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ČESKÁ SPOŘITELNA

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

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

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

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

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

Dear readers,

May was a very interesting month on the European stage in several respects. The first is that several important events took place on the agenda of the Council of the EU, over which the Czech Republic is presiding, which focused on the external aspects of EU functionality.

The second notable May event was the publication of statistical data confirming that over the course of the first quarter of this year, recession has impacted all of Europe's economies profoundly and even more deeply. The level of decline is varied in different countries. In the Czech Republic, it is relatively mild compared to the surrounding areas. In larger countries, it is significant. In some others – namely the Baltic States – it is almost critical. From the perspective of the Czech Republic, the economic recession has led to one interesting observation – as far as the Czech Republic is concerned, our real convergence as compared to the EU average is progressing in spite of the fact that our economic performance is decreasing.

If we have to name one negative impact that the accelerating economic crisis has had, which exceeds strictly pragmatic economic problems and also significantly affects social aspects, it would pertain to the developments on the labour market. This does not just concern the dynamics associated with an increasing unemployment rate or the absolute number of unemployed, which can be observed across the board throughout the entire EU. It is visible in other labour market indicators (e.g., the number of new jobs; changes in the ratio between the number of job applicants and new employment opportunities; development of structural and long-term unemployment; and unemployment that affects the most vulnerable population groups), as well as in labour market policies, which are, or should be, reacting to the negative situation. In the first quarter of this year, there was not one single EU country that did not report rapidly increasing unemployment level indicators. Were we to monitor a longer timeframe, the unemployment level has up to doubled in a number of countries.

As far as other May events are concerned, we cannot fail to mention the fifth anniversary of our membership in the EU. After five years, we are starting to view some of the benefits of membership as a given – open borders without any administrative obstacles; freedom to perform trade and business transactions, not to mention investment decisions, across all of Europe; the ability to apply education and professional expertise; the use of European fund; and numerous others.

On one hand, this is good, as it proves that we have quickly accepted that which has long been considered in Europe as "normal". On the other though, it might lead to taking for granted the enormous progress our country has made over the past two decades. This could contribute to a certain "memory loss" with regard to the abyss and abnormality from whence we set out on this path – a time when nothing that is today considered "European" was possible

Petr Zahradník

The Lisbon Treaty, which reforms the institutional structure of the European Union, was approved by a constitutional majority of the Czech Senate. The European Union's spring forecast predicts the Czech economy will shrink by 2.7%, and then will be followed by minimal growth next year. The European Commission was inspired by a report prepared by an expert group led by Jacques de Larosière and proposed a new system for supervision over financial markets in the EU.

POLITICS

Senate Gives Lisbon Green Light

Almost three months after the Chamber of Deputies **approved the Lisbon Treaty**, the Senate did likewise when it met at the beginning of May. Fifty-four out of seventy-nine senators voted in favour of the treaty.

One of the conditions for approving the treaty was the adoption of an amendment to the Parliamentary Rules of Procedure, which ensures that the government will **not be able to transfer power to the European level without the approval of both chambers of parliament**.

The Lisbon Treaty was presented to the senators by outgoing Prime Minister Mirek Topolánek with the words, "I am not accepting it with great enthusiasm, but I consider it the price that has to be paid for membership in the Union." In his opinion, if the treaty were to be rejected, all countries east of Germany and Austria would be threatened with being drawn into a "Russian embrace". The Prime Minister appealed to all the senators to approve the treaty and "thus repair the reputation" of the Czech Republic after the fall of the government during the Czech EU Presidency. According to the chief of Czech diplomacy, Karel Schwarzenberg, **not accepting the Lisbon Treaty would result in full isolation for the Czech Republic** in the middle of the EU.

In order for the Lisbon Treaty to be fully ratified, **only President Václav Klaus's signature is now required**. Immediately after the approving vote, Klaus was heard to say that he will wait with its signing and see if a group of senators files a petition with the Constitutional Court to review the treaty. A group of senators, led by Jiří Oberfalzer (ODS) have already announced that they want to turn once again to the Constitutional Court, which, although it has already looked at the treaty once, only addressed certain sections and not the entire text.

The Czech Republic is the last country in which the Lisbon Treaty was approved by parliament. The treaty is still awaiting the president's signature in Poland and Germany. As far as the latter is concerned, President Horst Köhler must wait until the German Constitutional Court reaches a decision on whether or not the Lisbon Treaty is in compliance with German Law. It is expected that the Constitutional Court should announce its decision by the start of summer. **Thus the last remaining country that has not ratified the Lisbon Treaty is Ireland**, which has already rejected it once in a referendum. A repeat referendum is scheduled to be held in autumn and public opinion surveys indicate that this time around the treaty should be accepted.

http://www.senat.cz/zpravodajstvi/zprava.php?id=575

ECONOMY AND EURO

European Commission's Prognosis: Recovery Will Start Next Year

The most recent forecast published by the **European Commission anticipates that the Czech economy will shrink by 2.7%** this year and the average decline of the Union's overall economy will reach a level of 4%. According to the Commission, the EU-27 will still be in the red the next year, while the Czech Republic will see slight growth. Unemployment in Europe is expected to be at about 11% in 2010.

"The European economy is in the **midst of its deepest and most widespread recession in the post-war era**. But the ambitious measures taken by governments and central banks in these exceptional circumstances are expected to put a floor under the fall in economic activity this year and enable a recovery next year," said Joaquín Almunia, Commissioner for Economic and Monetary Affairs.

Due to the global financial crisis, a decline in world trade and problems on the housing market, the **Union's economy will see GDP decrease by 4%** this year and it is expected to continue decreasing (although only by 0.1%) even next year.

The Commission anticipates that investor confidence in the European economy will return this year, thus leading to **renewed economic growth over the course of next year**. According to the Commission, the Union's economy is being dragged down primarily due to the fall of private investments and a "sharp decline" in the use of existing industrial capacity. Quite to the contrary, private consumption, thanks to decreased inflation or fuel prices, is still holding its own, which might however, with increasing unemployment, soon cease to apply.

The unemployment rate in the entire union is expected to grow to 9.4% this year and even up to 10.9% next year. Spain will be the worst off (this year 17.3% and next year even over 20%) and Ireland (13.3% and 16% for this year and the next respectively). The Baltic States and Slovakia will also not fare well.

The negative development of the economy and labour market are of course also reflected in public finances. Just over the course of this year, the average Union deficit is expected to reach an increase from 2.3% of GDP (in 2008) up to 6% of GDP. According to the Commission's estimates, it will **continue to grow next year up to a level of 7.2%!**

According to the European Commission, **the Czech Republic's GDP will decrease by 2.7% this year** and will

be followed by very slight growth next year (0.3%). The unemployment rate is expected to gradually increase and exceed the 7% threshold next year.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/693

Economic Forecast by EC – spring 2009

in %	**EU – 27**			**CR**		
	2008	09	10	2008	09	10
GDP growth	0.9	-4.0	-0.1	3.2	-2.7	0.3
inflation	3.7	0.9	1.3	6.3	1.1	1.6
public budget deficit*)	-2.3	-6.0	-7.3	-1.5	-4.3	-4.9
unemployment rate	7.0	9.4	10.9	4.4	6.1	7.4

*Source: European Commission, *) as of GDP*

FINANCE

MEPs Adopt New Rules for Banking Sector

Members of European Parliament have adopted a amended **Capital Requirement Directive**. Its objective is to improve the transparency of the financial system and supervision over it, ensure a corresponding level of risk management in the baking sector and prevent another financial crisis in the future.

One of the points of the new legislation is **the establishment of new colleges of supervisors**, who will coordinate the national authorities responsible for cross-border financial institutions. Parliament is convinced that these colleges are the first step towards an integrated supervision system. According to the MEPs, if there are disagreements between college members, there should be an independent consulting and mediation mechanism at the European level. They are thus requesting the Commission to submit a legislative proposal for strengthening the integration of supervision by the end of the year with the goal of establishing a European supervision system by 31 December 2011.

