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Dear readers,

Perhaps it is a sign of optimism that following a year of chaos and uncertainty, the beginning of this year focused on solutions that are much more pragmatic, lasting and sophisticated. Another wave of discussion gained strength at the beginning of February led by Germany and France, which focused on finding common ground for more coordination of economic policies and increased pressure on fiscal discipline. Agreement in the area of economic policy should lead toward a joint approach in other key areas of European Policy, which are still in the exclusive competence of national states. This would be under the guise of a "Competitiveness Pact" for the Eurozone countries that would further rely on the convergence of their pension systems depending on demographic factors, a shift toward harmonization of corporate taxation, or a convergence of policies on the labour markets. The European Commission is currently trying to push forth suggestions for renewing the Directive of the joint consolidated basis of corporate taxation.

The "Competitiveness Pact" forsees the harmonization of the retirement age to around 67 (which will, probably, cause protests in France); Ireland could very well oppose efforts to increase corporate taxation, and Belgium or Portugal might not be happy with efforts to prevent wage indexing.

However, it is quite nice that discussion as vague as it might be, is cultivated and based on argumentation and rationally created positions.

SMEs will appreciate the publishing of the long-awaited document on legal regulations for small and medium companies, which should simplify business conditions in the most necessary areas (for example, in access to finance, access to the market, sharing support activities as accounting, administration, management, etc.).

During February, Eurostat presented the current (only for 2008) review of regional development of the cohesion regions NUTS 2 which is an important criterion for using the tools of the EU Cohesion Policy (which this issue addresses in more detail). In comparison with the previous rank, Prague moved down a notch (following the Dutch region Groningen); however, with its current sixth position, it still belongs to the most developed regions in the EU, with more than 170 % of value of the average per capita GDP. Even though other regions of the Czech Republic (placed in the 62 % - 75 % interval) do not belong to the poorest (which are predominantly from Romania, Bulgaria, Poland, and Hungary), they are still far away from the Union's average. That can represent a big challenge for further discussions on the future cohesion policy, which saw progress during the course of February, as can be seen by the conclusions of the Fifth Cohesion Forum, which ended on 1 February.

Petr Zahradník

Ratification of the Lisbon Treaty for the purpose of enabling establishment of the permanent rescue mechanism of the Eurozone countries in the Czech Republic will be executed through Parliament. Germany and France surprised other EU members, as well as institutions when they introduced their own proposal for closer economic and fiscal coordination in the Union - so-called Competitiveness Pact.

POLITICS

CR Parliament President to Ratify Lisbon Treaty Change

The **Czech Parliament will ratify** modifications to the Lisbon Treaty, which will enable the implementation of a EU lifesaving mechanism for counties whose economy will face similar problems as Greece or Ireland. The Czech President Václav Klaus will also have to add his signature.

President Klaus, Minister of Foreign Affairs Karel Schwarzenberg, and Prime Minister Petr Nečas met in February to discuss procedural issues surrounding the ratification process and the **implementation of the European Stabilization Mechanism** (ESM).

The need to modify a part of the Treaty which has been in effect for little over one year and whose prolonged and complicated ratification unnerves European politicians was agreed on in mid-December 2010 by top representatives of the EU member states and institutions.

Shortly after the end of the December summit, Prime Minister Nečas told the press that **ESM will have the form of a intergovernmental agreement,** and the amendment that will be added to the Lisbon Treaty will not change the EU competences in any way - therefore, it will be possible to carry out the modification of the Lisbon Treaty via a simplified procedure.

To amend the Treaty, it will not be necessary to organize an intergovernmental conference, and its **ratification in national referendums is not expected either.** In case of the Czech Republic, the ratification process that will take place in the national parliament will also include President Klaus.

Since the Czech Republic is not a member of the Eurozone, the government decided that **Prague would not directly participate in ESM.** However, according to Prime Minister Nečas, the Czech Republic fully supports the creation of the mechanism.

In the current tense atmosphere on the financial markets, as **simple and fast implementation of ESM is a clear priority.** The current, generally optimistic mood of investors can change very quickly; for example, even under the influence of possible unending bargaining of politicians.

http://www.euractiv.cz/cr-v-evropske-unii/clanek/zmenu-lisabonu-stvrdi-v-cr-parlament-a-klaus-008420

MEPs: Tired of Communting between Brussels and Strasbourg

The United Kingdom supported the criticism of the current practice of **Members of the European Parliament (MEPs) shuttling between Brussels and Strasbourg.** According to a survey among leading MEPs, having two seats of the European Parliament is neither economical nor environment-friendly.

The process of shutting MEPs, their assistants, interpreters, and loads of documents and files every month cost tax payers approximately **180 Million EUR a year.** Two seats of Parliament is a heritage of post-war times when European powers fought to host individual institutions, and Paris pushed Strasbourg as a symbol of a French-German reconciliation.

A four-day summit meeting takes place in Strasbourg every month and for the rest of the month, MEPs work in Brussels in even more luxurious offices.

The British Government, which is pushing to decrease budget expenses of the national, as well as joint European budget, claims that the results of the study "clearly show what **a waste of time and resources** seats in Brussels and Strasbourg, represent".

Sharp **debates on this issue have been going on for years.** But now the Lisbon Treaty imposes new obligations and competences on Parliamentarians and the time has come to decide how and where the session should be held.

According to a study, 88 % of European legislators request the right to decide on the seat of Parliament and 91 % favor **Brussels as the main one.**

Another study documents that if the EP had its sessions only in Brussels, it would save 19 thousand tons of CO_2 annually..

A change of the current status **would require changing the founding treaty** and can be blocked by any member country.

