EU News
Monthly Journal

Number 79,
April 2010

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Dear readers,

If the start of this year in the European integration area seemed to be rather dynamic and perhaps hysterical, March brought a degree of calming down witnessing debates paving the way towards the Union's future.

The leitmotif of the events in March was the approval of the EU 2020 Strategy (described in detail in the previous issue of our Monthly). The discussion about this major development document will continue at least in the next few months. It appears to be clear already now however that during its development, the authors tried to avoid the mistakes of the previous document, which was not perceived very positively, and, in particular, whose set objectives have remained mostly unfulfilled. The positive aspect of this new strategy is that, unlike the previous one – which somehow failed to take sufficiently into account the fact that economic development need not be just indefinitely progressing – it has conclusively recognized the existence of the economic cycle substantially trying to draw a lesson from its current crisis phase.

It is quite evident that EU 2020 Strategy is very likely to become a factual platform for the European cohesion policy in the next programming period, or in other words, that it will be the focus of the projects identified by EU 2020 Strategy for which the money from the EU funds will be primarily released in the next period.

The topic of cohesion policy was discussed very frequently in March, in particular, the strategic report on its implementation in the current period and many other useful materials monitoring the process of utilisation of EU funding were developed in March.

At the same time, March was marked by another set of measures taken in connection with the development of the Greek crisis, which has, however, much wider EU context. The adoption of the consolidation measures in relation to Greece that had been created mostly by mutual agreement of Germany and France also represented a more general call for consolidation of public finances across the EU. Especially in view of the long-term sustainability, this problem may be a kind of warning for the Czech Republic, which was categorised into the most vulnerable group with respect to its medium-term rather than short-term or momentary development. This means that if within four or five years we fail to remedy our public finances, there is danger of serious problems with impact on the real economy.

After the Copenhagen summit in last year's December, environmental note is starting to wake up again. The new focus of the policies on climate change starts to be elaborated into a form that would be digestible and compatible with the perception of freedom and democracy, as well as with the needs of economic development. The "Earth Hour" which took place in March, was joined, besides many cities and municipalities across the EU including the Czech Republic, by the European Parliament.

Petr Zahradník

Euro area countries have agreed to help Greece if it is really needed and if Athens asks for it. The rescue package also envisages the participation of the IMF. The European Commission examined the updated Czech Convergence Programme and expressed concern about the adverse outlook and lack of concrete reform measures. The result of the discrepancy between the views of France and the UK is that the forthcoming directive on the regulation of hedge funds will not be adopted before the 2H 2010.

EURO AND ECONOMY

Eurozone reaches agreement on financial aid for Greece

The French agreed with the Germans before the start of the EU summit on a plan allowing for **coordinated aid for Greece with the participation of the International Monetary Fund** if Greece asks for it. The compromise was subsequently approved by other Eurozone states at the meeting of the European Council.

The value of the rescue package for Greece is about 20 to 22 billion euros and it **will be activated only in case of utmost need.** Its launch must be approved by all euro area member states and Greece must expressly ask for it. In other words, Germany still retains the veto privilege on the possible assistance to Greece. Moreover, the provision of the loans will be connected with very strict conditions.

The aim of this measure should be to **restore confidence of foreign investors** and reduce the cost of the Greek debt.

Another step, which should relieve Greece, is **the extension of the permissive rules for bond collateral** by the European Central Bank. There was a danger that Greek bonds would be no longer recognised by the ECB as collateral for new loans, which would further reduce their attractiveness to investors.

Under the rescue package agreement, the majority of the funds for the possible aid for Greece would be contributed by the euro area countries and a smaller part would then be delivered by the International Monetary Fund (IMF), which should also be involved in the technical provision of support. It has been agreed that the European Commission together with the ECB should **set clear and "very strict" conditions for the loan.**

The agreement of the euro area states was then presented to the other members of the twenty-seven EU countries that are outside the monetary union. "The euro area representatives informed us of their plan," said Czech Prime Minister Jan Fischer and added that "except for one paragraph, it will not be included in the Council conclusions". In other words, this is **a rescue package of the euro area, rather than the European Union.** Mr. Fischer has also emphasised that the possible loans to Greece from the rescue package will not be subsidised, which means that they will be provided at market interest rate.

The decision of the euro area states on the aid to Greece was a necessary step, which we expected. If the EU or IMF would not help Greece, there would be real danger of Greece's insolvency with **the potential for jeopardising the general stability of the euro area** and the emergence of a new – even deeper – phase of global economic crisis. It is necessary in the long run to strengthen the Stability and Growth Pact so that the other euro area members would not find themselves in a similar situation.

http://www.eu2010.es/en/documentosynoticias/noticias/mar25_eurogrupo.html

BUDGET

The Commission expressed concern about the Czech Republic's budget outlook

The European Commission **examined the updated stability and convergence programmes** of the Czech Republic, Denmark, Hungary, Lithuania, Luxembourg, Latvia, Malta, Poland, Romania and Slovenia.

From this group of countries**, only Denmark and Luxemburg have kept their general government deficits below 3%** of GDP in 2009. According to the European Commission, it is necessary to view this evaluation in the context of the economic and financial crisis leading to significant deterioration of public finances, due to which the Council had to decide to initiate the excessive deficit procedure with a large majority of member states.

"The economic and financial crisis has taken its toll on public finances. Fiscal stimulus was necessary to support the recovery but the past two years have wiped out 20 years of fiscal consolidation. This means **that we have to come back gradually to budgetary rigour next year at the latest",** said Economic and Monetary Affairs Commissioner Olli Rehn.

In the case of the Czech Republic, the Commission expressed satisfaction that in accordance with the Ecofin recommendations, the updated convergence programme provides for the reduction of the deficit **from 6.6% of GDP in 2009 to 3% of GDP in 2013.**

Otherwise, however, Brussels' evaluation is rather critical. Despite the expected economic recovery, the improvement in the structural balance is projected to slow down markedly in 2011 and 2012. The fiscal adjustment in these years relies on expenditure cuts which, however, **are not supported by concrete measures.** Moreover, the programme does not provide information on how to achieve the reduction of the deficit projected for 2013.

The European Commission recommends adopting a more concrete package of measures, improving enforcement of the fiscal framework and **implementing reforms with a**

view of improving the long-term sustainability of public finances.

In our view, the updated Convergence Programme is not ambitious enough. The Czech economy – with a bit of good will – is strong enough to push the government deficit below 3% of GDP before 2013.

Key macroeconomic figures for the CR

in %	2008	2009	2010^{E}	2011^{E}	2012^{E}
GDP yoy growth	2.5	-4.0	1.3	2.6	3.8
Inflation (HICP)	6.3	0.6	1.8	1.5	1.8
Public budget /GDP	-2.1	-6.6	-5.3	-4.8	-4.2
Public debt / GDP	30.0	35.2	38.6	40.8	42.0

Source: CR"s Convergence Programme

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/346

The European Parliament spelled out its priorities for 2011

Young people, economic recovery and research should be the EU's top budgetary priorities, said the European Parliament on Thursday, when it became the first EU institution to adopt an opinion on next year's budget. MEPs also emphasised the urgent need to review EU's multiannual budget and reiterated their demand to have more say in the set-up of the European External Action Service (EEAS).

Young people will have an important role to play in the EU's recovery from the financial and economic crisis and should therefore receive support, particularly in finding their first job, says the EP resolution. Among measures suggested by MEPs are the promotion of language studies and **a new mobility programme called "Erasmus first job".** The Commission will adopt the draft budget (the first formal step in the budgetary procedure) on 27 April. The same day, this proposal will be present by the Commissioner to the Budgets Committee.

To help economic recovery, the Parliament wants the EU to **provide more funding for research and innovative, especially green technologies** as well as more pilot projects for small and medium-sized firms in rural areas.

The 2011 budget procedure is the first where **the Parliament will decide jointly with the Council on the whole budget,** including agriculture. Regarding agriculture, MEPs underlined the importance to keep it "competitive and able to meet the new environmental challenges" in the post-Copenhagen period.

MEPs also asked the Commission to **launch the mid-term review of EU's long-term budget** (for the years 2007-2013) before the summer. Such a review is "an absolute necessity", says the draft resolution, since the current budget framework has not allowed the EU to "react properly and satisfactorily to various challenges that have arisen in recent years". The Parliament has been pressing for this review for some time.

http://www.europarl.europa.eu/news/expert/infopress_page/034-71280-083-03-13-905-20100324IPR71271-24-03-2010-2010-false/default_en.htm

FINANCE

The Council postponed hedge funds regulation

At the Council meeting, the finance ministers of member states **did not come to an agreement on tighter regulation of hedge and private equity** funds. The vote on the draft of the controversial directive was withdrawn from the agenda. According to informed EU officials, the expected compromise agreement was prevented by the British position.

