# EU News
# Monthly Journal

**Number 38,
November 2006**

**Page 3** EU imposes duty on footwear imports from China and Vietnam

**Page 3** European Commission to liberalise postal markets by 2009

**Page 7** Regional aid map for the CR approved

**Page 10** Outer View: EU Regional Policy (Jana Bobošíková, MEP)

**Page 12** Topic of the Month: New initiatives of cohesion policy: Jaspers, Jeremie, Jessica

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,

The month of October is traditionally rich in events related to European integration, and this October has perhaps brought even more of such events. The European Union has gradually been recovering from the lethargy, or hangover, that it faced last year after the unfortunate referendums and rather tense budget negotiations, and started its everyday purposeful work. This applies to the major EU institutions and, with respect to the scheduled objectives, to individual Member States and their regions.

I am trying to suggest that the main topic of the previous months, i.e. the preparation for the EU funds utilisation in the next programming period of 2007-2013 further advanced, at least in our country. All Operational Programmes and the National Strategic Reference Framework have been negotiated since mid October; as soon as the comments are handled and incorporated into individual strategic programmes, they will be subject to government approval and then forwarded for “defence” before the European Commission; this, however, is not covered by the October agenda and will be dealt with in November or even later.

The course of events in October confirmed, unofficially but definitely, that the Czech Republic would be required to create a new strategy for its accession to the Euro zone. Without the political will to make this objective one of our priorities, it is only possible to postpone the initial, only internally stipulated, deadline for the accession for several years.

During October we were also reminded that time flies very quickly: the European Community will celebrate its 50th birthday in early spring next year (commemorated as the anniversary of the Roma Treaty). On that occasion, the results of the 50th anniversary logo competition were announced. The winner is a young Polish designer who in his logo, a piece of art perceived with mixed feelings by a number of professionals, intends to show that the EU objectives may only be achieved through joint actions.

2007 will also mark the accession of two new members: Romania and Bulgaria; in October, Romanian and Bulgarian members of the European Commission were nominated and their competencies were determined. Optimistic expectations in those countries are seen in contrast to wide disbelief of Turkish citizens towards the EU, increasing month by month.

What other issues were there in October? The so far most extensive Open Days; visible progress in adopting acceptable version of the Directive on Services; or the inspiring annual report of the European Court of Auditors (as a warning to anybody who would try to defraud the EU funds).

We wish you a pleasant late autumn and hope you will find many interesting topics related to European integration accompanied by the EU News Monthly Journal.

Petr Zahradník


According to the Commission's report the Czech Republic is among the countries with the highest risk of unsustainable public finances. European Commission put forward a proposal to open the EU postal markets fully to competition by 2009. Energy Commissioner Andris Piebalgs introduced an Energy Efficiency Action Plan. The Commission has approved the state aid rules and regional aid maps for the period 2007-13 for the Czech Republic.

## BUDGET

### European Commission: unsustainable pension systems considered dangerous

"Unless most Member States do something serious about defusing the pension time bomb, it will go off in the hands of our children and grandchildren," said **Commissioner Joaquín Almunia** in his comment on the study published by the European Commission.

The long-term outlook of public finance for the future in the majority of the Member States is not good. According to the Commission's estimates, if the medium-term budgetary objectives introduced with the reformed Stability and Growth Pact are achieved by 2010, this would reduce the increase in the **public debt from an EU average of 63% of GDP at present to 80% of GDP in 2050**. If the objectives are not achieved the public debt is projected to reach 200% of GDP by 2050.

Obviously, the Member States with an unbalanced budget and clearly **increasing age-related costs** are the most vulnerable. Based on those criteria the Commission's report divides Member States into three groups:

#### 1. High-risk countries

The Czech Republic, Cyprus, Greece, Hungary, Portugal and Slovenia; in the long term, they are characterised by a very significant rise in age-related expenditure, which requires reforms. Budgetary consolidation is necessary and urgent because most of these countries have large deficits.

#### 2. Medium-risk countries

Belgium, France, Germany, Ireland, Italy, Luxembourg, Malta, Slovakia, Spain and the United Kingdom; the costs of ageing are significant and require structural reforms. This group also comprises countries that need to consolidate their public finances in the medium-term.

#### 3. Low-risk countries

Austria, Denmark, Estonia, Finland, Lithuania, Latvia, the Netherlands, Poland and Sweden; these countries have in general come the furthest in coping with ageing. Regarding fiscal sustainability, however, low risk does not mean that there is no risk at all.

The **Commission recommends** solving the budgetary impact of ageing in three stages:

A. to achieve and sustain sound budgetary essential positions and to reduce public debts faster. Sound finances will result in low interest rates and high and stable economic growth.

B. to raise employment rates, particularly among women and older workers, and to raise labour productivity. Successful implementation of measures that increase employment and productivity would raise potential growth rates, improve future living standards and contribute to sustainability.

**Forecast for the Czech republic's socio-economic indicators by European Commission's report**

| **Underlying assumptions** | **2004** | **2010** | **2015** | **2020** | **2025** | **2030** | **2040** | **2050** | **change 2004-2050** |
|---|---|---|---|---|---|---|---|---|---|
| population (millions) | 10.2 | 10.1 | 10.0 | 9.9 | 9.8 | 9.7 | 9.3 | 8.9 | -1.3 |
| working age population (15-64) % of total | 70.8 | 70.9 | 68.0 | 65.4 | 64.1 | 63.5 | 61.1 | 56.5 | -14.4 |
| old-age dependency ratio (65+/15-64) in % | 19.2 | 21.5 | 26.1 | 31.0 | 34.0 | 36.0 | 41.6 | 52.0 | 32.8 |
| participation rate (15-64) in % | 70.4 | 72.0 | 75.2 | 76.9 | 77.2 | 76.2 | 73.6 | 74.5 | 4.1 |
| - older workers (55-64) in % | 44.4 | 49.7 | 54.1 | 59.1 | 61.3 | 62.5 | 58.7 | 60.1 | 15.7 |
| unemployment rate (15-64) in % | 7.8 | 7.3 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | -1.3 |
| Real GDP (growth rate) in % | 3.1 | 3.6 | 2.8 | 2.4 | 2.3 | 1.9 | 0.4 | 0.8 | -2.3 |
| **Expenditure projections as of GDP in %** | | | | | | | | | |
| pensions | 8.5 | 8.2 | 8.2 | 8.4 | 8.9 | 9.6 | 12.2 | 14.0 | 5.6 |
| health care | 6.4 | 6.8 | 7.1 | 7.4 | 7.6 | 7.8 | 8.1 | 8.4 | 2.0 |
| long-term care | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.6 | 0.7 | 0.4 |
| education | 3.8 | 3.3 | 2.9 | 2.8 | 2.9 | 3.0 | 3.0 | 3.1 | -0.7 |
| unemployment benefits | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.0 |
| Total age-related expenditure | 19.3 | 18.8 | 18.6 | 19.2 | 20.0 | 21.0 | 24.1 | 26.4 | 7.2 |


C. to reform pension, health-care and long-term care systems and to ensure they are viable and adequate. Reforms will be successful only if they are accompanied by a prolongation of working lives.

The Commission's study confirms the estimates of some economic analysts according to which **the long-term outlook for public finance in the Czech Republic is indeed alarming**. Unfortunately, our current political representation is not determined to pursue any reforms and considers only the present, and therefore there is not much optimism for the future.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1356

## FOREIGN TRADE

### EU imposes duty on footwear imports from China and Vietnam

By a simple majority, the EU Council narrowly **approved a decision imposing anti-dumping duties on imports of leather footwear** originating in China and Vietnam, despite opposition of some Member States. The duties on imports are 16.5% and 10%, respectively.