This issue could have been resolved a long time ago in favour of Brussels, had the other seat not been in Strasbourg. France still is one of the two most important and influential countries in the EU and **will not give up its EP seat easily.** This leads us to believe that this absurd commute between Brussels and Strasbourg will continue in the immediate future.

http://www.brusselsstrasbourgstudy.eu/

ECONOMY AND EURO

Germans and French Introduce the Competitiveness Pact

At the EU summit at the beginning of February, French President Nicolas Sarkozy and German Chancellor Angela Merkel caused a week-long commotion when they introduced their own proposal for **strengthening economic and fiscal coordination of the Eurozone – so-called Competitiveness Pact.**

The joint proposal of two strongest European economies did please many EU member countries, as well as the European Parliament and the European Commission. This is not the first time when Berlin and Paris jointly agreed on something before an EU summit and then submitted the **whole proposal to their partners in Brussels as a "fait accompli".**

The main items of the Competitiveness Pact proposal:

- To agree on mutual **acknowledgement of qualifications**
- To eliminate the system of **indexing wages** to inflation
- To make efforts to create a uniform comparison basis for **company taxes**
- To accept an obligation to anchor the **"debt brake" into individual countries' constitutions** (e.g. set the maximum allowed deficit of public finances to GDP)
- To adjust **pension systems** to demographic development (raise the retirement age)
- To create national crisis **mechanisms for banks**

Members should also commit themselves to three quantifiable indicators that should affect the following areas:

- Price competitiveness (e.g. stability of real wages)
- Stability of public finances
- Investments in research and education

Czech Prime Minister Nečas said that proposals to include pension reform to demographic development or implementation of debt brake into the constitution **could be acceptable for the Czech Republic,** but added that the unification of tax bases would be problematic.

Further discussion regarding the French-German proposal is expected at the emergency Eurozone summit during the first half of March. There are already speculations that initiative would again be taken up by the Commission, in cooperation with the EU President Herman van Rompuy, and that it will present its **own proposal of the Competitiveness Pact** which omits a controversial proposal leading to harmonization of company taxes.

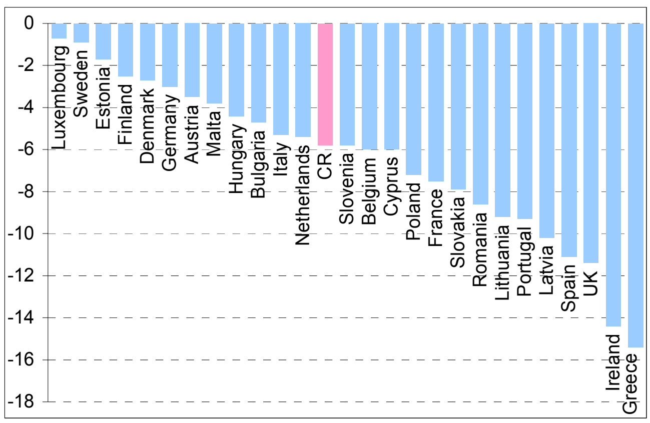
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/119175.pdf

ECB Calls for Stricter Rules for Countries in Debt

The European Central Bank criticizes EU member countries that implementation of new fiscal rules takes forever and measures are not strict enough. According to Frankfurt bankers, the current proposals allow the Commission, as well as EU member countries, still enough room to avoid fulfillment of rules. Therefore, the **ECB introduced its own ten-point plan** of what such rules should contain:

1. Automatic enforcement of supervision procedures, including enforcement in the macroeconomic area
2. Stipulation of strict deadlines that will prevent prolonged procedures and eliminate "escape routes"
3. Focus on new macroeconomic supervision of those Eurozone countries that have a high budgetary deficit
4. Introduction of such political measures that will strengthen the will to comply with rules
5. Timely and graded imposition of financial sanctions
6. Ambitious criteria for defining excessive deficit
7. More ambitious requirements for mid-term regulation of budgetary goals in a member country
8. Guaranteed high-quality and independent fiscal and economic analyses
9. Required obligations from member countries to expeditiously accept national budgetary frameworks
10. Improvement of quality of annual and quarterly statistics of governmental accounts; this requirement applies especially to the time aspect and better reliability

Public budget deficit in 2009 in EU countries



Source: Eurostat

For the first time since its establishment in 2007, funds from so-called Anti-Globalization Fund of the EU will be utilized in the Czech Republic as well. More than 320 thousand euros will be directed to Nelahozeves where approximately 630 employees were laid off from the Unilever production facility. New legislation came into effect in the European Union, and in accordance with it, all the newly manufactured passenger cars will be equipped with automatic daytime running lights.

European leaders will discuss the ECB proposals during the **March summit of the European Council.** Similar **measures against budgetary deviants** is also being proposed by the otherwise reserved European Parliament. Euro Parliamentarians propose bigger sanctions for tampering with national statistics and larger penalties for those who do not comply with the budgetary discipline stipulated in the Stability Growth and Pact.

Attractive **initiatives of both the institutions deserve praise,** but their implementation is less likely. The last word will be up to representatives of member countries, and they would not make life more difficult for themselves.

http://www.ecb.int/press/key/date/2011/html/sp110222.en.html

ENTERPRISE

Points of Single Contact Only in Half of the EU Countries

More than one year passed since approval of the Services Directive; however, many EU member countries are in no rush to implement it. Only 14 countries have **Points of Single Contact,** and only half of them is able to communicate in other that their native language.

One of the main requirements of the European Services Directive in establishing Points of Single Contact in every member country is that they would be able to provide entrepreneurs with all the information related to doing business in a country in question or other EU countries.

The Services Directive was approved already in 2006, and was supposed to be implemented by the end of 2009. However, research of Eurochambers, which covers economic chambers of twenty-seven countries, shows that in a lot of countries, not much has changed. **Points of Single Contact (PSC) function only in 14 countries so far.**

Unsatisfactory results are shown especially by **Poland, Greece, Luxembourg, Romania, and Slovenia.** On the contrary, the best services for entrepreneurs are provided in centres in Netherlands, United Kingdom, and Germany.

Two-thirds of EU residents work in services, and the European Union expects that the Services Directive would eliminate barriers on the single European market and strengthen cross-border activities of European companies.

However, in accordance with a report bu the Committee on the Internal Market and Consumer Protection of the European Parliament regarding implementation of the Services Directive, cross-border cooperation is still **blocked by administrative obstacles** and lack of information.

Nevertheless, PSCs are fumbling with language barriers and only half can provide information in second language, usually English, and only seven points of contacts are able to process applications and forms in another foreign language as well.

The Czech Point of Single Contact fared very well in evaluation. Its only criticism is that it is impossible to fill out all the forms in English and **minimum awareness of its services** among Czech entrepreneurs. Perhaps this article will contribute to rectification of this handicap.

http://www.businessinfo.cz/cz/clanek/podnikatelske-cinnosti-jkm/jednotna-kontaktni-mista-jkm-cr/1001788/57804/

EMPLOYMENT AND SOCIAL POLICY

Czech Republic to Finally Benefit from the EU Globalization Fund

The Czech municipality of Nelahozeves will receive over EUR 320,000 to **help employees who were laid off by Unilever.** The funds, which were approved by the European Commission, will be used to requalify these people and help them return to the labour market.

