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ČESKÁ SPOŘITELNA

EU OFFICE
Česká spořitelna, a.s.
Poláčkova 1976/2
140 00 Praha 4
tel.: +420 261 073 308
fax: +420 261 073 004
EU_office@csas.cz
http://www.csas.cz/eu

Petr Zahradník
Head of EU Office
+420 261 073 019
pzahradnik@csas.cz

Jan Jedlička
+420 261 073 484
jjedlicka@csas.cz

Alena Smolíková
+420 261 073 308
asmolikova@csas.cz

under the auspices of Pavel Kysilka
member of the Board of ČS

Dear readers,

In the period of late summer and early autumn the operation of the EU institutions traditionally gets up to full speed again after the long summer. This year's summer was definitely not a summer of relaxation and leisure (particularly for a country getting ready to use the EU funds in its first full programming period); the pace in August may however hardly be compared to the pace in September.

From the point of view of the Czech Republic as well as in the European context perhaps three events could be considered dominant in September.

The first is that Romania and Bulgaria have in fact already been found suitable to become full members of the EU from 1 January 2007. The second is the fact, not officially declared yet but obviously realistic, that our country will not adopt the Euro by the originally scheduled deadline in 2010. And the third is the publishing of the Position Paper of the European Commission on the National Strategic Reference Framework of the Czech Republic as the first official reflection of an EU executive institution on the ongoing process of our country's preparation for the use of EU funds within the Structural and Cohesion Policy.

Even though the membership invitation is considerably conditioned and limited, the number of Member States is certainly going up to 27 from 1 January 2007. There are still some reservations about the membership of the two Balkan countries, but those are to be solved after their accession within the framework of their membership.

The outcome of a working meeting between Prime Minister Topolánek and Czech National Bank Governor Tůma is not surprising: the Czech Republic may give up its ambition to introduce the single European currency on its territory as legal tender. Both parties agreed that accession to the ERM-2 mechanism in 2007 is not on the agenda. They said the main reason was our weak fiscal discipline endangering the compliance with the GDP public deficit criterion of 3%. We may however conclude that the Czech Republic is simply not rushing to get into the Euro zone; if the Czech citizens wanted to and this became a political as well as a public priority, the public finances could be improved over a medium term horizon.

And finally, the EU statement regarding the National Strategic Reference Framework (see the Topic of this issue) objectively assesses its status. The document can surely be used, but it should undergo certain finalizations. Analytically it is processed rather well but there is a lack of interconnection among individual chapters, a number of content areas overlap and there is insufficient compliance with certain principal strategic documents adopted within the EU. The EU statement is important in particular because it determines when approximately we will be able to use the EU funds in the next programming period; the more issues to be finalized, the bigger the delay.

We hope the delay is to be as short and our EU membership as efficient as possible; with all my wishes in this late Indian summer.

Petr Zahradník

Due to the outflow of savings from Europe with the aim of avoiding the effect of the directive on taxation of savings income, the Commission seeks to extend its scope also to non-European tax oases. The most recent proposal of Commissioner Charlie McCreevy aims at making the system of authorizing mergers and acquisitions in the financial sector more transparent. In a dispute between the Commission and the Netherlands, the ECJ decided that "golden shares" are not in accordance with the internal market.

TAXATION AND CUSTOMS UNION

Directive on taxation of interests may apply to non-European countries

The European Commission considers negotiations with tax havens located outside of Europe such as Hong Kong, Singapore and Macao with the **aim of imposing taxes on deposits of EU citizens in those countries**. The decision is based on a clear recent tendency of more and more EU citizens to transfer their savings to the Asian tax havens in order to avoid taxation. The Commission estimates that the Germans alone transferred over 500 billion euro of their savings from Europe to Asia.

This tendency strengthened after the application of the Directive on the taxation of savings income, the provisions of which started to be applied to European "tax oases" such as Switzerland, Liechtenstein, Monaco, San Marion, Andorra and dependent British and Dutch territories on 1 July 2005 following mutual agreement. The basis of the Directive is to introduce a system of reporting through which **banks are to report the interest payments of their nationals to Tax Authorities in other Member States**. Belgium, Austria and Luxembourg and all the above-mentioned non-member states shall not take part in the system; they will levy a withholding tax on deposit interests instead of exchange of information with other Member States. Three quarters of the tax revenue will then anonymously be transferred to the Revenue Authorities in the country of the respective nationals.

The focus of László Kovács, Commissioner for Taxation, is to **involve non-European offshore centres in the system stipulated in the Directive**. This in particular includes: Hong Kong, Singapore, Bahrain, the Bahamas, Canada, Dubai, Macao and Japan. The Council shall approve any potential negotiations in advance.

We are not convinced that this initiative of Commissioner Kovács will be successful. Bank confidentiality is carefully protected in countries like Hong Kong or Singapore, and financing forms one of their major economic activities; to **adopt the conditions under the Directive would be contrary to their interests**. The EU offered access to the single internal market or participation in EU supportive policies to European tax havens, but the Commission may not make similarly important offers in its negotiations with the other countries.

http://ec.europa.eu/taxation_customs/taxation/personal_tax/savings_tax/index_en.htm

Commission to increase excise duty on alcohol

Prices for alcohol could slightly increase throughout the EU. The European Commission has proposed to **increase the minimum excise duty on alcohol by 31%** for inflation adjustment; the rates of excise duty are set out in absolute figures per volume unit. Above the minimum limit Member States are free to set their national rates at levels they consider appropriate depending on their national conditions.

The minimum rates of excise duty on alcoholic beverages are defined in a Directive from 1992. In 2004, the Commission reviewed the Directive and declared that in order to maintain the real value of the excise duty rates, Member States should regularly **adjust the rate according to inflation**. The EU Council in its response called upon the Commission to present an amendment to the Directive.

The proposed increase of the minimum rates

Product	Unit	Present rate	Proposed rate
Wine	70cl bottle	0 €	0 €
Beer	0,5l of beer at 12.5°	0.0467 €	0.0612 €
Fortified wines*	70cl bottle	0.315 €	0.413 €
Spirit drinks	70cl bottle at 40%	1.54 €	2.017 €

*Source: European Commission, *) port wines, sherry, etc.*

The Directive should become effective from 1 January 2008. For those Member States where the increase of their national rates would result in considerable price differences, a **transition period up to 2010 is proposed**, enabling a gradual rate increase. At present, national rates in the majority of Member States already exceed the proposed minimum rates. The increase of the minimum rate in the Czech Republic would apply solely to beer. An increase of the excise duty by 21% per half litre of 12.5º beer would result in a price rise by € 0.0105, i.e. 30 halers.

The Directive has to be adopted unanimously by the Council; **each Member State has the right of veto**.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1165

European Parliament in favour of car taxation reform

The European Parliament has backed plans to abolish passenger car registration fees throughout the EU. According to the Commission, the **fees should gradually be replaced with annual road taxes** over ten years. These

should depend on the level of CO2 emissions and fuel consumption: the more environmentally friendly the car is, the lower the tax.

MEPs stressed that the Directive will not introduce new taxes; it is more focused on their **restructuring related to environmental criteria**. Abolishment of registration fees is also useful for road safety and for the environment because it promotes more frequent change of vehicles. Obviously the major aim when introducing the harmonization of passenger car taxation is to **prevent double taxation of citizens** who move from one Member State to another, since they are obliged to re-register their car in the new state, and to align the tax conditions for car dealers in each Member State.

Compared to the draft presented by the Commission, the Parliament also approved a motion to amend the Directive, according to which "in order to preserve classic and veteran vehicles there is nothing in the Directive preventing governments from **exempting vintage cars from road taxes**".

Car registration fees vary widely across the EU from 0 to 180% of the car price prior to taxation. According to the Commission, this **distorts the internal market**, adds to price differentials, keeps retail prices high and makes it more difficult for people with low income to replace old cars with new ones.