The voting was **really dramatic**. The controversial measure was approved by only nine states, while 12 were against it. Votes of four states whose representatives abstained from voting were therefore decisive; according to the rules, their votes count as affirmative.

The anti-dumping duties will enter **into force on 7 October 2006 following the period of two years** immediately after the expiry of provisional duties in similar rates (19.4% and 16.8% for China and Vietnam, respectively) imposed in April 2006. The European Commissioner for Trade Peter Mandelson initially proposed a period of five years. This period was however cut to two years upon France's proposal in the Council negotiations.

Adoption of the duties follows a Commission investigation confirming the existence of hidden subsidies for footwear producers from governments in China and Vietnam. Both the Asian states refute such findings. The case may have an interesting sequel. China has already implied its **intent to file a complaint against the EU to the WTO**.

The battle in the Council again shows the division across the EU: there are liberal states that want markets to open and for which globalisation is an advantage or opportunity, and others that like adopting various protective measures under the influence of national lobbies. It is positive that the Czech Republic, even though outvoted, is **among the liberal states**.

The **impact of the imposed duties should**, **however, not be overrated**. First, the duties are not prohibitively high, and second, the Asian footwear importers will try to classify the goods into other items of the customs tariffs.

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/315

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/91148.pdf

## INTERNAL MARKET

### European Commission to liberalise postal markets by 2009

In mid-October, the European Commission put forward a proposal **to open the EU postal markets fully to competition by 2009**, which is in line with the scheduled date set out in the current Postal Directive. The objective is to abolish the monopoly of national postal operators and to improve the quality of postal services in each Member State.

Postal services in the EU are regulated by the Postal Directive (No. 97/67/EC), an initial regulatory framework which guaranteed citizens a universal service while **gradually limiting the scope of the reserved area of the postal operators monopoly** (initially mail under 350 grams amended in 2002 to mail under 100 grams and reduced to 50 grams on 1/1/2006). The Directive aimed at ensuring the best possible service through gradual opening of the market with a final target set for full opening in 2009. The Commission is now proposing that the date should be confirmed in a further amending Directive so that even the monopoly for mail under 50 grams would be abolished.

The proposal maintains the current obligation of the Member States to ensure a high-quality universal service comprising at least **one delivery and collection five days a week for every EU citizen**. The proposal maintains the obligation to ensure affordability of postal services as well as the possibility for Member States to impose a uniform tariff for single items such as consumer mail. If any losses related to provision of a universal service need to be covered, the Member States will be able to choose from a range of options such as for example state aid, public procurements, compensation funds or cost sharing. It will be up to the Member States to decide which model best suits their needs.


Some Member States (**the United Kingdom and Sweden**) has already opened their postal markets fully, while others (**the Netherlands, Finland and Germany**) are to open them shortly. The Czech Republic is considering the latest deadline possible, i.e. 2009.

Liberalisation of postal markets that maintain a monopoly for mail under 50 grams even at the beginning of the 21st century is definitely a **positive step for the whole EU economy**.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1419

## Internal market advantages for notaries too

Austria, Belgium, France, Germany, Greece, Luxembourg and the Netherlands have to modify their legislation that allows only nationals of their own country to become notaries. This is in conflict with the EU rules on **freedom of establishment**. The European Commission has already sent "reasoned opinions" to the concerned states, which is the second stage of the EU law infringement procedure. If there is no satisfactory reply within two months, the Commission may refer the matter to the European Court of Justice.

The European Commission has also asked the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia to submit their comments on similar legislation in their countries. These letters take the form of a "**formal notice**", which is the first stage of the EU law infringement procedure. If the European Commission, after reviewing the comments, considers the national legislation to be in conflict with the EU rules, it may decide to send the Member States concerned a **reasoned opinion** requesting them formally to modify their legislation.

The accused Member States argue that the nationality condition for notaries is justified by the exemption of activities related to the exercise of official authority from the provision on the freedom of establishment. The European Commission rejects this interpretation because notaries cannot impose a decision against the will of one of the parties they are advising. In other words, they do not take decisions and therefore **do not exercise state authority**.

The provision of notary services ranks among the most regulated sectors. Abolishing national clauses applicable to notary services would result in **enhanced competition among notaries** and lower prices for their services.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1385

# EMPLOYMENT AND SOCIAL POLICY

## Špidla to solve "demographic crisis"

Europe's ageing population is an unprecedented challenge for the whole society. It is also a challenge we must rise to and we must rise to it now, as stated in the European Commission's new communication called "**The demographic future of Europe – from challenge to opportunity**", prepared by the team of European Commissioner Vladimír Špidla.

Today, there are four people of working age for every person over 65. Lower birth rates, higher life expectancy and the retirement of the baby boomer generation mean that by 2050 this ratio will have dropped to two workers per one pensioner. Although the share of Europe's working age population will fall, overall employment in the EU is projected to continue rising until 2017 due to more women and older people entering and staying in the labour market. The current policies should be changed however.

The European Commission's communication is linked to the 2005 **Green Paper on Demographic Change** and determines five areas for specific actions to cope with negative demographic tendencies:

- to help people to balance work, family and private life so that potential parents can have the number of children they desire;
- to improve work opportunities for older people;
- to potentially increase productivity and competitiveness by valuing the contributions of both older and younger employees;
- to take advantage of the positive impact of migration for the job market;
- to ensure sustainable public finances to help guarantee long-term social protection.

In order to meet this strategy, the European Commission is expected to adopt the measures in the aforementioned fields in the form of relevant **directives and regulations**.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1359

# ENERGY AND TRANSPORT

## Action plan on energy efficiency

Energy Commissioner Andris Piebalgs introduced an **Energy Efficiency Action Plan** that is to result in energy savings of up to 20% by 2020. The plan is based on the Green Paper on Energy Efficiency published in June 2005.


The plan contains a package of priority measures covering a wide range of cost-effective energy efficiency initiatives. Altogether, **over 75 measures** have been announced, which are to be implemented over the next six years.

Specific emphasis is put on the importance of the minimum energy performance standards for a wide range of appliances and equipment (from household goods such as fridges and air conditioners to industrial pumps and fans) and for energy services or buildings. Minimum performance requirements for new and renovated buildings will be developed. Very low energy consumption buildings (or "**passive houses**") will also be promoted.

The plan proposes targeted instruments to improve the efficiency of both new and existing generation capacity and to reduce transmission and distribution losses. Energy savings can also be achieved by **ensuring fuel efficiency of cars**, developing markets for cleaner vehicles, ensuring proper tyre pressure and by improving the efficiency of urban, rail, maritime and aviation transport systems.