In mid-2010 Unilever stopped production and had to lay off more than **630 of its employees.**

"Nelahozeves, which is in the Mělník Region, depends on food processing to a great extent, and more than 25 % of job seekers in this area have only elementary education. Without additional support, these people **face the threat of long-term unemployment,"** explained Commissioner for Employment and Social Affairs, László Andor. However, the allocated funds will cover costs of only 460 individuals.

According to the Commission's press release, **the factory closed because of the economic and financial crisis.** Due to decreased demand not only in the Czech Republic, but also in the entire EU, Unilever was forced to close the food processing facility in the Mělník Region.

The Globalization Fund provides resources to help the unemployed find new jobs. For example, funds should be used for **consulting, training, seminars, requalification courses, or assistance with establishing new businesses.** The European Parliament and the EU Council still have to decide if the money will actually arrive to the Czech Republic.

The Globalization Fund was established at the beginning of 2007 as part of an initiative of former Commissioner Vladimír Špidla and the European Union **as a tool against the economic crisis** and changes in the world trade structure. Every year, the Fund can allocate some 500 million EUR; however, in accordance with the stipulated rules, it can cover the maximum of 65 % of costs of every project.
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/149

ENERGY AND TRANSPORT

New Cars in the EU to Have Lights on During the Day

Starting 7 February 2011, every passenger car manufactured in the European Union has to have built-in headlights that **will automatically turn on during the day.** In the Czech Republic, the new regulation is a technical issue.

Daytime running lights (DRL) that will automatically turn on with ignition **will become the mandatory equipment of all newly manufactured automobiles and small delivery vans produced for the EU market beginning in 2011**. It is stipulated in a directive of the European Commission that was passed in 2008.

DRL lights do not help a driver to see better, but help other motorists see a vehicle in time. They also consume less power in comparison with common light bulbs in headlights as they **need only 25 - 30 % of power** necessary for regular low-beam passing-light headlamps. If they contain a LED diode then they need only 10 %.

According to a study by European Commission, drivers, cyclists, as well as pedestrians can **register DRL lights faster and more clearly** than classical low-beam headlights.

"The European Commission expects that the number of traffic accidents will decrease by 3 - 5 % a year," said Wolfgang Schneider who is responsible for transport in the Commission, after the directive on DRL passed in 2008.

The Commission also expects that mandatory daytime running lights will **decrease the number of frontal collisions of cars by up to 15 % annually.** In 2008, Schneider evaluated costs of installation of lights at no more than EUR 150 per car, as the price will likely go down after mass implementation.

In the Czech Republic, it is mandatory that drivers have their lights on during the whole day therefore the new obligation is only a technicality. **Currently, 17 countries of the European Union** have the mandatory day-time lights-on policy.

Neither older car models nor new vehicles whose production began before 2011 **have to have the new system**. The directive will apply for buses, trucks, and delivery vans starting in August 2012.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/133

EXTERNAL RELATIONS

Jana Hybášková Leads the EU Delegation in Iraq

The Czech Republic has grounds for celebration because the Czech diplomacy push through its candidate in the emerging diplomatic service of the EU (EEAS). High Representative of the EU, Catherine Ashton, nominated Czech **Jana Hybášková to lead the EU delegation in Iraq.** The former Euro Parliamentarian is looking forward to her new mission and sees it as an opportunity to utilize her previous experience not only from her work in diplomacy, but also from national and European politics.

"I am very happy that I was given a chance to utilize my previous experience from the Middle East and the democratisation process, as well as from Iraq many years of diplomatic work, and last but not least, from my work in the European Parliament," the former Euro Parliamentarian said to EurActiv. Czech Minister of Foreign Affairs, **Karel Schwarzenberg praised the success** of the Czech

The European Parliament tightened up rules for collection of electrical and electronic waste because it requires from member countries to collect 85 % of the electrical and electronic waste they produce by 2016. Minister for Regional Development Kamil Jankovský reassured that the Czech Republic is not really threatened with loss of money from the EU funds as a result of its slow utilization.

candidate. Head of EU diplomacy Ashton praised Hybášková as a "great choice" for leading work of the EU delegation in Baghdad. Hybášková majored in Arabic Studies at the Faculty of Philosophy on the Charles University, and **began her career in the Czech Ministry of Foreign Affairs.**

From 1997 to 2001, she headed the Czech Embassy in Slovenia and after that, from **2002 to 2004, in Kuwait and Qatar** where she also was responsible for Iraq. In 2004, she was elected to the European Parliament (EPP), and in 2010 she ran for the Chamber of Deputies of the Czech Republic heading the KDU-ČSL ticket. Hybášková fluently speaks English, Slovenian, and Arabic.

The appointment of a Czech to such a high position **will boost the reputation of Czech diplomacy.** We see potential for Czech companies in the economic area because Iraq needs reconstruction, especially in the area of infrastructure projects.

And what is a newly appointed leader of the EU delegation in Iraq saying? What expectations does she have?

"The European External Action Service is something completely new, and I am looking forward not only to the Iraq adventure, but also to the adventure related to building a new European identity and **cooperation with member countries, especially in the power industry,"** said Jana Hybášková to the editorial staff of EurActiv portal.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/119505.pdf

EU Wants to Accelerate Simplifying its Ties with Switzerland

The European Union would like to **simplify its ties with Switzerland,** which are based on a complicated network of bilateral agreements. At the beginning of February, acceleration of the whole process was discussed between the Chairman of the European Commission, José Manuel Barroso, and Swiss President, Michelin Calmy-Rey.

For the European Union, Switzerland represents **the second largest trade partner,** right after the United States. Exporters such as China or Japan are close behind. However, the relationship between this small country and the EU is rather complicated. It is based on a large amount of bilateral contracts and the EU wants to change this in the future.

However, Switzerland is calling for a third round of negotiations on bilateral contracts called "Bilateral III". The EU believes that mutual relationships should be more complex and requests, for example, that Bern could **automatically change legal regulations based on the EU legislation.** The Swiss confederation is fiercely against this, arguing that it would be an interference with the principle of sovereignty.