As with the majority of tax issues, the Parliament commented on the proposed legislation in the consultation procedure. The **final decision must be taken unanimously by the Council**; therefore, its adoption is not expected in the near future.

http://www.europarl.europa.eu/news/expert/infopress_page/062-10285-247-09-36-910-20060901IPR10225-04-09-2006-2006-false/default_cs.htm

SINGLE INTERNAL MARKET

Approval process for bank mergers and acquisitions to become more transparent

The new proposed legislative initiative of the European Commission leaves no room for protectionism and political interference in the banking sector and supports the **creation of a real pan-European financial sector**. The proposed Directive will tighten the procedures that Member States' supervisory authorities have to follow when assessing proposed mergers and acquisitions in the banking, insurance and securities sector. Current regulations allow supervisory authorities to block mergers and acquisitions if they consider that the "sound and prudent management" of the target company could be put at risk.

The proposed Directive provides a clear list of criteria on which the acquiring company should be assessed, such as:

- Reputation of the proposed acquirer,
- Reputation and experience of any person that may run the resulting institution or firm,
- Financial soundness of the proposed acquirer,
- Compliance with relevant EU Directives,
- Risk of money laundering and terrorism financing.

The Directive also reduces the assessment period from three months to 30 days and allows the supervisory authority to "stop the clock" only once and under clear conditions. All the measures should **improve clarity and transparency in supervisory assessment** and help to ensure consistent handling of mergers and acquisitions requests across the EU.

The proposed Directive reacts to the **recent protectionist attempts** within acquisition of foreign banks in some Member States (e.g. Italy or Poland) and to the statistically proven low number of cross-border mergers.

We believe that the Directive is a **purposeful regulation** that may help to simplify future mergers and acquisitions in the financial sector in the European Union.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1174

European Court of Justice against "golden shares"

At the end of September, the European Court of Justice decided the dispute between the European Commission and the Netherlands regarding the option to use "golden shares" in the companies KPN and TPG in the possession of the State of the Netherlands. Golden shares are special shares held by the state, which give the state special rights of prior approval of decisions (e.g. mergers and acquisitions, issuing of new shares, amendment of the statutes etc.) related to the resolutions adopted by the standard organs of the company. They **are not in accordance with the single internal market** principles since they constitute obstacles to the free movement of capital.

In its decision, the European Court of Justice agreed with the European executive and found that the golden shares are likely to **deter investors of other Member States from investing** in KPN and TPG, because due to those shares a series of very important management decisions of the company depend on prior approval by the State of the Netherlands.

The highest amount of money to be received as an aid for rural development in 2007-2013 will go to Poland. The tenth highest amount of money will go to the Czech Republic, i.e. approximately € 2.8 billion. Due to alleged technical problems within launching the new SIS II, the accession of the new Member States to the Schengen area without internal border controls will be delayed.

During the proceedings, the State of the Netherlands claimed that with respect to the provider of postal services TPG NV, the golden shares were necessary to guarantee universal postal services. According to European legislation, the guarantee of a service of general interest, such as a universal postal service, may constitute an overriding reason in the general interest capable of justifying an obstacle to the free movement of capital. However, in this specific case the judges in Luxembourg stated that the **golden shares go beyond what is necessary** in order to safeguard the solvency and continuity of the provider of the universal postal service. With respect to the special share in KPN, the State of the Netherlands has not stated any aim of general interest as justification.

We believe that the European Court of Justice judgement represents a typical example of **cultivation of a national legal framework by the European Union**. The highest court authority of the EU showed clearly that it would not tolerate inequality among shareholders in companies explained by the rather broad term "general interest". The judgement should be carefully followed by Czech politicians who will be tempted to keep the state influence using "golden shares" in future privatisations (e.g. ČEZ, Letiště Praha, ČSA, Česká pošta, Aero Vodochody).

http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=EN&Submit=Rechercher$docrequire=alldocs&numaff=C-282/04&datefs=&datefe=&nomusuel=&domaine=&mots=&resmax=100

ENTERPRISE

Commission to allow higher subsidies to small sized enterprises

The European Commission has proposed to **increase the limit of state subsidies to small sized enterprises** without violating state aid rules applicable in the EU.

According to the current regulation the "de minimis" state aid is defined as financial aid not exceeding € 100,000 over a period of three years in favour of a given company. If such conditions are complied with, the financial aid is deemed to **have no substantial effect on competition and trade** between Member States.

In June 2005, the Commission presented a revised version of the state aid rules with the aim of **encouraging Member States to implement the Lisbon agenda** and it focused the aid on improvement of economic performance, competition of European industry and creation of sustainable jobs. This spring, the Commission proposed an increase of the de minimis limit to € 150,000, which was further **increased to € 200,000** following public consultations. Financial aid lower than this limit (over a period of three years) should not be deemed to constitute state aid.

The proposal comprises an option that **government guarantees for loans** to small sized enterprises up to € 1.7 million would not be subject to investigation by regulation authorities usual in the case of common state aid.

The final version of the new de minimis rules applicable to state aid should be approved by the end of this year.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1220

AGRICULTURE AND FISHERIES

Rural development allocations for 2007-2013 approved

The highest amount of money to be received as an aid for rural development, **over € 13 billion, will go to Poland**, according to the finalized financial allocations under the Rural Development Programme for 2007-2013. The decision is based on the already approved financial perspective for the same period.

Financial allocations to be received by each Member State have been decided based on the following criteria: (i) some amounts are reserved only for certain regions under the Convergence Objective; (ii) the historical share for each Member State of the European Agriculture Guidance and Guarantee Fund – guarantee part for rural development and from the funds of the Community initiative Leader +; and (iii) particular situations and deeds based on objective criteria (the European Council allocated specific amounts to eight Member States). The decision will be amended once Romania and Bulgaria join the EU. **Additional money is available** for these two countries.

Main features of the new rural development policy in the new programme period 2007-2013:

- One funding and programming instrument, the **European Agriculture Rural Development Fund** (EARDF),
- A **new strategic approach** for rural development with a clear focus on EU priorities,

- **Reinforced control**, evaluation and reporting and a clearer division of responsibilities between Member States and the Commission,
- A **strengthened "bottom-up" approach**. Member States, regions and local action groups will have more say in attuning programmes to local needs.

Rural support will be based on the following four main axes:

Axis 1: Improving competitiveness of farming and forestry - includes fostering human capital by providing training and advice to farmers and foresters, setting up of young farmers, backing innovations etc.

Axis 2: Environment and countryside - includes natural handicap payments to farmers in mountain areas, payments within the NATURA 2000 programme, payments for improving animal welfare etc.

Axis 3: Improving quality of life and diversification of the rural economy - includes support for diversification to non-agricultural activities, encouragement of tourism, village renewal etc.

Axis 4: The LEADER approach - Each programme must have a LEADER element for implementation of bottom-up local development strategies of local action groups.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1177

Breakdown by Member State of Community support for rural development 2007-2013
(bn EUR, current prices)

Country	Allocation	Country	Allocation
Poland	13230.0	United Kingdom	1909.6
Italy	8292.0	Sweden	1825.6
Germany	8112.5	Lithuania	1743.4
Spain	7213.9	Latvia	1041.1
France	6442.0	Slovenia	900.3
Portugal	3929.3	Estonia	714.7
Austria	3911.5	Netherlands	486.5
Hungary	3805.8	Denmark	444.7
Greece	3707.3	Belgium	418.6
CR	**2815.5**	Cyprus	162.5
Ireland	2339.9	Luxembourg	90.0
Finland	2079.9	Malta	76.6
Slovakia	1969.4	**EU-25**	**77662.8**

Source: European Commission

Energy crop aid scheme to apply also to the Czech Republic

If the new proposal is adopted, the eight new Member States, including the Czech Republic, will be allowed to **use the aid for energy crops** that is currently used by the other Member States, introduced within the common agriculture policy revision in 2003. The extension of the premium of 45 euros (approx. CZK 1,280) per hectare was proposed by the European Commission.