The new legislation has also set the goal of **strengthening valid rules with regard to large exposure**, including interbank transactions. According to the negotiated text, the level of exposure toward one client or group of clients will be limited to 25% of capital. It will be possible to exceed this limit only in the case of exposure between two banking institutions and the total level of exposure cannot exceed EUR 150 million. This provision will be reviewed by the end of 2011 with the goal of strengthening the harmonisation of national rules.

The MEPs agree with the proposal which should insure that institutions offering investments **will retain "material interest" equal to 5% of the total value of the securitised exposure** at the time the transaction is completed. In addition, Parliament also pushed through a provision whereby the Commission, after consulting with the Committee of European Banking Supervisors, will, by 31 December 2009, submit a proposal for increasing the retention rate.

According to the EP, **credit default swaps** (CDS), which over the past few years have become the derivative traded most often, **must also be regulated**. The MEPs have thus requested the Commission to submit legislative proposals by the end of 2009 that would strengthen the transparency of the CDS market and create a central counterpart or clearing house that would be supervised by the EU with the goal of decreasing the risk associated with these instruments.

Member states will be obligated to transpose the directive into their national legislation by 31 October 2010 and implement it in full by the end of 2010.

http://www.europarl.europa.eu/news/expert/infopress_page/042-55120-124-05-19-907-20090505IPR55119-04-05-2009-2009-false/default_en.htm

Commission Proposes New Form of Financial Market Supervision

The European Commission has proposed a **new plan for supervising the Union's financial sector**. Its plan is based on a report prepared by Jacques de Larosière on the basis of an order placed by the European executive branch.

According to the proposal, control over banks will be exercised in two ways. The European Central Bank and national central banks will be responsible for **monitoring system – macroeconomic – risks**, while supervision over individual institutions on the financial market will remain in the hands of national regulators.

A newly established authority – the **European Systemic Risk Council** (ESRC) – has the task of preventing a repeated destabilisation of the financial sector, comparable to the one that occurred after the collapse of the American mortgage loan market in 2007. Leadership of the ESRC will be delegated to the president of the European Central Bank, however even countries currently outside the Eurozone will be invited to participate in the new council's decision-making process. The ESRC will be able to issue only non-binding recommendations to the Union's member states, but, according to the Commission, these will have great "moral weight".

When it comes to monitoring individual institutions on the financial market, **national regulators associated within the European System of Financial Supervisors** (ESFS)

The European Parliament has approved a Commission proposal to expand the scope of the so-called Anti-Globalisation Fund to also include employees who lose their jobs in relation to the current financial and economic crisis. Members of the European Parliament have voted in favour of continuing the current system for labelling the energy efficiency of electric appliances, but they did not support the European Commission's proposal to change this system.

will continue to have the main say; however three newly established authorities will give them a helping hand.

In the case of financial companies that operate in more than one Union member state, a college, comprising the national supervision authorities from the states in which a specific corporation is active, will be responsible for supervising their behaviour. If there is a dispute between individual "watchdogs", according to the Commission's proposal, one of the three new institutions will make the final decision. **These new authorities will replace the existing committees** that currently exercise supervision over European banks: CEBS, CEIOPS and CESR.

At the current time of interlinked financial institutions within the EU, a **more intense level of cooperation** between national supervisory authorities through these colleges is a step in the right direction. However, only practice will show whether it is sufficient.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/836

ENTERPRISE

Northern Europe Has Better Conditions for Business

From the perspective of fulfilling the principles of the European Act for Small and Medium-Sized Enterprises, which the European Union adopted last year, **central and southern European countries are lagging behind** their northern counterparts. This is the conclusion that was drawn from detailed research on the part of the European Commission.

Based on the European Commission's investigation, which examined business environments from the perspective of small and medium-sized enterprises, it is apparent that the best business conditions exist in countries such as **Belgium, Denmark, Finland, Ireland, the Netherlands, Sweden, and Great Britain**, as well as in to new member states – **Lithuania and Estonia**.

Within the framework of the Act for Small and Medium-Sized Enterprises, countries should develop their policies in order to ensure that they comply with the principle of "**think of the smaller ones first**". In practice, this principle means that governments and local authorities should take small and medium-sized enterprises into account when they are preparing their legislation.

Ensuring better access to finances, increasing qualifications, supporting innovations, and **stimulating small business** towards better use of the internal market are amongst the priorities of the Act for Small and Medium-Sized Enterprises.

The countries which are lagging significantly behind the average in these areas include the **Czech Republic, Bulgaria, Cyprus, Greece, Hungary, Italy, Poland, Romania, and Spain**. On the basis of these findings, the report's authors have reached the conclusion that Central and Southern Europe are less attractive than the North from the perspective of small and medium-sized business.

As far as the Czech Republic is concerned, it is below average in indicators such as the **enforceability of contracts, share of unpaid obligations, interconnectivity with suppliers and customers in European countries**, and the share of export-oriented enterprises. On the other hand, the Czech Republic is above average when it comes to further education provided to employees and the number of innovative companies.

http://ec.europa.eu/enterprise/entrepreneurship/craft/sme_perf_review/doc_08/spr08_annual_report.pdf

Importance of SMEs

	No. of persons employed			**Value added** (MEUR)		
	Value	**%**	**EU**	**Value**	**%**	**EU**
Micro	1.035.553	29,6%	29,6%	11.135	19,2%	21,1%
Small	668.987	19,1%	20,6%	9.605	16,5%	19,0%
Medium	682.692	19,5%	16,8%	11.457	19,7%	17,8%
SMEs	2.387.232	68,2%	67,1%	32.197	55,4%	57,9%
Large	1.115.208	31,8%	32,9%	25.887	44,6%	42,1%

EMPLOYMENT AND SOCIAL AFFAIRS

Anti-Globalisation Fund Support Also Applies to Economic Crisis

The European Parliament has voiced its support for an agreement with the European Council on **expanding the competencies of the so-called Anti-Globalisation Fund** (Globalisation Adjustment Fund) to also include workers who have lost their jobs due to the economic and financial crisis. Member states must, however, prove that there is a direct link between being laid off and the financial and economic crisis. This new rule will be applied to applications submitted between 1 May 2009 and 31 December 2011.

Another new feature is that member states can apply for contributions from the fund **for companies that lay off 500 employees** as opposed to 1,000 as was the case until now. The share of contributions provided from the fund will equal 50%, whereby in the case of applications submitted up until 31 December 2011 the amount can be as high as 65%.

The primary goal of the European Globalisation Adjustment Fund was to **help workers who lost their jobs as a result of changes to the structure of world trade**. When a large company becomes bankrupt, a factory is relocated to a country outside of the EU or if within a certain region a high number of people are laid off in one sector at the same time, this fund can help the laid-off workers. The fund has a maximum annual allocated amount of EUR 500 million for this assistance.

The fund can help finance active measures on the labour market, **which are aimed directly at providing assistance to laid-off workers**. For example this assistance can be used to look for work, professional training and requalification, the provision of certificates for acquired experience, assistance when transferring to a new job, and support for business activities or starting self-employment activities. Special time-limited measures are also included, such as contribution for seeking work, mobility and lifelong education or professional preparatory courses.

The fund does not finance social protection type measures, such as pensions and unemployment benefits.

The financial assistance from the fund **might in and of itself have positive significance namely in regions** that are dependent on one large manufacturer who starts facing difficulties. From the macroeconomic perspective, it does not have much significance at all.

http://www.europarl.europa.eu/news/expert/infopress_page/047-55092-124-05-19-908-20090505IPR55091-04-05-2009-2009-false/default_en.htm

ENERGY AND TRANSPORT

Parliament Says "Yes" to Current Labelling for Appliances

The European Parliament has approved the **continuation of the system that is already in place for labelling energy-efficient electric appliances**. Although it has refused to give in to pressure and change the way things are done currently, it does, nevertheless, agree to the expansion of this scheme to include additional products.