In a 1992 referendum, Swiss **citizens rejected membership in the European Economic Area** (consisting of Iceland, Norway, and Lichtenstein) and consequently, negotiations regarding EU membership were suspended. In 1994 and 2002, there were two big rounds of negotiations resulting in a total of ten contracts in accordance of which a significant part of Swiss law was harmonized with EU regulations. However, the process of harmonization of legal regulations is not automatic.

Therefore, mutual relationships are currently regulated by **more than 120 bilateral agreements** that are preceded by long negotiations and followed by ratifications.

Today, Switzerland fully participates in the EU internal market and utilizes the **same advantages as member countries, including freedom of movement of persons, capital, goods, and services.** Contrary to EU member states, Bern keeps its sovereignty and has no voting rights.

Despite the fact that globally Switzerland is not a major player (less than 8 million inhabitants), **it is a global economic player** and strengthening ties to it can only be beneficial for the EU.

http://www.eeas.europa.eu/switzerland/index_en.htm

ENVIRONMENT

EU to Recycle 85 % of its Electronic and Electrical Waste

The European Parliament wants to see **greater effectiveness in handling electrical and electronic waste in the European Union.** At the beginning of February, it proposed much stricter rules for the collection and recycling of electrical and electronic waste, the volume of which is dangerously growing in the member countries.

Since such type of waste can contain toxic material, e.g. arsenic, mercury, lead, chromium, PVC, etc., it is separated from municipal and mixed waste. Its collection, liquidation, and handling is governed by strict rules.

In the European Union, such rules are governed by the **Directive Waste from Electrical and Electronic Equipment** (WEEE) of 2003. However, due to its complexity, high cost, and that it was vitually impossible to

implement it, it never came into force and, therefore, the EU institutions are trying to revise it.

The European Parliament passed its revised version in the first reading. New rules should apply to all the electrical and electronic waste, **with the exception of fixed installations, large-size tools, or military equipment and machines.** Ministers of environment will discuss the directive in March.

The main objective of the document approved by the MEPs rests in improved collection and recycling of electrical and electronic waste - since only 33 % of such waste is currently recycled. Therefore, the new directive orders member countries **to collect 85 % of the electrical and electronic waste produced by 2016.**

Legislators also agreed that there would be a better spread of costs related to collection, processing, utilization, and liquidation of electrical and electronic waste from households between manufacturers, sellers, and consumers. Based on the principle that **"the polluter pays",** manufacturers of electrical and electronic equipment should contribute to waste collection and processing.

Up until now, such costs were born by local authorities (in case of CR, municipalities) that operate collection points.

Consumers should also be able **to return electrical and electronic equipment of a small volume directly to sellers** without having to buy new ones.

http://www.europarl.europa.eu/en/pressroom/content/20110203IPR13097/html/MEPs-demand-better-e-waste-management

Euro Parliamentarians Give Green Light to Emission Limits for Trucks

Euro Parliamentarians approved new **rules for decreasing emissions of light utility vehicles.** However, approved emission limits are not as strict as originally proposed by the European Commission.

In accordance with the approved legislation, by 2014 car manufacturers have to ensure **that 70 % of their vehicles release the maximum of 175 grams of emissions per kilometre.** In 2017, all the manufactured cars from this category will have to meet this limit. Approved limits correspond with emission decrease of only approximately 14 %.

From 2020, delivery trucks, minibuses, and other vehicles from this category will have to comply with limits that will be even several grams stricter. **The maximum allowed emissions will be 147 grams per kilometre;** however, the European Commission originally proposed decrease to 135 grams.

Eventhough the approved proposal is lighter than what Commission requested, Climate Commissioner Connie Hedegaard welcomes it. According to her, it will bring **significant savings in fuel consumption to utility vehicle users.**

"That will bring confidence for automobile manufacturers. They will finally know which emission limits they should comply. At the same time, it will also **contribute to cleaner air and achievement of climatic goals,"** she said.

The emission limit system prepared for manufacturers the "carrot and stick" method. That is because some could make profit on compliance with rules while **others would pay fees for breeching them.**

Car manufacturers who will succeed in making vehicles emitting **less than 50 grams of emissions per kilometre by 2017 will have advantage.** To the contrary, those who will keep exceeding specified limits from 2019 will pay EUR 95 for every gram of emissions above the specified limit.

Every accepted proposal related to the environment has to be a balanced compromise between desirable protection of the environment and increased costs of adjusting to a new regulation. Given that both environmental organizations and the automobile lobby have the same reaction to the new standard it is probably an **acceptable measure for all the parties.**

http://www.europarl.europa.eu/en/pressroom/content/20110215IPR13672/html/Green-light-for-cleaner-more-fuel-efficient-vans

REGIONAL POLICY

Six Operational Programmes Might Lose Part of Allocation

Czech Minister for Local Development Kamil Jankovský told a press conference that the **Czech Republic is not faced with loosing EU funds** due to slow utilization and objected to the recent criticism by the former Czech Euro Commissioner Vladimír Špidla.

Jankovský rejected fears of loss of allocation and emphasized that the **overall utilization is not in danger.** According to him, slower utilization in some operational programmes is sometime caused by projects that require longer preparation time.

Within so-called “n+3 rule”, operational programmes **should utilize 15 % of the total allocation until the end of 2011.** Utilization refers to certification of expenses and, therefore, not only the payment of grants to applicants from the state coffers, but also refunding such amounts by the European Commission. This can occur only when the Commission recognizes the expenses in accordance with rules – i.e. certifies them.

Up until now, 89 billion of crowns are certified for the Czech Republic, **which represents 11.4 % of the total allocation.** If it does not want to lose a part of money, the portion of certified expenses has to increase to 15 % by the end of 2011.

