- C1 = Central government
- C2 = Central public body
- C3 = Central company-type structure
- D1 = Local governments
- D2 = Local public body
- D3 = Local company-type structure
- PM = Private body

Source: KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

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10 *Správa železniční dopravní cesty (SŽDC).*
### Study on State asset management in the EU – Pillar 3
Czech Republic

- **Mineral and Energy reserves**

#### Table 5 Governance regimes: Mineral and Energy reserves, Czech Republic

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>The property of Mineral and Energy reserves belongs to the central government, and their exploitation can be granted to private companies(^{11}).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
<td>The <em>Ministry of the Industry and Trade</em> is the relevant authority for granting licences for exploring and exploiting the Czech mineral and energy reserves. In cases of national security, the <em>Administration of state material reserves</em> acts as a central body responsible for key resources intended to fulfil the strategic plans laid out by the <em>Ministry of Internal Affairs</em>.</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
<td>Many companies are given the rights to exploit Czech Mineral and Energy resources in concession. Those companies are responsible for the operational decisions related to Mineral and Energy reserves.</td>
</tr>
<tr>
<td>National public data sources</td>
<td>The <em>Central Geological Authority</em> of the state administration fulfils the duty involving the state register of reserved deposits – state property (section 29 of the <em>Mining Act</em>). The register lists the latest status of the deposits as documented in the reserves estimate. The reserves estimate is prepared with respect to the conditions of exploitability expressing the state of the market, and the mining and technical conditions of exploitation.</td>
</tr>
</tbody>
</table>

**Legend**

- \(C_1\) = Central government
- \(C_2\) = Central public body
- \(C_3\) = Central company-type structure
- \(D_1\) = Local governments
- \(D_2\) = Local public body
- \(D_3\) = Local company-type structure
- \(P_M\) = Private body

**Source:** KPMG elaborations.

- **(a)** The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.
- **(b)** For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

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\(^{11}\) The main regulatory framework in Czech Republic for mining exploration and extraction is built on:

1. Act No. 44/1988 Coll., on the protection and utilization of mineral resources (the *Mining Act*). Available at: [https://www.mzp.cz/www/platnalegislativa.nsf/d79c09c54250df0dc1256e8900296e32/0f98b34f089a0137c12564ea03fae03?OpenDocument](https://www.mzp.cz/www/platnalegislativa.nsf/d79c09c54250df0dc1256e8900296e32/0f98b34f089a0137c12564ea03fae03?OpenDocument) [Accessed 12th October 2017];
2. Act No. 61/1988 Coll. on Mining Operations, Explosives and the State Mining Administration;
4. Act No. 44/1988 Coll., on the protection and utilization of mineral resources (the *Mining Act*). Available at: [https://www.mzp.cz/www/platnalegislativa.nsf/d79c09c54250df0dc1256e8900296e32/0f98b34f089a0137c12564ea03fae03?OpenDocument](https://www.mzp.cz/www/platnalegislativa.nsf/d79c09c54250df0dc1256e8900296e32/0f98b34f089a0137c12564ea03fae03?OpenDocument) [Accessed 12th October 2017];
### Other natural resources

**Table 6 Governance regimes: Other natural resources, Czech Republic**

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>Other natural resources are of exclusive property of the central government.</th>
<th>C1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodies responsible for the strategic and investment decisions</td>
<td>The <em>Ministry of the Environment</em> is the central authority for the coordination, regulation, and implementation of environmental policies. In compliance with the legislative framework, it oversees the activities of natural and landscape conservation, water management, flood protection, ecological aspects of spatial planning, and environmental impacts assessment.</td>
<td>C1</td>
</tr>
<tr>
<td>Bodies responsible for the operational decisions</td>
<td>Depending on the natural resources considered, the relevant executive agencies of the <em>Ministry of the Environment</em> are responsible for implementing the government’s strategy.</td>
<td>C2</td>
</tr>
<tr>
<td>National public data sources</td>
<td>The <em>National Statistical Institute</em> periodically collects and reports key information about Other natural resources, including the value of Land. In addition, the relevant executive agencies are responsible for collecting and reporting data about the segment of the asset cluster within their jurisdiction. For instance, considering water resources, the <em>Czech Hydrometeorological Institute</em> collects data about the groundwater levels.</td>
<td>C2</td>
</tr>
</tbody>
</table>