Currently, eight of the ten "new Member States" (the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Poland, and Slovakia), which apply the **Single Area Payment Scheme**, are excluded from the aid for energy crops. The extension to the eight countries would involve increasing the maximum area that can benefit from the aid from 1.5 million hectares at present to 2 million.

In its further effort to support production of crops for renewable energy, the Commission also proposed allowing the Member States to **grant national aid of up to 50% of the costs** of establishing multiannual crops on areas for which an application for the energy crop aid has been made.

In order to simplify the management of the Common Agriculture Policy, the Commission has also proposed to allow eight Member States that joined the EU in 2004 to **continue operating the Single Area Payment Scheme for a further two years until 2010**. From 2009, however, the new Member States will have to comply with the environmental criteria applicable to agriculture aid in other Member States.

The reform of subsidies on energy crops will surely be appreciated by Czech farmers who consider the **current system discriminatory**.

The proposal has to be approved by the Ministers of Agriculture of Member States associated in the EU Council.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1243

JUSTICE AND HOME AFFAIRS

Accession to the Schengen area likely to be postponed

Citizens of the new Member States will apparently **not experience free movement within the EU without internal borders** at an early date. Accession to the Schengen area without internal borders becomes complicated.

According to DG Regio statistics, the Czech Republic is the second worst country at using EU structural funds. The European Commission Position Paper on the proposed National Strategic Reference Framework is more or less positive. It points out one problem however: the danger of overlapping of actions within the OPs and their priorities. Exclusion of health services from the prepared Directive on services within the internal market led the Commission to create a special legal framework on health services.

Originally, enlargement of the Schengen area was expected in October 2007. It was conditioned by the **extension of the Schengen Information System (SIS II)** to the new Member States. The SIS II database system will be created through an upgrade of the current SIS I system, which is an extensive database of data on stolen vehicles, undesirable aliens or wanted persons etc.

The original target date for the commencement of the SIS II was March 2007, and by the end of October the new Member States should have been admitted and internal border controls should have been abolished. Creation of the new system was delayed however and its **launch is now expected in 2008**.

The decision to postpone the enlargement of the Schengen area by at least one year is based on technical and legal obstacles allegedly preventing the SIS II from being launched on time. Some observers and politicians however believe that the real reason is the **reluctance of politicians, following the failure of the European Constitution**, and the general public fear of increased immigration in the EU-15.

The decision aroused public indignation in particular in the new Member States that, quite rightly, refer to the fact that keeping border controls in some countries **results in underprivileged EU membership** and limits the fundamental Community right to freedom of movement.

The future enlargement and its timing should be discussed during the EU Council meeting on justice and home affairs in October this year. Feverish discussion is awaited.

REGIONAL POLICY

The Czech Republic so far the second worst at using structural funds

The Czech Republic and Cyprus are the two countries that **are the least efficient in using finances from the European structural and cohesion funds**. It has been shown in a presentation of Dalia Grybauskaité, Commissioner responsible for Budget, presented in relation to the assessment of the EU budget in 2005.

From May 2004 to September 2006, the Czech Republic **used only 23.5% of the allocation** for structural and cohesion policy for the relevant period. A worse result was recorded only in **Cyprus**: less then 20%. The best among the new countries is **Slovenia**, which used over one third of the offered amount.

Considering the N+2 rule, according to which the allocations have to be used within two years at the latest, **the score is only partial**. The final assessment for the whole period of 2004-2006 can be made at the end of 2008.

According to this rule, the funds allocated for 2004 have to be used by the end of 2006; otherwise they will definitely expire. The Ministry for Regional Development in its press release stated that the Czech Republic managed to use 79.2% of the allocation by the end of August, which with respect to the bad initial figures is a **very good result**.

Using of EU structural funds in EU-10 from May 2005 till September 2005

EUR mil.	Allocation	Payments	in %
CR	2 224.3	521.9	23.5 %
Estonia	604.4	177.7	29.4 %
Cyprus	93.6	18.1	19.3 %
Latvia	1 092.8	274.8	25.2 %
Lithuania	1 380.0	353.9	25.6 %
Hungary	2 945.9	959.0	32.6 %
Malta	86.4	22.7	26.2 %
Poland	11 015.2	2 701.5	24.5 %
Slovenia	415.5	141.9	34.1 %
Slovakia	1 636.6	451.6	27.6 %
EU-10	**21 494.5**	**5 622.8**	**26.2 %**

Source: European Commission

The volume of money for the structural and cohesion policy for the new Member States **will considerably increase** from next year; therefore it is very important to set the system right for the future.

The Czech Republic proposes **24 operational programmes** for the period of 2007-2013 to distribute finances from the EU structural funds in the amount of nearly **CZK 780 billion**:

- OP Enterprise and innovation
- OP Research and development for innovations
- OP Human resources and employment development
- OP Education
- OP Environment
- OP Transport
- 7 Regional OP (ROP)
- Integrated OP (IOP)
- OP Technical assistance
- 2 OP for Prague
- 7 OP for European territorial cooperation.

Arguments are expected in relation to the final designs of the operational programmes and their respective budgets. The most pronounced in the media will in particular be the "tug of war" on the budget of the seven newly **established** operational programmes **to be controlled directly by the respective regions**.

The latest information states that the Minister for Regional Development Petr Gandalovič agreed with regional representatives to increase their budget of CZK 13 billion by CZK 5 billion, to the detriment of the Integrated OP and OP for Human Resources and Employment Development. The final version of the operational programmes and their respective budgets are still unclear since they have to be approved by the Czech government and European Commission.

The operational programmes are briefly defined in the **National Strategic Reference Framework** (NSRF). The key document is also subject to negotiations with and approval of the Commission. The proposed NSRF was approved by the government in June 2006 and submitted to the European Commission for comments in mid July. The Commission issued a **position paper** presenting the opinion of the Brussels executive on the document.

The Commission's assessment of the Czech NSRF is more or less positive; it however points out one problem: the **danger of overlapping of actions within the OPs** and their priorities. According to the Commission, the activities to be supported within each priority should be clearly defined.

Due to the delay we believe that invitations to present projects in the new programming period 2007-2013 may be arranged not earlier than **by the end of the first half of 2007**.

http://ec.europa.eu/budget/library/documents/revenue_expenditure/agenda_2000/allocrep_slide_2005_en.pdf

http://www.strukturalni-fondy.cz/uploads/documents/HSS_2007_2013/POSITION_PAPER_NSRF_CZ_2007_2013.pdf

HEALTH AND CONSUMER PROTECTION

Single Health Services Market in the EU is Forthcoming

Exclusion of health services from the scope of the prepared Directive on services within the internal market led the Commission to create a **special legal framework for the provision of cross-border health services**.

Health systems have so far been the **primary responsibility of individual Member States**; in certain cases, as approved in the European Court of Justice judgements, healthcare may be provided in another Member State to the EU national's state and the expenses are covered by their health system.

Healthcare services have been excluded from the scope of the Directive on services in the internal market, but according to a number of decisions of the European Court of Justice they **should be deemed economic activity** subject to European Community law. In practice, however, the insufficient legislation results in legal uncertainty of patients regarding cross-border health services. Also cooperation between cross-border health systems in the different countries is rather low and needs to be encouraged.

To **ensure the required legal certainty**, the European Commission decided to launch an EU framework for health services. The Commission's views will be stated in a statement to be presented. The statement will undergo a public consultation with input from the concerned parties: patients, health professionals, healthcare product suppliers etc.