Utilizing of OPs as of January 2011 in CZK mil (% of total allocation)

	Total allocation	Paid out to recipients	Refunding from EC
OPD	166 036	94 375 (56,8 %)	28 735 (17,3 %)
OP ŽP	141 059	18 850 (13.4 %)	10 879 (7.7 %)
OP PI	87 229	15 343 (17.6 %)	8 743 (10.0 %)
OP LZZ	52 565	8 773 (16.7 %)	5 669 (10.8 %)
OP VaVpI	59 071	1 952 (3.3 %)	39 (0.1 %)
IOP	45 294	4 529 (10.0 %)	2 620 (5.8 %)
OP VK	52 190	9 077 (17.4 %)	847 (1.6 %)
OP TP	7 098	893 (12.6 %)	502 (7.1 %)
ROP SZ	21 435	7 319 (34.1 %)	3 442 (16.1 %)
ROP MS	20 616	4 956 (24.0 %)	3 692 (17.9 %)
ROP JV	20 490	9 491 (46.3 %)	7 120 (34.7 %)
ROP SM	19 134	8 259 (43.2 %)	6 405 (33.5 %)
ROP SV	19 087	8 941 (46.8 %)	6 070 (31.8 %)
ROP JZ	17 728	5 517 (31.1 %)	661 (3.7 %)
ROP SČ	16 085	4 622 (28.7 %)	2 219 (13.8 %)
OP PK	6 751	2 752 (40.8 %)	1 004 (14.9 %)
OP PA	3 115	1 414 (45.4 %)	421 (13.5 %)
NSRF	**754 984**	**207 060 (27.4 %)**	**89 068 (11.8 %)**

Source: Ministry for Regional Development

The Ministry assures that the Czech Republic will not lose the grants. In April, the office plans to submit a proposal to the government for reallocation of funds from less successful programs to more successful ones and, therefore, prevent loss of funds that the Czech Republic can receive from the European funds. According to Jankovský, that applies to six operational programmes: **OP VK, OP Human Resources and Employment (OP LZZ), Integrated operational programme (IOP), OP VaVpI, OP Environment (OP ŽP), and OP Technical Assistance (OP TP).**

If the government authorizes reallocations, they would have to be authorized by the European Commission as well. However, authorization of reallocation by Brussels is **a long-term process** and it is not at all clear if it would be managed by the end of 2011.

http://www.mmr.cz/Pro-media/Tiskove-zpravy/2011/Jankovsky--Jiz-vice-nez-200-miliard-korun-z-evrops

Hahn to Regions: “Hurry up and use funds otherwise there might be anything next time”

If European regions do not manage to utilize all the funds that they can claim during this programming period, there is a threat, according to the European Commissioner for Regional Policy, Johannes Hahn, that the amount assigned for the EU cohesion policy will be **significantly slimmed** down in the following years.

"It is very difficult to discuss a budget when resources that are assigned to this period are not completely utilized – or **not utilized** in such ways that would reflect Europe's added value," explained Hahn to the assembly.

However, it was discovered at the end of 2010 that only 56 % of funds had been utilized. If this trend continues and during the next two years, until the end of the 2007 - 2013 period, the remainder of finances will not be reallocated (or they will be reallocated too slowly), Commissioner Hahn fears that it would not be able to keep the cohesion policy budget on the existing level – i.e. **approximately 50 billion EUR annually.**

With the end of the budget period nearing, a discussion on the future and **the reform of the whole regional policy** is slowly beginning in the EU, and even the European Commission has already contributed to it. In November 2010, it made public its idea of how the cohesion policy should look in the following years.

Particular allocations for individual countries for 2014 to 2020 have not been quantified yet. However, for the Czech Republic, it seems to be almost certain as a result of its growing wealth compared to the EU average, **the volume of grants from the EU will decrease.** If it decreases "only" by 10 % compared to this programming period, we would consider it a significant success on the part of Czech negotiators.

http://ec.europa.eu/commission_2010-2014/hahn/headlines/speeches/pdf/01022011_eu2020_challenges.pdf

Of the other February news, it is worth mentioning that Netherlands, as the first EU member country, will utilize the EU Microfinance Facility. Small loans will be designed for small entrepreneurs and unemployed people who would like to start their own businesses. Another impulse for facilitation of the EU cross-border entrepreneurship will be derived from the proposal of the European Commission for interconnection of registers of companies of the member countries.

FEBRUARY 1

Renewable Energy Targets - Commission calls on Member States to boost cooperation: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/113

Future Cohesion Policy in spotlight at the Fifth Cohesion Forum: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/112

Air passenger transport down by 6% in 2009: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/7-31012011-BP/EN/7-31012011-BP-EN.PDF

FEBRUARY 2

Clarifying rules to strengthen consumer rights: http://www.europarl.europa.eu/cs/pressroom/content/20110131IPR12811/html/Strengthening-consumer-rights-across-Europe

Pension schemes: reform needed to ensure sustainability and adequate income, says Employment Committee: http://www.europarl.europa.eu/cs/pressroom/content/20110131IPR12815/html/Pension-schemes-reform-to-ensure-sustainability-and-adequate-income

FEBRUARY 3

EU proposal for passenger data to fight serious crime and terrorism: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/120

Post-2013 budget - MEPs call for clearer priorities: http://www.europarl.europa.eu/en/pressroom/content/20110131IPR12839/html/Post-2013-budget-MEPs-call-for-clearer-priorities

FEBRUARY 4

Danube Strategy - a Symbol of Central Europe: http://www.eu2011.hu/news/danube-strategy-symbol-central-europe

Enterprise and Industry: Supporting European SMEs on the global scene: http://ec.europa.eu/enterprise/e_i/news/article_10944_en.htm

Strengthening consumer rights across Europe: http://www.europarl.europa.eu/en/pressroom/content/20110131IPR12811/html/Strengthening-consumer-rights-across-Europe

FEBRUARY 7

European Council Conclusions: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/119175.pdf

Statistics -Passenger transport statistics: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Passenger_transport_statistics

Share of inland passenger cars transport

Lithuania	90.9%	Italy	82.4%
UK	86.6%	Greece	80.8%
Netherlands	86.5%	Latvia	80.6%
Slovenia	86.2%	Spain	80.1%
Poland	85.5%	Denmark	79.4%
Portugal	85.2%	Estonia	79.4%
Germany	85.1%	Austria	78.6%
Finland	84.5%	Belgium	78.4%
France	84.2%	Romania	77.2%
Luxembourg	84.2%	**CR**	**76.0%**
Ireland	83.8%	Bulgaria	75.9%
Sweden	83.3%	Slovakia	74.9%
EU-27	**83.3%**	Hungary	62.1%

Source: Eurostat; the rest is bus, railway, tram and metro transport; year 2008

FEBRUARY 8

Enterprise and Industry; Start-up procedures - progress in 2010: http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index_en.htm

FEBRUARY 9

Commission publishes report on Economic Adjustment Programme for Ireland: http://ec.europa.eu/economy_finance/index_en.htm

Enterprise and Industry - Manufacturers deliver the common mobile phone charger: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=4886&lang=en&tpa=0&displayType=news