The draft directive has recently encountered many obstacles. One of them is the long-running dispute between France and the UK about the conditions under which the funds from outside the EU should have access to the EU market. An unnamed diplomat summed it up that **the UK wants a single "passport" to the EU for the hedge funds, while France is against.**

That single "passport" would play a role for instance in a situation where a US hedge fund acquires authorisation in the UK. Should such a "passport" be functional, the fund would then automatically have access to the rest of the EU market. **At present, the individual funds must get authorisation in each individual state,** where they want to operate.

Another **point of contention is the bonuses of managers of hedge funds.** Under the compromise wording of the directive, which should have been originally subject to the vote, the remuneration of the hedge funds managers would be "regulated less than the remuneration of other bankers".

The **third point of contention between France and Britain are tax havens.** Some member states require a four-year transition period before they would treat the deposits placed in third countries (mostly tax havens). However, France and Germany are seeking stricter regulation of tax havens and they have already expressed this position for example at the September G20 summit in

The Ministers of Social Affairs of the member states have agreed the framework for the provision of microloans of up to 25 thousand euros. European Commissioner for Enlargement Stefan Füle expressed satisfaction with the progress made by Croatia in the accession negotiations. Icelanders unequivocally rejected in a referendum to compensate for the losses suffered by British and Dutch citizens in the bankrupt Icesave bank. This decision may complicate Iceland's accession to the Union.

Pittsburgh. The British argue that managers usually work from London, not from the Cayman Islands (one of the tax havens).

Now it seems that the final wording **of the directive will be created no sooner than during the Belgian Presidency,** which starts on 1 July 2010. Its final shape, however, is unclear.

http://www.eu2010.es/en/documentosynoticias/noticias/mar16hedgefundsno.html

ENTERPRISE

Brussels released new economic strategy – the responses are controversial

European Commission President José Manuel Barroso has introduced a **new ten-year economic strategy "Europe 2020".** Compared to the previous Lisbon Strategy, it is shorter, pursues fewer goals, and introduces stricter controls which should ensure its implementation.

The strategy defines five headline EU-level targets, which the member states will have to adjust based on their starting points. According to the document, by the year 2020, the governments should:

1) **increase the employment rate** of people of productive age (20-64 years) from the current 69% to 75%;

2) **increase investment in research and development** to 3% of the EU's GDP;

3) **meet the "20/20/20" climate/energy targets,** i.e. increase the share of renewables in the energy mix to 20%, reduce greenhouse gas emissions by 20% and increase energy efficiency by 20%;

4) **reduce the share of early school leavers** from the current 15% to 10%, and increase to at least 40% the share of the younger generation having **higher than secondary education** (a degree or diploma);

5) **reduce the number of people at risk of poverty** by 20 million from the current 80 million.

In addition, the strategy envisages seven "flagship initiatives". Common procedure should be undertaken by the European Union in areas such as **innovation, youth, digital agenda, effective use of resources, industrial policy, new skills and jobs, and the fight against poverty.**

Once a year, the European Commission will evaluate the **national reform programmes,** in which the member states undertake to take steps towards implementation of the strategy, and forward them to the Council.

The Commission intends to **submit proposals for corrective action** in a similar way as in the case of the Stability and Growth Pact.

The Commission will send each member state its recommendations. At the same time, we will issue 'warnings' in the case that the governments' responses are insufficient. The Europe 2020 Strategy would be evaluated in parallel with the evaluation of the Stability and Growth Pact, Mr. Barroso said.

Planning is a nice thing, but **practice will depend on the willingness and capabilities of individual member states.** The failure of the Lisbon Strategy is a warning experience.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/225

The EU approved "microloans" for small businesses and the unemployed

The European ministers of social affairs approved an anti-crisis programme that should offer a helping hand to smaller businesses and unemployed people who wish to start up their own business. They could **get loans more easily of up to 25,000 euros.**

Besides the unemployed, the aid could be also used by firms employing up to ten employees whose sales do not exceed 2 million euros per year. Over the next eight years, the EU intends to grant up to 45,000 loans under the micro-financing programme called European Microfinance Facility.

The EU will **allocate 100 million euros for microloans in the next four years.** The money will have two sources – 60 million euros will come from the Progress programme participated by the European Investment Bank and the European Investment Fund. The remaining 40 million euros should be taken from the unassigned funds of the EU budget. Citizens interested in this EU aid will request the money from selected institutions, such as banks or non-profit organisations.

The initiative is part of the Union's **strategy to tackle the consequences of the financial crisis.** The strengthening of the support for small and medium-sized enterprises, however, has belonged to the EU's priorities since 2000, when the European Council at its Lisbon meeting called for the promotion of small entrepreneurs.

Citizens who receive the loan will not be left in the lurch. Through the European Social Fund, the EU will **provide them with the necessary training and help them prepare business plans.** Another benefit available to people stricken by the economic crisis is the so-called interest-rate subsidy on loans, delivered from the European Social Fund. It will greatly facilitate the start-up of their business activities.

Small businesses employing no more than ten people represent 91% in the EU. In addition, this category includes up to 99% of starting firms. One third of them have been founded by unemployed individuals, so that there **will be definitely no lack of the microloans beneficiaries.**

Microfinancing is also highlighted in the “Europe 2020” ten-year economic strategy as one of the new tools for reviving the economy.

http://www.eu2010.es/en/documentosynoticias/noticias/mar08_consejoepsco.html

ENLARGEMENT

Croatia's accession talks entered final phase

Croatia’s accession negotiations with the EU are nearer to the finish, said Enlargement Commissioner Stefan Füle. He added, however, that Zagreb still has a lot of tasks to fulfil where the “last step will be the hardest”.

Commissioner Füle praised Croatia for the progress achieved in the accession talks, whose beginning dates back to 2005, but he also highlighted several difficult areas which are still to be coped with by Zagreb. According to Mr. Füle the Adriatic state **still has to work on its judiciary and public administration, the fight against corruption and respect for and protection of the rights of minorities.**

If Croatia wants to profit from its full EU membership in the future, it must work honestly on each of the necessary reforms. The commissioner has emphasised that it is quality rather than speed that is important in the accession process.

According to the conclusions of the Stabilisation and Association Council, Croatia **should complete the accession negotiations by the end of 2010.** Since the last meeting held in April last year, Zagreb opened negotiations in two chapters – fisheries and environment. Accordingly, 30 chapters out of the total of 35 have been opened and 17 of them have already been closed.

Now therefore, attention is focused on **three chapters – competition, judiciary and basic rights, and foreign and defence policy.**

On Tuesday 23 March 2010, the Slovenian Constitutional Court approved an arbitration agreement concluded between Ljubljana and Zagreb on the long-standing border dispute, which in 2008 was the reason for the suspension of the accession talks with Croatia. The agreement was ratified by Croatia and the Slovenian Parliament should do the same this week. The solving of the dispute with Slovenia **has removed the most important obstacle to Croatia's accession to the EU.**

We consider the year 2012 or possibly 2013 to be the most likely term **when the EU will be enlarged by Croatia.**

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/113503.pdf

Icelanders refused compensation for British and Dutch citizens

In a referendum held in March the inhabitants of Iceland unambiguously **rejected (94% of the votes) to compensate for the lost deposits of British and Dutch citizens** in the bankrupt Icesave bank. Now the Icelandic government has open space to negotiate new repayment terms.

The referendum decided on the agreement signed by the representatives of the Icelandic, British and Dutch governments regarding the method of repayment of the compensation for the lost deposits of British and Dutch savers in the foremost Icelandic bank Landsbanki. They lost their deposits worth 3.4 billion euros at the moment when its Internet branch Icesave went bankrupt as a result of the financial crisis. **London and Amsterdam indemnified its citizens, but they also requested Reykjavik to return the sum.**

According to the Icelandic Finance Minister Steingrímur Sigfússon, **the new agreement**, which is also tied to a loan of the International Monetary Fund, **should be ready in May.**

In addition to the freezing of the loan from the IMF, the dispute about the compensation for the lost deposits in the Icesave bank affected Iceland’s future membership in the EU. **The accession negotiations with Iceland have been**

The Czech government approved a package of measures to facilitate the use of subsidies from the EU funds. The European Commission published a report on the successfulness of the utilisation of the EU funds as at 30 September 2009. According to these data, the Czech Republic ranks among member states with below-average results.

suspended for the time being and the 27 EU member states have conditioned their restoration by the settlement of the dispute.

However, there have been some positive signs on the British and Dutch sides. According to the British Foreign Minister Alistair Darling, the repayment of the Icelandic debt will take “many, many years”, but the British government has no doubt that the debt will be repaid one day. Therefore, it intends to take a flexible attitude to the settlement of the situation.

Amsterdam does not intend to block the opening of the accession talks of Iceland with the twenty-seven member states if there would be simultaneous negotiations on the method of compensation for the lost bank deposits for Dutch citizens, said the Dutch ANP news agency referring to the words of the Netherlands Foreign Minister Maxim Verhagen.

We believe that this dispute will be overcome and that **Iceland will join the European Union together with Croatia** in 2012 or 2013.

http://ec.europa.eu/enlargement/potential-candidates/iceland/index_en.htm

INFORMATION SOCIETY

No more data-roaming bill shocks

As from 1 March, the European Union introduced **price limits on Internet roaming.** The aim is to protect consumers from the shock of high bills for surfing the Internet while abroad.

