EU News
Monthly Journal

Number 47,
August 2007

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,

At the close of July, it seems we are finally able to rejoice that the wait is over. This joy refers to the approval of the Czech Republic's National Strategic Reference Framework, which is the key document for the use of EU funds for structural operations. This document did not have an easy birth and brought with it a number of premature, unjustified doubts and fears. A good and energetic start was hampered by last summer's political stalemate, when the almost finished document was put on ice for several months. In addition, there was no responsible party designated on the Czech side, who would be received by the European Commission for the purpose of initially discussing the document and participating in any subsequent renegotiations.

With the start of the New Year and more personnel changes, the internal negotiation process finally started. The initiated insiders, who screened the complications associated with twenty-four selected operational programmes, began to suspect there was a possible problem

We have completed the first step – there are several more ahead of us. The most important consists of the approval procedure for the operational programmes. Thus far, this phase is being handled best by Austria and Romania, who already have a majority of their OPs approved. The Czech Republic, on the other hand, is one of the seventeen member states that do not have even one OP approved as of this time. The mass acceptance phase throughout the entire EU is timed for the end of summer and the start of autumn. Taking "inventory" of the progress of this task will occur during the period that just about precedes Open Days, i.e., approximately mid-October. Whoever is lagging at that time, will have difficulties catching up. There is still, however, enough time to fine-tune the preparations for the next phase, specifically the implementation phase.

Of the other events that took place in July, the warning finger raised by the EU Council towards the Czech fiscal position and its development should most likely not be omitted. ECOFIN representatives gave our country another warning and assigned it some homework that should be neither ignored nor underestimated. Even if we do meet their requirements, we will either establish a reputation as a country that steps up to its obligations in a responsible manner, or we will reinforce our position as a member state that likes to make problems every so often even when it is not at all necessary.

The end of July also saw increased visibility of the matter that the previous German presidency significantly sped up. By this we mean the Euro Tariff for using roaming services provided by mobile phone operators. This product was brought to life on the last day of July.

August is a holiday month for European institutions, but there is no time off for the European integration process. With wishes for a pleasant second half of the summer,

Petr Zahradník

As expected, the second half of July saw the start of the intergovernmental conference that has as its goal the preparation of the "Reform Treaty". Tax Commissioner László Kovács introduced an initiative to simplify the current value added tax system. Within its framework, he recommends that the derogation for using a decreased VAT rate currently held by the new member states be extended up to 2010.

POLITICS

Intergovernmental Conference on New Reform Treaty Starts

The main output of June's European Council Summit consists of an **agreement on the basic framework of the European Union Reform Treaty**, which is intended to replace the rejected Euro Constitution as far as defining the institutional reform required within the European Union. An intergovernmental conference was convened for the purposes of defining that actual text of the new treaty. The meeting opened at the General Affairs and External Relations Council held on 23-24 June 2007.

The EU's Portuguese Presidency anticipates that the intergovernmental conference will **quickly and successfully complete its task by this October**, thanks to the fact that the format of the treaty was negotiated beforehand at the European Council Summit. The government leaders from the individual member states will sign the treaty at the European Council meeting scheduled for December. All of next year will be designated for the treaty's ratification. A referendum need only be held in Ireland, as required by that country's constitution. According to current expectations and opinions put forth by national political representatives, parliamentary approval should suffice in the other member states. The treaty could enter into validity as early as June 2009, at which time elections to the European Parliament will be held.

It seems that nothing else stands in the way of the treaty. A certain risk exists as far as Poland is concerned, as this country has indicated that it might request reopening discussions on some chapters that have already been negotiated – specifically those that pertain to the proposed majority vote system. An action of this type would most likely set off a cavalcade of similar requests from other member states and **break up the consensus that was so difficult to attain**. An even more pessimistic alternative in this case is to push Poland aside and isolate it (along with any other "troublemakers") to a blind track and bring the concept of a speedier Europe back to life.

We consider the Reform Treaty as reflected in the intentions of the European Council's June decision to be a **balanced compromise**. On the one side, it will simplify the functionality of a European Union consisting of 27 or more members and will allow existing European problems and demands to be addressed and resolved. On the other, omitting certain controversial references to state symbols (the document title "Constitution, Functions of the European Foreign Minister, European Flag, Anthem, …") will ease the apprehensions some member states have with regard to a "European Superstate" and will avoid the uncertainty of a majority vote at the time the treaty goes through the ratification process.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1044

ECONOMY AND EURO

Report on Practical Preparations for the Euro

In mid-June, the European Commission published the "Fifth report on the practical preparations for the future enlargement of the Euro area". As compared to the Convergence Report, this document **does not evaluate the readiness of individual countries from the economic standpoint**, but rather addresses technical issues as to whether a member state:

- has established a target date for Euro adoption;
- has prepared a national plan for Euro introduction;
- wants to implement cash and cash-free operations at the same time (the "Big Bang" scenario) or over a multiple-year interim period;
- is planning a several-month period of dual pricing at the retail level, etc.

The report mostly concerns itself with **Cyprus** and **Malta**, whose entry into the Eurozone has been approved for January 2008, and **Slovakia**. The latter is striving for acceptance to the common European currency area in 2009. Of these three countries, Malta is the most deserving of praise for the high quality of its preparations for Euro adoption.

Of the other European Union member states, only **Romania** has established a definite date for its entry into the Eurozone. The Czech Republic is specifically mentioned as a good example of timely preparations for the Euro even in a situation when a target date has not been set. The Commission's report also briefly comments on the main points of the **National Plan for Euro Introduction** in the Czech Republic, which was approved in April.

Expected adoption of the Euro

Target date	Member States
1 January 2008	Cyprus, Malta
1 January 2009	Slovakia
2014	Romania
To be (re-)determined	Bulgaria, CR, Estonia, Lithuania, Hungary, Poland, Sweden, Latvia,

Source: European Commission

We believe that the absence of a Euro adoption date and the uncertainty surrounding it is the **greatest weakness of Czech preparations**, which are otherwise of sufficient quality and thoroughness. The business and financial spheres are planning their strategies several years in advance and the actual date on which the national currency will change is of key importance as far as this direction is concerned. In addition, by accepting a firm obligation to replace the Czech crown with the Euro in a specific year, the government would be whipped into action and forced to implement the required fiscal reforms. We see **2013 as being the most likely date for Euro adoption in the Czech Republic**.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1073

TAXATION AND CUSTOMS UNION

Commissioner Kovács Wants to Simplify VAT

László Kovács, the European Commissioner for Taxation, published a proposal for **simplifying tax regulations pertaining to VAT** and decreasing the number of goods and services that fall into the lower rate category.

According to current directives, the basic value added tax rate in the European Union is at a level of at least 15%. Nevertheless, member states can opt to tax certain items, such as medications, basic foodstuffs, and work-intensive services, at a rate of no less than 5%. In addition, **there are other derogations**. This leads to a very inconsistent and complex VAT system, whereby each member state applies a number of individual exceptions. As a result, cross-border business faces complications and internal markets are disturbed, as some consumers make their purchases in states with a lower tax rate.

The existing situation is also **unfair towards the new member states** that have acceded to the European Union as of 2004. While the older member states (the EU-15) are allowed to apply exceptions up until the time a definite VAT payment system is implemented in the European Union (the year 2011 is anticipated), the exceptions granted to the newcomers will expire in 2007 and 2008.

With the goal of launching a debate to resolve all of the above-mentioned issues, the European Commission published a **communication on non-standard VAT rates** at the start of June. This was accompanied by the results of an independent study, according to which, if a single VAT rate were implemented in place of the countless current exceptions, consumers would benefit, business expenses would decrease, and obstacles preventing a functional internal market would be removed.

According to the perceptions of Euro Commissioner Kovács, a common VAT rate would be accompanied by a "**very low rate**" on goods and services that satisfy "first priority needs", such as foodstuffs. Additionally, a **second lower rate** – albeit slightly higher – could be applied to foods and services that require special handling due to cultural, ecological, educational, and social reasons, as well as to public transport.

VAT rates applied in the member states

Member state	Basic rate	Lower rates
Belgium	21	6; 12
Bulgaria	20	7
CR	19	5
Denmark	25	-
Germany	19	7
Estonia	18	5
Greece	19	4,5; 9
Spain	16	4; 7
France	19,6	2,1; 5,5
Ireland	21	4,8; 13,5
Italy	20	4; 10
Cyprus	15	5; 8
Latvia	18	5
Lithuania	18	5; 9
Luxembourg	15	3; 6; 12
Hungary	20	5
Malta	18	5
Netherlands	19	6
Austria	20	10; 12
Poland	22	3; 7
Portugal	21	5; 12
Romania	19	9
Slovenia	20	8,5
Slovakia	19	10
Finland	22	8; 17
Sweden	25	6; 12
UK	17,5	5

Source: European Commission

The Commission also proposed **extending the derogations granted to the new member states up though the end of 2010** in order to place them in the same position as the EU-15. The ministers of the individual EU member states should make a decision with regard to this

The European Parliament approved the liberalization of postal services starting in 2011, which is two years later than the timeframe originally proposed by the European Commission. The European Commission presented a proposal for the new Solvency II Directive, which will replace the 14 existing and, in a number of cases, outdated directives that currently regulate European insurance and guarantee companies.

recommendation this autumn. The Commission would like to present a more comprehensive recommendation for simplifying the VAT system in the EU at the break of 2008 and 2009, with the goal of making it valid in 2011.