Up until now, the manner in which energy efficiency is rated (on a scale from A to G) has been applied in the European Union primarily to electric household appliances (washing machines, refrigerators). MEPs have, however, **approved the expansion of the programme** to also include equipment that requires electricity and is used in the commercial sector or industrial production. In addition, the proven system will also be applied to products that are in any way related to energy savings (e.g., constructions materials). All technical specifications for similar products will thus also have to include information on their energy efficiency.

Over the past several years, thanks to improvements that have been made to the energy efficiency of appliances, a situation has arisen wherein the **majority of the relevant products have ended up in the highest energy-efficient category of "A"** and thus the current system has lost its information-providing value to a significant degree.

For this reason, in March the Commission proposed a new system for labelling television sets and washing machines that **introduced a new category of "A-20%"** that would indicate that an appliance is 20% more energy efficient that the traditional "A" category.

Parliament, however, refused any such changes and instead came up with its own proposal to update the energy thresholds **required for attaining a certain energy classification (category A-G)** on a regular basis according to the technological advances for individual types of appliances.

According to the European Parliament, a product's energy consumption should be specified not only on an energy label but also in all **advertisements promoting the product**.

http://www.europarl.europa.eu/news/expert/infopress_page/051-54959-124-05-19-909-20090504IPR54958-04-05-2009-2009-false/default_en.htm

The Eastern Partnership Summit in Prague launched closer cooperation between the European Union and six post-Soviet states: Ukraine, Moldova, Belarus, Armenia, Georgia, and Azerbaijan. The summit that was held between the EU and China in Prague under the baton of the Czech Presidency did not bring any firm conclusions.

EXTERNAL RELATIONS

Eastern Partnership Will Strengthen EU Ties with Post-Soviet Neighbours

At the Eastern Partnership Summit, the European Union launched a programme that aims to strengthen political and economic ties to six former republics of the Soviet Union: **Ukraine, Moldova, Belarus, Armenia, Georgia, and Azerbaijan**.

The Eastern Partnership, which is one of the **Czech Presidency's main foreign policy priorities**, offers the six post-Soviet republics the following:

- The conclusion of new association agreements;
- Greater economic integration with the EU, with the goal of establishing a more integrated free trade zone;
- Improvement in the movement of persons on the basis of simplified visa procedures and agreements on returning illegal immigrants;
- Strengthened cooperation with regard to energy safety, including support for investments into infrastructure, improvements to the regulatory framework and improved energy efficiency;
- Improved administrative capacity in the partner countries; and
- Special programmes that will help partner countries find a solution to difficulties associated with economic and social development.

A new feature introduced within the Eastern Partnership is a multilateral dimension. This is **represented by four theme-based platforms** on which the participating countries can meet for the purpose of exchanging information and experiences:

- democracy, good governance principles (combating corruption, preventing the abuse of power and respecting the legal code) and stability;
- economic integration and convergence with EU policies;
- energy safety; and
- personal contact.

The European Union has designated EUR 600 million for the Eastern Partnership.

The future perspective of the Eastern Partnership is uncertain though, as both **internal as well as external opposition to it is forming**. France is not a great supporter of the project as it views it as "competition" to the Mediterranean Union that it started. From outside the European Union, Russia is the greatest opponent, as it fears that strengthened European Union influence in these countries will work to its detriment.

http://www.eu2009.cz/en/news-and-documents/press-releases/eastern-partnership-summit:-natural-dimension-of-eu-foreign-policy-20997/

EU-China Summit: We Have Agreed that We Will Agree

At a meeting held at the Prague Castle under the leadership of Václav Klaus, leading representatives of the European Union and China forgot about their mutual disputes and agreed that they **will proceed together with regard to resolving the economic crisis and climate issues**.

For a long time Brussels and Beijing have supported opposing opinions when it comes to certain issues, such as **compliance with human rights**, access of Union companies to the Chinese market and the protection of intellectual property.

Even so, at the summit both parties declared that whilst fighting a common battle against the worst economic decline of the past eighty years, China and the Union must pull the same rope. The end result was the signing of three **memoranda of understanding** aimed at small and medium-sized enterprises, research and support for clean energy.

Climate, trade and even human rights were also included amongst the main topics. However no truly fundamental decisions in relation to the **fight against global warming** were made in Prague. The statesmen did agree that they will hold another summit a few weeks prior to the December Copenhagen Conference, at which they will both clarify the approach they will take for protecting the climate after 2012.

All the same, China and the Union are still a long way away from reaching a mutual agreement on climate. While Europe would like the Asian superpower to decrease CO2 emissions significantly by 2020, China will only do this if the West sets even more ambitious goals for itself than it currently has. In addition, China is requesting financial assistance for implementing "green" technologies.

Chinese Premier Wen Jiabao also appealed to the Union to **acknowledge China as a standard market economy** and repeal the embargo on arms imports, limit the restriction on the export of hi-tech equipment to China and cease criticising non-compliance with human rights. According to him, the most important principles that support a good partnership include mutual respect and non-interference in "internal" affairs.

http://www.eu2009.cz/en/news-and-documents/press-releases/joint-press-communique-of-the-11th-eu-china-summit-23664/

The meeting between the EU and partner countries from Central Asia, the South Caucasus, the Mashreq Region, and the Middle East primarily focused on the development of a southern corridor for energy and transport. Statistics published by the European Commission show that last year greenhouse gas emitters, who are in included in the EU's Emissions Trading Scheme, decreased the amount of CO2 equivalents released into the atmosphere by more than 3% of a ton, as compared to the preceding year.

4 MAY

EU and Japan to discuss climate change, economic crisis and other global challenges:
http://europa.eu/rapid/pressReleasesAction.do?reference=I
P/09/692

5 MAY

Transparency: Recipients of CAP payments now on-line:
http://europa.eu/rapid/pressReleasesAction.do?reference=I
P/09/694

Modernisation of EU research funding on the right track:
http://europa.eu/rapid/pressReleasesAction.do?reference=I
P/09/665

6 MAY

Economic and Financial Affairs Council Meeting:
http://www.consilium.europa.eu/uedocs/cms_data/docs/pres
sdata/en/ecofin/107540.pdf

Cohesion Policy will help Europe to get out of the crisis:
http://ec.europa.eu/social/main.jsp?langId=en&catId=89&ne
wsId=503&furtherNews=yes

Commission wants consumers to surf the web without borders: http://europa.eu/rapid/pressReleasesAction.do?ref
erence=IP/09/702

7 MAY

EU-Canada Summit declaration:
http://www.consilium.europa.eu/uedocs/cms_data/docs/pres
sdata/en/er/107542.pdf

EU and China to hold high-level economic and trade talks:
http://europa.eu/rapid/pressReleasesAction.do?reference=I
P/09/708

8 MAY

Buying a new vehicle in another Member State made easier:
http://europa.eu/rapid/pressReleasesAction.do?reference=I
P/09/709

180 million people now have a European Health Insurance Card in their pocket:
http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&ne
wsId=508&furtherNews=yes

The Southern Corridor: EU and partner countries commit to move forward:
http://europa.eu/rapid/pressReleasesAction.do?reference=I
P/09/716

Two agricultural product names registered:
http://ec.europa.eu/agriculture/newsroom/en/341.htm

11 MAY

Education: Spread the sign: new web tool for the deaf:
http://ec.europa.eu/education/news/news1371_en.htm

EU Officials go "back to school":
http://europa.eu/rapid/pressReleasesAction.do?reference=I
P/09/724

Asylum in the EU in 2008 around 20 000 asylum applicants registered each month in EU27:
http://europa.eu/rapid/pressReleasesAction.do?reference=S
TAT/09/66

EIB welcomes call to support SMEs in Eastern Partnership countries: http://europa.eu/rapid/pressReleasesAction.do?re
ference=BEI/09/70

12 MAY

Serbia: EIB's EUR 1.4bn financial crisis plan for closer relations with EU: http://europa.eu/rapid/pressReleasesActio
n.do?reference=BEI/09/73

13 MAY

Education, Youth and Culture Council Meeting:
http://www.consilium.europa.eu/uedocs/cms_data/docs/pres
sdata/en/educ/107613.pdf