**Legend**

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- D1 = Local governments
- D2 = Local public body
- D3 = Local company-type structure
- PM = Private body

Source: KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

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- **Dwellings, Buildings other than dwellings**

Table 7 Governance regimes for Buildings, Czech Republic

<table>
<thead>
<tr>
<th>Owners of the asset</th>
<th>Assets falling into this cluster can be owned either by the central government or by local governments.</th>
</tr>
</thead>
</table>
| Bodies responsible for the strategic and investment decisions | The Czech central government is responsible for all strategic decisions regarding its public real estate.  
The local governments are responsible for the decisions related to the management and disposal of real estate properties within their own portfolios. |
| Bodies responsible for the operational decisions | The Czech central government is the body responsible for managing its own public real estate, such as renting space, facility management and real estate development.  
The local governments are also responsible for the decisions related to the management and disposal of real estate properties within their jurisdiction. |
| National public data sources | The National Statistical Institute has to annually collect some information about Dwellings and Buildings other than dwellings in the Czech Republic, including their value. |

Source: KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

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Figure 1 Asset-responsibility chain and ownership matrix for the cluster of assets in government’s portfolio, Czech Republic

<table>
<thead>
<tr>
<th>Asset cluster</th>
<th>Owner of the asset</th>
<th>Responsible for the strategic decisions</th>
<th>Responsible for the operational decisions</th>
<th>National public data sources</th>
<th>Role of the body</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roads</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Railways</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mineral and Energy reserves</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Other natural resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dwellings, Buildings other than dwellings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legend**
- C1 = Central government
- C2 = Central public body
- C3 = Central company-type structure
- D1 = Local government
- D2 = Local public body
- D3 = Local company-type structure
- PM = Private body

Source: KPMG elaborations.

n.a. = not available


(a) For more detail about the clusters of governance regimes, please see Methodological Notes.

(b) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.

(c) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.

(d) Ports are not represented in the figure as there are no maritime ports in the country.

In light of the analysis presented earlier and summarised in Figure 1, the overall governance regime for the Czech government’s asset portfolio can be defined as centralised in terms of responsibility for strategic and investment decisions on the assets.

For most types of assets, the ownership could be defined as “asset relevance-driven”. The central government owns those assets with national relevance (e.g. railways, motorways), while local governments mostly own assets with a local relevance (e.g. regional airports, 2nd and 3rd class roads).
2. MAPPING OF THE INVESTMENT STRATEGY OF THE PORTFOLIO OF ASSETS

The Czech government does not have a unique document outlining the investment strategy for all assets. Currently, there is a lack of publicly available, formalised strategy with regard to some cluster of assets (e.g. public buildings).

As it will be described in the following two sections, the Czech government has not been promoting many strategic initiatives regarding its public assets management in recent years.

2.1. Financial assets

In the last three decades, the Czech government has been quite active in selling many financial assets in its portfolio, as shown in Figures 2 and 3 below.

The privatisation process started with the approval of the “Small Privatisation Act” (No. 427/1990). The “Large Privatisation Act” (No. 92/1991) transformed over 100 public economic entities into state-owned companies and defined the competencies of the National Property Fund (FNM).

The FNM’s main aim was to implement privatisation projects as set by the Ministry of Finance of the Czech Republic. FNM was under direct control of the Chamber of Deputies of the parliament, which appointed the supreme bodies of the Fund (i.e. the Presiding Committee and the Board of Supervisors).

The prevalent procedure for privatisations was the voucher method: each voucher represented an ownership certificate divided into “investment points”.

The 2001-2005 period can be considered as the most important one in terms of value of the privatisations. The privatisation process was dominated by the utilities sector (e.g. the sale of 96.99% of the largest gas utility, Transgas (TG), the sale of the electricity giant Ceskoslovensko Elektrarna Pocerady (CEZ) for around 1 Eur Bn, the full privatisation of the Unipetrol oil company).