The proposal put forth by Commissioner Kovács is clearer, fairer, and more efficient than the legislative jungle that currently rules in the area of value added tax in the European Union. **Implementing a new definitive system will be a hard nut to crack**, as tax issues are a very sensitive area and the member states have highly differing opinions when it comes to what an ideal system of indirect taxation should look like. Not only that, but the member states must decide on tax issues unanimously and each of them has the right to veto.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1017

INTERNAL MARKET

Liberalization of Postal Services Delayed until 2011

The large majority of MEPs voted in favour of postal services **remaining in the hands of monopolies until 31 December 2010**, which is two years later than the date originally proposed by the European Commission. This means that postal services would become open to free market competition starting in 2011, but under precisely-defined, limited conditions.

Liberalization of the postal services market would result in national providers of these services no longer holding a **monopoly on mail weighing 50 grams or less** – the way it is now. It was also decided that, as far as the new member states are concerned, as well as those with a particularly difficult topography or numerous islands and member states with a small population and a limited geographical size, the deadline for the opening up of the market will be delayed for another two years, specifically until 31 December 2012, in order to allow them extra time for finding ways in which universal services will be maintained.

The goal is to ensure that **universal services are maintained and the entire territory covered**. Thus, even on a liberalized market, postal shipments must continue to be delivered and accepted for an acceptable price throughout the entire European Union. There must also be a standard, uniform rate used in urban and rural areas.

Member states will be responsible for **ensuring adequate access** and a sufficient number of contact points to accommodate the needs of all residents.

A key decision on who will finance the universal services ended in a compromise. The MEPs specify that, should any of the participants on the market suffer financial losses as a result of performing the services, member states can establish a **compensation fund** financed by the service providers or **user fees** for the purposes of covering the expenses ensuing from universal services.

According to the European Parliament, the directive cannot in any way **impact employment conditions**. On the other hand, it should prevent social dumping. Nevertheless, the directive does not apply to maximum working hours, the minimum annual amount of paid leave, the minimum wage rate, or the relationships between social partners.

The amended proposal is now headed to the European Council within the framework of the advisory process. Given the **insufficient consensus between the member states** however, it is not very likely that the directive will be definitely accepted after the first reading. The primary opponent of this liberalization is France – as has become a tradition with similar measures.

If an agreement is not reached, the current regulations will cease to be valid at the end of 2008 and there will be **no legal framework governing postal services**, which, in the case of this specific branch, would result in very serious consequences.

http://www.europarl.europa.eu/news/expert/infopress_page/056-8955-190-07-28-909-20070706IPR08902-09-07-2007-2007-true/default_en.htm

MEP Priorities with Regard to Financial Services

In response to a white paper, the European Parliament has adopted a report on its **vision of future policies pertaining to financial services**, ranging from banking and settlement systems, through hedge funds, and ending with payment services.

The report is concerned primarily with possible excessive market concentration within the branch, the retail financial services sector, and regulation of hedge funds.

Market Concentration

European parliament members expressed their concerns regarding a high level of market consolidation in the highest segments of financial services provided to large companies, especially services provided by **credit rating agencies and auditing companies**. The European Commission and national antimonopoly authorities should apply business competition regulations to these entities and increase their

vigilance when it comes to risks ensuing from unsound concentration levels and market manipulation.

Retail Financial Services

As compared to the wholesale markets, there are still too many barriers **preventing cross-border provision** of retail financial services. However, the solution does not lie in a unified harmonization model for all entities or in accepting the lowest possible level of supervisory and safety standards. The MEPs also bring attention to the need for improving the financial literacy of retail clients.

Hedge Funds

The European Parliament's report acknowledges the positive influence of alternative investment instruments, such as hedge funds and private equity funds, as they help ensure market liquidity, diversification, and more efficient company management. On the other hand, parliament members share the doubts held by some central banks and supervisory institutions and believe these investment vehicles might lead to **increased levels of systematic risks**. They have thus requested the Commission to launch a debate on hedge funds and adopt a much broader and more critical approach to analyzing these funds from the perspective of market abuse.

http://www.europarl.europa.eu/news/expert/infopress_page/042-8995-190-07-28-907-20070709IPR08971-09-07-2007-2007-false/default_en.htm

Solvency II Directive Introduced

The European Commission has introduced a new Solvency II Directive to replace the fourteen existing – and in a number of cases, outdated – insurance directives. The directive introduces **extensive reforms to the legal regulations pertaining to the insurance and reinsurance industry** in the European Union with the goal of improving consumer protection, modernizing supervision, deepening market integration, and increasing the international competition of European insurance and reinsurance companies.

According to the new system, insurance companies will be required to consider all types of risks to which they are exposed and manage them more efficiently. Current regulations only cover insurance risks. Now however, the companies will also have to place a portion of their capital in a manner that secures them against other **risks, including those ensuing from the financial markets** where they invest their insurance reserves.

"**Group Supervision**" is another feature of the new system. All large insurance groups will be subject to this process in their country of origin and it will allow better monitoring of a group as a whole.

The European Commission anticipates that, once the new directive is implemented, mass insurance products, such as accident and household insurance, **should become less expensive**.

The proposal **supplements the Financial Services Action Plan** and is also a part of the strategy for improving regulations and its obligation to simplify the regulatory environment and decrease the number of obstacles to doing business. The European Commission anticipates that the new legal framework in its entirety will enter into validity in 2012.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1060

ENTERPRISE

Commission Identifies Main Challenges for European Industry

Currently the European Union is experiencing strong economic growth along with increased work productivity and employment levels. One of the factors that allowed this positive development is the European Union's **modern and functional industrial policy**.

Lately however, globalization and technological changes are intensifying. Business is becoming more and more influenced by global warming and the ensuing demands for **saving energy, increasing energy efficiency, and limiting greenhouse gas emissions**. In its mid-term review of industrial policy, the European Commission considers these, as well as other influences, to be the key challenges that industrial business in the European Union are facing.

On the other hand, the European Commission **clearly refuses protectionism**, which is not a solution. It made this fact clear in its resolute reply to France's new President Sarkozy, who expressed his opinion in favour of protecting European champions and European markets by allowing imports from third countries only under the condition that they open their markets to European exporters.

The European Union will continue to be a **leader in the battle against changes in the global climate** and should encourage other world powers, such as the USA, China, Russia, and India to join the attempt to decrease greenhouse gas emissions.

The Commission's report claims that the current absence of a common internal market with environmentally-friendly products limits the market size for low-carbon and energy

Capital in the amount of USD 2.5 trillion, accumulated by national funds from China, Russia, and countries from the Middle East have raised concerns about the takeover of strategic European companies and their use to meet the political goals of these countries. The European executive branch is thus considering accepting some protective measures in order to prevent this from occurring. The Euro Parliament adopted a non-binding report concerned with completing a common internal energy market.

efficient products. It is thus preparing to present **an action plan next year in order to improve the situation in this area**.

In addition, the European Union's industrial policy will continue to focus on decreasing the administrative burden for entrepreneurs, improving the framework for protecting intellectual property rights and supporting research and innovation, and promoting increased cooperation between the business and research spheres.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1007

EU Considers Safeguards against State Investment Funds

Over the past five years, state investment funds from **China, Russia, and countries from the Middle East** have amassed finances totalling USD 2.5 trillion. One of their investment goals is to purchase shares of European companies active in such sensitive fields as defence and energy. This has raised apprehensions that these state funds have motives that are more political than purely economic in nature.

Therefore, according to the European Commission spokesperson, this autumn the Commission will investigate whether the investment activities of these state funds could pose a threat to Europe's capital markets and, if required, will recommend implementing **control mechanisms at the time European companies from strategic branches** are acquired. Any solutions must, however be in accordance with European establishment treaties, which include freedom of the movement of capital as one of the basic pillars. European Commissioner Peter Mandelson has already indicated that one possible option is the implementation of national "golden shares" when it comes to key sectors.