As from that date, the mobile operators are **obliged to cut the customers’ mobile phone connection to the Internet** when the connection price reaches an agreed limit. This measure is aimed at avoiding unpleasant surprises when the customers receive their mobile phone bills. Due to higher charges for mobile services abroad, the customers might not have sufficient control over their accounts.

Under the roaming regulation, which was originally introduced already in 2009, the operators are forced to agree to a **clear price limit for such services** so as to avoid the “bill shocks”. As an example of the problem, in 2009, a German traveller downloading a TV programme to his notebook while roaming abroad faced a bill of no less than 46,000 euros.

According to the current EU rules, the lowest monthly cut-off limit for data connection is 50 euros. Operators can provide connections even when this limit is exceeded, but they are obliged first to arrange a higher limit with the customer. The legislation also says that **customers must receive a warning** when they hit 80% of the chosen limit.

According to the statement of the Commission, unless the operator agrees with the customer otherwise, the **cut-off limit for roaming services will be set at 50 euros by default.** This limit, however, applies only to customers within the EU and is not applicable if they travel outside the Union. The regulation shall not apply to non-EU citizens who come to the EU during their travel.

The European Commission has warned that it will consistently monitor the compliance with the new rules for roaming services and it will issue an interim evaluation report this year in June. Possible **adjustments to the legislation could take place in mid-2011.**

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/215

REGIONAL POLICY

Legislation is to be amended to facilitate the use of EU funds

The approval and **payment of projects supported by the EU funds should be further simplified.** The Government endorsed a package of legislative amendments aimed at eliminating from the laws, decrees and regulations a number of requirements that the authorities and applicants must meet despite the fact that the EU rules do not impose anything like that.

The draft prepared by the Ministry for Regional Development and the Ministry of Finance provides for a total of **12 measures that should make the drawing on the EU funds administratively simpler.**

One of the measures could, for instance, increase the limit from which a project has to be approved not only by the operational programme managing authority but also by the Ministry of Finance. The document envisages shifting this limit from the current 100 million to 500 million crowns. Minister for Regional Development Rostislav Vondruška estimates that if the Ministry of Finance is eliminated from the approval procedure for these projects, **the process may be one month faster.**

There should also be a change in cases where a firm merges with another firm during the project implementation. Under the new rules, the **project should in such a case pass directly to the successor company,** thus eliminating much of the paperwork associated with business transformation.

The package also provides for the amendment to the decree under which the managing authorities were able to **process requests for the payment of subsidies throughout the year** except for the last 15 days in the quarter – in other words, under the current rules, the approval process is suspended for 60 days a year. That would be changed by the new decree.

The applicants should also have easier life due to the new **possibility of reporting certain expenses (such as office rental or energy bills) using flat-rate percentage.**

The beneficiaries will now be able to get involved in the decision on the subsidy, where this document (issued by the operating programme managing authority) would contain clear text errors or numerical discrepancies. Under the rules effective hitherto, the beneficiary must first ask the authority to carry out the adjustments and he himself is not allowed to make any alterations in the wording.

The set of adopted measures is certainly a step in the right direction due to which the **process of using the subsidies from the EU funds will be at least partially simplified.**

http://www.mmr.cz/Pro-media/Tiskove-zpravy/2010/Cerpani-penez-z-evropskych-fondu-diky-legislativni

Brussels calls for a faster use of EU subsidies

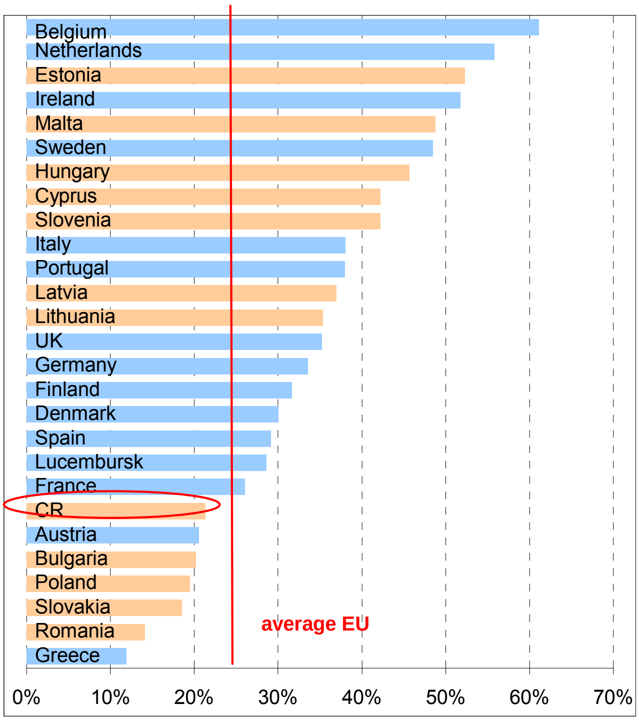
In late March, the Commission published a report on the state of using the money from the "EU funds". According to the report, the states managed by the end of last year to allocate to their projects 27% of the funds that are available for them in 2007-2013. The results of **the Czech Republic, Slovakia and Poland are below the average.** The data, however, refer to 30 September last year.

The speed at which the member states approve support to projects varies considerably across the EU. **The table is led by net contributors, such as Belg**ium (61.1%), **the Netherlands** (55.8%) **and Ireland** (51.8%) and concluded by Greece (11.9%) and Romania (14.1%).

The Commission's evaluation of the Czech Republic is rather unflattering. Although it ranks **with its 21% below the European average,** its results are still better than, for instance, those of the neighbouring Slovakia (18.6%) and Poland (19.5%).

The second major conclusion of the European Commission's report regards the **earmarking of subsidies for the Lisbon targets** agreed by the member states during the negotiations on the cohesion policy for 2007-2013. To put it simply, the countries have promised that they will grant a significant portion of the funds acquired from the EU funding to support the strategic goals contained in the EU's Lisbon Strategy for Growth and Jobs. In other words, they will support projects that contribute to long-term strengthening of the competitiveness of economy and the labour market.

Utilisation fo the subsidies from the EU funds



Source: European Commission; amount allocated to selected projects as of the whole allocation to 2007-2013

The message of the European Commission's report is optimistic in this respect – earmarking apparently works relatively well. The Commission's report sees progress mainly in areas such as **research and development promotion, innovation, lifelong learning and active labour market policies.** On the other hand, it points out that some areas need improvement. Support should also be directed more to areas such as rail transport, energy and environment, the digital economy and social inclusion.

The statistics, though about half a year outdated, clearly show that we are no champions in using the EU funds and we should improve in this area.

http://ec.europa.eu/regional_policy/policy/reporting/cs_reports_en.htm

Eurostat statistics have shown that there are differences in life expectancy between men and women of about 6 years in favour of women. The European Commission issued recommendations on how to deal with cash payments in euros in the euro area. A positive report was published by the European Commission's Directorate General for Internal Market. According to the latest data, the application of internal market regulations in the EU is the best in history.

MARCH 1

Renewable energy: Grass can turn energy green: http://ec.europa.eu/research/headlines/index_en.cfm

Making the life of EU citizens safer: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=447&lang=en

MARCH 2

SOLVIT and Citizens Signpost Service help growing number of Europeans to live, work and do business across borders: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/214

Airport charges: security is Member States' responsibility, say MEPs: http://www.europarl.europa.eu/news/expert/infopress_page/062-69738-060-03-10-910-20100301IPR69737-01-03-2010-2010-false/default_en.htm

Member States post best-ever result but action still needed on practical application of rules: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/211

MARCH 3

Competitiveness Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/113105.pdf

EU Globalisation Fund pays €40 million to Belgium, Sweden, Ireland, Austria and the Netherlands: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=710&furtherNews=yes

EU and Vietnam To Launch Free Trade Negotiations: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/219

MARCH 4

EU to start bilateral trade negotiations with Singapore: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/228

MARCH 5

European Commission aims to significantly reduce the gender pay gap: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/236

European Commission sets out strategy to reinvigorate global action after Copenhagen: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/255

MARCH 8

Second batch of 4-billion-euro package goes to 43 pipeline and electricity projects: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/231

Statistics: A statistical perspective on women and men in the EU27: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/1-05032010-AP/EN/1-05032010-AP-EN.PDF

Life expectancy at birth in 2008

	Women	Men		Women	Men
France	84.9	77.6	Greece	82.3	77.7
Spain	84.3	78.0	Malta	82.3	77.1
Italy	84.2	78.7	EU-27	82.2	76.1
Austria	83.3	77.8	UK	81.8	77.6
Finland	83.3	76.5	Denmark	81.0	76.5
Sweden	83.3	79.2	**CR**	**80.5**	**74.1**
Cyprus	83.1	78.5	Poland	80.0	71.3
Luxembourg	83.1	78.1	Estonia	79.5	68.7
Germany	82.7	77.6	Slovakia	79.0	70.8
Belgium	82.6	77.1	Hungary	78.3	70.0
Slovenia	82.6	75.5	Latvia	77.8	67.0
Netherlands	82.5	78.4	Lithuania	77.6	66.3
Portugal	82.4	76.2	Romania	77.2	69.7
Ireland	82.3	77.5	Bulgaria	77.0	69.8