State aid: Commission approves extension of French scheme for refinancing credit institutions:
http://europa.eu/rapid/pressReleasesAction.do?reference=I
P/09/750

EU Member States agree to intensify their co-operation in education and training:
http://ec.europa.eu/education/news/news1383_en.htm

European Commission promotes cycling as healthy way to travel:
http://europa.eu/rapid/pressReleasesAction.do?reference=I
P/09/746

14 MAY

Employment, Social Affairs and Equal Opportunities: Council facilitates access to European Social Fund:
http://ec.europa.eu/social/main.jsp?langId=en&catId=89&ne
wsId=510&furtherNews=yes

15 MAY

Commission refers Poland to European Court of Justice on gender equality legislation:
http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&ne
wsId=511&furtherNews=yes

18 MAY

Environment: Emissions trading: EU ETS emissions fall 3 % in 2008: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/794

EU ETS emissions fall

	2008	yoy		2008	yoy
Sweden	20,01	5,1%	Germany	472,60	-3,0%
Belgium	55,46	5,1%	**EU**	**2060,48**	**-3,1%**
Netherlands	83,51	4,6%	Latvia	2,74	-3,7%
Slovak Rep	25,49	4,0%	Greece	69,85	-3,9%
Cyprus	5,60	3,9%	Ireland	20,38	-4,1%
UK	265,03	3,3%	Portugal	29,91	-4,2%
Lithuania	6,10	1,7%	Romania	63,56	-8,7%
Hungary	27,25	1,5%	**Czech Rep**	**80,08**	**-8,8%**
Austria	32,00	0,8%	Denmark	26,55	-9,7%
Malta	2,02	-0,4%	Estonia	13,55	-11,6%
Slovenia	8,86	-2,1%	Spain	163,46	-12,4%
France	123,44	-2,5%	Finland	36,16	-15,0%
Italy	220,66	-2,5%	Luxembourg	2,10	-18,2%
Poland	204,11	-2,6%			

Source: European Commission, data for Bulgaria are n/a

19 MAY

Facilitating the free circulation of euro cash: http://ec.europa.eu/economy_finance/thematic_articles/article15105_en.htm

The Commission calls for proposals for €4 billion worth of energy investments: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/804

Research: "Innovative Medicine Initiative" (IMI): €246 million to support public-private research cooperation for a fast development of better medicines: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/802

20 MAY

External Relation Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/107921.pdf

22 MAY

LAF database - The Lisbon methodology Assessment Framework database: http://ec.europa.eu/economy_finance/thematic_articles/article15224_en.htm

The EU and Australia join forces in the fight against climate change ahead of the Conference of Copenhagen: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/814

11th EU-China Summit: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107965.pdf

25 MAY

Agriculture and Fisheries Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/107995.pdf

26 MAY

Facilitating the exchange of information between Croatia and the EU: http://ec.europa.eu/enlargement/index_cs.htm

EIB provides EUR 700 million for key investments in Estonia: http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/09/90

27 MAY

Commissioner Piebalgs calls for good investment climate to take the energy sector out of the crisis: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/830

Removing the barriers to creativity and innovation in education: http://ec.europa.eu/education/news/news1397_en.htm

28 MAY

5 big things the European Parliament did in the last 5 years: http://www.europarl.europa.eu/news/public/story_page/008-56269-152-06-23-901-20090525STO56246-2009-01-06-2009/default_en.htm

29 MAY

Competitiveness Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/108158.pdf

Agriculture and Fisheries Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/107995.pdf

One third of the EU population could not afford an unexpected expenditure in 2007: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-28052009-AP/EN/3-28052009-AP-EN.PDF

Commission proposes actions to get the most out of marketing and quality schemes: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/842

The European Council Summit will concentrate on the Lisbon Treaty and provide confirmation of sufficient guarantees to Ireland, where a repeat referendum will be held. Czech Prime Minister Jan Fischer will preside over the European Council on behalf of our presidency. As far as meeting of the individual Councils are concerned, the one on telecommunications is certainly worth mentioning. It will discuss the telecommunications package, which was just recently swept off the table by the European Parliament.

Meeting of the key EU institutions

31.5.-2.6.2009	**Brno, Czech Republic**	- Informal Meeting of Agriculture and Fisheries Ministers
4.-5.6.2009	**Luxembourg, Luxembourg**	- Justice and Home Affairs Council
8.6.2009	**Brussels, Belgium**	- Eurogroup Meeting
8.-9.6.2009	**Luxembourg, Luxembourg**	- Employment, Social Policy, Health and Consumer Affairs Council
9.6.2009	**Luxembourg, Luxembourg**	- Economic and Financial Affairs Council
11.-12.6.2009	**Luxembourg, Luxembourg**	- Transport, Telecommunications and Energy Council
15.-16.6.2009	**Luxembourg, Luxembourg**	- General Affairs and External Relations Council
18.-19.6.2009	**Brussels, Belgium**	- European Council
22.-23.6.2009	**Luxembourg, Luxembourg**	- Agriculture and Fisheries Council
25.6.2009	**Luxembourg, Luxembourg**	- Environment Council
25.-26.6.2009	**Prague, Czech Republic**	- Informal Meeting of the Council Working Group on Competitiveness and Growth (G1)

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Rules to public funding of broadband networks	DG COMP	22.6.2009
The Green paper on consumer collective redress	DG SANCO	3.7.2009
New architecture of European Financial Supervision	DG MARKT	15.7.2009
State aid to the coal industry	DG COMP	15.7.2009
The review of the Directive on Deposit Guarantee Schemes	DG TREN	27.7.2009

While our neighbour to the east has had the Euro as its domestic currency since 1 January of this year, the Czech Republic has still not announced the date by which the common European currency will be adopted. Nevertheless, thanks to the activities of the National Coordination Group for the Introduction of the Euro, technical, administrative and organisational preparations for this step are continuing at a lively pace.

PREPARATIONS FOR ADOPTING THE EURO IN THE CZECH REPUBLIC MOVE FORWARD

The actual economic situation makes it obvious that implementing the euro in the Czech Republic in the near future will not be possible or feasible under the current conditions for entry to the Eurozone. This is due to the worsening fiscal discipline triggered by the economic crisis. However, the National Coordinator Group's preparatory activities for changing over to the euro have not slowed down, but they are actually continuing at a very intense level. They are currently placing primary focus on a number of highly sensitive practical issues associated with the actual process of changing over from the national currency to the common one.

Just at the start of this spring, a new updated version of the report on the fulfilment of the National Euro Changeover Plan for the Czech Republic was presented and published. On the next few pages, we will point out some of the most important points of this report. The new document also sets out objectives that should be attained over the course of this year within the framework of preparatory activities.

The starting point for the updated version of the National Changeover Plan is the fact that the Czech government has not yet set an official target date for adopting the common European currency. One of the supporting materials the government discusses on a regular basis at the end of each year with regard to setting this date is the joint document prepared by the Ministry of Finance and the Czech National Bank: "Assessment of the Fulfilment of the Maastricht Convergence Criteria and the Degree of Economic Alignment of the Czech Economy With the Euro Area". In the latest version of this document, which the government discussed on 16 December 2008, the authors did not recommend that a target date for adopting the euro be set in 2008 and, consequently, not to strive for the inclusion of the Czech crown in ERM II (Exchange Rate Mechanism II) over the course of 2009.

Fulfilment of Maastricht Criteria in the CR

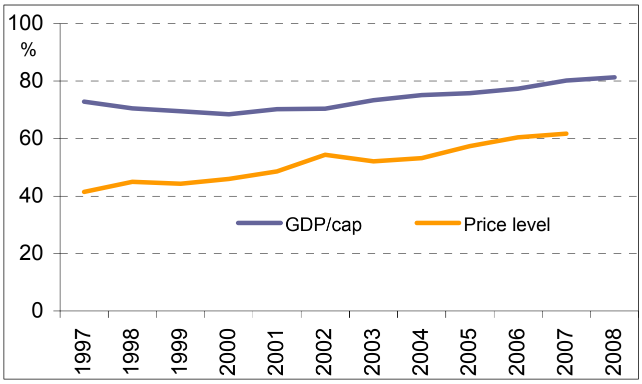
criterion	threshold	ČR
fiscal – public budget deficit	-3.0 %	-1.5 %
fiscal – public debt	60.0 %	29.8 %
price	3.6 %	4.7 %
interest rate	6.2 %	4.7 %
exchange rate	ERM II +	n/a

Source: calculation by EU Office and Eurostat data

The document mentions that visible advances have been made in a number of areas with regard to the preparedness of the Czech economy to adopt the common currency. With the exception of short-term non-fulfilment of the inflation criteria, it is stated that fulfilment of the Maastricht convergence criteria and favourable development in the areas of nominal and real convergence has been achieved.