FEBRUARY 10

Agriculture and Rural Development: Four agricultural product names registered: http://ec.europa.eu/agriculture/newsroom/18_en.htm

FEBRUARY 11

Questions and Answers on financial assistance to euro-area member states: http://ec.europa.eu/economy_finance/focuson/crisis/q_and_a_en.htm

FEBRUARY 14

Digital Agenda - Commission calls on Member States to increase awareness of Europe's single emergency number "112": http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/144

First EU microfinance project gets off the ground in the Netherlands: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=987&furtherNews=yes

Presidency's priorities on energy policy confirmed: http://www.eu2011.hu/news/energy-policy-presidency%E2%80%99s-priorities-confirmed

FEBRUARY 15

3066th Education, Youth, Culture and Sport Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/educ/119297.pdf

Digital Agenda - Europeans use mobile phones more when travelling abroad, but still worry about costs, EU survey reveals: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/148

FEBRUARY 16

European Commission sets out EU agenda for the rights of the child: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/156

Agriculture and Rural Development - 1000th quality food name registered:

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/154

More sharing of information on tax matters: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusid=558&lang=en

FEBRUARY 17

3067th Economic and Financial Affairs Council meeting:

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/119316.pdf

EU law: Commission acts to ensure that European legislation is fully and properly implemented: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/86

FEBRUARY 18

Commission proposes suspension of import duties on cereals for certain tariff quotas: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/197

Education: Commission calls for universal access to pre-school education: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/185

Reports on progress in Bulgaria and Romania: http://ec.europa.eu/dgs/secretariat_general/cvm/progress_reports_en.htm

FEBRUARY 21

Digital Agenda - Commission launches public consultation on eSignatures and eIdentification: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/198

FEBRUARY 22

3068th General Affairs Council meeting:

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/119432.pdf

3069th Foreign Affairs Council meeting:

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/119435.pdf

FEBRUARY 23

3070th Agriculture and Fisheries Council meeting:

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/119436.pdf

Czech and Slovak meat products registered as "traditional specialities guaranteed": http://ec.europa.eu/agriculture/newsroom/21_en.htm

FEBRUARY 24

Small Business Act strengthens small businesses and drives growth: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=4920&lang=en&tpa=127&displayType=news

European Commission publishes study on "Innovation of energy technologies - the role of taxes": http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/taxation_energy_innov.pdf

FEBRUARY 25

3071st Justice and Home Affairs Council meeting:

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/jha/119497.pdf

Linking business registers across Europe will stimulate cross-border trade: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/221

FEBRUARY 28

3072nd Council meeting Transport, Telecommunications and Energy meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/trans/119531.pdf

Air transport - Another major step toward the establishment of the European Single Sky: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/227

The key March sessions will be both on the highest level - of the European Council. Agenda will contain especially discussion on establishment or increase of a volume of the permanent rescue mechanism for the Eurozone countries, and especially Competitiveness Pact. Even though it was originally proposed by the German Chancellor Merkel and French President Sarkozy, the initiative was also undertaken by the Chairman of the Commission Barroso and the European President van Rompuy.

Meeting of the key EU institutions

7. 3. 2011	**Brussels, Belgium**	- Employment, Social Policy, Health and Consumer Affairs Council
10. - 11. 3. 2011	**Brussels, Belgium**	- Competitiveness Council
11. 3. 2011	**Brussels, Belgium**	- Extraordinarily European Council
11. – 12. 3. 2011	**Gödöllő, Hungary**	- Foreign Affairs Council - informal meeting (Gymnich)
14. 3. 2011	**Brussels, Belgium**	- Environment Council
14. 3. 2011	**Brussels, Belgium**	- Eurogroup
15. 3. 2011	**Brussels, Belgium**	- Economic and Financial Affairs Council
17. – 18. 3. 2011	**Brussels, Belgium**	- Agriculture and Fisheries Council
21. 3. 2011	**Brussels, Belgium**	- General Affairs Council
21. 3. 2011	**Brussels, Belgium**	- Foreign Affairs Council
24. – 25. 3. 2011	**Brussels, Belgium**	- European Council
24. – 26. 3. 2011	**Gödöllő, Hungary**	- Environment Council - informal meeting
26. – 29. 3. 2011	**Gödöllő, Hungary**	- Council for Education, Youth, Culture and Sport - informal meeting (culture)
31. 3. 2011	**Brussels, Belgium**	- Transport, Telecommunications and Energy Council

Discussions on the future shape of the EU Cohesion Policy already stopped having theoretical-academic contents, and they are becoming a part of very influential and competent discussions on the professional-political level that will reach the final formulation of their rules within a not-long time horizon. The Fifth Cohesion Report now represents the basic authoritative document that already significantly keeps unveiling the system, within which European funds will be distributed in the following period.

5. COHESION REPORT OF THE EUROPEAN COMMISSION

A far from easy task is waiting for Europe. It has to get over the deep crisis and decrease the unemployment rate and poverty and, at the same time, switch to the Low-Carbon Economy. In order to fulfil such ambitious task, it has to act quickly in many areas and, therefore, the European Commission adopted the Europe 2020 Strategy. In order for Europe to succeed, European, national, regional, as well as local levels will have to play their parts. In this demanding period, the cohesion policy should keep playing the key task so that it would ensure intelligent and sustainable growth supporting inclusion and, at the same time, support harmonious development of the Union and its regions via decreased regional differences.

The cohesion policy significantly contributed to expansion of growth and prosperity inside the Union while, at the same time, to decrease of economic, social, and territorial differences. The Fifth Cohesion Report shows that this Policy created new jobs, increased human capital, build critical infrastructure, and improved protection of the environment, especially in less developed regions. Without the cohesion policy, the differences would be undoubtedly higher. However, persisting social effects of the crisis, demand for innovations derived from growth of problems with world-wide importance, and the necessity to utilize every euro from public expenses to its maximum require an ambitious policy reform.

As stated in Statement of the European Commission to revision of the EU budget, it is necessary to proceed especially in the following key areas: focus resources especially at fulfilment of tasks and goals from the Europe 2020 Strategy; pledge member countries to carry out reforms that are necessary for efficient policy functioning; and improve policy efficiency with increased emphasis on achievement of results. Express interconnection of the cohesion policy with the Europe 2020 Strategy offers the real opportunity: to keep helping the poorer EU regions to catch up, facilitate coordination of the EU policies, and make the cohesion policy the main motor that would enable the growth of the whole EU – even from the aspect of quality – and, at the same time, pay attention to consequential social problems, such as populations growing old or climate changes. In so doing, it is, of course, necessary to respect in detail needs of especially underdeveloped countries and regions that are still accomplishing the convergence process; such needs can be specific, and they can be perceived as preparation for solution of challenges related to the EU 2020 Strategy.