Source: Eurostat

MARCH 9

New legislation to reduce injuries for 3.5 million healthcare workers in Europe: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=728&furtherNews=yes

MARCH 10

Chile and EIB sign framework agreement: http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/32

Tourism: upbeat prospects for 2010 season: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/251

MARCH 11

Reducing red tape for small firms: http://www.europarl.europa.eu/news/expert/infopress_page/042-70330-067-03-11-907-20100310IPR70329-08-03-2010-2010-false/default_en.htm

Car safety: International agreement on electric and hybrid cars: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?lang=cs&item_id=4104

MARCH 12

Transport, telecommunications and energy Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/trans/113317.pdf

Renewable energy: forecasts show EU on track to meet 20% target: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/265

MARCH 15

Environment: Soil biodiversity: the invisible hero: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/271

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MARCH 16

An EU without borders - also for long-term visa holders: http://www.europarl.europa.eu/news/public/story_page/023-70530-067-03-11-902-20100312STO70499-2010-08-03-2010/default_en.htm

Stop biodiversity loss: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=452&lang=en

MARCH 17

Economic and Financial Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/113398.pdf

Commission to recover € 346.5 million of CAP expenditure from the Member States: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/284

MARCH 18

Simpler rules on VAT invoicing: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=453&lang=en

Commission launches call for tenders for study on "Impacts of renewable energy on European farmers": http://ec.europa.eu/agriculture/newsroom/en/387.htm

The innovation performance in the EU Member States in 2009: http://ec.europa.eu/enterprise/newsroom/cf/itemshortdetail.cfm?item_id=4137&lang=en

Statistics: Euro area hourly labour costs rose by 2.2%:

http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-17032010-AP/EN/3-17032010-AP-EN.PDF

MARCH 19

Commission requests that Belgium, France, Greece, the Netherlands and Portugal change discriminatory rules: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/300

MARCH 22

Statistics: 40% of municipal waste recycled or composted in 2008:http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/8-19032010-AP/EN/8-19032010-AP-EN.PDF

Report on Health in Europe. Trends and analysis: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=738&furtherNews=yes

MARCH 23

Making organ transplants easier: http://www.europarl.europa.eu/news/public/story_page/066-70539-067-03-11-911-20100312STO70510-2010-08-03-2010/default_cs.htm

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Paying with euro cash in the euro area: Commission recommendation on the legal tender of the euro: http://ec.europa.eu/economy_finance/articles/euro/2010-03-22-legal-tender-euro_en.htm#

MARCH 24

Serbia receives a further €70 million of EU assistance: http://ec.europa.eu/enlargement/index_cs.htm

MARCH 25

EU celebrates 25th anniversary of European Capitals of Culture: http://ec.europa.eu/culture/news/news2556_en.htm

MARCH 26

Statement by the Heads of State and Government of the Euro Area: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/113563.pdf

Commission speeds up registration and authorisation for safer chemicals: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/102

MARCH 29

European Council-Conclusions: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/113591.pdf

MARCH 30

Agriculture and Fisheries Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/113636.pdf

Eurobarometer: Survey reveals large disparities in attitudes to sport and physical exercise: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/383

MARCH 31

Commission updates the list of airlines banned from the European airspace: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/388

A series of informal and formal meetings of ministers of EU member states (in EU Councils) will be held during the month of April. Worth noticing is, in particular, the meeting of the General Affairs and External Relations Council, which is usually attended by foreign ministers of the member states. At the end of April, Tokyo will host a summit between the European Union and Japan to be attended by the European Council President and the Japanese Prime Minister.

Meeting of the key EU institutions

13. – 14. 4. 2010	**Madrid, Spain**
- Informal Education Ministers meeting	
15. 4. 2010	**Madrid, Spain**
- Informal Meeting of Tourism Ministers	
16. – 18. 4. 2010	**Madrid, Spain**
- Informal Meeting of Economics and Finance Ministers (ECOFIN)	
18. – 20. 4. 2010	**Granada, Spain**
- Informal meeting of ministers of Telecommunications and Information Society Ministers	
19. – 20. 4. 2010	**Luxembourg, Luxembourg**
- Council of Agriculture and Fishing	
20. – 21. 4. 2010	**Madrid, Spain**
- Informal Meeting of Sports Ministers	
22. 4. 2010	**Madrid, Spain**
- Informal Health Ministers meeting - “Moving towards equality in health”	
22. – 23. 4. 2010	**Luxembourg, Luxembourg**
- Council of Justice and Home Affairs (JAI)	
26. 4. 2010	**Luxembourg, Luxembourg**
- Council of Foreign Affairs (CAE) and Defence	
27. 4. 2010	**Luxembourg, Luxembourg**
- General Affairs Council (GAC) and Foreign Affairs Council (FAC)	
28. 4. 2010	**Tokyo, Japan**
- Summit EU-JAPAN	

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Review of the European Standardisation System	DG ENTR	21. 5. 2010
Consultation of the statute for a European company (SE)	DG MARKT	23. 5. 2010
Customs legislation on enforcement of intellectual property rights	DG TAXUD	25. 5. 2010
EU generalised system of preferences (GSP)	DG TRADE	31. 5. 2010
Green paper On Forest Protection	DG ENVI	31. 7. 2010

In the last issue of the EU News Monthly, we devoted special attention to the EU 2020 Strategy and we stated that it might significantly determine the future orientation of cohesion policy in the period after 2013. However, there are many other authoritative papers from which the future direction of the EU funding focus might be apparent. Their analysis and evaluation form the theme of this issue.

WHAT IS THE EU FUNDS' FOCUS AFTER 2013?

1. AN AGENDA FOR A REFORMED COHESION POLICY (FABRIZIO BARCA)

Background

The EU has matured to a point where it needs to modernise its budget significantly. It should better correspond to the expected EU's development challenges and break away from some of the manifestations of inertia, existing also thanks to bureaucratic and administrative stereotypes. The decision to undertake the EU budget review has provided the opportunity for these modernising changes.

EU's cohesion policy is an important – and probably growing – component of the EU budget. However, there are relatively different and conflicting views on its rationale, its results, and the areas that should be reformed (as well as how intensive and fundamental the reforms should be).

The following thesis is worth remembering: The risk of wrong changes is high but the risk that no fundamental, radical and needed change will take place is also very high.

Background arguments.

1. There is a strong case, rooted in economic theory and in the political and economic experience, for the Union to allocate a large share of its budget to the provision of European public goods at the EU level through a place-based development strategy aimed at both core economic and social objectives;

2. Cohesion policy of the EU provides the appropriate basis for implementing this strategy (but it need not be the only one; there are other ways of development financing at the EU level outside its cohesion policy; the "healthiness of competition" between several legitimate support developing instruments existing at the EU level can become evident especially in the crisis and post-crisis period); but a comprehensive reform is needed if this basis should be useful and beneficial;

3. The content of this reform regards the fundamental structural pillars on which the EU cohesion policy is built (defined by a strong and compelling economic and political concept, returning down to the "roots" and the original ideas of European integration of EU founding fathers), concentrated compelling priorities, changes in the governance and the management of cohesion policy, a new high-level compromise between the member countries (denoting the need and form of solidarity of the "rich" with the "poor" within the EU), and adjustments of the negotiation process on the EU's budget;

4. The current economic events (the economic crisis with a strong effect on public finances) have increased the urgency for change.

The report rightly assumes that the execution of any major suggested changes must be preceded by a wide, open and competent discussion.

The report is centred on the request for a place-based approach to cohesion policy; a place-based policy is a long-term strategy aimed at tackling persistent underutilisation of potential and reducing persistent social exclusion in specific places.

In a place-based policy, public funds are allocated based on local knowledge. The control criterion of their useful spending is the integration of the effects of this intervention in a particular place and in relation to other interlinked places.

EU cohesion policy as a tool for the implementation of place-based development strategies is perceived as an integral and logical complement to the process of unification (harmonisation) of markets in the form of a single internal market, creating a single currency environment and gradual erosion of clearly identifiable national influence over economic developments of the EU. In this perception, EU cohesion policy is conceived as a tool enabling the fulfilling of the "right" of EU citizens to benefit from the economic gains of European integration and unification and have equal access to the opportunities so created.

There is strong support for an attitude accentuating territorial approach in the implementation of cohesion policy for addressing the occurring social problems. This attitude is seen as a kind of social contract between the EU and its citizens (which should provide them with equal access to the effects of EU integration).

There is also a clear advantage of the EU rather than the member states running such a policy since it is better able to take account of over-the-border interdependencies. Moreover, the EU is not subject to the pressure of local interests (whose short-term preferences can distort or obstruct the potential of long-term benefits).

The report content rests on two key conclusions:

a) The current architecture of EU's cohesion policy represents a good basis for implementing the place-based strategy; but

b) The cohesion policy must undergo a comprehensive reform for it to meet adequately the challenges facing the Union.