The Commission will then assess opinions expressed in the public consultation and present a specific Directive on these issues, probably in 2007.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1150

A Report of the European Foundation on the Improvement of Living and Working Conditions has shown that the longest working hours are in Hungary while the shortest in France. DG Ecfin published an interesting study analysing the social system in the Czech Republic. Its advantage is that it keeps the rate of poverty very low; on the other hand, it leads to unsustainability of public finances and a limited labour market offer. The MEPs commented on the Progress Report on Turkey and expressed their concerns about the country.

1 SEPTEMBER

LABREF - labour market performance indicators (update): http://ec.europa.eu/economy_finance/indicators/labourmarketreforms/labref_info_en.htm

Intelligent Energy - Financial Guidelines for IEE project partners: http://ec.europa.eu/energy/intelligent/implementation/financial_en.htm

Structural Funds Regulations 2007-2013: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/newregl0713_cs.htm

4 SEPTEMBER

EU launches campaign to help prevent asbestos exposure: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=174

New report - gender differences among employed scientists and engineers in Europe (PDF version): http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-NS-06-012/EN/KS-NS-06-012-EN.PDF

5 SEPTEMBER

Midterm Evaluation of the Galileo project for the period 2002-2004: http://ec.europa.eu/dgs/energy_transport/evaluation/activites/reports_en.htm

Commission to publish Green Paper in on-going reflection on EU Trade Defence rules: http://ec.europa.eu/trade/issues/respectrules/anti_dumping/pr050906_en.htm

6 SEPTEMBER

Three new road safety projects - Fair, Cast and Sartre: http://ec.europa.eu/transport/roadsafety/publications/projectfiles/alphabetically_en.htm

Commission Communication - "Establishing an Environment Strategy for the Mediterranean": http://ec.europa.eu/environment/enlarg/med/index.htm

7 SEPTEMBER

Updated statistics on key indicators for the euro area: http://ec.europa.eu/economy_finance/indicators/key_euro_area/keyeuroarea_en.htm

EU Animal Health Strategy (2007-2013) - Evaluation Report: http://ec.europa.eu/food/animal/diseases/strategy/final_report_en.htm

8 SEPTEMBER

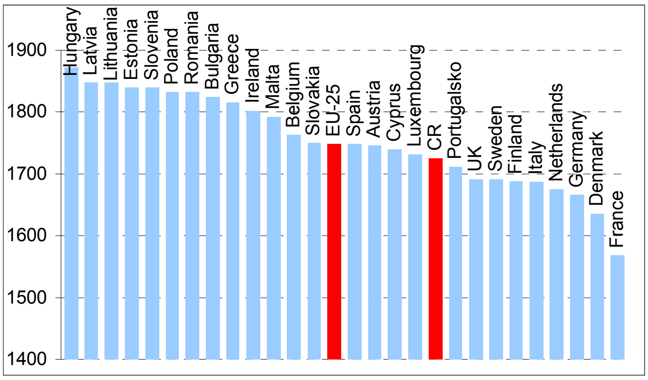
Utilisation of budget appropriations (08/2006): http://ec.europa.eu/budget/execution/utilisation_2006_en.htm

Country Focus - "Social cohesion in the Czech Republic: a blessing or a trap?": http://ec.europa.eu/economy_finance/publications/country_focus/2006/countryfocus10_en.htm

EU says Vietnam has fulfilled requirements for WTO accession: http://ec.europa.eu/trade/issues/newround/pr070906_en.htm

Workers in Europe benefit from more holiday entitlements: http://www.eurofound.eu.int/press/releases/2006/060905.htm

Average collectively agreed normal annual working time, hours in 2005



Source: European Foundation for the Improvement of Living and Working Conditions

11 SEPTEMBER

EU-Republic of Korea Summit - Joint Statement: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/90952.pdf

Ninth EU-China Summit Joint Statement: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/90951.pdf

Commission Communication to Council and Parliament - "Efficiency and equity in European education and training systems": http://ec.europa.eu/education/policies/2010/back_gen_en.html

12 SEPTEMBER

September 11, five years on: statement by President Borrell: http://www.europarl.europa.eu/news/expert/infopress_page/008-10574-261-09-38-901-20060912IPR10571-18-09-2006-2006-false/default_en.htm

13 SEPTEMBER

Study on the economic and cultural impact of state aids schemes for films and audiovisual productions: http://ec.europa.eu/comm/avpolicy/info_centre/tenders/archives/index_en.htm#territorialisation2005

The 2007 Communication on culture:
http://ec.europa.eu/culture/eac/communication/comm_en.html

First annual activity reports of the Trans-European Transport Networks "TEN-T" European coordinators:
http://ec.europa.eu/ten/transport/coordinators/index_en.htm

14 SEPTEMBER

Rural Development in the European Union - Statistics:
http://ec.europa.eu/agriculture/agrista/rurdev2006/index_en.htm

Employment and Social Affairs: Commission study on Ageing and Employment:
http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=178

New webpage with studies and economic analyses on current issues and world trade trends:
http://ec.europa.eu/trade/whatwedo/trade_analysis/index_en.htm

15 SEPTEMBER

MEPs back EU Agency for Fundamental Rights for 2007:
http://www.europarl.europa.eu/news/public/story_page/015-10743-255-09-37-902-20060915STO10742-2006-12-09-2006/default_en.htm

EU-Ukraine Cooperation Council - Tenth meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/90973.pdf

18 SEPTEMBER

Council Conclusions on the Middle East Peace Process:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/90987.pdf

Council Conclusions on Iraq:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/90984.pdf

19 SEPTEMBER

Human Resources Development overview in countries under the European Neighbourhood Policy:
http://www.etf.europa.eu/web.nsf/(opennews)/4BBBB9492DE692CBC12571ED0049EB1E_EN?OpenDocument

Nearly one car per two inhabitants in the EU25 in 2004:
http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2006/PGE_CAT_PREREL_YEAR_2006_MONTH_09/7-19092006-EN-AP.PDF

20 SEPTEMBER

2750th Agriculture and fisheries Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/agricult/91022.pdf

21 SEPTEMBER

Dispute settlement - EU requests establishment of WTO panel on Chinese auto parts tariffs:
http://ec.europa.eu/trade/issues/respectrules/dispute/pr150906_en.htm

Credit growth in Bulgaria – what are the policy challenges?:
http://ec.europa.eu/economy_finance/publications/country_focus/2006/countryfocus11_en.htm

22 SEPTEMBER

Seventh Annual Survey on the Implementation and Enforcement of Community Environmental Law 2005:
http://ec.europa.eu/environment/law/as05.htm

25 SEPTEMBER

2751st Competitiveness Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/intm/91059.pdf

26 SEPTEMBER

Ratified participation of Bulgaria in programme Marco Polo:
http://ec.europa.eu/transport/marcopolo/legal/third_countries_en.htm

27 SEPTEMBER

MEPs debate Turkey's progress towards accession:
http://www.europarl.europa.eu/news/expert/infopress_page/027-10972-268-09-39-903-20060922IPR10896-25-09-2006-2006-false/default_cs.htm

Hungarian budget deficit to be corrected in 2009:
http://ec.europa.eu/economy_finance/about/activities/sgp/year/year20052006_en.htm

28 SEPTEMBER

Dust in the air - a threat to human health:
http://www.europarl.europa.eu/news/public/story_page/064-11035-268-09-39-911-20060927STO11034-2006-25-09-2006/default_en.htm

MEPs want legal certainty on public services:
http://www.europarl.europa.eu/news/expert/infopress_page/042-10963-268-09-39-907-20060922IPR10880-25-09-2006-2006-false/default_cs.htm

29 SEPTEMBER

EU25 population aged 65 and over expected to double between 1995 and 2050:
http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2006/PGE_CAT_PREREL_YEAR_2006_MONTH_09/3-29092006-EN-BP.PDF

At the beginning of next year, the fifth and largest EU enlargement will be symbolically completed with Bulgaria and Romania acceding to the EU-25. Their accession is marked by historically the most rigorous safeguard clauses that may be applied to Sofia and Bucharest in case of deceleration or interruption of their reforming efforts. Both countries will rank among the poorest Member States, but there is no need to worry about their impact on the EU economy. The countries are economic minnows.