The strategy also contains proposals for raising energy efficiency awareness such as education and training.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1434

## AGRICULTURE AND FISHERIES

### Beneficiaries of agricultural funding to be disclosed

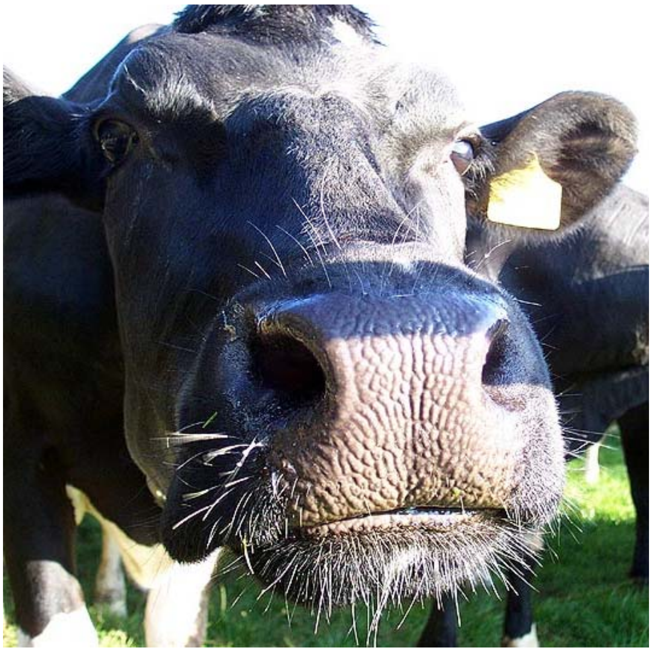
As part of the European Transparency Initiative to improve the openness and accessibility of the EU institutions, the European Commission decided **to publish information on end-beneficiaries of direct grants** managed by the Commission.

A major part of the EU funding is however managed **in cooperation with the Member States**. This includes in particular subsidies within the common agricultural policy (CAP) and regional policy funds. The availability of data on the beneficiaries of those funds therefore depends on each Member State. As there are no common standards regarding the extent to which such data are made public, the Member States are left entirely to their discretion.

For example, information on beneficiaries of the **Common Agricultural Policy** is currently available in only eleven Member States (Belgium, Denmark, Estonia, France, Ireland, the Netherlands, Portugal, Spain, Slovenia, Sweden and the United Kingdom) and with wide differences in the level of details provided. The European Commission has therefore proposed new legislation that would **oblige the Member States to disclose information on the beneficiaries of agricultural funds in a unified manner**.

We believe that the improved transparency regarding the EU funding is a desirable positive step that could finally **help to reform the major EU expenditure policies**, particularly the CAP, and make them more efficient.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1343



### European Commission granted allocations under the European Fisheries Fund

The new 2007-2013 financial perspective incorporates the transformation of the current Financial Instrument for Fisheries Guidance by the new **European Fisheries Fund** (EFF) as the EU's core instrument for supporting the fisheries sector and fishing communities. In early October, the European Commission adopted a decision on allocations under the funds per Member State.

The resources from the fund are divided into two packages: approximately three quarters have been allocated to the **less developed areas**, known as the "convergence regions", while the rest will go to the non-convergence regions. The overall budget is € 3,849 billion. Part of this budget (around € 272 million) has been reserved for Bulgaria and Romania when they accede to the EU in 2007. Specific allocations have been provided for the technical assistance in the amount of around € 30 million. The remaining € 3,545 billion have been divided among the


Member States according to their needs for aid. The highest amount, over one billion euros, will be allocated to **Spain**. Fishermen in the Czech Republic will get approximately € 24 million in the next seven years.

**Allocation of EFF aid from 2007 to 2013,** mil .euro in 2004 prices

| Country | Allocation | Country | Allocation |
|---|---|---|---|
| Spain | 1005,4 | Lithuania | 48,4 |
| Poland | 651,8 | Netherlands | 43,1 |
| Italy | 376,6 | Ireland | 37,5 |
| Portugal | 218,8 | Finland | 35,0 |
| France | 191,7 | Hungary | 30,9 |
| Greece | 184,8 | **CR** | **24,0** |
| Germany | 138,4 | Belgium | 23,3 |
| UK | 122,3 | Slovenia | 19,3 |
| Denmark | 118,6 | Cyprus | 17,5 |
| Latvia | 110,4 | Slovakia | 12,1 |
| Estonia | 74,6 | Malta | 7,4 |
| Sweden | 48,5 | Austria | 4,7 |

*Source: European Commission*

The Member States are responsible for allocations to national beneficiaries. The supported activities should, however, fall within one of the following five priority areas:

- aid for the adjustment of the EU fishing fleet to the available fishing resources,
- support for various sectors,
- support of organizations representing collective interests of the sector,
- sustainable development of zones dependent on fishing,
- technical assistance for the Member States and their respective intermediary entities.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1310

## ENVIRONMENT

### The CR has not provided its allocation plan for emissions

By mid October, the Czech Republic, Denmark, Italy, Hungary, Portugal, Austria, Slovenia and Spain **have not submitted their respective national allocation plans** for the CO2 emissions for 2008-2012 and the European Commission will therefore commence the EU law infringement procedure by sending the first warning letters.

The deadline for submitting the plans is stipulated in the Emissions Trading Directive (2003/87/EC) and it had expired already at the end of June. The Czech Republic blames the delay on the elections and the delayed appointment of its government.

The National Allocation Plans (NAPs) are the key documents in the fight against global warming. In the NAPs, the governments of Member States fix the total number of emission allowances, i.e. the upper limit of total emissions, and allocate them to individual plants within the emissions trading scheme. Once Member States submit the complete NAPs the European Commission has three months to assess them. **It is important to approve the NAPs as soon as possible** so that conditions for trading are known by the market operators early enough before the start of the next trading period on 1 January 2008.

Also Estonia, France, Lithuania, Poland, Greece, Germany and Luxembourg have not fulfilled their obligations and have not provided a complete set of important technical information to the EU execution required for establishing their permitted emission level in tonnes – the "assigned amount". These Member States received warning letters. Luxembourg faces the strictest recourse so far as the European Commission has already summoned it before the European Court of Justice. The reason is that it has failed to provide information on its policies and measures taken against climate change and an estimate of its future emissions of greenhouse gases.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1364

## JUSTICE AND HOME AFFAIRS

### EU and USA agree on passenger data transfer

The internal agreement between the USA and the European Union has approved **the commitment of the European air carriers to transferring data on passengers** travelling to the USA including names, addresses, phone numbers, itineraries and credit card numbers, to the US Customs and Border Protection agency. The agreement amends the original agreement from 2004 that had been judged illegal in May 2006 by the European Court of Justice (ECJ) with effect from 1 October because it was contrary to the EU legislation on the protection of personal data. The negotiators have agreed on a weeklong delay until 6 October.

Justice and Home Affairs Commissioner Franco Frattini explained that the **new agreement would not differ from the original agreement** but that it incorporates new


principles in order to satisfy the legal requirements of the ECJ. For example, in the 2004 system the competent US authorities were allowed to directly extract data from airlines' databases. The system has been modified and airlines provide the information upon the US authorities' request. The US Customs and Border Protection agency will no longer have direct access to passenger databases.

The EU has also agreed to allow information on passengers travelling to the USA **to be provided to other US authorities**, but without direct electronic access to the data.

This internal agreement is only temporary and **will be valid until 31 July 2007**. By then, a new system should be agreed between the EU and the USA.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=PRES/06/288

## REGIONAL POLICY

### Regional aid map for the CR approved

The Commission has approved the state aid rules and regional aid maps for the period 2007-13 for the Czech Republic. The regional aid map defines the regions of the Member State eligible for national regional investment aid for large enterprises in accordance with the state aid rules applicable within the EU. The map also establishes the **maximum permitted level of such aid** in the eligible regions.

The adoption of the regional aid map for the Member State concerned is a necessary pre-condition to ensure the continuity of the regional policy and Structural Fund programmes after 2006, because all current maps **will expire on 31 December 2006**. If no new regional aid map is approved by the European Commission before 1/1/2007, the Member State in question will not be able to grant any regional aid to large enterprises within its territory.

Based on the adopted instructions of the European Commission, 88.6% of the population of the Czech Republic living outside Prague will continue to be eligible for regional investment aid at the maximum rate, which varies between **30% and 40% of the investment costs**. A part of Prague with 7.7% of the Czech population will continue to be eligible for a transitional period of two years at a maximum aid intensity of 10% of the eligible costs.