The report tries to define a clear and explicit distinction between the forms of policy interventions aimed at increasing income and growth (objectives connected with the achievement and increase of "efficiency" in economic terms) and those aimed at reducing inequalities and differences (aimed mainly at the social area).

It is necessary to select real priorities from the set of legitimate and justified problems and focus primary attention on them. The need for place-based concentration is then connected with concentration on a few priorities of key importance.

The concept of reform of the EU cohesion policy is thus viewed through ten pillars:

1. **Concentration on 3–4 core priorities** (newly formulated with regard to the "new challenges"; the choice of the following is proposed: innovation, climate change, migration, children, skills, ageing; the financing of the trans-European network TENs is conceived in the form of setting up a special fund with a status comparable to that of the structural funds); these priorities should be allocated approximately 55% – 65% of funding; territorial allocation should remain much as now (with distribution between lagging and non-lagging countries and regions, and others); where the amount of funds for territorial cooperation should be increased up to 4% of the total allocation of EU cohesion policy);
2. **A new strategic framework for EU cohesion policy**; aimed at improving the efficiency of the relationship between the European Commission and the member states (greater focus on the objectives arising from the fulfilling of the main and secondary priorities; precise distinction between support for efficiency and social inclusion; focusing on a few core priorities; greater and more effective mobilisation of local actors; greater pressure on the results; strengthening the position of the European Commission); The report emphasises the need for a new type of contractual agreement between the Commission and member states, based on performance. At the same time, this type of contractual arrangement would give the states and regions greater flexibility in the implementation of cohesion policy. It is also proposed that a new type of strategic dialogue is introduced between member states and the EU institutions (not only the European Commission), which should result in the "**European Strategic Development Framework**" (see below);
3. **New contractual relationship for EU cohesion policy; convincing proof of its results**; The National Strategic Development Contract should be a document obligating each member state to implement the strategy and achieve the set results based on the use of EU funds; it transforms the current reference tool into a contract regarding the objectives and means in which the member states and their regions undertake to fulfil quantified and verifiable objectives (based on the concept of the Strategic Development Framework). The form of the contract should be fundamentally different from the current concept of the National Strategic Reference Frameworks;
4. **Strengthening the focus on core priorities and creating adequate management systems for them**; This includes primarily the creation of an adequate institutional background at the level of each member state, capable of effective governance of the refocusing on these priorities; this in turn is associated with appropriate monitoring and verification of the performance, where EU cohesion policy still fails; the fulfilment of this pillar consists in creating a system of new quality indicators and objectives and their database for the core priorities (presented in a way that is transparent and understandable to the public); it also relies on the use of extensive knowledge database related to the previous programming periods of EU cohesion policy;
5. **Promoting additional, innovative and flexible spending**; The pillar is geared to increase the efficiency of the EU cohesion policy funds; if it is possible to apply an additional financial resource that would increase this efficiency, there should be room for its involvement. Of great importance, however, is the requirement to make the cohesion policy tools comply with the rules of the Stability and Growth Pact and to establish explicit links to it;
6. **Promoting experimentalism and mobilising local actors**; Attention in this context should be devoted to the motivation of local actors to actively engage in innovative measures at local level and to increase public awareness about the possibilities of EU cohesion policy in an effective way (quality interactive workshops, sharing of international experience, international partnerships);
7. **Promoting the learning and education process with regard to authentic assessment of future impacts**; The EU cohesion policy's promotion of learning and education has achieved significant results in the past period, but even here there still is room for

improvement; it is also due to the new orientation and focus of cohesion policy, where the evaluation of actual impacts of the cohesion policy instruments should be strictly separated from the interpretation of the result indicators;

8. **Strengthening the role of the European Commission as a centre of competence**; In this context, the specialist knowledge resources and skills of the Commission should be strengthened so that member states could rely on them in cohesion policy development and implementation. This applies not only to its Directorate-General directly linked to cohesion policy (DG REGIO), but also to those Directorates-General with an indirect role in cohesion policy. The Commission is required to become an initiator of a strategic debate, a place for creating the conceptual framework for cohesion policy, a platform for an open dialogue between academia and independent experts from the individual member states; the Commission is also expected to elaborate the European Strategic Development Framework with an adequate implementation manual for all member countries; the Commission should also play the role of a strategic advisor to the member states in the drafting of the agreements on strategic development and creation of operating programmes; the Commission is being called on to play a much more active and inventive role in the comprehensive process of evaluating the cohesion policy (evaluation of real impacts, selection of relevant indicators, education, publicity, supporting role in the management of innovative territorial measures); a Competence Centre should be established within the European Commission (DG REGIO), aimed predominantly at:
   - establishing specialist task forces to define the core priorities of EU cohesion policy;
   - training of staff in the conceptual issues of local and regional development;
   - qualitative progress in the assessment process of EU cohesion policy;
   - creating a research department that is able to competently assess the quantity of information by which the implementation of EU cohesion policy is accompanied, and distribute this information to the interested parties in an understandable manner;
9. **Addressing financial management and control**; The priority of this activity should be primarily greater efficiency of EU cohesion policy and secondarily the reduction of the costs of the regulatory and control system performance; one of the pillars of successful implementation of EU cohesion policy is the accounting and financial correctness of the utilisation of funds; a way to remove the relatively numerous errors is to simplify the system and strengthen its control, as well as to comply with the set rules;
10. **Reinforcing the high-level political system of checks and balances between the main EU institutions**; This requirement will be fulfilled by developing a political debate at a high level across the EU institutions and it should result in attaining the adequate position of EU cohesion policy with regard to the fact that it is clearly the most comprehensive development policy of the EU.

2. ORIENTATION PAPER (PAWEL SAMECKI)

Introduction.

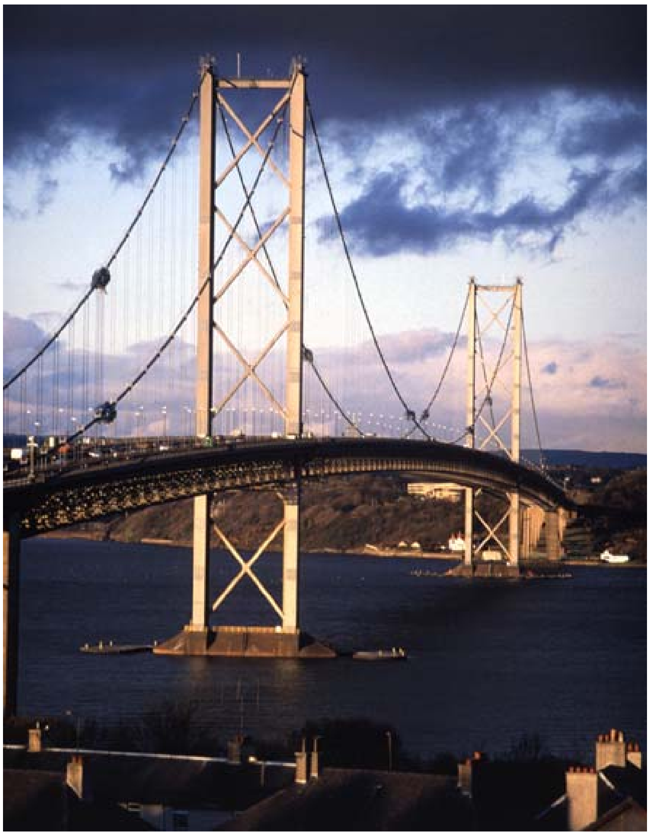
Today's world is undergoing rapid changes with the global economy becoming increasingly interconnected and interdependent. The financial and economic crisis has shown that global interdependences generate asymmetric effects and offer a new set of constraints and opportunities for development. Against the background of rapidly changing circumstances, it is essential to ensure that public policies continuously evolve and effectively address market failures in conformity with market rules. A distinct challenge for public policy in Europe will be to make a successful exit from the extraordinary measures undertaken in response to the crisis and ensure that the necessary preconditions for long-term sustainable development across Europe are in place.

The reflection process relating to the establishment of the parameters of the future cohesion policy takes place in an evolving European policy context. A fundamental review of the Union's policies is underway with the aim to establish the vision of an integrated EU 2020 strategy.

The Lisbon Treaty gives explicit recognition to territorial cohesion as a fundamental objective of EU's development in addition to economic and social cohesion implying that territory matters and Community policies should ex-ante give more consideration to their territorial impact. The Lisbon Treaty also introduces a new definition of subsidiarity providing the opportunity to strengthen the role of regional and local actors.

The “Orientation Paper” can be seen as an effective communication platform which takes stock of the principal

conclusions of the current debate on the future of cohesion policy and puts forward its concrete orientations towards increasing its effectiveness. Therefore, it represents a trustworthy reference paper for the work of the newly established European Commission which will prepare the legislative and financial package for the period post-2013.



Mission and Goals of European Cohesion Policy.