His words came shortly after German Chancellor Angela Merkel announced that her government is considering the implementation of a similar system as that functioning in the USA. That country's Foreign Investments Committee can recommend that the American president block the takeover of a company from abroad if this would pose a **threat to national safety**. Chancellor Merkel went on to mention the large capital strength of these funds and thus presented her request that the issue be addressed at the European level.

In our opinion, the implementation of potential safeguards against investments by countries, which are not market economies and democracies in the Western sense of the word, is a step in the right direction. These funds truly do not have to make decisions on the basis of economic factors but could well have **geopolitical intentions to control key strategic industries in the European Union** and thus expand their spheres of influence.

It will be important to establish any control mechanisms in a manner whereby they **cannot be misused solely for economic protectionism** and consequently result in blocking the free movement of capital within the EU.

http://www.ec.europa.eu/internal_market/capital/index_en.htm

ENERGY AND TRANSPORT

Union Wants to Increase Imports of Biofuels

According to EU Trade Commissioner Peter Mandelson, if Europe is serious about decreasing its dependence on petroleum imports and limiting carbon dioxide (CO_2) emissions, it must open its doors to **biofuel importers from developing countries**.

At the European Council Summit held this March, the highest representatives from the EU member states made a commitment to attain at **least a 10% minimum biofuel market share with regard to fuel consumption** in the transport industry by 2020. Transportation is responsible for at least one-third of all CO_2 emission in the European Union, as automobiles almost exclusively use petrol and diesel, which are both petroleum products.

According to the European Union, biofuels are the only viable **carbon-neutral option** to petroleum products used in transport. In order to meet the 10% goal however, there is an insufficiency of appropriate fields, taking into consideration the need to maintain the diversity of agricultural production, the necessity of ensuring sufficient foodstuffs, and economic advantages.

At the international conference on biofuels, Euro Commissioner Mandelson thus mentioned the need to ensure a sufficient supply through partial imports from developing countries, such as Brazil. This is contrary to the **scenario of maximizing subsidies for domestic biofuel producers**, which was expected by some.

Biofuels, ethanol to name one, are considered to be agricultural products by the European Union and, as a result, are subject to high import customs tariffs. Increased imports would most likely be conditional on a **change to trade policies**, which would have to be negotiated within the framework of the World Trade Organization (WTO) or at a bilateral level, e.g., as a strategic partnership between the Union and Brazil.

This step would most likely result in opposition form France and other countries that have **strong agricultural lobbies**. The proposed model for supporting an increased biofuel share thus remains uncertain.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1000

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1025

Parliament Recommends Ownership Unbundling for Energy Industry

The European Parliament adopted an own-initiative report on the perspectives of the internal natural gas and electricity markets. This report evaluates the way in which various measures adopted by the Commission can help ensure the **completion of internal electricity and natural gas markets** and remove the obstacles that prevent the creation of a common European energy market.

The most controversial measure recommended by the European Parliament is **ownership unbundling of the infrastructure** currently in place for delivering electricity from the production facilities. Acceptance of this measure should promote investments in infrastructures in a non-discriminatory manner, ensure fair access to new participants in the network, and increase the market's overall transparency. The MEPs, however acknowledge that this model might not provide a solution to all existing problems, such as network interconnectivity or problems with overloading at certain locations.

An alternative to ownership unbundling is a **system of independent system operators**, who would be independent companies authorized to perform network administration. There would, however not be unbundling when it comes to transfer and production.

As far as natural gas is concerned, the MEPs are aware that measures aimed at further unbundling of the infrastructure in the natural gas industry are not easy to apply. They thus issued a request for searching for a **specific solution**.

The European Parliament also believes that public ownership of companies on the gas and natural gas markets is one of the **main causes of distortions at the EU level** and that the stimulus for competition on these markets is weaker if public companies exist. In addition, this form of ownership is dependent on political decision making.

The report welcomes the Commission's proposal to strengthen the level of cooperation between intrastate regulatory authorities at the EU level through a new, centralized European Union authority. **Increased convergence and harmonization** of their competencies is of primary significance for overcoming technical and regulatory differences, which present serious obstacles to cross-border trade and network interconnectivity. In the opinion of parliament members, a decision made on the part of these authorities should be legally binding.

By the end of 2007, the European Commission will recommend a range of subsequent measures, including measures aimed at attaining an efficiently functional internal electricity and natural gas market, which, as of now, exists only on paper. The report on the perspectives of an internal electricity and natural gas market is one of the contributions the European Parliament has made to this new EU proposal.

http://www.europarl.europa.eu/news/expert/infopress_page/051-8948-190-07-28-909-20070706IPR08896-09-07-2007-2007-false/default_en.htm

Air Ticket Prices to be More Transparent

The current extended practice of some airlines, whose published air ticket prices only specify a portion of what the consumer ends up paying, might soon come to an end. The European Parliament has adopted a proposal submitted by the European Commission to **review a third package pertaining to the internal air transport market**. As its goal, the legislative package wants to strengthen air safety and improve consumer protection. Amongst other things, it establishes rules for operating licences, aircraft leasing, public service obligations, traffic distribution and price transparency.

Insufficient transparency is often the subject of criticism of airlines. The package thus includes an article that specifies, "prices and tariffs published in any form, including on the internet, that are addressed directly or indirectly to the travelling public, have to include all applicable taxes, unavoidable fees, and surcharges known at the time of

Extensive reforms for the wine industry, which should reduce wine surpluses and increase the competitiveness of European producers, was submitted by the European Commission. Winning its approval will however be a tough nut to crack – the majority of member states do not support the current version. The Czech Republic finally has an approved National Strategic Reference Framework, which is the fundamental document for using resources from the EU's structural funds and Cohesion Fund.

publication (e.g., taxes, fees, surcharges, and other charges collected for the benefit of airlines and airport operators)". Air passengers, just like all other consumers, must have the right to **unambiguous and complete information on the final price** they will be billed.

The new regulations would also **forbid airlines from billing different prices for the same air ticket** (same reservation time, same seat, and same flight) on the basis of the country in which it is purchased. If air ticket prices include costs related to airplane and airport security, they will be specified separately on the air ticket or indicated in some other manner for the passengers' information.

Also included in the proposal are **conditions for granting operating licences for air transport services**. The operator must prove that it has sufficient insurance coverage and equity of at least EUR 100,000. The proposal submitted by the European Commission and approved by Parliament also clarifies the legal regulations that apply to crew members.

http://www.europarl.europa.eu/news/expert/infopress_page/062-8959-190-07-28-910-20070706IPR08903-09-07-2007-2007-false/default_en.htm

AGRICULTURE AND FISHERY

Proposed Reform for EU Wine Industry Presented

After more than a year of debate with all interested parties, the European Commission has submitted a proposal for **extensive reform to the European Union's Common Market Organisation for Wine**.

The primary goals of the reform include **increasing the competitiveness of EU producers**, reacquiring the market position and creating a balance between supply and demand. The subsidy budget for winegrowing remains the same (EUR 1.3 billion annually); however it should be used in a better manner and more efficiently after the reforms are implemented.

The primary points of the proposed reform are:

Single Farm Payment – all areas that are planted with grapevines will be eligible to receive the Single Farm Payment.

End of planting restrictions – the ban on planting additional grapevines will be extended until 2013. Starting on 1 January 2014, the decision to increase production will depend solely on the producer's ability to sell the wine produced.

National financial envelopes – the individual member states will have the ability to make a decision in relation to using a part of the financial assistance within the framework of the following options: promotion in countries outside of the EU; restructuring vineyards; support of green harvesting; and new crisis management measures. The amounts for individual countries will be calculated on the basis of vineyard areas, production volume, and historical expenses.

Rural development measures – measures for supporting young settled farmers; more efficient introduction of products on the market; vocational training; support for producers' organisations; support for covering additional costs and lost income in relation to maintaining cultured landscapes; and early retirement.

Labelling rules – the concept of wine quality in the EU is based on geographical origin (quality wines produced in a specific region). Wines with a geographical designation will be divided into wines with a Protected Geographical Indication and wines with a Protected Designation of Origin. For the first time, even those EU wines without a geographical indication will specify the variety and vintage.

Promotion and information – the Commission intends to implement a thorough and responsible promotion and information campaign. The entire project has a budget of EUR 120 million allocated from national financial envelopes for promotional measures outside EU boundaries and 50% will be co-financed by the EU.

Uprooting scheme – winegrowers who decide to leave the industry will receive a voluntary uprooting (liquidation) premium. This premium will be decreased every year during each of the five years the scheme is in existence. Member states will have the authority to limit the grubbing-up of vineyards in specifically defined areas. The goal is to decrease the total area of European vineyards by 200,000 hectares from the current total area of 3.4 million hectares.

Abolition of market management measures – all subsidies for distilling wine surpluses, private storage, using must for enrichment, and export refunds will be abolished.