Thus from the perspective of fulfilment of macroeconomic criteria, even the gap between the Czech Republic's price levels and economic level and average Eurozone levels has been gradually decreasing. The labour market also reflects partial structural improvement in addition to cyclical improvement. At the same time however, tthe current global financial crisis is making, the perspective for fulfilling the Maastricht convergence criteria and attaining a higher level of alignment between the Czech economy and the Eurozone more uncertain.

Economic performance and price level in CR and EU



Source: Eurostat, EU-27 = 100 % for both indicators

The current status of preparations for adopting the euro in the Czech Republic is thus characterised by the fact that no final target date has been set. On the other hand, the National Euro Changeover Plan was adopted in April 2007, which defines the basic principles, schedules and institutional guarantees for the entire future process of implementing the euro in the Czech Republic. At the same time this document was adopted, the task of updating it was also assigned. The report on the fulfilment of the National Plan represents the specific form in which these regular updates take place. Once a binding date for adopting the

euro is set, the National Plan will go through fundamental revisions.

The National Coordination Group adopted a responsible and justified opinion, i.e., in spite of the fact that a number of activities associated with the future adoption of the euro do exist, which can be efficiently performed in advance and without knowledge of the binding timeframe for changing over to the common currency. This approach is consequently not in conflict with the principle of effectively outlaid resources.

Conversely, leaving all technical tasks associated with the implementation of the euro to be performed only at the time the target date is announced could even be risky. In a number of areas (state administration, the financial sector, information technology, legislation, etc.), the implementation of the euro takes on the characteristics of a complex adaptation process, which, in a number of cases, will require a minimum of three years of intense preparations even after the target date is announced.

From this perspective it is thus obvious that it is desirable for appropriate basic methodological tools to already be in place and available at the moment that the target date is announced, which will not delay or threaten the "sharp" progress of the technical preparations that must be performed after the announcement of the target date. In addition, it is now becoming apparent that EU legislation and practical experience from abroad often do not provide unambiguous instructions. Within the proposed technical solutions, it is also necessary to take into account a domestic expert, interest-specific and political consensus (e.g., selecting a method for changing the legal code; defining rules for smoothing monetary amounts; defining sanctions in the case of non-compliance with the principles of equivalent price conversions from the national currency to the euro; and others).

The report unambiguously documents the fact that in 2008 there was further intense progress in the technical preparations for implementing the euro in the Czech Republic. Some of the ones that can be mentioned include:

- preparation of methodological supporting materials for the government's decision: *Preparation of the Legal Environment for Implementing the Euro*
- preparation of the methodological materials that address important technical issues associated with the preparatory tasks for implemented the euro in the financial sector – *Preparation of the Financial Sector for Implementing the Euro*
- preparation of the methodological text *Recommended Procedures for the Dual Display of Consumer Prices*, which focuses on dual pricing with regard to products and services purchased by end consumers. This is one of the basic tools that protect consumers against the possible abuse of converting prices from the national currency to the euro;
- preparation of the materials titled *Monitoring Price Development During the Euro Implementation Period*, which outlines the methods and measures to use for monitoring price development during the periods before and after the euro is adopted; and
- organising an international professional conference titled *Ten Years of the Euro – Inspirations for the* Czech *Republic*, which ultimately performed an information-providing function and mission of a significant debate forum at a very high level.

For 2009, the National Coordination Group has selected the following priority areas for its activities:

- Preparation of the articulated text of the General Act;
- Preparation of the methodology for implementing the euro in state administration;
- Start of preparatory tasks for a communications campaign concept; and
- Regular evaluation of Slovakia's experiences with implementing the euro.

KEY ACTIVITIES FROM 2008

Preparation of the Legal Environment for Implementing the Euro

The adoption of the euro in the Czech Republic will impact the Czech legal code in a significant manner. In addition to the adoption of special legal regulations, the changeover to the common European currency will also affect a large number of existing legal regulations, which either specify monetary amounts expressed in crowns or which refer to other values (namely interest rates) that are directly associated with the existence of the Czech crown, which will cease being the national currency.

Currently, there are two legal opinions on the manner in which monetary information contained in legal standards should be adapted at the time the euro is implemented.

Global change method

The first can be designated as a **global change method**. This anticipates that as of the date the euro is adopted as the new currency, direct amendments to all legal regulations

affected by its implementation will be put into place. This method attempts to attain a status whereby from the specified moment, all legal standards will contain amounts expressed only in the new currency.

Gradual change method

The second is as a **gradual change method**. If this process is applied, individual ministries could decide which of the regulations within their field of competence they consider as having to be directly amended as of the date the euro is implemented. The remaining legal regulations would be applied according to the general principles of EU implementation law, up until the time of their amendment. These principles allow provisions referring to amounts in crowns to remain in legal standards as of the date the euro is adopted, but they would be start being considered as amounts stated in euro as unambiguously defined by means of a fixed conversion coefficient.

The text also addresses issues pertaining to legislative provisions for rounding and smoothing monetary amounts with the objective of establishing a common approach. Rounding amounts off to the nearest cent according to the rules set forth in EU law can be considered as the basic principle for converting monetary amounts, as this approach guarantees that the adoption of the euro will be completed as a financially neutral operation.

Further, smoothing is being considered to a limited degree (e.g., to the whole euro to the citizen's benefit, actually to the benefit of private subjects in general), particularly in those cases when the amounts calculated through rounding could cause various practical problems. In justified and more or less exceptional situations, it is also possible to elect entirely new amounts. Proposals for smoothing monetary amounts will also have to be assessed from the perspective of the impact the process would have on public budgets.

Methodical Preparation of the Financial Sector for Implementing the Euro

One of the National Coordination Group's priority tasks for 2008 was to start preparing the procedures that will be used by the financial sector over the course of the process for converting to the euro, specifically in the following areas: i) conversion to the euro and dual pricing on the capital market; conversion of interest rates after the euro is adopted; and recalculation of account balances, including rounding.

On the basis of analyses that were performed, it is possible to state that the financial sector's preparations for implementing the euro will demand attention in the following areas:

- In the case of certain capital market products, it will be necessary to perform rounding to a higher number of decimal places (e.g.; business shares; stocks) in order to attain a sufficient level of accuracy during the conversion;
- Due to the specificity of the financial sector, it will be of utmost importance to remove certain products from the obligation for dual pricing and monetary amounts (e.g., when sending financial information via SMS messages);
- In certain areas (e.g., account statements), dual prices will be displayed only for starting and ending values of monetary amounts, as dual pricing for all entries would be very demanding; and
- A "key" for converting the Czech Republic's referential interest rates to the appropriate referential interest rates valid in the Eurozone will have to be legally anchored.