The **whole territory of the Czech Republic** is covered by regional aid in the period of 2000-2006. The limit for aid in Prague was 20% of investment costs; for other regions it was 50% and for the Jihozápad (South West) region it was 46%.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1451

## EDUCATION AND SPORTS

### Parliament adopted lifelong learning EU programmes

The European Parliament has adopted a **set of the EU lifelong learning programmes for 2007-2013**. In the Second Reading, the MEPs supported the common position adopted by the EU Council after negotiations with the Parliament and the Commission. The budget of the integrated action programme is € 6.2 billion in 2004 prices (= € 6.97 billion in current prices) and comprises four sectoral sub-programmes, a transversal programme and a Jean Monnet programme:

- **The Comenius** programme addresses all pupils in pre-school and school education up to the level of the end of upper secondary education, and the institutions and organisations providing such education.
- **The Erasmus** programme addresses all persons in formal higher education and professional education and training at university level regardless of the duration of the relevant study or qualification, including postgraduate studies, and the institutions and organisations providing or facilitating such education or training.
- **The Leonardo da Vinci** programme addresses all persons in vocational education and training at other than university level, and the institutions and organisations providing or facilitating such education or training.
- **The Grundtvig** programme addresses the teaching and learning needs of all persons in all forms of adult education, and the institutions and organisations providing or facilitating such education.
- **The Transversal programme** pursues policy cooperation and innovation in lifelong learning, language learning, development of innovative content, services, pedagogies and practice for lifelong learning based on information and communication technologies, and dissemination and exploitation of results of actions supported under the programme as well as previous related programmes, and exchange of good practice.
- **The Jean Monnet** programme supports institutions and activities in the field of European integration.

http://www.europarl.europa.eu/news/expert/infopress_page/038-11933-293-10-42-906-20061020IPR11880-20-10-2006-2006-false/default_cs.htm

# Diary

In the October 2006 two important legislative acts were discussed in the relevant committees of the European Parliament. Environment Committee discussed the chemical legislative called REACH, Internal Market Committee agreed with the Directive on Services in the Internal Market in the version drafted by the Commission.

## 2 OCTOBER

Network of speakers on the euro in the 10 new Member States: http://ec.europa.eu/economy_finance/euroteam/euroteam_en.htm

Quarterly report on the euro area: http://ec.europa.eu/economy_finance/publications/quarterly_report_on_the_euro_area_en.htm

Commission evaluates Common Organisation of the Markets in fisheries and aquaculture products: http://ec.europa.eu/fisheries/press_corner/press_releases/com06_61_en.htm

## 3 OCTOBER

The EU Troika and Azerbaijan - Joint Statement: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/91127.pdf

The EU Troika and Georgia - Joint Statement: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/91126.pdf

## 4 OCTOBER

New Compilations of LIFE projects: http://ec.europa.eu/environment/life/infoproducts/index.htm

## 5 OCTOBER

Debate on REACH ahead of committee vote: http://www.europarl.europa.eu/news/expert/infopress_page/064-11257-277-10-40-911-20061002IPR11247-04-10-2006-2006-false/default_en.htm

New website "List of airlines banned within the EU" is now online: http://ec.europa.eu/transport/air-ban/flywell_en.htm

## 6 OCTOBER

2752nd Justice and Home Affairs Council meeting: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/jha/91182.pdf

## 9 OCTOBER

Aviation security: the EU acts against new threats from liquid explosives: http://ec.europa.eu/dgs/energy_transport/newsletter/dg/2006/nl197-2006-10-06_en.html#t01

## 10 OCTOBER

Council conclusions: Progress towards better regulation and the reduction of the EU administrative burden: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/91265.pdf

Mandelson argues for bilateral agreements that boost global trade: http://ec.europa.eu/trade/issues/sectoral/competitiveness/pr091006_en.htm

## 11 OCTOBER

Council recommends measures to reduce deficit in Hungary: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/91269.pdf

Euro-area GDP growth projection: http://ec.europa.eu/economy_finance/indicators/euroareagdp_en.htm

## 12 OCTOBER

Council adopts EU's competitiveness and innovation programme for 2007-2013: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/91292.pdf

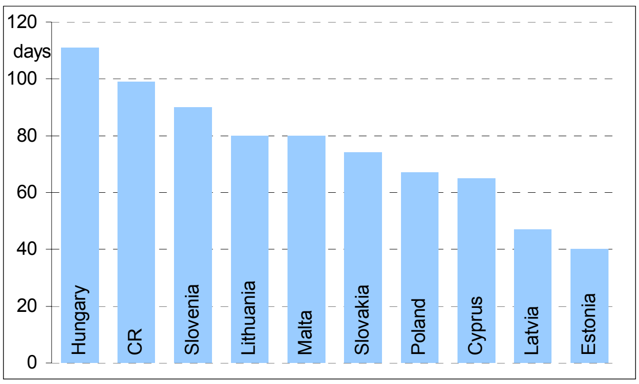
2753rd Economic and Financial Affairs Council meeting: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/91272.pdf

## 13 OCTOBER

2754th Transport, Telecommunications and Energy Council: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/trans/91301.pdf

Oil Stock Situation - Member States with a 90-day obligation/transitional period (bottom of page): http://ec.europa.eu/energy/oil/stocks/index_en.htm

**Days of average consumption of oil**




*Source: European Commission*

## 16 OCTOBER

EU-India Summit - Helsinki, 13.10.2006 (joint statement): http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/91306.pdf


Animal Welfare during transport - Legislation coming into force:
http://ec.europa.eu/food/animal/welfare/transport/legislation_coming_en.htm

Sport Governance in Europe - White Paper Consultation with European Sport Federations (PDF):
http://ec.europa.eu/sport/doc/figel_federations_Report_en.pdf

## 17 OCTOBER

Council approves financing instrument to provide more than EUR 11 billion for European neighbourhood policy:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/91317.pdf

Council reaches political agreement on financing instrument to provide EUR 17 billion for development cooperation:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/91316.pdf

## 18 OCTOBER

2756th External Relations Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/91351.pdf

2755th General Affairs Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/91350.pdf

## 19 OCTOBER

Groundwater: stricter standards agreed in conciliation:
http://www.europarl.europa.eu/news/expert/infopress_page/064-11796-290-10-42-911-20061018IPR11795-17-10-2006-2006-false/default_en.htm

Education: Commission paves the way for 2008 launch of the European Institute of Technology:
http://ec.europa.eu/education/policies/educ/eit/index_en.html

## 20 OCTOBER

23 year-old Polish designer wins EU logo competition:
http://www.europarl.europa.eu/news/public/story_page/011-11745-290-10-42-902-20061017STO11744-2006-17-10-2006/default_en.htm

## 23 OCTOBER

EU calls on social partners to join the flexicurity debate:
http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=184

Ombudsman opens inquiry into O2 complaint against the Commission on roaming charges:
http://www.ombudsman.europa.eu/release/en/2006-10-23.htm

## 24 OCTOBER

Services directive - Internal Market Committee backs Council text:
http://www.europarl.europa.eu/news/expert/infopress_page/056-11864-296-10-43-909-20061020IPR11863-23-10-2006-2006-false/default_en.htm

2757th Environment Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/envir/91391.pdf

Rural Development in the EU - Statistical and Economic Information 2006:
http://ec.europa.eu/agriculture/agrista/rurdev2006/index_en.htm

## 25 OCTOBER

2758th Agriculture and Fisheries Council Meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/agricult/91398.pdf