Ban on sugar for enrichment – it will be forbidden to add sugar for the purposes of enriching wine. The ability to enrich wine using grape must – already not subsidised – will continue to be permitted.

The reform is a step in the right direction, as it introduces European winemaking to more markets and **contributes towards the removal of expensively subsidised excess production**. On the other hand, not all of its measures are equally fair towards the member states. For example, the ban on using sugar for enrichment will damage wine producers from Central European countries, where, due to natural conditions, the grapes do not always have sufficient sugar levels.

According to information on the negotiations, the large majority of member states are **against these proposed reforms**. It is most likely that the final version, which could be approved by the end of next year, will be different.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1008

Government Approves Support for Domestic Fisheries from EU Funds

The Czech government approved the **National Strategic Plan for the Fisheries Sector** and the **Operational Programme for Fisheries** for the 2007 through 2013 timeframe. What is unique is the fact that domestic fisheries will receive support through a standalone operational programme. During the previous programme period, this sector was included within the Operational Programme for Rural Development and Multifunctional Agriculture.

These documents will allow the Czech Republic to obtain subsidies from the European Fisheries Fund during the 2007 through 2013 timeframe in an amount that **exceeds EUR 27 million** (approximately CZK 750 million) to use for both production fisheries as well as recreational fishing. Use of the specified financial resources is conditional on 25% of the amount being provided as co-financing from domestic public resources.

The resources will serve to help ensure that the **sector completes restructuring**, strengthens its competitiveness, makes provisions for environmental and landscape protection, and contributes towards stabilising the regional economy in areas where there is a higher concentration of fisheries and fish processing companies.

The most significant volume of the financial resources will be focused on **promotional and marketing activities** for the benefit of freshwater fish and products manufactured from them Increased demand on the freshwater fish market will allow companies to make further investments in ponds, farms, and processing capacity.

In order for the funds to be used, both documents must still be approved by the European Commission.

Budget for OP Fisheries (current prices in EUR)

Priority / Measure	Total	EU	CR
2. Aquaculture	15.90	11.93	3.98
3. Common interest measures	18.43	13.82	4.61
5. Technical assistance	1.81	1.36	0.45
TOTAL	**36.14**	**27.11**	**9.04**

http://www.mze.cz/Index.aspx?ch=270&typ=1&val=39036&ids=0

JUSTICE AND HOME AFFAIRS

Ministers Bless Agreement with USA for Providing Personal Data

The ministers of the member states of the EU approved an agreement with Washington on **providing personal data on passengers arriving in the USA**. The agreement is a part of the anti-terrorist measures implemented after 11 September 2001.

Since the time of the terrorist attacks on New York and Washington D.C., the United States and its authorities have been requesting **access to the personal data** provided by passengers at the time they reserve air tickets. These data include name, address, credit card information, information on luggage, e-mail address, telephone number, hotel and car reservations, etc. Airlines that refuse to provide the requested data face the threat of being denied landing permission on USA territory.

The first agreement on the provision of personal data was signed in May 2004. After a complaint was filed by the European Parliament, the agreement was **declared as invalid by the European Court of Justice** as it did not provide sufficient protection for passenger rights.

However, the United States continued to request the passenger data and thus this new agreement was negotiated. It was approved in July by the ministers of the European Union member states and should be a long-term solution. As opposed to the original agreement from May 2004, the number of passenger data items that airlines must provide to the American authorities **has been reduced** by 15 to a total of 19.

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/misc/95438.pdf

REGIONAL POLICY

Czech Republic Plan for Using EU Funds Approved

After several months of negotiations, the European Commission **formally approved the Czech National Strategic Reference Framework** (NSRF) at the end of July, at which time Jiří Čunek, the Minister for Regional Development, personally accepted the "final decision" from the hands of Regional Policy Commissioner Danuta Hübner.

The NSRF is the fundamental strategic document that defines the use of resources from the EU's structural funds and Cohesion Fund by domestic entities and specifies the **architecture for individual operational programmes**.

The European Parliament approved a ban on the sale of mercury thermometers during its second reading. In order for the directive to come into force, all that remains is a positive opinion on the part of the EU Council, which is generally expected.

Before the subsidy funds can actually start to be used, the **individual operational programmes still have to be approved**. Negotiations with the European Commission are still underway as far as this step is concerned. There are a total of twenty-four operational programmes, which are categorized according to individual sectors and areas. The first of them most likely will not be approved until after the summer holidays.

According to media information, the following operational programmes financed from the **European Social Fund** should be the first to obtain approval:

- OP Education for Competitiveness;
- OP Human Resources and Employment; and
- OP Prague Adaptability.

Supposedly, approval for the **Operational Programme Transport**, which is the largest programme from the perspective of volume, is progressing well as well as for **OP Industry and Innovation**.

The last to be approved will most likely be the **OP Technical Assistance**, which is to be used for financing the costs related to the implementation of EU structural and cohesion policy in the Czech Republic.

Allocation of funds for Operational Programmes for 2007-2013

Operational Programme	In EUR billion
Environment	4.918
Transport	5.774
Enterprise and innovation	3.041
Research and develop. for innovations	2.071
Human resources and employment	1.812
Education and competitiveness	1.812
Integrated operational programme	1.553
Regional operational programmes	4.659
Technical assistance	0.244
Total	**25.884**

Source: MMR CR, only OP's of Convergence Objection

Commissioner Hübner would like to see the negotiations ended before the end of the year. According to some well-informed sources though, approval for the last of the operational programmes **might extend through the end of the year**. If this happens, this year's allocations will remain unused and will expire. This can be prevented if the managing authorities responsible for the OPs select certain projects and start implementing them this year. This will start off a three-year period during which the subsidy can be used. There is, however the risk that the final, negotiated version of the operational programmes in question might differ from that from which the projects are selected.

Not even the end of negotiations on the operational programmes means that the entire process is completed. The responsible officials must ensure that the programmes are **properly implemented and administered**; otherwise the country will have to return a portion of the funds received.

We still consider it dismaying that the key document for using subsidies from the structural funds was not approved until almost seven months after the start of the period to which it applies. Nevertheless, **we are not the worst by far**. The Czech Republic's NSRF was the nineteenth to be approved by the Commission.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1184

http://www.mmr.cz/index.php?show=001021686

HEALTH AND CONSUMER PROTECTION

Euro Parliament Approves Ban on Mercury Thermometers

The European Parliament approved a ban on the sale of non-electronic mercury thermometers and other measuring instruments containing mercury to the general public.

The approved ban will apply to new medical thermometers intended for both professional as well as private use, and also to "other measuring equipment designated for sale to the general public (e.g., barometers, manometers, sphygmomanometers, and thermometers that are not intended for medical use)".

The prohibition applies only to the sale of new equipment. Existing equipment can continue to be maintained or bought and sold second-hand. Safer alternatives not containing mercury exist for practically all instruments to which the ban applies.

The directive should enter into force during the next few months. It must still receive a consenting opinion from the European Council. Once this approval is obtained, there will be a one-year timeframe during which the directive must be incorporated into legislation at the national level. The national legislation must become effective no later than eighteen months after the directive comes into force. Traditional barometer manufactures will have an additional six month after that, thus their exemption should end in autumn 2009.

http://www.europarl.europa.eu/news/expert/infopress_page/064-8949-190-07-28-911-20070706IPR08897-09-07-2007-2007-false/default_en.htm

The ECOFIN Council criticised the Czech measures in place for decreasing the public financing deficit as being insufficient. The updated Convergence Program, on the basis of which the domestic budget deficit cannot be pushed down below 3% of the GDP even by 2009, did not escape criticism either. The same European Union authority definitely decided that Cyprus and Malta will both adopt the euro as of 1 January 2008.