Of the number of specific measures that are discussed in the methodological texts, the following can be mentioned:

a) Dual Pricing on the Capital Market

- When nominal values are converted, rounding should be performed to 2-6 decimal places for stocks and 6-8 decimal places for business shares;
- The market prices for business shares must be specified with accuracy of 6-8 decimal places;
- When converting registered capital, the amounts should be converted and rounded on a per item basis, i.e., for individual stocks;
- Bond and derivative value are, as a rule, rounded to two decimal places;
- When settling transactions, first add together all the relevant entries and then round the final sum to the standard defined number of decimal places;
- Ensure that the nominal values of securities are converted by issuers, who will notify the persons responsible for administering central and associated record-keeping entities of the new value in euro; If an issuer does not perform the conversion, it will be performed by the persons who administer the record-keeping entities, whereby they will apply the greatest allowable level of accuracy when performing the calculation;
- In statements provided to customers who purchase services, specify the final sums for individual categories

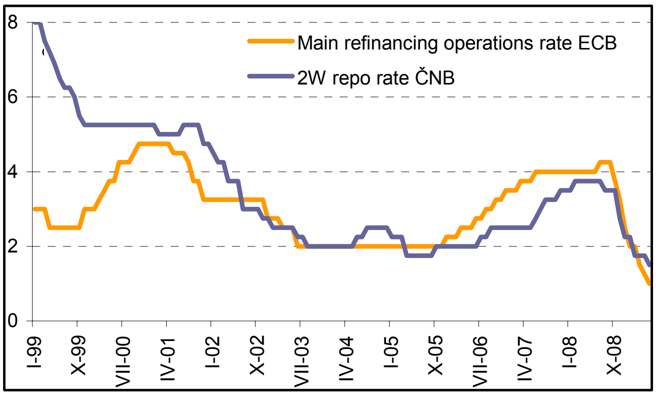
in both Czech crowns as well as euros (status accounts, cash flow statements);

- Do not regulate the format of statements sent via SMS messages; and
- Ensure obligatory dual pricing in pricelists; publish recommendations for providing information in both Czech crowns as well as euros for additional areas – closing exchange rates, summary information on market development, etc.

b) Conversion of Referential Interest Rates

- When replacing Czech National Bank referential rates (discount rate, repo rate, Lombard rate), use European Central Bank referential rates (Deposit Facility Rate, Euro Base Rate, Marginal Lending Facility Rate);
- Replace the interbank one-day CZEONIA and PRIBOR (PRIBOR O/N) rates with the "European" EONIA rate (a EURIBOR one-day rate does not exist); and
- Replace other PRIBOR rates that have more than a one-day maturity with the applicable EURIBOR rates.

Key interest rates of the CNB and the ECB



Source: ČNB, ECB

c) Methodology for Converting Account Balances, Including Rounding

- As of the date the euro is implemented, convert account balances according to the conversion coefficient and round to the nearest cent;
- Obligatorily specify starting and ending balances on statements in both currencies;
- Prepare all pricelists using dual pricing or create two separate pricelists – one in Czech crowns and the other in euros, whereby the structure of both pricelists must be the same; and
- Obligatorily specify the conversion coefficient in all pricelists.

Recommended Procedures for the Dual Display of Consumer Prices

The dual display of prices in relation to the purchase of products and services by end consumers is a legally-mandated obligation to display the amounts that are charged in both Czech crowns and euros for a certain period of time in accordance with the binding rules for converting monetary amounts. This will establish the ability to quickly and easily compare monetary amounts in the original national currency, the purchasing power of which is already familiar to citizens, and the same amount in the new currency, i.e., the euro, with which the citizen is gradually becoming acquainted.

The document identifies groups for whom dual pricing will be used in order to protect their interests. Specifically these are:

- Consumers, whereby dual pricing will help them become better aware of the purchasing strength of the new currency for a critical period of time prior to and after the adoption of the euro;
- Recipients of salaries, allowances and legal benefit payments from the pension and social security systems, whereby dual pricing will demonstrate to them the financial neutrality of the conversion to the new legal currency; this especially applies to information-disadvantaged seniors and other socially vulnerable groups;
- Individuals who pay various fees and taxes to administrative authorities and local territorial self-governing units, whereby the dual display will give them certainty that the adoption of the euro is not being abused in order to increase income for public budgets; and
- Storekeepers and other businessmen who, on the basis of a positive approach to implementing a dual display system for their prices, will want to restrict unfair competition and will want to use this channel to inform the public that they are not taking advantage of the adoption of the euro to increase prices.

The implementation techniques for the dual display of consumer prices have been proposed in a manner whereby not only do they contribute appropriately to better orientation on the part of citizens during the conversion to the new currency, but they also do not burden the obligated parties with disproportionately high expenses and overly complicated rules. Taking into

account the principle of reasonable expenses, it will also be possible to either exempt certain situations entirely from the obligation to provide dual display or apply one of the simplified techniques for dual pricing in these situations.

The following conclusions can be drawn from the recommendations:

- The obligation to provide dual display of prices will start one month after the conversion coefficient enters into force (based on existing practice, this is generally August of the year preceding the year in which the euro is adopted) and will end at the end of the year in which the euro is implemented;
- With respect to prices for products and services, the obligation to provide the dual display of prices will apply only to business relationships between businesses and consumers, not to business relationships between the state and entrepreneurial entities or business relationships between two business entities;
- The dual information that is provided on the price of one product consists of the offered price of the product expressed in both the primary as well as the referential currency. Marketing information specified on dual pricing labels can be specified only in the primary currency. Dual pricing labels on which the main price is unambiguously visually emphasised as opposed to the referential price must be replaced with new ones once the euro is implemented. Contrariwise, dual pricing labels on which emphasis is not given to the main price, the referential price can be retained after the adoption of the euro up until the first time the product is re-priced or they can be replaced during standard restocking of sales inventory;
- Referential prices in euro will be specified with accuracy to the nearest cent and referential prices in crowns will be specified with accuracy to the nearest heller;
- A business policy whereby during the period of dual pricing that precedes the adoption of the euro the same euro prices would apply both to payment as well as to the dual display is considered as most accommodating towards customers. If this solution is not accepted, retailers will be obligated to publish in a clear manner the exchange rate that is applied for payment purposes;
- A dual price label for bulk goods includes two pieces of pricing information: the specific per unit price in both the primary as well as the referential currency. In comparison, the dual price label for packaged goods includes four pieces of pricing information: the package price and the specific per unit price, each expressed in both the primary as well as the referential currency. In the case of packaged bulk goods, the calculation of both the referential package price and the referential per unit price is performed in the same manner, specifically by calculating it on the basis of the primary price using the rules for converting monetary amounts;
- When applying dual display for entire purchases, a rounding method will be used for the final total. Subtotals are considered to be only individual entries that do not require dual display;
- If it is possible to pay in euros prior to the time the euro is implemented and a business exchange rate other than the conversion coefficient is used, the dual receipt must include and clearly indicate the properly calculated euro orientation value together with the specified conversion coefficient as well as the actual euro value of the purchase that is paid and the business exchange rate used; and
- The conversion coefficient between the euro and the Czech crown must be displayed in an unambiguous, clear, comprehensible, easily accessible and well legible manner. It must be displayed to four decimal places, including trailing zeroes, i.e., in the same format that it was published in the applicable EC regulation.

PRIORITIES FOR 2009

Monitoring Price Development during the Euro Adoption Period

The adoption of the euro has not had a significant acute impact on prices in any of the Eurozone countries, but this does not mean that price development does not have to be monitored at a higher level during such a specific period. Detailed statistical monitoring of price development is therefore one of the key tools for verifying that:

a) the technical rules for converting prices from the national currency to euros have been applied correctly and

b) that there is no conscious unjustified increase in prices on the part of the retailer.

Detailed monitoring of price development (not only of consumer or manufacturer prices, but also other price areas) is thus generally desirable and complies with standard practice in those countries where the euro has already been implemented.

Preparation for implementing the euro as the national currency as of 1 January of a specific year might also result in certain psychologically triggered irregularities and fluctuations on the part of consumers and retailers. This might potentially affect price development – e.g., increased purchases on the part of the population prior to the timeframe for implementing the euro; pre-stocking wholesale and retail stores with the associated impact on producers and importers. In addition, the fourth calendar quarter of each year has always been marked by increased retail demand in relation to Christmas purchases at the end of the year.

For these reasons, specific measurement of price development starting six months prior to the adoption of the euro appears to be objective. As a result of pre-Christmas purchases, it is just as typical that there is a subsequent significant decrease in retail demand during the first months of the following year. It is thus necessary to carefully monitor price development for the entire year after the euro is implemented in order to assess the effect that euro adoption has on prices.