Following some important privatisations, the Act No. 178/2005 Coll. of 28 April 2005 ratifies the end of FNM’s activities starting from 1st January 2006.

With regard to the actual investment strategy, the government does not plan any relevant privatisations. In fact, the 2017 Convergence Programme for the period 2017–2020 does not include any significant revenues from the privatisation of financial assets.

Figure 2 Privatisations across markets by value and by number, 1980–2014, Czech Republic

By value

Sources: KPMG elaborations on data from the Fondazione Eni Enrico Mattei (FEEM) database, 1980-2014.

(a) The value of privatisations refers to the sum of the values of the transactions agreed between a public body (seller) and a private entity (bidder) for that period.

(b) The number of privatisations refers to the total number of transactions for that period.

(c) Sectors that are below the 5% threshold in terms of both total value of the transactions and number of deals have been included in the aggregate cluster “Other”.

By number
**Figure 3** Privatisations across markets over time by value, 1980–2014, Czech Republic


(a) The value of privatisations refers to the sum of the values of the transactions agreed between a public body (seller) and a private entity (bidder) for that period.

(b) In this country, no privatisations occurred during the 1980s. Indeed, privatisations kicked off 1990s when this, previously planned economy, was transformed into a market economy.
2.2. Non-financial assets

In June 2013, The Czech government has adopted the Transport Policy of the Czech Republic for 2014-2020 with the Prospect of 2050\textsuperscript{15}. It establishes a long-term framework for strategic decisions related to transport infrastructures. This scheme was prepared by the Ministry of Transport and identifies the main priorities for the long-term development of transport infrastructures in the Country.

In the following sub-sections more details on the Czech investment strategy relating to non-financial assets are provided.

- **Airports**

As reported in the Transport Policy set by the Ministry of Transport, the main principles guiding the development of the air transport infrastructures are as follows:

- create conditions for modernization of the technical airport infrastructure aiming at improving the capacity, quality and safety of air transportation;
- organise in an efficient way the development of regional airports;
- connect the Václav Havel Airport in Prague to railway transport, both for direct long-distance trips and for short-distance connections to the city centre. Additionally, continue to work on projects connecting TEN-T airports to the railway infrastructure also for the Brno and Ostrava airports\textsuperscript{16}.

It is worth highlighting that currently all airport operators in the Czech Republic are fully owned by the public sector\textsuperscript{17}, with consequently no investments by private operators and no private management.

- **Ports**

Czech Republic does not have maritime ports\textsuperscript{18}.

- **Roads**

Given the fragmented legal and historical framework for roads in the government’s portfolio, it is not easy to provide for a clear and definitive rationale behind the governance regime adopted for the Czech road network.

The main investment and strategic framework for the road network is set by the Ministry of Transport in the Transport Policy.

The key pillars for road network development are as follows:


\textsuperscript{16} Ibid.


\textsuperscript{18} Fluvial ports are not considered in the analysis. For further detail please see Methodological Notes of Pillar 2.
• build by 2030 missing sections on the TEN-T core network with parameters in line with the forecasted traffic intensity;

• improve by 2030 the connection among all regional capitals to the backbone high-capacity road network in direction to the main economic centres of the country (Prague, in Moravia also Brno);

• install intelligent transport systems for traffic control and regulation on the main motorway routes.

It is worth highlighting that some projects regarding the construction and maintenance of toll roads are carried out under the PPP (Public Private Partnership) framework, with the involvement of private investors.

• **Railways**

The current governance regime adopted by the Czech government was established when the Act No. 77/2002 Coll. came into force, by incorporating the principles set at the European level in the directives of the first and second railway packages:

• the separation of the management of the railway infrastructures, within the PSH SŽDC – i.e. the manager of the railway infrastructures - and of the operation of the services;

• progressive opening of the rail transport to competition.

In line with the *Transport Policy*, SŽDC focuses on the completion of railway transit corridors and continues modernising both railways on the main TEN-T network; and railways that are part of the freight railway corridor network.