2 JULY

Investing in people - European Social Fund launches new website: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=268

Commissioner Mandelson insists 'Competition should not be dogma, but nor is it a dirty word': http://ec.europa.eu/trade/issues/sectoral/competitiveness/pr020707_en.htm

EU support for open source software: http://ec.europa.eu/research/infocentre/article_en.cfm?id=/research/headlines/news/article_07_06_29_en.html&item=Infocentre&artid=4454

3 JULY

Eurotariff paves way for cheaper roaming calls: http://www.europarl.europa.eu/news/public/story_page/058-8726-178-06-26-909-20070702STO08725-2007-27-06-2007/default_en.htm

Cohesion policy 2007-2013 - Commission approves national strategy and priorities for Portugal: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=269

List of the subsidies granted by the DG Energy and Transport for 2006: http://ec.europa.eu/dgs/energy_transport/grants/subsidies_list_en.htm

4 JULY

EESC: Challenges and opportunities of the Internal Market for EU employers: http://eesc.europa.eu/activities/press/cp/docs/2007/communique-presse-eesc-065-2007-en.doc

Portugal's EU Presidency: MEPs on their expectations: http://www.europarl.europa.eu/news/public/story_page/008-8741-179-06-26-901-20070703STO08734-2007-28-06-2007/default_en.htm

5 JULY

Safety - update of the list of airlines banned within the EU: http://ec.europa.eu/transport/air-ban/list_cs.htm

6 JULY

ECB adopts an opinion on the opening of an Intergovernmental Conference: http://www.ecb.eu/press/pr/date/2007/html/pr070705_1.cs.html

Indicators updated - Monetary conditions index (MCI): http://ec.europa.eu/economy_finance/indicators/monetaryconditions_en.htm

9 JULY

Health-EU to launch e-newsletter from September 2007 covering European and international level news and activities: http://ec.europa.eu/health-eu/newsletter_en.htm

10 JULY

Council finds action taken by the Czech Republic to be inadequate for correcting its excessive deficit: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/misc/&filename=95226.pdf

11 JULY

2813th Economic and Financial Affairs Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/ecofin/&filename=95233.pdf

Cyprus and Malta to adopt euro on 1 January 2008: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/misc/&filename=95228.pdf

12 JULY

Eurostat: The highest price levels for food and non-alcoholic beverages are in Denmark, the lowest in Bulgaria: http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2007/PGE_CAT_PREREL_YEAR_2007_MONTH_07/2-13072007-EN-AP.PDF

Comparative price level of food and non-alcoholic beverages (EU-27 = 100)

Denmark	142	Spain	92
Ireland	125	Netherlands	88
Finland	120	Portugal	88
Sweden	119	Slovenia	87
Italy	115	Malta	83
Luxembourg	115	Estonia	75
UK	113	Hungary	71
Belgium	110	Romania	71
Austria	110	**CR**	**69**
Cyprus	107	Latvia	69
Germany	105	Poland	67
France	105	Slovakia	67
EU27	**100**	Lithuania	64
Greece	98	Bulgaria	56

Source: Eurostat

MEPs adopt plenary sessions calendar for 2008:
http://www.europarl.europa.eu/news/expert/infopress_page/008-8954-190-07-28-901-20070706IPR08901-09-07-2007-2007-false/default_en.htm

13 JULY

ECB should exercise caution over further interest rate rises:
http://www.europarl.europa.eu/news/expert/infopress_page/043-8961-190-07-28-907-20070709IPR08943-09-07-2007-2007-false/default_en.htm

16 JULY

2814th Economic and Financial Affairs Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/ecofin/&filename=95301.pdf

Cohesion policy 2007-2013 - Commission approves national strategy and priorities for Italy:
http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=271

17 JULY

2815th Agriculture and Fisheries Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/agricult/&filename=95308.pdf

Utilisation of budget appropriations (June 2007):
http://ec.europa.eu/budget/execution/rapports_exec_en.htm

18 JULY

2006 Economic and Fiscal Programmes of potential candidate countries:
http://ec.europa.eu/economy_finance/publications/occasional_papers/2007/occasionalpapers32_en.htm

Commission acts to bridge gender pay gap:
http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=273

19 JULY

Bay of Biscay anchovy fishery to remain closed:
http://ec.europa.eu/fisheries/press_corner/press_releases/com07_54_en.htm

20 JULY

European Central Bank: Single Euro Payments Area (SEPA) - fifth progress report:
http://www.ecb.eu/press/pr/date/2007/html/pr070720.en.html

23 JULY

European Ombudsman welcomes Commission's moves to facilitate integration of disabled persons:
http://www.ombudsman.europa.eu/release/en/2007-07-19.htm

24 JULY

2817th External Relations Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/gena/&filename=95457.pdf

2816th General Affairs Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/gena/&filename=95456.pdf

Signature of the agreement on the participation of Bulgaria and Romania in the European Economic Area:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/misc/&filename=95469.pdf

Cohesion policy 2007-2013 - Commission approves national strategy and priorities for Sweden:
http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=274

25 JULY

Commission adopts new Regulation on state aid for fisheries sector:
http://ec.europa.eu/fisheries/press_corner/press_releases/com07_55_en.htm

26 JULY

EESC president welcomes liberation of Bulgarian nurses and Palestinian-born doctor:
http://eesc.europa.eu/activities/press/cp/docs/2007/communique-presse-eesc-076-2007-en.doc

27 JULY

Commission welcomes German discussion on easing restrictions on access to its labour market:
http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=275

30 JULY

Cohesion policy 2007-2013 - Commission approves national strategy and priorities for Ireland:
http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=277

31 JULY

Business and Consumer Survey Indicators - July 2007:
http://ec.europa.eu/economy_finance/indicators/businessandconsumersurveys_en.htm

The highest EU institutions traditionally devote the entire month of August to summer holidays and time off. As a result, the schedule of anticipated meetings to be held by key EU bodies is also empty. Of the open public consultations that were held, the one devoted to consumer mobility in relation to bank accounts is certainly worth attention. Amongst other things mentioned, one of the possible tools for increasing this mobility is the controversial European-wide, i.e., interstate, transferability of bank account numbers.

Meeting of the key EU institutions

31.8.2007	**Lisboa, Portugal**
- Informal Meeting of Environment Ministers	

Public consultation on EU legislation

Topic of the consultation	Organizer	Deadline
Expert Group on customer mobility in relation to bank accounts	DG MARKT	1.9.2007
The future Euro VI emission limits for heavy duty vehicles	DG ENTR	5.9.2007
Opening new markets worldwide for Europe's ICT industry	DG INFSO	17.9.2007
Better regulation of pharmaceuticals	DG ENTR	21.9.2007
Research in Nanosciences and Nanotechnologies	DG RTD	21.9.2007
Towards a European Charter on the Rights of Energy Consumers	DG TREN	28.9.2007
Green Paper on better ship dismantling	DG ENV	30.9.2007
Reorganisation and winding-up of credit institutions	DG MARKT	30.9.2007
Discrimination - Does it matter?	DG EMPL	15.10.2007
Schools for the 21st century	DG EAC	15.10.2007
Europe´s Social Reality	BEPA	31.12.2007

The process for using support from EU structural funds is quite a complicated system. Within this issue, we are providing some information on several important practical elements. We will focus on two key axes of the project process connected with the use of EU structural funds: the vertical axis and the horizontal axis. The issue of indicators is an independent and very important part of the project process and is the subject of the concluding section of the article.

PRACTICAL ASPECTS OF USING SUPPORT FROM EU STRUCTURAL FUNDS

VERTICAL AXIS OF THE PROJECT PROCESS

The vertical axis is given by the level of the competencies and authorizations of individual participants in the project process and starts at the European Union level (primarily the European Commission as the main administrator and EU executive body and the EU Council, or European Council, as the key decision makers about critical issues pertaining to EU structural and cohesion policies). At this highest EU level, the key documents defining the vertical axis of the project process consist of the set of directives that provide the legislative framework for the practical implementation of EU Structural and Cohesion Policy, the Strategic Community Guidelines, and the document titled "New Financial Perspectives 2007-2013".

This last document adds the corresponding financial framework to the others, which define the contextual scope. From the EU level, the vertical axis of the project process continues on to the national level, where the document titled "National Strategic Reference Framework" is the key strategic programme development document for all member states for the 2007-2013 programming period. The third level of the vertical axis of the project process is the ministry level (in the case of thematic Operational Programmes) and the regional level (in the case of Regional Operational Programmes). The common key instruments for exercising competencies at the applicable levels are the Operational Programmes and their implementation documentation. The final fourth level of this vertical structure consists of the individual applicants, who over the course of the project implementation, or after it is completed, become the final beneficiaries of the support. The instruments on the basis of which they receive this support are the single, individual projects that they prepare and submit in accordance with the rules.

One very important rule for this vertical axis consists of its concordance, which, as it moves from the higher levels down, attains a higher degree of specificity and details. From the perspective of the applicants and final beneficiaries, this concordance plays such a significant role in order to ensure that the creation of the project (see below) adheres to the general rules of the game that exist for the specific type of support in question. If, for example, a project preparer has an ingenious idea and prepares an excellent project on the basis of this idea, but if the project conflicts with the general framework that limits the purposes for which support is to be provided, the ingenious project preparer is out of luck and will never receive support.

HORIZONTAL AXIS OF THE PROJECT PROCESS

A description of the horizontal axis of the project process cannot start with anything other than the basic building block, i.e., the **project** itself. It is, however important to add that the entire project process is seen a bit differently from the perspective of project preparers and submitters (i.e., applicants for support) as opposed to the viewpoints of those who provide or mediate the support, i.e., the relevant authorities, institutions, and regions.

As we are speaking of a project process, it can be characterized as a logical sequence of activities performed in order to attain a certain goal within a limited timeframe and using available financial, human, material, and other resources.