Regional Policy: Eligible regions and financial allocations:
http://ec.europa.eu/regional_policy/atlas2007/fiche_index_en.htm

Annual Reports from the Court of Auditors – 2005:
http://www.eca.europa.eu/audit_reports/annual_reports/annual_reports_index_cs.htm

## 26 OCTOBER

MEPs adopt media and culture programmes:
http://www.europarl.europa.eu/news/expert/infopress_page/037-11935-293-10-42-906-20061020IPR11882-20-10-2006-2006-false/default_en.htm

ECB annual report on EU banking structures published:
http://www.ecb.eu/press/pr/date/2006/html/pr061025.en.html

## 27 OCTOBER

Trade: EU and Brazil conclude agreement on new EU poultrymeat import regime:
http://ec.europa.eu/trade/issues/sectoral/agri_fish/agri/pr261006_en.htm

EEA: EU must take immediate action on Kyoto targets:
http://www.eea.europa.eu/pressroom/newsreleases/ghgtrends2006-en

## 30 OCTOBER

EU-Ukraine Summit - Helsinki, (Joint Press Statement):
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/91453.pdf

## 31 OCTOBER

Commission adopts Communication - Adult learning: It is never too late to learn:
http://ec.europa.eu/education/policies/lll/adultcom_en.html


In this issue of the EU News Monthly Journal, member of the European Parliament Jana Bobošíková summarizes the most important problem regarding the EU regional policy. She focuses on the current programming period 2004 – 2006 as well as on the future programming period from the 1st of January 2007 till the end of 2013.

# EUROPEAN UNION REGIONAL POLICY

Preparations for the regional policy in 2007-2013 take place in parallel within the EU as well as in each Member State.

## EU preparations for 2007-2013

The European Parliament adopted all necessary regulations governing the use of the Structural Funds and the Cohesion Fund in its July session in Strasbourg. During the second September plenary, the EP adopted the Strategic Guidelines of the Community required to finalize the national strategic reference frameworks and operational programmes.

## Preparations for 2007-2013 in the CR

At the same time, intense preparations are being pursued in the Czech Republic for the new programming period. All crucial documents that are the base for all future operational programmes are incorporated in the:

- National Development Plan of the Czech Republic and
- National Strategic Reference Framework.

These documents were adopted by the government of the Czech Republic in the first half of 2006.

## Objectives and operational programmes

Altogether, there are 24 operational programmes (OPs) under preparation in the Czech Republic for 2007-2013. The programmes deal with three objectives: Convergence, Regional Competitiveness and Employment and European Territorial Cooperation.

The **Convergence objective** comprises seven sectoral and seven regional operational programmes.

The sectoral operational programmes OP Enterprise and innovations, OP Human resources and employment, Integrated OP, OP Environment and OP Transport are similar and related to operational programmes OP Industry and enterprise, OP Human resources development, SROP and OP Infrastructure from the 2004-2006 programming period. However, they are more extensive and more sophisticated. New features include separate OP Research and development for innovations and OP Education for competitiveness.

http://www.strukturalni-fondy.cz/sektorove-op

Regional operational programmes are analogous to sectoral operational programmes but they focus on specific problems of the given region. The managing body for those programmes will be the Regional Council of the cohesion region concerned. These are specifically:

| | |
|---|---|
| OP Central Bohemia | Středočeský region |
| OP North West | Ústecký and Karlovarský region |
| OP South West | Plzeňský and Jihočeský region |
| OP North East | Liberecký, Královéhradecký and Pardubický region |
| OP South East | Vysočina, Jihomoravský region |
| OP Central Moravia | Olomoucký and Zlínský region |
| OP Moravia – Silesia | Moravskoslezský region |

http://www.strukturalni-fondy.cz/regionalni-op

The **Regional competitiveness and employment** comprises two operational programmes: OP Prague Competitiveness and OP Prague Adaptability and employment. These programmes will be used for example to improve transport and telecommunication services or develop the labour market in the City of Prague.

http://www.strukturalni-fondy.cz/praha

The **European territorial cooperation** will comprise the operational programmes OP Interregional cooperation, OP Multinational cooperation, OP INTERACT II and OP ESPON II. An analogy of this objective is already known from the programming period 2004-2006 as INTERREG, the initiative for cross-border cooperation.

http://www.strukturalni-fondy.cz/uzemni-spoluprace

At present, the managing bodies of each operational programme and the European Commission are holding negotiations over the final version of the documents with the aim of adopting them as soon as possible.

## 2007-2013 budget

**The overall budget** of the Czech Republic for 2007-2013 will be **€ 26.7 billion,** exclusive of national co-financing.

## Use of funds in 2004-2006

The absorption capacity of the Czech Republic from 2007, as well as how the government and the respective Ministries contribute to it, is uncertain. The European Commission's Financial report for 2005 (http://ec.europa.eu/budget/publications/fin_reports_en.htm) shows clearly that the Czech Republic is the second worst country in using the Structural Funds, since it has used only 23.5% of all available means. Such slow implementation of the regional funds is, undoubtedly, caused by political instability. In the Ministry for regional development four successive ministers have already taken their post in the current programming period, i.e. 2004-2006.

Jana Bobošíková, Member of the European Parliament


Of the meetings of the key EU institutions which take place in November we draw attention to plenary session of the European Parliament. On the agenda will be the second reading of the controversial – and according to our opinion very important and needed – directive on services in the internal market.

## Meeting of the key EU institutions

| | |
|---|---|
| **7.11.2006** | **Brussels, Belgium** |
| - ECOFIN Council | |
| **13.-14.11.2006** | **Brussels, Belgium** |
| - Education, Youth and Culture Council | |
| **13.-14.11.2006** | **Brussels, Belgium** |
| - General Affairs and External relations Council | |
| **13.-16.11.2006** | **Strasbourg, France** |
| - EP Plenary | |
| **20.-21.11.2006** | **Brussels, Belgium** |
| - Agriculture and Fisheries Council | |
| **21.11.2006** | **Brussels, Belgium** |
| - ECOFIN Council | |
| **23.11.2006** | **Brussels, Belgium** |
| - Transport, Telecommunications and Energy Council | |
| **24.11.2006** | **Helsinki, Finland** |
| - EU-Russia Summit | |
| **27.11.2006** | **Tampere, Finland** |
| - EU-Canada Summit | |
| **28.11.2006** | **Brussels, Belgium** |
| - ECOFIN Council | |
| **30.11.-1.12.2006** | **Brussels, Belgium** |
| - Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) | |

## Public consultation on EU legislation

| Topic of the consultation | Organiser | Deadline |
|---|---|---|
| The Implementation of the Distance Selling Directive | DG SAMCO | 21.11.2006 |
| Evaluation of the Commission's Impact Assessment System | DG ENTR | 30.11.2006 |
| Draft Commission Consolidated Jurisdictional Notice | DG COMP | 1.12.2006 |
| Consultation regarding Community action on health services | DG SANCO | 31.1.2007 |


In the next programming period, the cooperation concerning implementation of the objectives of the Structural and Cohesion Policy between the European Commission and the European Investment Bank will be enhanced through three new joint initiatives. These initiatives called JASPERS, JEREMIE and JESSICA are the main topic of our EU News Monthly Journal for November.

# NEW INITIATIVES OF COHESION POLICY: JASPERS, JEREMIE, JESSICA

Preparations for efficient operation of the EU Structural and cohesion policy in the next programming period 2007-2013, currently culminating, consist of more than finalisation activities related to the National Strategic Reference Frameworks and individual Operational Programmes or other programming documents. In the next programming period, the cooperation concerning implementation of the objectives of the Structural and Cohesion Policy between the European Commission and the European Investment Bank will be enhanced through three new joint initiatives focused on investments, growth and jobs in the Member States and their regions.