Thorough monitoring of price development will require some innovation of the current system used for statistical monitoring of price development. Some of the most important elements of this innovation consist of increasing the periodicity of price development monitoring, determining the commodities that are appropriate for including in a smaller consumer basket that is used for more frequent price development monitoring and the finalisation of methods that, within the price development that is recorded, can separate the effect of euro adoption from other influences.

www.zavedenieura.cz Website

The Internet is a significant communications media that offers the ability to share information accurately, objectively, comprehensively, and at various levels of expertise. For this reason, in February 2008 the Ministry of Finance, acting in accordance with the National Plan, launched official webpages focused on the issues associated with the adoption of the euro in the Czech Republic. The domain name is www.zavedenieura.cz.

The primary goal of the aforementioned website is to provide information and educate the general public. The pages provide basic factual information on the euro and the Eurozone in addition to the euro implementation process in the Czech Republic. The accepted one-time scenario for implementing the euro is presented.

Preparation of the Articulated Text of the General Act

The National Euro Changeover Plan for the Czech Republic anticipates the preparation of a *General Act on the Introduction of the Euro in the Czech Republic*. This legislation ties on to the EC regulations that specify the provisions for implementing the euro and is the primary piece of legal legislation that creates the prerequisites for ensuring the Czech Republic's conversion to the common European currency.

Adoption of the General Act is a significant component of the entire process for preparing the legal environment for the adoption of the euro in the Czech Republic. The legislative process for this act must be adapted to the overall schedule for legislative tasks. It is of utmost importance that, at the time they start analysing the legal regulations affected by the adoption of the euro, all ministries must already be familiar with the section of the General Act that will contain the provisions for these legal regulations.

According to the proposed schedule for legislative takes, the analysis of legal regulations will start at €-32 months. From this it ensues that, given the time demands for the preparation of the articulated text of the General Act and the length of review proceedings, work on the articulated text of the General Act must start at approximately €-38 months.

Methodology for State Administration's Conversion to the Euro

At the moment that the date for the adoption of the euro in the Czech Republic is announced, it would be very desirable if a functional adaptation project for the euro were already in place for all state administration authorities. This is a complex multi-layered problem, which requires all requisite links and information flows to be systemically captured both within individual ministries as well as amongst them. Without a functional adaptation programme that will pin down these issues, the Czech Republic's future problem-free conversion to the euro could be endangered.

The adaptation of individual state administration authorities to the euro cannot, therefore, be entirely decentralised and the methods for their adaptation be left fully up to them. Quite to the contrary, these authorities will indisputably and justifiably request that they be equipped in advance with a certain schedule for specific activities leading towards their adaptation to the euro. They will likewise be

requesting a guarantee of inter-ministry cohesion for these activities.

It is reasonable to expect that the users of the methodology for converting state administration to the euro can be expanded to also include territorial local authorities, which will have to successfully adapt within their cross-sectional roles: as subjects of public administration, business entities and employers.

Implementing the euro within state administration will affect primarily the adaptation of information systems, human resource management systems, internal and external financial flows, statistics, and accounting. Not lastly, it will also require adequate communication with the public and adapting all applicable legislation.

Based on experiences in other countries and recommendations made by consulting companies, the structure that ensures adaptation to the euro within individual state administration authorities (and within individual ministries) should take on the form of programme (project) management.

Planning, implementation, reporting, and confirming the fulfilment of individual tasks (called “europrojects”) should take place within all ministries according to a common system, which will allow for the timely revelation of any slips in the fulfilment of individual europrojects, including any risks and threats that have arising with regard to subsequent tasks, both within the ministries as well as with regard to any associations that exist outside the ministry.

Managing programmes (projects) of this scope however requires a systems analyst approach and the use of appropriate automated methods, which would generate the requisite overview of the situation in real time at all management levels (from individual europrojects up to the government), including timely warning signals of any risks that have appeared and the level of their severity.

Handbook for the Prepared Business Enterprise

The business sector is mentioned as the primary recipient of the advantages offered by a common European currency: removal of exchange rate risks; a higher level of price transparency; less expensive payment relations; more stable interest rates; and others. These benefits make doing business easier and increase the efficiency of consumer-supplier relationships. On the other hand, at the time of the actual adoption of the euro, entrepreneurial entities have to face non negligible one-time expenses: modifications to information systems; changes to marketing strategies; the obligation to provide dual display of prices; and others.

The best way to minimise these expenses is to prepare for the change sufficiently ahead of time. Various methodological aids and handbooks, which are intended to provide a comprehensive summary of everything that a company should take into account when planning its preparations for euro adoption, will serve this purpose.

One handbook will contain the following sections:

- General information on the euro as a currency;
- Schedule for converting to the euro (“Big Bang” scenario; designating the official conversion coefficient; dual circulation period);
- Summary of the impacts of euro adoptions (analysis of strong and weak aspects and the opportunities and threats associated with implementing the euro from the business perspective);
- Various aspects of the technical preparations of the business sector for implementing the euro and the applicable timeframes (marketing and pricing policies; company finances; banking and accounting; legal aspects; adaptation of information systems; adaptation of cashboxes; employee training; frontloading the new currency; and others);
- A checklist of activities that must be completed prior to the adoption of the euro; and
- Typological examples of the adoption of the euro in selected business spheres (retail; hotel; importer; etc.).

This informational brochure will be designated primarily for small and medium-sized enterprises, which have a tendency to underestimate the preparations required for implementing the euro and postpone them till the last minute, often due to insufficient financial and human resources. This business segment generally also has very little experience with the adoption of the euro in other countries. In comparison, large companies that own and are linked through assets with companies that operate in Eurozone countries are less likely to run into similar limitations.

Preparatory Tasks for a Communications Campaign Concept

In order to ensure the successful adoption of the euro, it is necessary for every subject to be informed in time and accurately of all the circumstances they will face as a result of euro adoption. For this reason, an informational campaign will be launched and run prior to the adoption of the euro that is focused on the general public with special emphasis on specific target groups. A separate information campaign

will be prepared for companies, state administration authorities and local governments. In accordance with the National Euro Changeover Plan for the Czech Republic, communications activities will start once the adoption date for the euro is announced and by no later than 36 months prior to that date. The communications campaign will be based on the communications strategy for which the National Plan has established a processing timeframe as of €-30 months.

The communications strategy is a fundamental document which, firstly, establishes the organisational and financial requirements for a communications campaign and, secondly, provides the details of the goals and principles of a communication campaign. Through the use of public opinion surveys, it defines target groups for a communications campaign and subsequently determines appropriate communication resources and communication and distribution channels for them.

For this reason, once the timeframe for implement the euro is announced, it will be necessary to put several fundamental measures in place: start monitoring public opinion through surveys on the basis of which target groups will be defined; prepare the document title *Communications Strategies for Implementing the Euro in the Czech Republic*; and prepare a public tender for a specialised PR agency. In relation to these tasks, over the course of 2009 the National Coordination Group's communications working group will concentrate on two preparatory methodological texts focused on:

a) clarifying the conception of the communications strategy; and

b) the organisational institutional environment and ensuring the communications campaign.

These two methodological texts will ensure the timely and smooth preparations and completion of the communications campaign once the timeframe for implementing the euro in the Czech Republic is announced.

CONCLUSION

2009 is the second year of the "pre-preparation period", which is characterised by the fact that certain technical preparations for implementing the euro in the Czech Republic are taking place without knowledge of the binding timeframe during which the euro will actually be implemented. The main goal behind these activities is to maximally and methodically prepare for the conversion to the new currency in all key areas: adapting the legal environment; procedures for implementing the euro in both cash as well as cash-free form; prepare state administration and local administration units; prepare the business sector and household sector; prepare a communications campaign.

The strategic objective is being monitored in order to ensure that at the moment the government reaches a decision on when the common European currency will be adopted, the status of methodical preparations will have advanced to a point at which it will be possible to prepare and submit to the government a finalised National Euro Changeover Plan for the Czech Republic in just a few short months. This particular update should already be able to answer a sizable majority of questions that remained open at the time the first version of the National Plan was prepared. The subsequent phases, which start at the moment the timeframe for adopting the euro is announced, could then focus primarily not on the methodical aspects of technical preparations, but rather on the actual implementation aspects in the form of meeting established time schedules, technical processes, various recommendations, etc.