With these conclusions, the European Commission began the public consultation on the future of the cohesion policy. It will be derived from a set of questions related to the main ideas of the policy reform. In the following part of the contribution, there are parts discussing how to make the policy more effective and improve its impact so that it increases the European added value, how it is still possible to improve policy management, how is it possible to simplify execution (implementation) system, and how should the overall policy structure look like.

INCREASED BENEFIT OF THE COHESION POLICY FOR EUROPE

The added value of the cohesion policy is repeatedly the subject of discussions of politicians, academicians, and other participants. Some argue that the cohesion policy is only loosely connected to the EU priorities, it waters down resources assigned to individual areas too much, and that it is possible to measure its effects only with difficulty. Even though the report shows that the cohesion policy contributed to the economic and social development of regions and prosperity of residents, the European Commission takes this criticism very seriously.

Therefore, other cohesion policy reforms should try to focus the policy on results while preserving its overall goal and carry out steps necessary for their achievement while, at the same time, limiting bureaucracy and simplifying daily management of the policy.

Strengthening of strategic planning

The cohesion policy already is significantly harmonized with the Lisbon Strategy, especially via setting apart funds. However, extent of this harmonization is not sufficient because of differences in management of these two strategic processes. In the future, it is possible to do more so that the cohesion policy would correspond with the Europe 2020 Strategy more. That requires especially clear instructions on the European level and more strategic approach to the negotiation process and related steps.

Communication on the EU budget review laid out a new strategic program approach for the cohesion policy leading to a closer linkage of individual EU policies so that the Europe 2020 Strategy could be fulfilled and main directions integrated. Such approach would contain the following items:

- Common Strategic Framework (CSF) accepted by the Commission and transferring tasks and objectives of the Europe 2020 Strategy to the investment priorities. The Framework would include the Cohesion Fund, the European Regional Development Fund, European Social Fund, European Agricultural Fund for Rural Development, and European Fisheries Fund
- Contract on partnership for development and investments that would, based on the strategic framework, define investment priorities, allocation of national funds and funds from the EU budget for priority areas and programmes, and contain agreed terms and goals that should be achieved. Such Contract would be related to the cohesion policy. In order for economic, social, and territorial cohesion being supported in a compact and unified way, it could be useful to expand the Contract's scope to other EU policies and financial tools as well. The aforementioned Contract will be derived from discussions between the member countries and the European Commission on development strategy contained in their national reform programs. It would also contain description of coordination of utilization of EU funds on the national level;
- operational programmes (OP) that would be, just like in the current period, the main management tools and would transfer strategic documents to the particular investment priorities together with specification of clear and measurable goals, which should contribute to achievement of national goals defined within the Europe 2020 Strategy.

Timing of submitting annual reports monitoring progress in fulfillment of goals was harmonized with the managing cycle of the Europe 2020 Strategy. Based on that, there would be a regular political debate in the relevant units of the Council and committees of the European Parliament that would improve transparency, responsibility, and evaluation of effects of the cohesion policy.

Three proposals contained in the Communication on the EU budget review have special impact on the cohesion policy:

a) Increased thematic concentration of funds,

b) Increased performance through conditions and incentives,

c) Improved evaluation, performance, and results

a) Increased thematic concentration

Evaluation *ex post* related to the cohesion policy lead to the conclusion that for achieving critical amount and visible effect, concentration of funds is necessary. Therefore, it will be necessary to ensure that in the future, member countries and regions would be able to concentrate the Union and national funds to a small amount of priorities that correspond with their specific problems, which they face. That could be achieved if regulations governing the cohesion policy would contain a list of thematic priorities referring to priorities, integrated main directions, and fundamental initiatives of the Europe 2020 Strategy.

Depending on a volume of invested EU funds, countries and regions have to focus on more priorities or less. Therefore, it would be required from member countries and regions receiving less funds to allocate the whole available financial amount to two or three priorities whereas those who would receive bigger financial assistance would be able to set more of them. Some priorities would be mandatory.

At the same time, thematic concentration should not prevent countries and regions from experimenting and financing innovation projects. It is also possible to consider separate funding for special target groups or experimental approaches (e.g. regional development) that could have the form of general grants.

b) Increased performance through conditions and incentives

Financial and economic crisis forced the European Commission to propose measures for improvement of administration of economic matters of the Union. Healthy macroeconomic policies, favourable microeconomic environment, and strong institutional frameworks are necessary prerequisites for creation of jobs, stimulation of growth, decrease of social exclusion, and achievement of structural changes.

It applies to the cohesion policy in even larger scale because its efficiency depends in a large part on economic environment, in which it is applied. Therefore, it is possible to strengthen connections between the cohesion policy and the Union economic policy framework.

First of all, new provisions on conditionality would be implemented to support new system of administration of economic matters, which would establish conditions for execution of reforms. It would be required from member countries to carry out reforms necessary for ensuring efficient utilization of funds in areas that are directly related to the cohesion policy, e.g. in the area of protection of the environment, flexicurity systems, education, and research and innovations. Common Strategic Framework (CSF) would set key principles for every thematic priority, which would govern funding. Such principles have to leave room for adjustment to national and regional conditions. Their main purpose rests in helping countries and regions to deal with problems that prove especially important for application of the cohesion policy in the past. These principles could apply to, for example, execution of particular EU legal regulations, funding of EU strategic projects, or administration, evaluation, and institutional capacity.

On this basis, at the beginning of a programme cycle, there would be a particular binding conditionality agreed in programme documents (i.e. in Contracts on partnership for development and investments and in operational programmes) with every member country or region (based on the institutional context) for areas directly related to the cohesion policy while, at the same time, preserving coordinated proceedings with all relevant EU policies. Their fulfilment would be the prerequisite for payment of funds for cohesion either at the beginning of the programming period or during evaluation, in which the European Commission would evaluate progress in fulfilment of agreed reforms.