The following are important to keep in mind as far as a project is concerned:

- it is time delimited, both as to when it begins and when it ends; and
- it is characterized by its uniqueness, limited sources, systematic nature, and elements of uncertainty and risk.

From the perspective of the support provider or intermediary, the project process can be separated into the following phases along its horizontal axis:

- programming;
- identification;
- formulation;
- implementation; and
- evaluation and audit.

Programming

Taken from this perspective, the project process starts with the **programming** phase. At a national level, the specific requirements and priorities, which are to be ensured through subsidies and support, are identified. On the one side, these requirements and priorities must reflect the realistic conditions of the applicable country and its regions (support their competitiveness, economic development, education, employment market situation, etc.). On the other, these national and regional level priorities cannot conflict and must coincide with the general rules of the game as accepted at the EU level. This is the foundation that is used to develop key strategic programme development documents during the programming phase (National Strategic Reference Framework [NSRF] and Operational Programmes [OPs]). Each member state of the European Union has the obligation to prepare and have its NSRF approved. At the same time however, it is completely up to the member state to determine the number of OPs it wants to create, the areas on which they will focus, etc. The only limitation is the aforementioned concordance with the general rules of the game as accepted at the European Union level. The result of programming within the conditions of the Czech Republic is the freshly approved National Strategic Reference Framework and a set of twenty-four Operational Programmes (which are currently in various stages of the final approval process), along with their priority axes and areas of intervention. Taken altogether, they represent the result of programming efforts that combine general EU principles and regulations with the specific requirements and potential development in individual member states and their regions.

Identification

Considered at this level, the programming phase is followed by the **identification** phase. During this stage, potential project and project goals are identified (an actual output of the identification process are “project lists”, which consist of intended goals that will be used at a time when a request for applications is made that corresponds to these goals; the project lists contain information on the development and request for individual forms of support within the framework of the priority axes and areas of intervention). In addition, other details consequential to the programming phase are resolved (e.g., establishing the corresponding allowable expenses in relation to priority areas within individual programme documents).

Formulation

The identification phase subsequently moves into the **formulation** phase, at which time a concise description of the programme is prepared and then developed up to the last possible user-friendly detail (the manner in which allowable expenses can be used; the type of entity that can apply for support; specific locations where the project can be implemented; whether the financial demands for the size of the project are limited or contingent on the monetary amount; etc.).

Implementation

The next stage is the **implementation** phase. It is probably appropriate that this is considered to be the touchstone on the basis of which state authorities and the institutions empowered thereby, i.e., the implementing bodies, or their equivalents at the regional level, pass muster within the framework of the project process. The related risk during this phase can be quite high, especially in the case of authorities and institutions that do not have direct experience from the previous programme period. The implementation phase is fairly heterogeneous, up to the point of being widespread.

Evaluation and Audit

From the viewpoint of the support provider or intermediary, the **evaluation and audit** phase is the last in the project process. Within the framework of this stage, the project is evaluated as objectively as possible. The purpose is to evaluate the benefits brought by the project, as well as to identify any deficiencies and problems connected with it. By using a normalised set of indicators (refer to the applicable section below), project goals, effectiveness, impact, and other parameters are evaluated. This phase should serve as a form of control with regard to the soundness and accuracy of the project implementation. It also provides feedback on learning experiences acquired from specific projects, which can be applied subsequently during future programming phases.

When viewed from the **perspective of the project author, i.e., the applicant for support**, the horizontal axis of the project process is perceived a bit differently. The following points are important from this vantage point:

- information on subsidy and support options and identification of projects that qualify for subsidies and support;
- project preparation;
- selection process;
- project implementation; and
- project monitoring.

Yet another **alternative** for viewing the project process lies in its approval, implementation, and subsequent aspirant use.

INDICATORS

The entire indicator system and the procedures in place for verifying that they are met is a fundamental tool for measuring the fulfilment of the overall goals of the NSRF and the individual operational programmes, as it allows the implementation of a programme to be monitored and its

effectiveness to be evaluated in relation to the established goals.

The basic structure of the indicator system is based on the three levels at which it is used:

1. **in relation to the characteristics of the socio-economic environment** in which the goals are realised – this task is met by ***context indicators***, which are selected primarily on the basis of an initial socio-economic analysis;

2. **for the purpose of monitoring,** whereby the main task falls on ***output indicators***, which are used to monitor activities implemented through individual measures, along with ***result indicators***, which are used for monitoring the consequences of relief provided in relation to the behaviour, capacity, or performance of structural recipients; and

3. **for the purpose of evaluating**, whereby any indicators, which can measure the success of a programme and quantify the manner in which established programme goals were met, are applied. The most important evaluation tool consists of ***impact indicators***, which serve to evaluate results over longer timeframes and can be used as the basis of accepting strategic decisions.

Core Indicators

Core indicators play a decisive role in the creation of a programme. They are of key significance for the controls performed by the authorities of the European Commission. A list of these indicators is specified in the European Commission requirements and their use in operational programmes is mandatory. Core indicators express the Community's priorities and must therefore be included in every operational programme, must be evaluated in annual monitoring reports, and aggregated up to the NSRF level.

Core indicators are a part of a wider group of output, result, and impact indicators. They do not represent a standalone monitoring system, but rather are a subset of the indicators that are used overall.

For the 2007-2013 timeframe, the European Commission recommended that the following basic structure be used for defining indicators at various levels of programming documents:

Purpose	Level	Indicator Type
Socio-economic analysis		context
Operational Programme strategy	programme	impact (or result) core
	priority	result (or impact), output (as required) core

As compared to the indicator system used during the 2005-06 timeframe, the indicators for the structural fund operational programmes will be established in a different manner. The main change lies in the fact that the preparer does not create the indicators, but selects them from a "National Indicator Code List", which specifies indicators, prepared from both technical and methodical perspectives, along with clear definitions, measuring criteria, and coding.

Context Indicators

Context indicators provide quantified information on the social, economic, and environmental situation and can help identify requirements over a specific timeframe. They characterise the social and economic environment in which the programme will be implemented and intervention from the structural funds used. This involves quantified output for ex-ante, regular, and ex-post analyses. They express the tendencies of primary macroeconomic indicators and compare the position of the Czech Republic with the averages from the EU socio-economic framework within which the programme objectives are realised.

Context indicators for an imaginary regional OP for the 2007-2013 timeframe

Regional GDP per inhabitant in purchasing power standard
CR performance as share of GDP (CR=100)
General unemployment rate
Disposable household income in the region (per inhabitant in current prices)
Regional sectoral structure gross added value (GAV) in current prices in the region
Increase/decrease in population due to natural changes in the region
Increase/decrease in population due to migration in the region

For the purposes of OPs that are of a regional nature, context indicators are based on socio-economic analyses and their outputs. Global objectives and specific goals for regional OPs are then formulated on the basis of the outputs from the socio-economic analyses in direct relation to the context indicators that have been selected. The purpose of these indicators is to provide basic measurable information on the socio-economic situation in the monitored environment, within the framework of which global objectives and specific goals are to be attained. Possible global objectives for a regional OP include: increased economic maturity, improved regional competitiveness, and a higher overall standard of living for a region's inhabitants.

One of the standard indicators used to express economic maturity is gross domestic product (GDP) per inhabitant.

Increased economic maturity is accompanied by dynamic economic growth, which is based on an anticipated decrease in the gap between the EU-27 and the Czech Republic. For this purpose we use an indicator expressed in relative form – in relation to the EU-27 average and in relation to the Czech Republic average.

Another relevant context indicator for regional OPs is based on a region's economic structure, which, if modified to the benefit of economic activities with a higher added value, can, within the context, lead to increased economic maturity, improved regional competitiveness, and a better standard of living for the regions' inhabitants.

The growth of net disposable income, which confirms fulfilment of a regional OP's specific goals, is a context indicator relevant for measuring improvement in the standard of living.

The structure and expectations for context indicators are as follows:

- They are based on the realistic potential mid-term growth of the Czech economy and the economy of the applicable region. They are also based on the potential long-term growth of the Czech economy and the economy of the applicable region (over longer timeframes, professionally estimated projections of the

Programme Indicators

Indicator Code	Indicator Name	Unit of Measure	Source of Info	Quantification		
				Value 2004	Indicative value 2013	Change (%)
Output Indicators						
85/01/00 Core 13	Number of projects focused on the development of transportation Priority axis relevance: 1	Count	region			
83/01/00 Core 39; NSRF, SC IV	Number of projects supported for the development of urban housing and rural municipalities Priority axis relevance: 2	Count	region			
88/01/00 Core 34	Number of projects focused on the development of the travel industry Priority axis relevance: 3	Count	region			
Result Indicators						
Proposed No. in National Code List	Increased attractiveness of supported towns and municipalities Priority axis relevance: 2	Evaluation study				
88/12/00I	Number of overnight domestic and foreign guests (total) Priority axis relevance: 3	Count	Czech Statistical Office			
	Length of new routes for non-motor transport Priority axis relevance: 3	Km	OP			
67.01.00	Number of jobs created or maintained on the basis of the implementation of programme activities Priority axis relevance: 1, 2, 3	Count	OP			
Impact Indicators						
61/06/00 NSRF, SC IV	GDP per inhabitant in PPS	PPS (EU25 = 100)	Czech Statistical Office			
Lisbon, NSRF, GC	Unemployment rate	%	Czech Statistical Office			
Proposed No. in National Code List	Share of resources used for regional type OPs	%	region			

potential growth of the Czech economy and the economy of the applicable region are used as the starting point, thus development trends are of greater importance).