Changing social, economic and environmental context in the 21st century;

Europe faces a number of long-term challenges which will have a profound impact on the process of European integration in the coming years and decades. Global economic integration and mutual interconnection and interdependence, the emergence of China, India and Brazil as economic powerhouses and increased competition in the knowledge-based economy will be a substantial test for European society and its economic development. At the same time, the necessity to incur high investment outlays to fight climate change, diversify channels of supplies and sources of energy, increase energy efficiency, address demographic change and its implications for public finances and growth potential and tackle rising unemployment and the risk of poverty and social exclusion – all this will increasingly shape the future European cohesion policy – whether it becomes a direct object of interest, or whether an alternative supporting financial instrument "competing" with the cohesion policy would be aimed at it.

These challenges generate further pressures shaping the structural changes across Europe. Some regions of Europe are likely to benefit from the ongoing structural changes, while others are unable to face them effectively, which makes them exposed to the risk of losing their positions. This may exacerbate existing economic and social disparities in the Union and result in new patterns of winners and losers.

The financial crisis and subsequent economic recession have revealed inherent structural weaknesses in many countries and regions in Europe regardless of their level of economic and social development. Processes of convergence between member states and regions could be slowed over the coming years by lower growth rates, weaker public investment and fiscal retrenchment. These circumstances put further strain on the capacity of national and regional public authorities to deliver public services and on economic and social cohesion. This parameter will be essential to find the right exit strategies from the crisis and position European economies for the long-run, to ensure that the full benefits of economic integration are reaped over the coming years.

However, this new context also presents opportunities to implement structural reforms, reassess comparative and competitive advantages, identify new sources of growth and design development strategies with accompanying instruments of economic policy. In this respect, member states and regions are essential actors in providing structural responses to these challenges in a context that is undergoing a major qualitative change during the present period.

Cohesion policy will very likely continue to play an important part as a pillar of European integration by facilitating the process of adjustment to the new circumstances. Its role in promoting overall harmonious development and addressing regional imbalances will be more relevant than ever in the post-crisis period.

In particular, cohesion policy can help address these challenges by:

- Supporting the development and structural adjustment of regions through investments of the European Regional Development Fund (ERDF);

- Improving employment opportunities, facilitating adaptation to industrial changes and fighting social exclusion through the European Social Fund (ESF);
- Improving connectivity and environmental sustainability through the Cohesion Fund.

Continuation of the European cohesion policy, with its strong focus on social, economic and environmental development, is the clearest expression of Europe's commitment to solidarity, which should remain at the heart of European integration.

Mission of European Cohesion Policy.

The original political vision, which gave rise to cohesion policy, is nowadays often forgotten or at least is not sufficiently taken into account. This vision was based on the political conviction that a strong Union (or, more precisely, Community at the time of its formation) needs policies that facilitate integration and policies that ensure everyone within the Union can benefit from integration. This vision is still valid today. In order to provide a new dynamics for integration, the EU needs a strong development policy which enables all EU citizens, independently of where they live, to reap the benefits and mitigate the negative side-effects created by the unification of markets.

The mission of cohesion policy is defined in the Treaty without ambiguity; to promote balanced and harmonious development, in particular by reducing social and economic disparities between regions. Cohesion policy is at the same time a development policy (which means that it is not pulling the successfully advancing regions back to the average or leading them towards adaptation to below-average members) aiming at promoting long-term sustainable growth and prosperity in European regions through removing barriers to growth and facilitating processes of structural adjustment. A further motivation behind a development policy run at EU level lies in the existence of strong cross-border interdependencies and the need for reinforcing linkages between leading and lagging areas, maximising cross-border spill-over effects and gearing investments towards EU priorities.

Cohesion policy is the primary EU instrument for mobilising territorial assets and potentials and addressing the territorial impacts generated by the process of European integration. The strong territorial dimension of the policy has been recognised in the Lisbon Treaty with the introduction of the concept of territorial cohesion. It is a policy that mobilises endogenous potentials across Europe and facilitates finding new innovative solutions to improve competitiveness and to effectively respond to pressing challenges.

Through its territorial approach, cohesion policy offers a unique and modern governance system which values and exploits local and regional knowledge, combines it with strategic direction, and coordinates interventions between levels of government.

Through place-based approaches it provides the framework for integrated solutions tailored to knowledge and preferences of particular actors due to which it avoids (or should avoid) a one-size-fits-all approach. It invests in improving the capacity of national and regional administrations and it is the only Community policy which has the capacity to mobilise actors across all EU boundaries.

Cohesion policy is an essential part of the economic policy framework of the Union alongside macroeconomic and microeconomic policies. For this reason, the policy must be strongly linked to the Single Market and key Community priorities, in particular those of the EU 2020 strategy.

Cohesion policy can facilitate transition to a smarter and greener economy across Europe. By mobilising territorial potential and complementing EU policies, cohesion policy can contribute to maximise the effect of other EU policies.

The Goals of European Cohesion Policy.

To achieve its overall development goals, cohesion policy must address three key territorial issues in maximising the benefits of European integration – the failure (hitherto) of lagging regions to fulfil their development potential, the need for continued adjustment at regional level to increase competitiveness and employment in the context of a low carbon economy, and the need to address cross-border barriers to integration.

Cohesion policy must ensure faster convergence through economic and social integration and greater connectivity within the Single Market. To achieve this, the policy should continue to focus on identifying market failures and ensure that regions were able to make full use of their development potential in the context of European economic integration.

In this respect, the objectives cohesion policy has set itself are the legitimate and right ones. They, however, need to be clarified in the context of the challenges the Union is facing in the 21st century.

1. To enhance competitiveness and employment at the regional level

Regions throughout the EU are confronted with the need to adjust to global challenges which often result in losses of their competitiveness, employment and social cohesion. The low-carbon, knowledge-based economy represents new

constraints and opportunities for increasing competitiveness.

It is important to assist regions undergoing structural adjustment no matter where they are located. Although some are well endowed with physical infrastructure, there remains a need for support to fully exploit their endogenous growth potential (local and regional sources of growth) and strengthen their competitiveness. Long-term competitiveness and the capacity to create and sustain employment will depend on the strength of regional innovation systems based on **region-specific assets and merits**, such as knowledge, skills and competences!

Cohesion policy support provides a real added value to national and regional policies, due to its focus on the promotion of innovative approaches, the reorientation of public and private investment towards priorities of Community interest and the exchange of best practice. Cohesion policy is an instrument for levering change and mobilising regional and local actors around EU priorities and its mission is to ensure that the benefits of European public goods such as research and innovation are broadly shared. It provides incentives for the implementation of such changes and the ongoing adjustment process.

2. To facilitate growth in the lagging areas of the Union

Removing the barriers to growth in the lagging regions of the EU must remain a central priority of cohesion policy. This is more than just a question of solidarity. Lagging regions represent underutilised resources that could be contributing to overall EU growth. To achieve their full potential and make full benefit of the Single Market, they need additional EU support to create the conditions for growth, strengthen their industrial/economic base, unlock the full potential for the development of SMEs and close the infrastructure gap in transport, ICT, environment, energy, human capital, education and research. In these regions, cohesion policy will have to ensure full compatibility and connectivity to the Single Market and provide public goods necessary for growth that could not be financed without EU support.

3. To foster integration across borders

Many challenges cut across administrative boundaries calling for the need to find common solutions to shared cross-border problems. There is an increasing demand for shared implementation mechanisms in the framework of concrete cross-border and network interconnection projects. In the context of the Single Market, border regions still offer high unexploited potential. Exploiting this potential requires reinforcement in scale and a shift in the nature of territorial cooperation. The approach of functional macro-regions, like the example of the EU Baltic Sea Strategy and the Danube basin may be an area which deserves further examination.

The growing challenges of migration and security, and the need to promote economic integration, while addressing shared environmental concerns, calls for increased cooperation with Europe's neighbourhood. Cohesion policy can play an important role in encouraging coordination and the provision of public goods (e.g. energy and transport interconnections) that will not be provided at the national or local level.

A More Effective Policy.

In achieving its development objectives assigned by the Treaty, cohesion policy should focus on activities that foster development, provide high European added value and are directly linked to key EU policy priorities.

The effectiveness of (not only the cohesion) policy is determined by a complex interplay of factors arising from many areas.

Cohesion policy operates in the context of broader social, economic and political realities. Strategic choices, spending priorities, delivery systems and administrative capacities are key determinants of policy effectiveness along with socio-cultural values, governance arrangements and national policy contexts.

The effectiveness of cohesion policy needs to be increased. The emerging results of the ex-post evaluation of the 2000-2006 programming period show that the performance of cohesion policy often varies widely between countries and regions. Sound macroeconomic conditions, a favourable microeconomic environment, strong institutions and experience in management of development programmes are conducive to the success of the policy. The evaluations

also demonstrate the need for use of more rigorous methods, in order to generate more credible evidence on the performance of the policy.

The preparation of the next generation of programmes will provide the opportunity to increase the effectiveness and the quality of delivery and distribution of cohesion policy from the Brussels centre to the respective regions. It is important to seize this opportunity to review cohesion policy in order to increase its focus on results and impact.