Besides enhancing the quality of the infrastructure through larger projects, SŽDC is involved in minor projects in individual regions which are funded primarily by national funds.

The volume of investment subsidies received in 2016 for the preparation and implementation of investment projects relating to the railway infrastructure totalled roughly 725 Eur Bn. This amount is financed through:

• EU funds;

• Czech Ministry of Transport for the purchase of long-term assets;

• contributions from cities, municipalities, regions, and other entities.

• **Dwellings, Buildings other than dwellings**

Currently, the Czech government has not adopted a formalised strategy for public buildings.

• **Mineral and Energy reserves**

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The current legislative framework on the Czech government’s Mineral and Energy reserves makes very difficult to infer the rationale for ownership and the general investment strategy for the Mineral and Energy reserve cluster as a whole.

- Other natural resources

The current legislative framework on the Czech government’s Other natural resources makes very difficult to infer the rationale for ownership and the general investment strategy for the Other natural resource cluster as a whole.

3. **Perspective on the Execution of the Investment Strategy**

From the mapping of the governance regime (Section 1) and the investment strategies (Section 2) for the state-owned asset portfolio, some key insights about the perspectives on the execution of the investment strategies can be drawn as follows:

- the Czech central government retains the main responsibility for investment and financial decisions regarding financial and non-financial assets. It defines the main strategy and investment framework for most of assets in its portfolio through the adoption of some strategic plans (e.g. **Transport Policy of the Czech Republic for 2014-2020 with the Prospect of 2050**);

- the bulk of investment spending on Non-financial assets is in the hands of the public sector;

- there is a lack of publicly available, formalised strategy with regard to some clusters of assets (e.g. public buildings, Other natural resources);

Currently, there is no publicly available document that defines the destination of the proceeds from forecasted privatisations.

**Figure 4** Matrix of Governance regimes vs Investment strategy by clusters of assets, broad features, Czech Republic

Source: KPMG elaborations, based on governance regimes and recent observed strategies.
(a) The position of each asset cluster with respect to the "investment strategy" dimension (x-axis) reflects the general investment strategy adopted by the government for the cluster. The general investment strategy might not apply to every single asset within the cluster (e.g. the position of the cluster indicates that the government currently plans to invest/divest, and this does not imply that this applies to all assets within the cluster).

(b) The Czech government has no current plans to dismiss or acquire financial assets. Therefore its investment strategy with respect to this asset cluster can be defined as investment with private investors involvement.

(c) Ports are not represented in the figure as there are no maritime ports in the country.

As Figure 4 shows, the Czech government plans to invest mainly in airports, roads and railway infrastructures. Investments are realised by public bodies with secondary involvement of private investors.

The governance regime for airport infrastructures appears to be the most decentralised one. In fact, except for Prague airport, the airports infrastructures are owned by the relevant local governments and are managed by airport operators (fully owned by the relevant local governments).

4. SYNTHESIS OF STRENGTHS, WEAKNESSES, OPPORTUNITIES AND RISKS

Financial assets
- **Strengths/Opportunities:**
  - as mapped in Section 1, policy-making on financial assets and its implementation has been mainly centralised to the Department of State Properties of the Ministry of Finance;

- **Weaknesses/Risks:**
  - lack of an explicit asset management plan for Financial assets in the Czech general government’s portfolio;
  - there is not a unique body responsible for overseeing the management of the financial assets in the government’s portfolio;

Non-Financial assets
- **Strengths/Opportunities:**
  - the Czech government has launched a strategic plan covering transport infrastructures (i.e. Transport Policy of the Czech Republic for 2014-2020 with the Prospect of 2050). Transport infrastructures represent a significant part of the Non-financial assets government’s portfolio. Therefore, there is scope for developing and communicating a consolidated strategy plan across all assets;

- **Weaknesses/Risks:**
  - a limited set of information is publicly available with regard to the strategic framework and the investment decisions in some clusters of Non-financial assets (e.g. public buildings);
  - there is no unique, comprehensive and consolidated national public data source covering all assets in the Czech general government’s portfolio.