- Within the context, the growth of the net disposable income indicator is included as an indicator that measures the correlation between economic development and the standard of living in the monitored region.

Output, Result, and Impact Indicators

Output indicators characterize activities that have provided information on the outputs from individual events/projects within the framework of an operational programme (quantification at the level of individual measures). As a rule, they are expressed in physical or monetary units. Output indicators are categorised according to each individual priority axis in a manner whereby individual outputs can be optimally quantified at the time specific goals are met. The range of indicators is broad, thus allowing benefits to be monitored in their entirety as well as ensuring that the benefits resulting from the implementation of an OP can be evaluated in a comprehensive manner.

Result indicators relate to the direct and immediate benefits of the applicable programme. Amongst other things, they provide information on changes in behaviour, production capacity, and development of production on the part of the beneficiary of the support. Depending on their nature, these indicators characterise phenomena that can best be expressed in natural (physical) units or monetary units. Indicators that measure the results of assistance (intervention) provide an important foundation for managing an operational programme over the entire course of its implementation. Result indicators allow the qualitative side of all attained outputs to be evaluated, once again categorised according to the OP axis priorities. Evaluating these indicators should lead to the identification of immediate results within the framework of the basic axis priorities of the OP.

Indicators – priority axis Transport

Indicator Code	**Indicator Name**	**Unit of Measure**	**Source of Info**	**Quantification**		
				Value 2004	Indicative value 2013	Change (%)
Output Indicators						
85/01/00 Core 13	Number of projects focused on: • road infrastructure • public transport Support area relevance: 1.1, 1.2	Count	region			
85/01/00 Core 13	Number of projects for developing routes for non-motor transport Support area relevance: 1.3	Count	region			
85/02/00 Core 14 NSRF, SC IV	Length of new roads (Classes II and III) Support area relevance: 1.1	km	region			
58/03/00 Core 16 NSRF, SC IV	Length of reconstructed roads (Classes II and III) Support area relevance: 1.1	km	region			
85/11/00	Length of new routes for non-motor transport Support area relevance: 1.3	km	region			
Result Indicators						
	Investments into the development of public transport	millions of CZK	OP			
Impact Indicators						
	Number of vehicles using roadways after the first year	vehicles per day	research			
	Number of bicycle trail users after the first year	vehicles per day	research			

Impact indicators provide information on interrelationships that exist beyond the framework of immediate effects. Fulfilment of an operational programme's decisive goals is measured with the assistance of impact indicators. This group of indicators is also important for accepting strategic decisions, such as revisions to an operational programme and other similar actions. Impact indicators also capture additional consequences (other than those of an immediate nature) resulting from the implementation of an OP and its basic priorities. Their quantitative values are based on adherence to the anticipated volume of the intervention, categorised according to basic axis priorities and the expected socio-economic development in the areas being monitored.

The overall proposed indicator system for OP strategies of a regional type incorporates not only basic methodological procedures used to establish monitoring indicators for the programme, but also takes the overall proposed and established internal logic and strategies of the programme into consideration. Within this context, at the time the structure was proposed, an attempt was made to adequately include all proposed intervention areas within the framework of individual priorities.

Within the framework of creating the indicators, all required characteristics of the indicators used were evaluated, e.g., relevance; sensitivity; accessibility; feasibility; the costs and demands required for collecting and measuring results; and others.

Together with other significant characteristics, such as logical connectivity, level of coverage and usefulness in a manner that ensures the requisite level of clarity is maintained, the quality of the indicators takes precedence over their quantity.

Indicators – priority axis Transport

Indicator Code	Indicator Name	Unit of Measure	Source of Info	Quantification		
				Value 2004	Indicative value 2013	Change (%)
Output Indicators						
85/01/00 Core 13	Number of projects focused on: • road infrastructure • public transport Support area relevance: 1.1, 1.2	Count	region			
85/01/00 Core 13	Number of projects for developing routes for non-motor transport Support area relevance: 1.3	Count	region			
85/02/00 Core 14 NSRF, SC IV	Length of new roads (Classes II and III) Support area relevance: 1.1	km	region			
58/03/00 Core 16 NSRF, SC IV	Length of reconstructed roads (Classes II and III) Support area relevance: 1.1	km	region			
85/11/00	Length of new routes for non-motor transport Support area relevance: 1.3	km	region			
Result Indicators						
	Investments into the development of public transport	millions of CZK	OP			
Impact Indicators						
	Number of vehicles using roadways after the first year	vehicles per day	research			
	Number of bicycle trail users after the first year	vehicles per day	research			

Over the long course of its development, Sweden has established a reputation of stability, fairness, and wealth, together with respect for social rights, minority rights, and equality. For quite a long period of time, Sweden was considered to be one of Europe's strongest symbols of neutrality. Many of these characteristics still remain valid for this country today, although their contents have significantly changed during the recent past.

SWEDEN

Government type/chief of state	Constitutional monarchy / King Carl XVI. Gustav
Area (share of EU)	449 964 km2 (10.40%)
Population (share of EU)	9 047 752 (1.84%)
Age structure	0-14 years: 17.6%, 15-64 years: 65.2%, over 65 years: 17.2%
Total GDP (share of EU)	305.99 EUR bn (2.65%)
GDP per capita in PPS	116.0% of EU-25 average
GDP - composition by sector	agriculture: 1.4%, industry and constr.: 29.0%, services: 69.6%
Average inflation	1.5%
Average unemployment	6.8%
GDP growth	4.2%
General govern. balance	+2.2% of GDP
General government debt	46.9% of GDP
Number of NUTS2	8 NUTS2; Stockholm: 165.7%; Östra Mellansverige: 101.7%

Note: the figures are for 2006, source: EU, CIA

Sweden represents a country where a symbiotic relationship, in the best sense of the word, has evolved between economic prosperity, ecological sustainability, respect for the principles of humanity, and social cohesion to a level that is difficult to find anywhere else in Europe. It has however not been easy to maintain this symbiosis over time.

Thanks to a number of factors, starting with a high level of human solidarity and including purely geographical characteristics, such as the country's large size and not entirely favourable climatic conditions, a model of a social welfare state started developing in Sweden at a rapid rate during the post-World War II period. On the one side, it consisted of a generous scope of public services. On the other however, it was combined with extraordinary financial demands. Although these services were requested by the population and were of a significantly high quality, further expansion proved to be financially unsustainable. Take, for example one situation from the "best years", at which time the highest level of the very progressively structured tax rate structure was at a number significantly higher than 60 %.

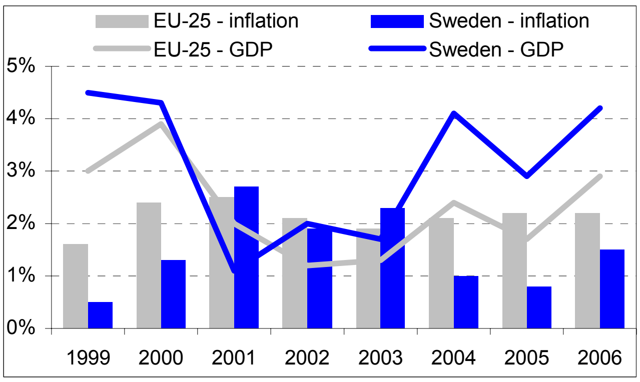
We must not forget to mention several additional Swedish "specialties". The first is the number of internationally acknowledged industrial trademark products, recently joined by services, which is relatively high in relation to the size of Sweden's population. Trademarks such as Saab, Scania, Volvo, Ericsson, Elektrolux, along with many others, are known for their reliability worldwide. Another dominant characteristic is Sweden's strength in the fields of culture and sports. Recently deceased film director Ingmar Bergman – who just happens to be one of the historically greatest personalities in his field – is only the tip of the giant iceberg that embodies the richness of Swedish culture. At the current time, it is hard to think of any collective or individual sport in which Swedish athletes do not attain top positions worldwide or at least at the continental level.