The new initiatives are JASPERS (Joint Assistance in Supporting Projects in European Regions), JEREMIE (Joint European Resources for Micro-to-Medium Enterprises) and JESSICA (Joint European Support for Sustainable Investment in City Areas).

In the context of the EU Structural and Cohesion Policy, the enhanced cooperation between the European Commission and the European Investment Bank group and other international financial institutions in the field of financial innovation has several dimensions:

- providing additional loan resources for entrepreneurial projects and for development in the EU regions;
- contributing financial and managerial expertise provided by specialist institutions such as the European Investment Bank group and other international financial institutions;
- creating strong incentives for successful implementation by beneficiaries by combining grants and loans;
- ensuring long-term sustainability through the revolving character of the contribution of the European Regional Development Fund (ERDF) to activities based on financial innovations.

These reasons may explain why the European Commission focused on improving the access of each relevant entity to financial funds in the first half of 2005. The Community Strategic Guidelines for Cohesion, published by the end of June 2005, explicitly refer to the need to enhance support for start-ups and micro-enterprises, through technical assistance, grants and non-grant instruments such as loans, equity, venture capital or guarantees, and highlight the added value of undertaking these actions in cooperation with the EIB group. Evaluations and studies demonstrate a clear correlation between access to finance or risk capital for small and medium enterprises, on the one hand, and economic growth and competitiveness on the other hand. Improved access to finance and risk capital for small and medium sized enterprises is therefore a key element of the EU growth and jobs agenda ("New" Lisbon strategy) and in this context, the ERDF resources allocated to this objective in the new programming period 2007-2013 will fully comply with the Lisbon objectives.

## JASPERS:

## NEW PARTNERSHIP IN TECHNICAL ASSISTANCE

JASPERS aims at developing cooperation and combination of expertise and resources and organising them in a more systematic way to help the Member States to implement the EU Structural and cohesion policy in their territories. The JASPERS initiative will offer services to the Member States focused on regions covered by the new convergence objective for 2007-2013 (still underdeveloped regions with GDP per capita less than 75% of the EU-25 average, and regions within the so-called statistical discrepancy).

The service will above all help regional and local authorities and institutions to prepare major projects and project documents to be submitted to the European Commission. Based on this, the service should help to increase the quantity, quality and speed of the projects to be approved; as a result, the absorption ability of the Member States and regions concerned should directly improve and, as an indirect result, the growth and convergence throughout the EU should improve as well.

JASPERS involves partnership between the European Union (the Directorate General for regional policy), EIB and the European Bank for Reconstruction and Development (EBRD).

JASPERS will offer technical assistance to the beneficiaries in the Member States without any charges. The main objective of the JASPERS initiative is to help the Member States with the complex objective of preparing quality projects that could be approved more quickly for EU support provided by the European Commission. The technical assistance will be offered from the early stages of the project development. JASPERS should provide complex integrated assistance for all stages of the project cycle, from


the initial identification of the project until the final decision to grant assistance.

JASPERS will focus on large projects supported by the EU funds (of the volume exceeding € 25 million for environmental projects, and over € 50 million for transport and other areas). In smaller countries, where the number of projects of such size will be lower, JASPERS will concentrate on the largest projects. The JASPERS initiative is expected to significantly contribute to the quantity, quality and speed of processing and implementing of projects; the respective legal responsibilities of the national authorities and the European Commission, however, remain unchanged.

The Member States are not obliged or bound to use the assistance offered by JASPERS; the Member States using the assistance offered by JASPERS are not in any way obliged to borrow from EIB or EBRD, although they may do so if they wish. Activities within the JASPERS initiative will be more closely coordinated with the Member States; in order to ensure smooth planning and coordination, the activities will be organized each year according to an annual action plan to be specified according to each Member State's needs.

The JASPERS initiative is managed by 50 erudite experts in technical, economic and financial analysis within the EIB. Many of these experts will gradually provide technical assistance directly in the Member States and regions, in particular in the cohesion countries, for preparing high-quality investment projects.

Key areas for JASPERS are technical assistance in trans-European networks (TENs), the transport sector outside of TENs including rail, river and sea transport, inter-modal transport systems and their mutual interoperability, management of road and air traffic, and clean urban and public transport. In the field of the environment, JASPERS focuses on projects in energy efficiency and renewable energy.

## JEREMIE:

## INCREASED ACCESS TO FINANCE FOR MICRO AND SMALL AND MEDIUM ENTERPRISES IN THE EU REGIONS

JEREMIE is an initiative of the European Commission prepared together with EIB and the European Investment Fund (EIF). It aims at supporting increased access to finance for micro, small and medium enterprises in the EU regions. JEREMIE was first officially presented by the European Commission, EIB and EIF at a ministerial meeting in Brussels in October 2005.

Increased access to finance is a priority of the “new” Lisbon agenda for growth and creation of new jobs in the struggle to increase accessibility of capital in Europe in order to create new entrepreneurial activities and development. Experience has shown that this is an area where the programme authorities would like to do more, but they lack experience and expertise as well as access to risk capital. Based on the framework for cooperation with the specialised financial institutions, the EIB and the EIF, and other international financial institutions, JEREMIE is designed to help to overcome these difficulties.

The first phase of JEREMIE consists of an evaluation of the financial products offer in the Member States and EU regions and an assessment of potential needs. The evaluations are to be conducted in 2006-2007 within a cooperation agreement between the European Commission and the EIF that work closely with the national authorities and financial institutions at a national level.

The second phase consists of an involvement in the programming actions for the programming period 2007-2013. Where managing authorities (bodies) wish to use the JEREMIE framework, they should decide to allocate resources from the programme to a holding fund. The holding fund should be a suitably qualified financial institution at national level. It is also intended that under the JEREMIE initiative, the managing bodies can ask the EIF to ensure the holding fund objectives when the programme allocates a grant to it. This could also facilitate the obtaining of additional loan capital from the EIB.

The holding fund should also organise calls for expressions of interest addressed to all interested financial intermediaries (venture capital funds, seed-capital funds, start-ups, technology or technology transfer funds, guarantee funds, micro credit providers etc.). On the basis of its specific expertise, the holding fund, working closely with the managing body, will evaluate, select and accredit financial intermediaries. It will be able to provide them with


products related to investments in their equity capital, loans or guarantees including technical assistance (if appropriate).

The selected financial intermediaries (mainly commercial banks) will then be responsible for making funds available on acceptable competitive terms (the principles of which should be agreed and approved between the programme managing authority and the holding fund) to micro, small and medium sized enterprises. Special attention should be paid to supporting the "new" Lisbon growth and jobs agenda with an emphasis on technology and know-how transfer, start-ups, technology and innovation funds and micro credits.

The final result is that the managing body will have access to a key system that should considerably facilitate the realisation of an otherwise complex task. This task should be seen in the context of a system of activities that are crucial for the development of European economic competitiveness. Contributions from the programmes to the holding fund are considered as eligible financial flow under the ERDF.

## JESSICA: SUSTAINABLE DEVELOPMENT FOR URBAN AREAS

JESSICA is an initiative of the European Commission in cooperation with the EIB and the Council of Europe Development Bank (CEB); it supports sustainable investment rate, growth and jobs in the EU's urban areas.