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 %	2006	2007	2008	2006	2007	2008	II-09	III-09	IV-09	II-09	III-09	IV-09
Belgium	3.0	2.8	1.1	2.0	1.7	-2.5	7.2	7.3	7.5	1.9	0.6	0.7
Bulgaria	6.3	6.2	6.0	-18.4	-25.2	-25.3	5.6	5.9	6.2	5.4	4.0	3.8
CR	6.8	6.0	3.2	-2.6	-3.2	-3.1	5.2	5.5	5.7	1.3	1.7	1.3
Denmark	3.3	1.6	-1.1	2.9	0.7	2.0	4.6	5.1	5.5	1.7	1.6	1.1
Germany	3.0	2.5	1.3	6.5	7.9	6.6	7.4	7.6	7.7	1.0	0.4	0.8
Estonia	10.4	6.3	-3.6	-16.7	-18.1	-9.2	11.1	12.4	13.9	3.9	2.5	0.9
Ireland	5.7	6.0	-2.3	-3.6	-5.4	-4.5	10.0	10.6	11.1	0.1	-0.7	-0.7
Greece	4.5	4.0	2.9	-11.1	-14.2	-14.4	na	na	na	1.8	1.5	1.1
Spain	3.9	3.7	1.2	-9.0	-10.0	-9.5	16.5	17.3	18.1	0.7	-0.1	-0.2
France	2.2	2.3	0.4	-0.6	-1.0	-1.9	8.6	8.8	8.9	1.0	0.4	0.1
Italy	2.0	1.6	-1.0	-2.6	-2.4	-3.4	na	na	na	1.5	1.1	1.2
Cyprus	4.1	4.4	3.7	-6.9	-11.7	-18.3	4.7	5.0	5.4	0.6	0.9	0.6
Latvia	12.2	10.0	-4.6	-22.5	-22.5	-12.7	14.6	16.1	17.4	9.4	7.9	5.9
Lithuania	7.8	8.9	3.0	-10.6	-14.6	-11.6	13.5	15.2	16.8	8.5	7.4	5.9
Luxembourg	6.4	5.2	-0.9	10.4	9.8	5.5	5.9	6.1	6.3	0.7	-0.3	-0.3
Hungary	4.0	1.2	0.5	-7.6	-6.4	-8.4	8.8	9.3	9.6	2.9	2.8	3.2
Malta	3.3	3.9	2.7	-9.2	-6.1	-6.2	6.5	6.6	6.8	3.5	3.9	4.0
Netherlands	3.4	3.5	2.1	9.3	7.7	7.5	2.8	2.9	3.0	1.9	1.8	1.8
Austria	3.4	3.1	1.8	2.8	3.1	3.5	4.3	4.3	4.2	1.4	0.6	0.5
Poland	6.2	6.6	5.0	-2.7	-4.7	-5.5	7.5	7.7	7.8	3.6	4.0	4.3
Portugal	1.4	1.9	0.0	-10.0	-9.4	-12.1	8.9	9.1	9.3	0.1	-0.6	-0.6
Romania	7.9	6.2	7.1	-10.5	-13.5	-12.2	na	na	na	6.9	6.7	6.5
Slovenia	5.9	6.8	3.5	-2.5	-4.2	-5.5	4.6	5.0	5.5	2.1	1.6	1.1
Slovakia	8.5	10.4	6.4	-8.2	-5.7	-6.6	10.2	10.6	11.1	2.4	1.8	1.4
Finland	4.9	4.2	0.9	4.5	4.1	2.0	7.2	7.5	7.8	2.7	2.0	2.1
Sweden	4.2	2.6	-0.2	8.4	8.6	8.4	7.7	8.1	8.5	2.2	1.9	1.8
UK	2.8	3.0	0.7	-3.4	-2.9	-1.6	6,9	na	na	3,2	2,9	na
EU	3.1	2.9	0.9	-1.3	-1.1	-2.0	8,1	8,4	8,6	1,8	1,4	1,2

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2006	2007	2008	2006	2007	2008	2006	2007	2008	2005	2006	2007
Belgium	0.3	-0.2	-1.2	87.9	84.0	89.6	118.4	118.0	118.4	106.0	106.2	105.4
Bulgaria	3.0	0.1	1.5	22.7	18.2	14.1	36.5	37.2	39.2	43.1	44.8	46.0
CR	-2.6	-0.6	-1.5	29.6	28.9	29.8	77.4	80.2	81.3	58.4	61.5	62.6
Denmark	5.2	4.5	3.6	31.3	26.8	33.3	122.9	120.0	117.1	139.6	139.2	136.9
Germany	-1.5	-0.2	-0.1	67.6	65.1	65.9	115.7	114.7	115.6	103.7	103.3	103.2
Estonia	2.9	2.7	-3.0	4.3	3.5	4.8	65.3	67.9	65.0	64.6	66.5	71.3
Ireland	3.0	0.2	-7.1	24.9	25.0	43.2	147.3	150.2	143.1	124.8	124.9	126.0
Greece	-2.8	-3.6	-5.0	95.9	94.8	97.6	94.1	94.8	96.5	88.4	89.1	88.6
Spain	2.0	2.2	-3.8	39.6	36.2	39.5	104.0	105.4	104.2	92.0	93.3	93.0
France	-2.3	-2.7	-3.4	63.7	63.8	68.0	109.1	108.9	108.1	107.4	107.3	106.7
Italy	-3.3	-1.5	-2.7	106.5	103.5	105.8	103.8	101.9	99.3	104.0	104.1	102.9
Cyprus	-1.2	3.4	0.9	64.6	59.4	49.1	90.2	90.8	92.5	89.7	90.1	87.7
Latvia	-0.5	-0.4	-4.0	10.7	9.0	19.5	52.5	57.9	55.1	57.1	60.6	65.0
Lithuania	-0.4	-1.0	-3.2	18.0	17.0	15.6	55.5	59.5	60.6	55.1	56.6	59.7
Luxembourg	1.4	3.6	2.6	6.7	6.9	14.7	267.0	267.2	258.4	102.7	103.2	105.1
Hungary	-9.2	-4.9	-3.4	65.6	65.8	73.0	63.5	62.7	62.6	63.5	60.0	65.7
Malta	-2.6	-2.2	-4.7	63.7	62.1	64.1	76.7	77.7	78.9	73.1	73.4	73.2
Netherlands	0.6	0.3	1.0	47.4	45.6	58.2	130.8	130.9	132.2	104.5	103.9	103.1
Austria	-1.6	-0.5	-0.4	62.0	59.4	62.5	124.3	123.8	124.7	101.9	101.2	100.0
Poland	-3.9	-1.9	-3.9	47.7	44.9	47.1	52.3	53.7	56.1	61.3	62.1	63.4
Portugal	-3.9	-2.6	-2.6	64.7	63.5	66.4	76.3	76.2	75.5	85.3	85.7	84.6
Romania	-2.2	-2.5	-5.4	12.4	12.7	13.6	38.3	42.1	44.9	54.3	57.0	64.7
Slovenia	-1.3	0.5	-0.9	26.7	23.4	22.8	87.6	89.2	90.8	75.8	75.3	76.9
Slovakia	-3.5	-1.9	-2.2	30.4	29.4	27.6	63.5	67.0	70.7	55.8	58.3	63.0
Finland	4.0	5.2	4.2	39.2	35.1	33.4	114.8	115.8	115.5	123.3	121.7	121.4
Sweden	2.5	3.8	2.5	45.9	40.5	38.0	121.4	122.2	120.2	117.9	117.5	116.4
UK	-2.7	-2.7	-5.5	43.4	44.2	52.0	120.3	119.0	118.4	110.2	110.8	112.3
EU	-1.4	-0.8	-2.3	61.8	58.7	61.5	103.9	100.0	100.0	100.0	100.0	100.0

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