At the same time however, the Swedish reality of the 90s changed considerably as compared to the peak period of a welfare state, at least from the perspective of contents. Although the degree of fiscal redistribution has decreased, primarily as a reduction of the most prohibitive taxes, Sweden and Denmark still have the highest levels within the EU.

Traditionally hefty investments in education were strongly focused on education centres with practical applications, thanks to which, in spite of constantly high tax rates, Sweden now has the most competitive economy on the continent. Of all European countries, Sweden targets the highest percentage of its GDP at education, research, and technical development. As a result, of the wealthier EU countries, Sweden, together with Ireland and Finland, is the only one capable of generating a four-percent rate of economic growth over the long term while maintaining one of the lowest inflation rates in Europe and significantly improving their fiscal management (long-term surplus while decreasing the indebtedness to GDP ratio).

In spite of the fact that Sweden is one of the countries with the highest nominal prices in the European Union (along with its northern neighbours and Ireland, Sweden is the most expensive in the entire EU), thanks to the high number of its other advantages it is without a doubt one of the small number of countries in which it is truly very pleasant to live and work.

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 %	2004	2005	2006	2004	2005	2006	IV-07	V-07	VI-07	IV-07	V-07	VI-07
Belgium	3.0	1.1	3.1	3.6	2.5	2.3	7.5	7.4	7.2	1.8	1.3	1.3
Bulgaria	6.6	6.2	6.1	-6.6	-12.0	-15.8	7.5	7.2	7.0	4.4	4.5	5.3
CR	4.2	6.1	6.1	-6.3	-2.7	-4.1	5.9	5.8	5.7	2.7	2.4	2.6
Denmark	2.1	3.1	3.1	3.1	3.6	2.5	3.5	3.5	3.5	1.7	1.7	1.3
Germany	1.2	0.9	2.7	3.9	4.2	4.7	6.6	6.5	6.4	2.0	2.0	2.0
Estonia	8.1	10.5	11.4	-12.5	-11.1	-14.2	5.1	5.2	5.1	5.6	5.9	6.0
Ireland	4.3	5.5	6.0	-1.0	-3.1	-3.3	4.0	4.0	4.0	2.9	2.7	2.8
Greece	4.7	3.7	4.3	-9.5	-9.2	-11.4	n/a	n/a	n/a	2.6	2.6	2.6
Spain	3.2	3.5	3.9	-5.9	-7.5	-8.5	8.1	8.1	8.0	2.5	2.4	2.5
France	2.3	1.2	2.0	-0.6	-2.1	-2.0	8.8	8.7	8.6	1.3	1.2	1.3
Italy	1.2	0.1	1.9	-0.5	-1.2	-2.0	n/a	n/a	n/a	1.8	1.9	1.9
Cyprus	4.2	3.9	3.8	-5.0	-5.6	-5.9	4.1	4.1	3.9	1.6	1.9	1.7
Latvia	8.7	10.6	11.9	-12.9	-12.6	-21.1	5.9	5.8	5.7	8.8	7.8	8.9
Lithuania	7.3	7.6	7.5	-7.5	-6.9	-10.7	5.0	4.9	4.7	4.9	5.0	5.0
Luxembourg	3.6	4.0	6.2	11.8	11.1	8.6	4.9	4.9	4.9	2.5	2.3	2.3
Hungary	4.9	4.2	3.9	-8.4	-6.8	-5.9	7.6	7.7	7.7	8.7	8.4	8.5
Malta	0.4	3.0	2.9	-6.4	-8.3	-6.3	6.4	6.5	6.4	-1.1	-1.0	-0.6
Netherlands	2.0	1.5	2.9	8.6	7.1	9.9	3.3	3.3	3.3	1.9	2.0	1.8
Austria	2.4	2.0	3.1	2.1	2.9	3.7	4.4	4.4	4.3	1.8	1.9	1.9
Poland	5.3	3.5	6.1	-4.4	-1.7	-2.3	10.7	10.5	10.2	2.2	2.3	2.6
Portugal	1.3	0.5	1.3	-8.0	-9.6	-9.8	8.0	7.9	7.9	2.8	2.4	2.4
Romania	8.5	4.1	7.7	-5.0	-8.7	-10.3	7.2	7.3	7.3	3.8	3.9	3.9
Slovenia	4.4	4.0	5.2	-2.6	-2.0	-2.7	5.2	5.1	5.1	2.9	3.1	3.8
Slovakia	5.4	6.0	8.3	-2.5	-7.9	-7.7	10.8	10.8	10.7	2.0	1.5	1.5
Finland	3.7	2.9	5.5	7.7	4.9	5.9	6.8	6.8	6.7	1.5	1.3	1.4
Sweden	4.1	2.9	4.4	6.5	5.8	7.0	5.9	5.8	5.3	1.6	1.2	1.3
UK	3.3	1.9	2.8	-1.6	-2.4	-3.4	5.4	n/a	n/a	2.8	2.5	n/a
EU	2.5	1.7	3.0	0.2	-0.5	-0.7	7.0	7.0	6.9	2.2	2.1	2.1

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Belgium	0.0	-2.3	0.2	94.3	93.2	89.1	119.3	118.0	117.7	104.4	104.0	104.1
Bulgaria	2.2	1.9	3.3	37.9	29.2	22.8	32.4	33.7	35.0	41.2	42.0	43.6
CR	-2.9	-3.5	-2.9	30.7	30.4	30.4	72.1	73.6	75.9	54.2	57.5	60.1
Denmark	2.0	4.7	4.2	44.0	36.3	30.2	119.4	121.7	122.0	137.9	138.7	137.9
Germany	-3.7	-3.2	-1.7	65.7	67.9	67.9	111.1	109.9	110.2	103.4	102.7	102.2
Estonia	2.3	2.3	3.8	5.2	4.4	4.1	53.4	59.7	65.0	62.0	63.6	66.3
Ireland	1.4	1.0	2.9	29.7	27.4	24.9	135.6	138.7	139.7	124.1	123.6	124.0
Greece	-7.9	-5.5	-2.6	108.5	107.5	104.6	81.4	84.0	85.1	86.2	87.4	88.2
Spain	-0.2	1.1	1.8	46.2	43.2	39.9	96.6	97.8	97.5	89.8	91.1	92.2
France	-3.6	-3.0	-2.5	64.3	66.2	63.9	107.6	108.4	107.1	109.2	106.5	106.0
Italy	-3.5	-4.2	-4.4	103.8	106.2	106.8	103.1	100.6	99.4	104.0	103.3	103.3
Cyprus	-4.1	-2.3	-1.5	70.3	69.2	65.3	87.6	88.8	88.4	89.5	88.2	88.5
Latvia	-1.0	-0.2	0.4	14.5	12.0	10.0	43.7	48.6	53.3	54.8	55.7	58.2
Lithuania	-1.5	-0.5	-0.3	19.4	18.6	18.2	49.0	52.0	54.8	52.5	54.0	55.8
Luxembourg	-1.2	-0.3	0.1	6.6	6.1	6.8	240.7	250.8	256.9	103.8	103.5	104.0
Hungary	-6.5	-7.8	-9.2	59.4	61.7	66.0	61.3	62.5	63.5	60.9	62.5	59.3
Malta	-5.0	-3.1	-2.6	73.9	72.4	66.5	72.0	71.6	71.4	71.9	72.0	72.7
Netherlands	-1.8	-0.3	0.6	52.6	52.7	48.7	124.6	125.4	125.5	104.7	103.5	103.1
Austria	-1.2	-1.6	-1.1	63.9	63.5	62.2	123.4	122.8	122.9	101.8	100.9	100.2
Poland	-5.7	-4.3	-3.9	45.7	47.1	47.8	48.6	49.7	51.2	52.6	61.1	62.2
Portugal	-3.3	-6.1	-3.9	58.2	63.6	64.7	72.1	71.6	70.4	85.7	84.1	84.6
Romania	-1.5	-1.4	-1.9	18.8	15.8	12.4	32.6	34.2	35.9	43.8	55.0	57.9
Slovenia	-2.3	-1.5	-1.4	28.9	28.4	27.8	79.9	81.8	83.6	74.5	74.8	75.0
Slovakia	-2.4	-2.8	-3.4	41.5	34.5	30.7	54.4	57.1	60.2	54.2	55.2	57.6
Finland	2.3	2.7	3.9	44.1	41.4	39.1	111.1	110.4	113.0	122.3	122.2	121.2
Sweden	0.8	2.1	2.2	52.4	52.2	46.9	115.4	114.6	115.7	120.3	117.3	116.6
UK	-3.1	-3.1	-2.8	40.3	42.2	43.5	118.0	117.5	117.0	106.7	108.0	109.1
EU	-2.7	-2.4	-1.7	62.5	63.3	62.2	100.0	100.0	100.0	100.0	100.0	100.0

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