The need to do more in this field has been requested in the context of the consultation on the proposal of the Community Strategic Guidelines adopted by the European Commission in June 2005 (see above). In addition, the report of the European Parliament from August 2005, "The urban dimension in the context of enlargement" called on the Commission to reinforce actions for urban agglomerations and areas. At the high-level conference involving the Presidency bodies, the regions and financial institutions in November 2005 on the topic of "Financing growth and cohesion in the enlarged EU", the proposal of cooperation which later became the base for JESSICA received support and led to an agreement between the European Commission and the international financial institutions.

JESSICA will offer the managing bodies of the EU Structural Funds programmes the possibility to use external expertise and to have greater access to loan capital for the purpose of promoting urban development, including loans for social housing, if such support is appropriate. Where a managing body wishes to participate in cooperation under the JESSICA initiative, it would contribute resources from the programme, while the EIB, other international financial institutions, private banks and investors could contribute additional loan or equity capital as and when appropriate. If projects are not supported through grants, programme contributions to urban development funds will be revolving and help to enhance the sustainability of the investment effort. The programme contributions will be used to finance loans provided by the urban development funds to the final beneficiaries, secured by guarantee schemes established by the funds and the participating banks. No state guarantee for these loans will be part of the initiative; therefore the public finance system and public debt will not be affected.

There could be two basic approaches to the JESSICA initiative application leading from the contribution from the relevant programme to support for a project.

### 1. Direct relationship with urban development funds

Managing bodies deciding to use the JESSICA framework will launch one or more calls for expression of interest addressed to urban development funds and the resulting ideas and proposals should then be appraised and assessed in the usual manner. Relevant criteria in this context should include the investments and projects to be subject to targeting, the terms under which they could be financed, ownership criteria and contributions of co-financing partners of the fund, the justification and intended use of the ERDF contribution, the fees and remunerations of the fund etc.

As a result of the appraisal a funding agreement should be signed between the managing (or other) body and the selected urban development fund(s), specifying the terms and conditions and the targeted investments for allocating resources from operational programmes to it (them).

Urban development funds should select and support PPPs and other urban development projects, providing them with loans, support for investments into equity capital or guarantees, but not grants. It should be possible for a given project to be supported partly by the non-grant urban development funds and partly by public grants (including funds from other Operational Programmes). Other private banks or investors may also participate. Projects could be


promoted by public, municipal or private companies or enterprises or joint ventures involving the given players in any possible combination. The funds will monitor the implementation of projects by final beneficiaries. The monitoring will be reported to the managing bodies of these activities (selection of projects, implementation by final beneficiaries etc.).

## 2. Organisation of the JESSICA initiative through holding funds

Managing bodies have the possibility to organise financial instruments for sustainable urban development through the intermediary of holding funds. Holding funds are funds investing in more than one urban development fund, providing them with investments into equity capital, loans or guarantees. In such case the managing bodies will have the option to award a grant to the EIB that would be charged with achieving the holding fund tasks.

An agreement should be signed between the Member States or the managing bodies and the holding fund specifying the terms and conditions and targeted investments. The urban development funds are the funds directly investing in PPPs and other projects in the context of urban areas development. Projects approved by the funds for support will be financed only through equity or loans, but not through grants. It is expected that a pre-condition would be that the projects would be supported only in the context of an integrated plan for sustainable urban development.

Urban development funds will be co-managed by professionals from the banking and private sector, who should contribute financial, technical and managerial expertise and flexibility to the management of projects co-financed by the ERDF.

## CONCLUSION

The above-mentioned group of new initiatives established by the European Union's institutions has an essential objective: considering the approaching start of the new programming period 2007-2013, to facilitate absorbing the Structural Funds and the Cohesion Fund by the beneficiary countries and investing them in reasonable projects. The aim is also to increase and improve the access to financial resources in regions in order to support substantial development and establishment of new companies and enterprises and new joint projects.

The EU Structural and Cohesion Policy is expected to have a significant impact on the Member States' economies in the next programming period, especially on the cohesion countries (i.e. countries with GDP per capita under the EU average; there is a significant difference between this indicator in Spain (markedly above 90% of the EU-25 average) and the Baltic countries and Poland (only approximately 40% of the EU-25 average).

In the least prosperous Member States (and we are pleased to say that the Czech Republic is not among them) the transfers from the EU Structural and Cohesion Funds may amount to up to 4% of their national GDP. The European Commission predicts that GDP in the new Member States should increase by approximately 10 % by 2013. In terms of employment indicators, about 2.5 million new jobs should be created.

**Brief summary**

1. **The JASPERS** initiative has a primary objective to help to prepare large-scale projects focused on infrastructure development particularly in the new Member States and in the states to accede to the EU in January 2007 (Romania, Bulgaria). The JASPERS working team has been created within the EIB, comprising experts specialised in technical assistance with project preparations; the EIB also aims at creating and establishing three regional offices of the JASPERS initiative in the new Member States. The applicability of the JASPERS initiative is fully feasible.

2. **The JEREMIE** initiative is to facilitate the access of enterprises to financial funds. The Member States and their regions will have the option to use a part of the finances allocated within the Structural Funds through the EIF to use the financial instruments primarily and specifically focused on the development of micro, small and medium sized enterprises.

3. **The JESSICA** initiative provides a variant solution for projects financing focused on urban reconstruction and development combining grants and loans. Primarily, however, JESSICA will not aim at using the grant instruments; it will facilitate the use of grants combined with its instruments. JESSICA should facilitate the manners of financing for a wide range of projects based on private and public sector partnership.


Estonia is one the small and poorest countries within the European Union but with an excellent economic performance in terms of GDP growth. Although in the last 10 years it has shown systematic and outstanding economic growth, it still has to cope with a huge gap between its economic prosperity and the EU average.

## ESTONIA

| | |
|---|---|
| *Government type/chief of state* | republic / president Toomas Hendrik Ilves |
| *Area (share of EU)* | 45 226 km2 (1.14 %) |
| *Population (share of EU)* | 1 344 700 (0.29%) |
| *Age structure* | 0-14 years: 16%, 15-64 years: 67.8%, over 65 years: 16.2% |
| *Total GDP (share of EU)* | 11.0 EUR bn (0.1%) |
| *GDP per capita in PPS* | 60.1% of EU-25 average |
| *GDP - composition by sector* | agriculture: 3.7%, industry and constr.: 28.5%, services: 67.8% |
| *Average inflation* | 4.1% |
| *Average unemployment* | 7.9% |
| *GDP growth* | 10.5% |
| *General govern. balance* | -2.3% of GDP |
| *General government debt* | 4.5% of GDP |
| *Number of NUTS2* | 1 NUTS2, Estonia 60.1% |

*Note: the figures are for 2005, source: EU, CIA*

Estonia has shown systematic and outstanding economic growth in the last 10 years, but it still has to cope with a huge gap between its economic prosperity and the EU average. Even its long-term economic growth of nearly 6% did not bring it closer to the EU-25 average than approximately 50% of GDP per capita, which makes Estonia one of the four poorest Member States. Of them, Estonia is most likely to catch up with or even outperform economies that are now ranked much higher, maybe as soon as in the next decade.

As with the other states in Central and Eastern Europe, the Estonian economy has undergone crucial structural changes since the early 90s. These reforms were radical, as shown in the rather high current share of services in its economy, i.e. more than 67% (significantly more than in the Czech Republic). The share of processing industry exceeds 28% and the primary economic sectors correspond to less than 4% (out of which agriculture is less than two percent).

The Estonian economy is very open; its most significant business partners are two Scandinavian countries: Finland and Sweden. Estonia is considerably dependent on the import of raw materials and industrial inputs; Estonian exports comprise nearly exclusively products of various processing industries. The export of services from Estonia is also important, particularly in the field of tourist industry (most tourists come to Estonia from Finland).