Increasing the effectiveness of cohesion policy requires:

- its concentration on a limited number of priorities in line with the concept of the EU 2020 strategy;
- a stronger link between performance/results and incentives (stimulations)/conditions for providing the cohesion policy means;
- a strengthened strategic dimension of the policy including the introduction of a high-level EU debate;
- increased coherence and coordination with sectoral policies at national and EU levels to achieve greater synergies;
- a decisive move toward a simpler, more efficient and transparent management and control system!

The financial and economic crisis has also shown the necessity to examine new ways to react swiftly to shocks in close coordination with existing instruments.

Concentration of the policy.

In order to maximise the impact of European cohesion policy, it will be necessary to focus its support on a limited number of shared and commonly agreed priorities. This approach will create a European-wide critical mass of interventions, and focus political and public attention on clearly defined objectives. Focusing funding on selected priorities is conducive to setting clearly defined objectives, targets and intervention logics.

The selection of the priorities should be subject to a strategic political process comprising both the EU and the member states. This process should be in line with the following priorities (adapted to specific national and regional contexts):

- *Strengthening the knowledge base for growth*; Strengthening the competitiveness of European regions in the context of the global knowledge based economy will require significant investments in research, technological development, innovation, knowledge and skills development and improvements in access to finance; Cohesion policy should also foster knowledge spill-overs and facilitate better linkages and interactions between technologically leading and lagging regions;
- *Enhancing conditions for a connective and green economy*; Cohesion policy has a key role to play in smoothing transition to a low-carbon economy and enhancing environmental quality; It should support sustainable transport and ICT infrastructure, ensuring greater connectivity of lagging to leading areas and improve environmental infrastructure;
- *Promoting employment and social cohesion*; Global economic, social and environmental changes will have profound effects on the labour market and social situation in the Union; Cohesion policy has a key role to play in increasing employment, finding new ways to tackle rising unemployment, promoting self-employment in the form of starting one's own business, acquisition of new skills, social inclusion and the economic and social integration of migrants, as well as facing the risks to which vulnerable population is exposed.

Strong and sound institutions at national, regional and local levels, which are capable of identifying complex investment programmes, are an important measure for the success and a longer-lasting effect of cohesion policy.

Stronger focus on performance and results.

A stronger focus on results and evidence-based policy making will increase the impact and value-added of the policy. This requires improved monitoring and evaluation systems. The starting point must be clearly defined objectives, targets and intervention logics. Programmes need to define a clear strategic vision of what they aim to achieve and how success will be recognised. For instance, evaluation at ex ante stage and its more intensive use can serve as a helping tool in this process. Assessment of performance is highly dependent on the quality of this programming stage.

Making cohesion policy more performance-oriented will also imply strengthened conditionality within the policy, based on the ability to maintain measurable objectives and indicators. For selected priorities, the Commission and member states should link part of the payments to the attainment of objectively verifiable targets. Both policy conditionalities (achieving certain targets in the broader external environment of the programme) and performance conditionalities (achieving the specific programme targets) should be envisaged and considered in this context.

The core-indicators, introduced in the 2007-2013 period, should be made obligatory. This would allow easier comparability between member states and the programmes

applied in them. They could also allow for assessment of their cost-effectiveness. Core indicators should become an instrument for peer review of the effects of cohesion policy through EU high level political debate.

Moving towards more evidence-based policy-making requires a commitment to collect, manage and work more effectively with data in view of particular evaluation methods and increased use in the future of more rigorous methods – both quantitative and qualitative. Evaluation is a tool relying on and making use of the inter-linked elements of cohesion policy. Perhaps the most essential future challenge in this area is to improve programme design, enhance the quality of implementation and to provide credible evidence on the effects of the policy. Evaluation plans should become an obligation for all programmes and the results of the evaluations should be made available in an understandable form for policy-makers and other stakeholders at European, national and regional levels in order to improve the programming process and ensure more effective resource allocation. Evaluations undertaken during the programme period should be targeted on different areas of intervention using appropriate analytical methodologies. Summative evaluation should be carried out towards the end of the programme period, in order to provide evidence for a synthetic evaluation at EU level.

Stronger focus on performance and results will necessitate significant capacity-building both within the member states and the European Commission.

Experience shows that merit-based incentives such as awards, publication of good practices or public ranking of projects contribute to enhance the quality of the projects on which cohesion policy spending is oriented. Extending the obligation to publish final beneficiaries to cover the associated costs and achieved benefits of major projects should also result in improved project quality.

Generating high-level political debate on policy effectiveness

Strengthening the strategic dimension of cohesion policy should be achieved through introduction of a high level political peer review mechanism for debating and reporting on policy performance and outcomes. So far, the not quite regular debates about cohesion policy focused mainly on financial absorption and irregularities while debates about the performance of the policy remain limited.

In the future, high-level political debates should focus on policy effectiveness and on the reasons behind successes and failures. Such debates have the potential to shift attention to performance in the various stages of the policy process, allow member states to identify common problems and their solutions, share good practice, promote mutual policy learning and increase the visibility and awareness of cohesion policy.

An annual high level debate on the performance of cohesion policy could therefore be held within the General Affairs Council, given its horizontal function under the EU Treaty. A similar debate could be also held at the level of the European Parliament.

The strategic reporting introduced in the current period about the progress towards achieving EU priorities of promoting competitiveness and jobs could form a good basis for the political debate. In this context, the role of the national strategic reports should be strengthened. They should report on the attainment of the obligatory core indicators, which would allow for comparisons of performance across member states over time. In the early phase of implementation, debates could focus on the results of the previous programming period in a clear and understandable form. The evaluations undertaken by member states would also provide valuable inputs.

Responding to unexpected economic and social change.

The financial crisis and subsequent economic recession has shown that even huge and fundamental changes cannot always be adequately anticipated. The EU should be able to complement its long-term, structural action with swift responses to local/regional or sectoral shocks resulting from economic and social restructuring.

Responding effectively to regional asymmetric shocks may require specific mechanisms ensuring a timely and straightforward response to the crisis. One option would be to broaden the scope of the Globalisation Adjustment Fund to allow member states and regions to tackle areas affected by the shock with a comprehensive package of measures combining labour markets measures with positive job creation measures such as business start-ups, technological support for the suppliers and business services. Alternatively or in complement, it could be useful to consider whether part of the cohesion policy allocation might be used for unforeseen circumstances (for instance, in the form of the national contingency reserves).

A simpler and more efficient cohesion policy.

Greater coordination and consistency of approaches and tools is probably the main challenge (and current problem) in this regard. European cohesion policy creates the need for developing integrated development strategies that enable interconnection of interventions in different areas of support.

The great European of the present EU News Monthly is not a national of France, Germany or any of the other large EU states. For the first time in our series, we visit the smallest of the founding member countries – Luxembourg. Mainly due to his contribution to the monetary integration of Europe, we present a brief look at the life and work of the Luxembourg statesman Pierre Werner.

PIERRE WERNER (LUXEMBOURG)

Among the Europeans, who have essentially participated in a major shift in European integration, primarily in the economic field, we cannot omit the probably most important Luxembourger, whose contribution primarily to the monetary integration was really crucial – Pierre Werner, who is considered the father of the common euro currency.

In our “Great Europeans” series, we have already mentioned Robert Schuman, who was born in Luxembourg, but spent most of his public career in the French political service. The story of Pierre Werner, one of Luxembourg's most significant politicians of the 20th century, moved in an opposite direction.

Pierre Werner was born in 1913 to parents from Luxembourg in the northern tip of France at the Belgian border, in the industrial area of Lille virtually on the eve of World War I. Soon after his birth, however, he moved with his parents to Luxembourg, where he grew up and received legal education, which he developed further at the end of the 1930s along with political science at universities in Paris.

He started his professional career as a lawyer spending the war years in relative peace in Luxembourg's banking sector. After the liberation of Luxembourg, Pierre Werner became involved in the public sector in positions at the Ministry of Finance, where he contributed significantly to the establishment of favourable conditions for the Luxembourg banking and financial sectors. He was also engaged as the liaison officer between the Luxembourg financial system and the then newly founded international financial institutions (IMF, World Bank). On the day of his 40th birthday, Mr. Werner, although not a politician, was appointed Minister of Finance and Minister of Defence (simultaneous holding of several ministerial posts by one person is not unusual in the Luxembourg government).

In 1959, Pierre Werner was elected to the supreme executive office and became Prime Minister of the Luxembourg government and Finance Minister. He yet extended his scope of powers when in 1964 he was appointed Prime Minister as well as Minister of Foreign Affairs, Minister of Justice and Minister of the Treasury.

In March 1970, Mr. Werner was asked by the Council of the European Economic Community to chair a high level group for studying the prospects for the achievement of an economic and monetary union within the then Community. The output of this activity represents Werner’s greatest contribution to the European integration process. The resulting document came to be known as “Werner Plan” and represents a detailed and feasible scenario of the conditions and circumstances under which it was possible in the Community to establish a single currency. Therefore, Pierre Werner is justly considered the “father” of the single European currency, although his plan was then politically refused (especially by France), partly due to the then unfavourable period of deep oil and currency crises. Anyway, the insights contained in Werner Plan served as an important source of inspiration for the Treaty of Maastricht and in their final form they were essentially respected in creating the common euro currency.