BULGARIA AND ROMANIA TO JOIN THE EU ON 1 JANUARY 2007

On 26 September, the European Commission published the monitoring report on Bulgaria's and Romania's preparedness for EU accession. Due to the solid progress achieved, the report considers that both the Balkan countries will be **prepared to take on the rights and duties of EU membership as soon as on 1 January 2007.** This has been stated regardless of the fact that the Commission pointed out a number of areas to be improved. Particular emphasis was put on addressing the reform of the judicial system and the fight against corruption.

History of relations with the EU

It will be **nearly 7 years** from the initiation of accession negotiations in February 2000. Bulgaria concluded all accession talks in June 2004, Romania six months later.

Accession of Sofia and Bucharest was decided at the EU summit in December 2004. The legal base is the **Accession Treaty** signed by the representatives of the current EU-25 and both the countries in April 2005. The Treaty stipulates that Bulgaria and Romania will accede to the EU on 1 January 2007, unless the EU Council, upon the EU Commission's recommendation, decides that the accession be postponed until 2008 due to insufficient preparedness. The Commission has decided that the protective one-year clause is not necessary and the accession will take place in January next year.

The EU accession of Bulgaria and Romania will symbolically **complete the 5th largest enlargement** in the history of the European Community, which commenced with the accession of the ten new Member States, including the Czech Republic, in May 2005.

Accession safeguard clauses

Based on the experience from the recent EU enlargement in 2004 and in order to avoid any potential risks, the Commission recommends imposing a number of **rigorous safeguard clauses** that may be applied to Sofia and Bucharest in case of deceleration or interruption of their reforming efforts. The clauses include safeguard measures, transitional periods, financial sanctions and a special cooperation mechanism for the judiciary and will complement the standard EU procedures related to the breach of EU law.

1. Safeguard measures

The focus of the safeguard measures is to remedy problems or threats to proper functioning of the EU policies resulting from the enlargement and may be applied **up to three years after the accession** of either country to the EU. The European Commission intends to introduce the following measures:

a) General economic safeguard measure

These are the **traditional trade policy safeguard measures** aiming to deal with difficulties in economic sectors in old or new Member States experienced as a result of accession. During a period of three years the EU-25 and Romania and/or Bulgaria may apply for protective measures; the European Commission will decide on such measures.

b) EU internal market safeguard measure

If Sofia and Bucharest fail to implement internal market EU directives or regulations applicable to the single internal market operation, the European Commission may take safeguard measures. Such measures may be taken until three years after accession but they may apply until the situation is remedied. If necessary the measures may be taken prior to the date of EU accession.

The EU internal market safeguard measures may cover the **four fundamental freedoms** (freedom of movement of persons, goods, services and capital) and **other sectoral policies** such as competition, energy, transport, telecommunication, agriculture or consumer health and protection.

c) Justice and home affairs safeguard measure

If there is a serious risk in either country of shortcomings in the implementation of EU rules regulating **mutual recognition of judgements in criminal and civil law**, the Commission may, after consulting the Member States, take safeguard measures. They may cover the European Arrest Warrant, matrimonial matters and matters of parental responsibility, insolvency, etc.

Following an application of the justice and home affairs safeguard measure, the Commission may for example authorize the current Member States to refuse automatic recognition and enforcement of the European Arrest Warrant by Bulgarian or Romanian courts.

2. Transitional periods

For up to three years after accession, the Commission may **prevent the export of Bulgarian or Romanian products,** which do not comply with EU veterinary and phytosanitary rules and food safety rules. A specific example is the export of live pigs and pork meat from Bulgaria and Romania to the rest of the EU that will remain banned as long as classical swine fever has not been eradicated.

Food establishments that do not comply with EU standards will be added to **a special list of firms** banned from exporting their production to the rest of the EU.

Except for those transitional periods proposed by the Commission in the assessment report, there are **transitional measures laid down in the Accession Treaty**. They apply to similar areas as in the Czech Republic: free movement of workers, acquisition of land, road transport, environment, agriculture etc.

3. Financial corrections

Upon accession, Bulgaria and Romania will benefit from generous budgets of the EU structural funds and common agricultural policy. The Commission will ensure that these funds are used properly; improper use of the funds will lead to **financial corrections.** These may consist of delayed payments, reduction of allocations or, in the last resort, recovery of funds.

For structural funds and Cohesion fund, the following standard control procedures or corrections may apply:

- approval of operational programmes,
- creation of adequate management, certification and audit authorities to obtain payments,
- option to interrupt or cancel aid in case of suspicion or detection of cases of fraud or corruption,
- financial corrections resulting from ex-post controls.

Standard instruments requiring establishment of an accredited payment agency or operation of integrated administrative and control system for direct payments and parts of rural development expenditures will also apply to the use of agricultural development aid. In addition to these mechanisms applicable to all Member States the Commission intends to create special rules upon which the agricultural aid allocation in Bulgaria and Romania may be decreased by 25% next year.

4. Cooperation and verification mechanisms for the judiciary and the fight against corruption

The European Commission will establish special mechanisms to cooperate and verify progress within **the judiciary, and the fight against corruption and organised crime** after accession. Both countries will be provided with internal and external expertise to cooperate and provide guidance in the reform process to the maximum extent possible. The Commission will then report to the European Council and the Parliament on the progress made by Sofia and Bucharest in these areas. The precise mechanism will be stated in the Commission's decision to be adopted following a consultation with the current Member States.

Reports on progress in the judiciary, and the fight against corruption and organized crime will be regularly presented by both countries; the first report will be presented by 31 March 2007.

Economic impacts

Both countries will rank among **the least developed countries**, but there is no need to worry about their impact on the EU economy. The countries are economic **minnows**. Bulgaria and Romania will make up only 0.9% of the EU GDP (Romania 0.7%, Bulgaria 0.2%), similarly to the Czech Republic. Romania will make up 4.4% of the EU population, i.e. 22 million, and Bulgaria 1.6%, i.e. 7.8 million.

Both countries have **focused on the EU** economically for several years already; there are no significant trade barriers and that should mitigate any potential shocks.

With respect to GDP indicator per capita according to purchasing power parity, the countries will be among the poorest in the EU. The average GDP per capita in **Bulgaria and Romania** in 2005 was **32.1% and 34.7%, respectively,** of the EU-25 average (expressed in purchasing power parity). Comparably, the poorest Member State so far is Latvia, where the indicator is 47.2%.

Further EU enlargement

Considering further EU enlargement, we are rather **pessimistic**. As shown in opinion polls, citizens of a number of "older" Member States have not come to terms with the most recent EU enlargement in May 2004 and they are not favourably inclined to the accession of further states. The EU leaders even use the term "**EU absorption capacity**" and argue that the capacity is not unlimited.

That is also why we believe **that by 2015**, except for Bulgaria and Romania, **only Croatia may access to the EU.** Turkey, already negotiating with the EU on the conditions of its accession, FYROM – Macedonia also officially considered a candidate country, and other states interested in accession (Albania, Bosnia and Herzegovina, Montenegro, Serbia) will not obtain EU membership over a medium term horizon, in our estimation.

Following the rejection of the Constitutional Treaty in France and the Netherlands last year, the EU is dealing with a number of internal problems, as confirmed by President of the European Commission José Barroso, who commented on the assessment report: "I believe that an institutional settlement should precede any further enlargement." The EU is not ready for further enlargement **legislatively** since the current primary law, last amended by the Nice Treaty, stipulates only the accession of Bulgaria and Romania.