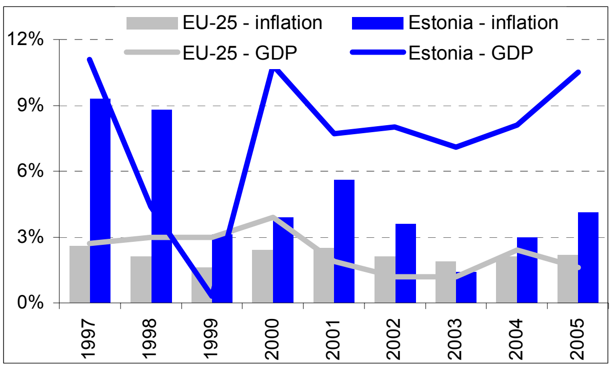
Considering the openness of the Estonian economy, another interesting feature should be mentioned: its exchange rate scheme. As a newly liberated post-Soviet country, Estonia wanted to keep its exchange rate stable in the then insecure climate; therefore it adopted the currency board exchange rate arrangement, including but not limited to a permanently fixed nominal value of the exchange rate. The fixed exchange rate has not changed since its establishment, i.e. since June 1992. The exchange rate was initially fixed to the deutsche mark (8 Estonian kroon for one deutsche mark); following the adoption of the Euro, it has been fixed to the single European currency (15.645 Estonian kroon for one Euro). The constant nominal exchange rate results in increased inflation pressure in the Estonian economy because adjustment of price levels (corresponding to the growth of the Estonian economy) is possible only through this price channel.

The radical economic reforms resulted in a rather significant increase of the unemployment rate, particularly in early 90s, which reached its peak at around 12% by the end of the previous decade. Since then, the situation has considerably improved and Estonia ranks among Member States with the lowest unemployment rate (less than 7%).

A laudable feature of the Estonian economy is its exemplary fiscal discipline characterised by balanced or even excess budgetary policy and exceptionally low public debt. Estonia also uses a transparent and simple single tax rate scheme (of 24%), with one important exception: reinvested profit is not subject to any tax at all. Other positives of the Estonian economy include successful privatisation and a relatively efficient public service system.

Among the Member States, the Estonian economy is at present considered most likely to achieve the same economic miracle as Ireland did in the late 80s and early 90s, when a relatively very poor country became very rich due to appropriate reforms in a rather short period.

### Inflation and GDP




*Source: Eurostat*


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 | VII-06 | VIII-06 | IX-06 | VII-06 | VIII-06 | IX-06 |
| Belgium | 0.9 | 2.6 | 1.2 | 4.5 | 3.5 | 2.2 | 8.6 | 8.6 | 8.6 | 2.4 | 2.3 | 1.9 |
| **CR** | 3.2 | 4.7 | 6.0 | -6.3 | -6.0 | -2.3 | 7.2 | 7.1 | 7.0 | 2.4 | 2.6 | 2.2 |
| Denmark | 0.7 | 1.9 | 3.1 | 3.2 | 2.3 | 2.9 | 3.7 | 3.7 | 3.5 | 2.0 | 1.9 | 1.5 |
| Estonia | 6.7 | 7.8 | 9.8 | -11.9 | -12.7 | -10.6 | 4.7 | 4.6 | 4.4 | 4.5 | 5.0 | 3.8 |
| Finland | 2.4 | 3.6 | 2.1 | 3.8 | 4.1 | 2.4 | 7.8 | 7.8 | 7.9 | 1.4 | 1.3 | 0.8 |
| France | 0.8 | 2.3 | 1.4 | 0.2 | -0.7 | -1.2 | 9.1 | 9.0 | 8.9 | 2.2 | 2.1 | 1.5 |
| Ireland | 4.4 | 4.5 | 4.7 | 0.0 | -0.8 | -1.9 | 4.5 | 4.5 | 4.2 | 2.9 | 3.2 | 2.2 |
| Italy | 0.0 | 1.1 | 0.0 | -0.9 | -0.5 | -1.1 | na | na | na | 2.3 | 2.3 | 2.4 |
| Cyprus | 1.9 | 3.9 | 3.8 | -0.9 | -5.3 | -5.7 | 5.2 | 5.1 | 5.0 | 2.8 | 2.7 | 2.2 |
| Lithuania | 10.5 | 7.0 | 7.5 | -6.8 | -7.9 | -7.0 | 5.7 | 6.0 | 6.1 | 4.4 | 4.3 | 3.3 |
| Latvia | 7.2 | 8.5 | 9.1 | -8.1 | -12.9 | -12.4 | 7.3 | 7.0 | 6.8 | 6.9 | 6.8 | 5.9 |
| Luxembourg | 2.0 | 4.2 | 4.2 | 6.4 | 10.5 | 8.4 | 4.8 | 4.8 | 4.9 | 3.4 | 3.1 | 2.0 |
| Hungary | 3.4 | 4.6 | 4.1 | -8.6 | -8.4 | -7.4 | 7.5 | 7.6 | 7.6 | 3.2 | 4.7 | 5.9 |
| Malta | -2.5 | -1.5 | 2.5 | -5.8 | -9.6 | -12.9 | 7.5 | 7.5 | 7.5 | 3.6 | 3.0 | 3.1 |
| Germany | -0.2 | 1.6 | 0.9 | 2.1 | 3.7 | 3.9 | 8.3 | 8.6 | 8.7 | 2.1 | 1.8 | 1.0 |
| Netherlands | -0.1 | 1.7 | 1.1 | 5.9 | 6.2 | 7.1 | 3.8 | 4.0 | 4.0 | 1.7 | 1.9 | 1.5 |
| Poland | 3.8 | 5.3 | 3.2 | -2.1 | -4.2 | -1.5 | 14.4 | 14.2 | 14.1 | 1.4 | 1.7 | 1.4 |
| Portugal | -1.1 | 1.1 | 0.3 | -6.5 | -7.8 | -9.5 | 7.3 | 7.2 | 7.2 | 3.0 | 2.7 | 3.0 |
| Austria | 1.4 | 2.4 | 1.9 | 1.5 | 2.7 | 2.9 | 4.9 | 4.8 | 4.7 | 2.0 | 2.1 | 1.3 |
| Greece | 4.8 | 4.7 | 3.6 | -10.0 | -9.5 | -9.2 | na | na | na | 3.9 | 3.4 | 3.1 |
| Slovakia | 4.5 | 5.5 | 6.0 | -0.5 | -3.4 | -8.5 | 13.2 | 13.0 | 12.8 | 5.0 | 5.0 | 4.5 |
| Slovenia | 2.7 | 4.2 | 3.9 | -0.3 | -2.0 | -1.1 | 6.1 | 5.9 | 5.7 | 1.9 | 3.1 | 2.5 |
| Spain | 3.0 | 3.1 | 3.4 | -4.1 | -5.8 | -7.4 | 7.8 | 7.8 | 7.8 | 4.0 | 3.8 | 2.9 |
| Sweden | 1.7 | 3.7 | 2.7 | 6.6 | 6.6 | 5.9 | na | na | na | 1.8 | 1.6 | 1.2 |
| UK | 2.5 | 3.1 | 1.8 | -1.4 | -2.0 | -2.6 | 5.6 | na | na | 2.4 | 2.5 | na |
| **EU-25** | 1.2 | 2.4 | 1.6 | 0.1 | 0.0 | -0.3 | 7.9 | 8.0 | 8.0 | 2.4 | 2.3 | 1.9 |

| | 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*