After significant losses in the domestic general elections in 1974, Pierre Werner assumed the unusual role of opposition leader for five years, but in 1979 he made a triumphant comeback. In July 1984, Pierre Werner left politics definitely and was deservedly awarded the lifetime title of honorary Prime Minister. Then he served as chairman and member of a number of top corporate bodies of mainly communications and mass media companies (including the successor to the legendary Radio Luxembourg).

Pierre Werner died at the ripe age of almost 90 years in his beloved Luxembourg. The author of these lines Petr Zahradník had the opportunity to work together with Pierre Werner a few months on the preparation of the conference on the 30th anniversary of Werner Plan, and based on his own observation, he can add that besides the big thinker, strategist, visionary and a convinced European, this great personality also embodied a nice, refined and emphatic man.

The name of this Luxembourg statesman was used for the Pierre Werner Institute. It was established in 2003 in Luxembourg, and organises seminars and conferences aimed at promoting better understanding among the three founding EU countries: Luxembourg, Germany and France but also more widely other EU states.

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 %	2007	2008	2009	2006	2007	2008	XII-09	I-10	II-10	XII-09	I-10	II-10
Belgium	2.9	1.0	-3.1	2.0	2.2	-2.5	8.2	8.0	8.0	0.3	0.8	0.8
Bulgaria	6.2	6.0	-5.0	-18.4	-25.2	-25.4	8.3	8.5	8.7	1.6	1.8	1.7
CR	6.1	2.5	-4.8	-2.4	-3.2	-3.1	7.5	7.7	7.9	0.5	0.4	0.4
Denmark	1.7	-0.9	-4.9	3.0	1.5	2.2	7.3	7.4	7.5	1.2	1.9	1.8
Germany	2.5	1.3	-5.0	6.5	7.9	6.6	7.5	7.5	7.5	0.8	0.8	0.5
Estonia	7.2	-3.6	-14.1	-16.9	-17.8	-9.4	15.5	na	na	-1.9	-1.0	-0.3
Ireland	6.0	-3.0	-7.5	-3.6	-5.3	-5.2	13.0	13.2	13.2	-2.6	-2.4	-2.4
Greece	4.5	2.0	-2.0	-11.3	-14.4	-14.6	10.2	na	na	2.6	2.3	2.9
Spain	3.6	0.9	-3.6	-9.0	-10.0	-9.6	18.9	18.9	19.0	0.9	1.1	0.9
France	2.3	0.4	-2.2	-0.5	-1.0	-2.3	10.0	10.0	10.1	1.0	1.2	na
Italy	1.5	-1.3	-5.0	-2.6	-2.4	-3.4	8.4	8.5	8.5	1.1	1.3	1.1
Cyprus	5.1	3.6	-1.7	-6.9	-11.7	-17.5	6.2	6.2	6.3	1.6	2.5	2.8
Latvia	10.0	-4.6	-18.0	-22.5	-22.3	-13.0	20.5	21.0	21.7	-1.4	-3.3	-4.3
Lithuania	9.8	2.8	-15.0	-10.6	-14.5	-11.7	15.8	na	na	1.2	-0.3	-0.6
Luxembourg	6.5	0.0	-3.6	10.3	9.7	5.5	5.6	5.5	5.5	2.5	3.0	2.3
Hungary	1.0	0.6	-6.3	-7.5	-6.8	-7.1	10.6	11.0	11.0	5.4	6.2	5.6
Malta	3.8	2.1	-1.9	-9.2	-6.1	-5.6	7.1	7.0	7.1	-0.4	1.2	0.7
Netherlands	3.6	2.0	-4.0	9.3	8.7	4.8	3.9	3.9	4.0	0.7	0.4	0.4
Austria	3.5	2.0	-3.6	2.8	3.6	3.2	4.8	4.9	5.0	1.1	1.2	0.9
Poland	6.8	5.0	1.7	-2.7	-4.7	-5.1	8.7	8.9	9.0	3.8	3.9	3.4
Portugal	1.9	0.0	-2.7	-10.0	-9.4	-12.1	10.1	10.3	10.3	-0.1	0.1	0.2
Romania	6.3	7.3	-7.1	-10.5	-13.4	-11.8	7.6	na	na	4.7	5.2	4.5
Slovenia	6.8	3.5	-7.8	-2.5	-4.8	-6.2	6.3	6.2	6.1	2.1	1.8	1.6
Slovakia	10.6	6.2	-4.7	-8.2	-5.7	-6.6	14.2	14.2	14.2	0.0	-0.2	-0.2
Finland	4.9	1.2	-7.8	4.5	4.2	3.0	8.9	8.9	9.0	1.8	1.6	1.3
Sweden	2.5	-0.2	-4.9	8.4	8.8	6.3	9.0	9.1	9.0	2.8	2.7	2.8
UK	2.6	0.5	-4.9	-3.3	-2.7	-1.6	7.7	na	na	2.9	3.5	na
EU	2.9	0.8	-4.2	-1.2	-1.1	-2.1	9.4	9.5	9.6	1.5	1.7	1.4

	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	2006	2007	2008
Belgium	0.3	-0.2	-1.2	88.1	84.2	89.8	118.4	118.1	113.9	106.7	106.3	110.7
Bulgaria	3.0	0.1	1.8	22.7	18.2	14.1	36.5	37.5	40.2	44.6	46.5	51.0
CR	-2.6	-0.7	-2.1	29.4	29.0	30.0	77.6	80.3	80.1	61.4	62.4	72.4
Denmark	5.2	4.5	3.4	31.3	26.8	33.5	122.9	120.1	118.4	138.4	137.7	141.0
Germany	-1.6	0.2	0.0	67.6	65.0	65.9	115.9	115.1	116.1	103.0	103.1	103.9
Estonia	2.3	2.6	-2.7	4.5	3.8	4.6	65.9	69.5	68.2	67.4	71.5	76.7
Ireland	3.0	0.3	-7.2	25.0	25.1	44.1	146.9	149.6	136.6	124.0	124.5	126.9
Greece	-2.9	-3.7	-7.7	97.1	95.6	99.2	92.9	94.2	93.9	88.8	89.4	94.1
Spain	2.0	1.9	-4.1	39.6	36.1	39.7	104.2	105.7	103.4	91.8	92.4	95.7
France	-2.3	-2.7	-3.4	63.7	63.8	67.4	109.0	108.9	107.4	108.8	108.3	111.1
Italy	-3.3	-1.5	-2.7	106.5	103.5	105.8	103.8	101.9	100.5	104.3	103.9	105.3
Cyprus	-1.2	3.4	0.9	64.6	58.3	48.4	90.2	90.8	94.7	90.5	88.8	89.6
Latvia	-0.5	-0.3	-4.1	10.7	9.0	19.5	52.5	57.9	55.8	60.5	65.9	74.7
Lithuania	-0.4	-1.0	-3.2	18.0	16.9	15.6	55.5	59.8	61.1	57.1	59.6	66.8
Luxembourg	1.3	3.7	2.5	6.6	6.6	13.5	268.7	275.1	271.4	111.8	112.4	116.2
Hungary	-9.3	-5.0	-3.8	65.6	65.9	72.9	63.5	62.6	62.8	60.3	66.1	69.7
Malta	-2.6	-2.2	-4.7	63.6	62.0	63.8	76.7	77.5	75.5	74.5	73.3	78.4
Netherlands	0.5	0.2	0.7	47.4	45.5	58.2	130.9	131.3	135.0	104.1	103.4	103.4
Austria	-1.6	-0.6	-0.4	62.2	59.5	62.6	123.7	123.9	123.1	102.0	101.4	104.6
Poland	-3.6	-1.9	-3.6	47.7	45.0	47.2	52.3	53.8	57.6	62.1	63.7	68.6
Portugal	-3.9	-2.6	-2.7	64.7	63.6	66.3	76.3	76.1	75.5	84.9	84.6	86.7
Romania	-2.2	-2.5	-5.5	12.4	12.6	13.6	38.3	42.5	45.8	57.1	61.5	62.1
Slovenia	-1.3	0.0	-1.8	26.7	23.3	22.5	87.8	89.5	90.7	76.8	77.8	83.0
Slovakia	-3.5	-1.9	-2.3	30.5	29.3	27.7	63.5	67.0	71.9	57.4	63.5	69.5
Finland	4.0	5.2	4.5	39.3	35.2	34.1	114.8	115.8	115.1	122.6	122.5	124.6
Sweden	2.5	3.8	2.5	45.9	40.5	38.0	121.4	122.3	121.5	118.5	117.3	114.4
UK	-2.7	-2.7	-5.5	43.2	44.2	52.0	120.7	118.5	117.2	110.3	110.3	99.4
EU	-1.4	-0.8	-2.3	61.3	58.7	61.5	100.0	100.0	100.0	100.0	100.0	100.0

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