Information service

An informal European Council meeting of the Member States' leaders in Lathi, Finland, will dominate the colourful October agenda of the most significant EU bodies. The EU-India Summit will strengthen relations with this potential world power. The key event for the Member States regions will be an “Open Days” week meeting in Brussels in October where the future EU regional policy in the programming period 2001-2013 will be discussed.

Meeting of the key EU institutions

2.-3.10.2006	**Kittilä, Finland**
- Informal ministerial meeting: Defense	
5.-6.10.2006	**Luxembourg, Luxembourg**
- Justice and Home Affairs Council	
9.-12.10.2006	**Brussels, Belgium**
- "Open Days" - European Week of Cities and Regions	
10.10.2006	**Luxembourg, Luxembourg**
- Economic and Financial Affairs Council (ECOFIN)	
11.-12.10.2006	**Brussels, Belgium**
- EP Plenary mini-session	
12.10.2006	**Luxembourg, Luxembourg**
- Transport, Telecommunications and Energy Council	
13.10.2006	**Helsinki, Finland**
- EU-India Summit	
16.-17.10.2006	**Luxembourg, Luxembourg**
- General Affairs and External Relations Council	
20.10.2006	**Lahti, Finland**
- Informal Meeting of Heads of State or Government	
23.10.2006	**Luxembourg, Luxembourg**
- Environment Council	
23.-26.10.2006	**Strasbourg, France**
- EP Plenary	
24.-25.10.2006	**Luxembourg, Luxembourg**
- Agriculture and Fisheries Council	

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Aid for research & development and innovation	DG COMP	13.10.2006
Future policy for EU metals industry	DG ENTR	15.10.2006
Revised Commission proposal for an amended de minimis rule	DG COMP	20.10.2006
Regulatory Framework for electronic communication	DG INFSO	27.10.2006

At present we are witnessing the final preparation of strategic and programme documents, establishment of institutions and forming of procedures related to the use of EU funds for the following programming period 2007-2013. This coincides with the assessment of current experience of Czech entities with their participation in the process within the shortened programming period 2004-2006. Those topics and related problems are dealt with in the current major topic.

BARRIERS AND RISKS RELATED TO USE OF FINANCES FROM THE EU FUNDS IN 2007-2013

The is composed **chronologically**, i.e. **considering the time needed to meet the terms of each factual area and related potential barriers and risks**. The most urgent is the potential summary of barriers and risks connected to the process of the National Strategic Reference Framework final approval; the time framework of the approval, which is slightly more open, is related to the finalization and approval of individual Operational Programmes. Other potential barriers and risks are continuous, even though they are also limited by certain deadlines. Therefore, it would be desirable to launch a transparent, comprehensible and easy information system that would be user-friendly and accessible, together with practical launching of individual Operational Programmes of potential project applicants, or even earlier if possible (potential project applicants are generally not interested in the generation of OPs; they are rather interested in the “finished work” and its practical application). Just a short time after, the administrative and procedural issues are dealt with, obviously the biggest unknown: the challenge and the area expected to progress and improve most compared to the present status. These are linked to the timeliness of invitation announcements and to the smoothness of the co-financing process. The chronology of barriers and risks then stops during the actual realisation phase of the projects or after their completion in certain cases; it applies also to the efficiency of preventive, controlling and repressive instruments and subjects during elimination of questionable, fraudulent and similar practices.

1. Approval of the NSRF Framework

The National Strategic Reference Framework (NSRF) is the fundamental strategic document of the Czech Republic applicable to the use of aid from structural funds and the Cohesion Fund in the programming period 2007-2013.

It is globally aimed at supporting the change of socio-economic environment in the Czech Republic in compliance with the principles of sustainable development. As a result, the Czech Republic should become an attractive place for investments, work and living of its citizens. Continuous strengthening of competitiveness should lead to sustainable growth with a pace considerably higher than the average economic growth in the EU-25. Therefore, the Czech Republic will aim at employment growth and stable and harmonised regional development resulting in enhanced quality of life of its population. This global aim is specified in four strategic objectives: Competitive Czech economy, Open flexible and cohesive society, Attractive environment and Balanced development of territory.

As any other vital strategic programme document with an impact on such a crucial issue as the success at using the EU funds in 2007-2013, the document has to be inherent, consistent and logically cohesive.

The main resource part of the National Strategic Reference Framework, i.e. the **socio-economic analysis and SWOT analysis**, should not form a barrier or risk to the future objectives. The analytical part therefore mainly meets the requirements of the document and is a good and adequate base for the core of the document: its strategy.

The core of the National Strategic Reference Framework document is its **Strategy** chapter. The formulation of the document’s global objective cannot be deemed a barrier or risk; this however is not true for individual strategic objectives. With respect to specification of strategic objectives, the current document on one hand stipulates too many priorities while on the other hand it insufficiently emphasizes the priority that is the most obvious in all the Lisbon documents as well as the recent EU activities and initiatives: energy efficiency and respect for principles of the new EU energy concept; this seems to be rather acute in the Czech Republic where the main features, high energy consumption and power demand (i.e. waste of energy resources), and use of alternative and renewable energy resources considerably lag behind the rest of Europe. Not quite significant is the incorporation of information society into strategic objectives; it is perhaps better to include this priority (again in the context of the Lisbon documents) into a strategic objective linked to a more attractive environment.

The definition of global as well as strategic objectives is not pointless; it helps to directly define priorities and priority axes of the strategic document and the Operational Programmes. This kind of problem has one thing in common: content overlaps. Not only that some strategic objectives do not continuously transform into the OPs priority axes; within the process, the real thematic and content overlaps are not always distinguished from desirable synergic effect. This has to be strictly distinguished during the creation of the document; synergic effect is generally an effect resulting from sharing or mutual logical connection of two related activities; **the synergy effect** brings about **the context that a whole is more than a simple summary of its individual isolated parts.** In the

case of overlaps, however, resources are generally wasted; one specific objective is solved using several mutually not interrelated instruments.

The National Strategic Reference Framework still obviously reflects the key change compared to the current programming period, i.e. an emphasis on having regional priorities solved mainly by regional authorities; there are also good reasons to have some regional priorities pursued centrally. The argumentation and clear definition of regional priorities falling within the liability of regional authorities, and definition of centrally solved regional priorities remain an unfinished issue of the strategic document. Despite significant progress in recent weeks **the symbiosis of ROPs with IOP has not yet become smooth and harmonious**.

Attuning of those areas is probably the real challenge for the forthcoming days, or weeks at maximum; meeting this challenge will enable the whole system to move another step further towards its partial objective, i.e. the preparation of finalization of each Operational Programme, perhaps the most essential priority for all concerned regions and ministries for the rest of this year and the beginning of the next year.

2. Quality preparation of a new set of Operational Programmes

Certain narrowly specified places described within the barriers and risks of the National Strategic Reference Framework analogically appear in each OP in a more specific and detailed manner.

The first potential risk is their significant increase compared to the current programming period. For some (distinct minority), considerable continuity with the current period may be expected regarding the programme conception as well as its real implementation. In other cases, however, the continuity will be impossible by definition because the relevant entities and authorities do not actively cooperate in creation and management of the programme.

The actual preparation and quality of processing each OP perhaps varies considerably. **Generally, the problem is to keep the logical line of the socio-economic analysis – SWOT analysis – strategy – definition of objectives – definition of instruments – determination of financial allocation**.

The problem is not only to ensure a logical order in the given line but also in each link of the line. For instance, the socio-economic analysis not always covers the related OP content; it orientates on problems that are not, even indirectly, related to the programme at all. And some topics that become priorities are not sufficiently covered by the socio-economic analysis. This disharmony could be an important barrier in terms of the final approval of the programme documents.

Barriers may also originate from the fact that the outcomes of the socio-economic analysis and the SWOT analysis are not interconnected and sometimes resemble a cluster of heterogeneous problems rather than a consistent structured summary of qualities, weaknesses, opportunities and threats directly connected to the programme structure.

The key problem of all OPs and potentially the most significant barrier/risk is the **strategy definition**, and the relevant global and specific objectives. This task requires a detailed and accurate approach to identify real needs of the given region, sector or area related to the realisation of the EU Structural and Cohesion Policy. Definition of the global objective and each specific objective is obviously not a big problem: objectives are usually defined rather generally and at the same time sufficiently describe the meaning of the relevant strategic programme document. Further development of the objectives in detailed description of priorities and priority axes is more problematic. Compared to similar documents prepared in other Member States for the current programming period, the definition of areas to be supported is **exceedingly detailed,** which perhaps is not directly compatible with the character of a strategic document. Moreover, in some OPs the **actual momentary problems are deemed priorities** and problems that may appear during the future seven-year period are not registered consistently.

The situation becomes even more complicated since an important part of some OPs expresses their compliance with the fundamental Community, national, regional or sectoral programme and strategic documents as well as their relation to other OPs or other supportive instruments (instruments for agriculture support and rural development, direct Community grants, European Investment Bank

instruments). The aim is therefore to define clear distinctive "competency" lines distinguishing the documents and tools, and to identify synergic effects related to the solution of factual problems in their given complex. Those parts of the OPs should clearly and explicitly show that the Structural and Cohesion Policy application within the given country represents one integrated system comprising individual OPs (not as isolated subjects).

The problem of **synergies and overlaps** exists **among individual OPs**, but also within each OP, its priorities and priority axes. New assignments and transfers in September obviously cleared up the OPs overlaps but created perhaps another complication in one OP. It is clear that the present versions are not final ones and they are to be finalized over several forthcoming weeks. Therefore, it is desirable to **stop introducing new parameters** into the existing priority axes and to aim at attuning the existing parameters. It is highly probable that new inputs of parameters reflect certain partial interests that damage the overall systematic approach.

There is a considerable divergence of views on the **selection of suitable indicators**. The new regulation puts higher demands on the indicators in the OPs and is perceived differently, and the use of indicators is an unknown experiment. Although there are some explanatory materials, or certain unifying methods, related to the indicators use, their interpretation varies considerably. For instance, sometimes indicators are selected that may not be affected by the realization of the OP objectives directly, immediately and especially over a long-term horizon. Second, it has been noted that completely different indicators were selected in two OPs with similar or even identical areas of support. The third problem is to ensure the measurability of indicators (how can we measure the indicator "enhancement of the renovated city centre's attractiveness"?)

The determination of financial allocations is relatively non-problematic. It is mostly determined in a rather realistic and balanced manner; the only problem is that sometimes **the relatively important financial volume of the allocation is not sufficiently explained in the preceding chapters** (especially on analysis and strategy) and vice versa (for instance, in some cases the tourist trade is considered and analysed as the only purposeful form of support but the final allocation corresponds to tens of percents of the overall programme allocation).

3. Improved transparency and comprehensibility of information on the EU funds

The basic solution to achieve transparency and comprehensibility of information is to concentrate all governmental offices dealing with EU matters in one location. The office would then be responsible for transparent and comprehensible provision of information on the EU including information on the EU funds in a comprehensive and comprehensible manner.

Due to the current political situation, such solution is practically infeasible. Therefore, a more modest solution could be applied to eliminate the actual barrier, i.e. to create an information source in an institution whose competency covers the EU funds, i.e. the Ministry for Regional Development. This source of information, obviously in an electronic form, should be available not only centrally but also in regional decentralized offices that should also increase the public awareness of such source (EuroCentres are a natural base for such decentralized offices).

The source of information must also be user-friendly to the clients and readers; it has to offer full-text searching and the provided information must have an added value obtained due to its processing. On the contrary, the source shall offer all available comparisons and assessments in a very easy way ex-post as well as ex-ante. At the same time, it has to comprise comprehensible analytical and case studies proving that a certain subject managed certain specific measurable results in its specific project.

A basic and comprehensible explanatory dictionary of all terms and a comprehensible current directory of all related contacts etc. must be available.

The aim should definitely be to make such an information source and decentralized offices a natural platform for discussions on the use of EU funds or places for discussions on general EU issues.

4. Improved administrative and procedural particularities

This part of the present material shall not be described in its complexity since its content is rather widespread and often discussed, for example at http://www.strukturalni-fondy.cz/evaluace.

The improvement of administrative and procedural particularities may comprise (as it prevailingly does in the previous point) **an increase of user comfort, or reaching such state of unification and simplification that would enable using and sharing experience and not always repeating each required procedure from the beginning**.

The summary of efforts leading to the objective consists of the following:

- simplification of the intermediary structure; this means to unify procedures of controlling bodies and to reduce the number of implementation agencies according to the principle **one OP = one implementation agency;** it would also be desirable to unify the procedural rules applicable to the implementation agencies operation as much as possible (so that an applicant communicating within several OPs does not have to undergo new differing procedures again and again)
- a very inspirational impulse, which is however hardly to be realized over a short term horizon, is the idea of a "one-stop shop" corresponding to the described operation of the information system; if a natural regionally decentralized **uniform location** was established that would provide services to persons interested in obtaining information as well as active applicants, the "humanization" of the whole process would be successful
- the role of one-stop shops should include education and counselling based on the concept of public service (not profit-orientated counselling) that may significantly improve and extend the absorption capacity of the given region, sector, area.

5. Timely announcement of invitations for OP priorities and measures

This barrier directly depends on the fulfilment of the realization and implementation parts of each OP; therefore, it is closely related to and conditioned by successful completion of all previous programme phases. Especially for authorities that so far have not been directly involved in the management of OPs, except for certain thematic areas or sectors, above all regional, this will be a big challenge.

Although executive bodies and offices corresponding to Regional Coherence Councils on a regional level have already been established, the implementation mechanism is under construction and its launching will be the real test of its preparedness; this will definitely carry a potential risk.

6. Ensuring sufficient and flexible co-financing

It is likely that the tough condition on refinancing will be partially "softened", the need for finances will orientate above all on self-financing and less on the need to roll over the period between the beginning of the project realization and its payment after its completion.

There are the following three models for sufficient and flexible co-financing:

- co-financing based on public funds;
- co-financing based on private funds;
- co-financing on a shared basis of public and private funds.

In terms of co-financing based on public funds, pools should be established associating state and regional funds in order to overcome the barrier of unavailability particularly for small project applicants using the EU funds.

In terms of co-financing based on private funds, there will probably be individual initiatives of banks and financial institutions that have sufficient amount of financial resources at their disposal.

In terms of co-financing on a shared basis of public and private funds, there may be common sharing on regional levels where, based on examples of other Member States, regional development funds have been operating for a long time associating regional public means, banks and financial institutions finances as well as finances from private individual and institutional investors.

The common result of the three models is to eliminate **the barrier of unavailability** while enabling to manage the supported projects; they may be involved as a guarantee, direct financing or, in non-profit projects, other forms of advantages.

7. Elimination of questions, scandals and frauds

The role of public service should prevent and reveal any mistakes, scandals and frauds related to the process of using EU funds.

Let us try to make an incomplete summary as a **barrier** and a **risk** with the possible result of imposing sanctions that would affect not only the offender alone but also a wide range of innocent subjects (e.g. suspension of using the funds for the relevant OP):

- questions or failure in the project assessment process;
- questions related to the decline of the original project intent from its realization;
- questions or frauds related to subsidy instrument misuse or reporting of untrue, incomplete or false data and information.

At the end of each programming period and at the beginning and during preparation of another, the given summary provides a base for a suitable checking of what should be avoided and what should be followed in the future. Keeping the barriers may mean that the risk will be manifested while removing the barriers may mean an advantage compared to the present circumstances.

The statistical window in a tabular form shows important macroeconomic indicators from all member states and the EU as a whole. It includes economic performance indicators (per capita GDP as compared to the EU average, GDP growth, unemployment rate), external economic stability indicators (current account to GDP), fiscal stability indicators (public budget to GDP, public debt to GDP), and pricing indicators (annual inflation based on HICP, base price level).

Key macroeconomic indicators

	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
in %	2003	2004	2005	2003	2004	2005	VI-06	VII-06	VIII-06	VI-06	VII-06	VIII-06
Belgium	0.9	2.6	1.2	4.5	3.5	2.2	8.5	8.6	8.6	2.5	2.4	2.4
CR	**3.2**	**4.7**	**6.0**	**-6.3**	**-6.0**	**-2.3**	7.1	7.2	7.1	2.3	2.4	2.6
Denmark	0.7	1.9	3.1	3.2	2.3	2.9	4.0	3.7	3.7	2.1	2.0	1.9
Estonia	6.7	7.8	9.8	-11.9	-12.7	-10.6	5.1	4.2	4.2	4.4	4.5	5.0
Finland	2.4	3.6	2.1	3.8	4.1	2.4	7.7	7.8	7.8	1.5	1.4	1.3
France	0.8	2.3	1.4	0.2	-0.7	-1.2	9.0	8.9	8.8	2.2	2.2	2.1
Ireland	4.4	4.5	4.7	0.0	-0.8	-1.9	4.4	4.4	4.4	2.9	2.9	3.2
Italy	0.0	1.1	0.0	-0.9	-0.5	-1.1	n/a	n/a	n/a	2.4	2.3	2.3
Cyprus	1.9	3.9	3.8	-0.9	-5.3	-5.7	5.6	5.5	5.5	2.6	2.8	2.7
Lithuania	10.5	7.0	7.5	-6.8	-7.9	-7.0	5.4	5.6	5.7	3.7	4.4	4.3
Latvia	7.2	8.5	9.1	-8.1	-12.9	-12.4	7.3	7.4	7.2	6.3	6.9	6.8
Luxembourg	2.0	4.2	4.2	6.4	10.5	8.4	4.7	4.8	4.8	3.9	3.4	3.1
Hungary	3.4	4.6	4.1	-8.6	-8.4	-7.4	7.2	7.5	7.6	2.9	3.2	4.7
Malta	-2.5	-1.5	2.5	-5.8	-9.6	-12.9	7.5	7.3	7.4	3.3	3.6	3.0
Germany	-0.2	1.6	0.9	2.1	3.7	3.9	8.2	8.2	8.5	2.0	2.1	1.8
Netherlands	-0.1	1.7	1.1	5.9	6.2	7.1	3.9	3.8	3.8	1.8	1.7	1.9
Poland	3.8	5.3	3.2	-2.1	-4.2	-1.5	15.3	15.1	15.0	1.5	1.4	1.7
Portugal	-1.1	1.1	0.3	-6.5	-7.8	-9.5	7.3	7.2	7.2	2.8	2.2	2.0
Austria	1.4	2.4	1.9	1.5	2.7	2.9	4.8	4.9	4.8	1.9	2.0	2.1
Greece	4.8	4.7	3.6	-10.0	-9.5	-9.2	n/a	n/a	n/a	3.4	3.9	3.4
Slovakia	4.5	5.5	6.0	-0.5	-3.4	-8.5	13.5	13.2	13.1	4.5	5.0	5.0
Slovenia	2.7	4.2	3.9	-0.3	-2.0	-1.1	6.2	6.1	6.0	3.0	1.9	3.1
Spain	3.0	3.1	3.4	-4.1	-5.8	-7.4	8.5	7.8	7.8	4.0	4.0	3.8
Sweden	1.7	3.7	2.7	6.6	6.6	5.9	n/a	n/a	n/a	1.9	1.8	1.6
UK	2.5	3.1	1.8	-1.4	-2.0	-2.6	5.4	n/a	n/a	2.5	2.4	2.5
EU-25	1.2	2.4	1.6	0.1	0.0	-0.3	8.0	8.0	8.0	2.4	2.4	2.3

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Belgium	0.1	0.0	0.1	98.5	94.7	93.3	118.0	118.2	117.3	102.3	104.0	104.2
CR	-6.6	-2.9	-2.6	30.0	30.6	30.5	67.8	70.2	73.1	54.7	55.5	55.0
Denmark	1.0	2.7	4.9	44.4	42.6	35.8	120.9	121.6	123.1	135.6	138.8	137.0
Estonia	2.4	1.5	1.6	6.0	5.4	4.8	48.2	51.2	55.7	107.5	108.7	106.6
Finland	2.5	2.3	2.6	44.3	44.3	41.1	111.1	112.2	112.4	124.4	125.9	122.9
France	-4.2	-3.7	-2.9	62.4	64.4	66.8	111.7	109.6	108.7	106.1	105.8	108.0
Ireland	0.2	1.5	1.0	31.1	29.4	27.6	134.0	136.9	138.2	122.4	126.6	123.1
Italy	-3.4	-3.4	-4.1	104.2	103.8	106.4	107.7	105.6	103.4	97.9	102.3	102.7
Cyprus	-6.3	-4.1	-2.4	69.7	71.7	70.3	79.8	82.7	82.5	90.9	96.5	93.3
Lithuania	-1.2	-1.5	-0.5	21.2	19.5	18.7	45.2	47.8	50.9	54.6	54.9	54.6
Latvia	-1.2	-0.9	0.2	14.4	14.6	11.9	40.8	42.8	46.7	57.6	55.4	56.4
Luxembourg	0.2	-1.1	-1.9	6.3	6.6	6.2	233.6	238.3	242.6	102.5	105.3	106.1
Hungary	-6.4	-5.4	-6.1	56.7	57.1	58.4	59.2	60.1	61.5	56.9	59.0	61.9
Malta	-10.2	-5.1	-3.3	71.3	76.2	74.7	72.6	69.2	69.4	73.7	74.4	74.9
Germany	-4.0	-3.7	-3.3	63.8	65.5	67.7	108.3	108.5	108.0	107.5	108.7	106.6
Netherlands	-3.1	-1.9	-0.3	51.9	52.6	52.9	124.6	124.3	123.5	105.3	106.6	105.2
Poland	-4.7	-3.9	-2.5	43.9	41.9	42.5	46.9	48.8	49.6	59.5	53.4	52.4
Portugal	-2.9	-3.2	-6.0	57.0	58.7	63.9	72.8	72.3	71.0	76.2	87.3	85.7
Austria	-1.5	-1.1	-1.5	64.4	63.6	62.9	120.7	122.5	122.2	105.2	105.7	103.6
Greece	-5.8	-6.9	-4.5	107.8	108.5	107.5	81.0	81.9	83.5	82.2	84.5	85.1
Slovakia	-3.7	-3.0	-2.9	42.7	41.6	34.5	51.9	53.0	55.3	44.6	50.5	54.9
Slovenia	-2.8	-2.3	-1.8	29.1	29.5	29.1	75.9	79.0	80.7	75.5	77.9	75.8
Spain	0.0	-0.1	1.1	48.9	46.4	43.2	97.3	97.5	98.1	85.0	86.6	87.4
Sweden	0.1	1.8	2.9	51.8	50.5	50.3	115.7	117.3	118.2	121.1	124.0	121.1
UK	-3.3	-3.3	-3.6	39.0	40.8	42.8	116.1	116.1	115.8	110.7	103.8	105.6
EU-25	-3.0	-2.6	-2.3	63.1	62.4	63.4	100.0	100.0	100.0	100.0	100.0	100.0

*Source: Eurostat, *) net balance, GDP per capita according to PPP*