In order to strengthen structural changes, support of growth, create jobs, and decrease social exclusion, it is key to finish industrial reform, and especially decrease regulation and administrative burden for companies or improve services provided by the country. As up until now, such measures would be supplemented with assistance within the cohesion policy, with the objective to achieve administrative and institutional capacity and effective governing system. That should be accessible for all the member countries and regions.

Second of all, financial sanctions and incentives related to the Stability and Growth Pact were so far limited only to the Cohesion Fund. The European Commission proposed to expand their use also for the remaining parts of the EU budget so that they function as a supplemental tool for ensuring respecting key macroeconomic conditions within a corrective component of the Stability and Growth Pact. For cases of non-compliance with the Pact, incentives in the form of suspension or cancellation of payment of a part of current or future funds from the EU budget should be implemented without affecting the final recipients of funding from the EU funds. Funds whose payment was cancelled would remain in the EU budget.

In larger context with administration of the EU economic matters, verification of compliance with the additionality principle in the form of its linkage to the EU economic monitoring system should be reformed. For that purpose, indicators already contained in stability and convergence programmes, which member countries submit to the European Commission every year, should be used. Co-funding is one of the basic principles of the cohesion policy ensuring responsibility for its execution directly in the place in question. Its amount should be reviewed and possibly scaled so that it would better reflect a development level, EU added value, types of measures, and recipients.

Total allocation of the EU cohesion policy for 2007-2013
(in EUR bn, current prices)

Poland	67.284	Latvia	4.620
Spain	35.217	Slovenia	4.205
Italy	28.812	Estonia	3.456
CR	**26.692**	Belgium	2.258
Germany	26.340	Netherlands	1.907
Hungary	25.307	Sweden	1.891
Portugal	21.511	Finland	1.716
Greece	20.420	Austria	1.461
Romania	19.668	Ireland	0.901
France	14.319	Malta	0.855
Slovakia	11.588	Cyprus	0.640
UK	10.613	Denmark	0.613
Lithuania	6.885	Luxembourg	0.065
Bulgaria	6.853	**EU-27**	**347.410**

Source: European Commission

Finally, it is necessary to research even other tools that would further improve efficiency of the cohesion policy. To stimulate progress when fulfilling goals of the Europe 2020 Strategy and related national goals and tasks, there could be created funds, for example, for performance bonuses on the EU level: allocated part of the cohesion budget would be reserved and allocated during evaluation in the middle of the

period to those member countries and regions whose programs contributed the most – compared to the initial status – to fulfillment of goals and tasks of the Europe 2020 Strategy. Experience gained during the current period also proves that the European Commission needs certain funds for direct support of experimenting and establishment of networks, similarly as in case of innovation measures during the previous programming periods.

c) Improved evaluation, performance, and results

Better quality and better functioning systems of monitoring and evaluation form the basic prerequisite for transfer to more strategic and results-oriented approach to the cohesion policy. Such shift would be supported by execution of a certain amount of changes.

First of all, the starting point for the approach results oriented rests in *ex ante* specification of clear and measurable goals and result indicators. Indicators have to be clearly interpretable and statistically supported, provide relevant information, be directly connected to application of the cohesion policy, and it have to possible to collect and publish them quickly. Indicators and goals should be agreed on during discussions on programme documents above the framework of several basic indicators related to a particular fund and common for all operational programmes within the Europe 2020 Strategy framework. In addition, timely and complete sharing of accurate information on indicators and performance progress of agreed goals would be key for annual reports.

Second of all, *ex ante* evaluations should focus on improving a programme proposal so that during its execution, tools and incentives for fulfilment of tasks and goals could be monitored and evaluated.

Third of all, evaluation should utilize accurate methods corresponding with international standards, including evaluation of impact, in a much larger extent. If possible, impact would be evaluated in an early stage so that collection and spread of relevant data is ensured. On top of that, it would be mandatory to prepare plans of continuous evaluation of every programme because they improve transparency on the EU level, strengthen evaluation strategies, and improve the overall quality of evaluation. It would also be possible to consider evaluation that would be carried out after utilization of a certain part of funds was formally documented to the European Commission.

Last but not least, the member countries could produce reports summarizing results of continuous evaluations executed in the course of a programming period, for the purpose of giving a comprehensive overall evaluation of the programme fulfilment.

Support of utilization of new financial tools

Communication on the EU budget review strongly advocates the idea of increased lever effect of the EU budget. In the 2007 – 2013 programming period were developed new forms of investment funding that divert from the traditional funding based on grants, in favour of innovation methods of combining grants and loans. The European Commission would want the member countries and regions to utilize such tools more in the future.

Such financial tools help create revolving forms of funding that are more easily sustainable in a long-term perspective. This is also one of the methods how to help Europe, especially in times of recession, to increase investment funds. It opens new markets for various forms of partnership of the public and private sectors, which also brings along professional knowledge of international financial institutions.

In order to improve financial engineering tools used within the cohesion policy, several measures could be considered:

- Better clarify and logically sort rules contained in the regulation framework – rules of financing based on grants and rules modifying repayable forms of assistance – especially as for qualification of expenses and audits
- Provide companies with general financial support especially through financial engineering tools, and use grants for co-funding of areas that require targeted assistance (innovations, investments into the environment, etc.)
- Increase the scope, as well as volume of financial engineering tools: from the aspect of the scope, include new activities (e.g. sustainable public transportation, research and development, power supply, regional development, lifelong learning or activities supporting mobility, activities dealing with climatic changes the environment, information and communication technology, and broadband Internet); from the aspect of a volume of funds, combine interest grants with provision of loans or other forms of repayable funding.

In this context, there still is a lot of unanswered questions of the following type that should be answered: How to achieve closer interconnection of the Europe 2020 Strategy and the cohesion policy on the EU, national, and lower levels? Should the scope of the Contract on partnership for development and investments reach even beyond the cohesion policy framework? If yes, into which areas? In

what way it would be possible to achieve a stronger thematic focus on priorities of the Europe 2020 Strategy? In what way could the system of conditions, incentives, and management results oriented improve efficiency of the cohesion policy? In what way it would be possible to achieve closer focus of the cohesion policy on results? What priorities should be mandatory?

STRENGTHENING OF MANAGEMENT

Introduction of the third dimension: territorial cohesion

The Lisbon Treaty added territorial cohesion to the goals of economic and social cohesion. As a result of that, it is necessary to attend to this goal in new programmes, with a special emphasis on roles of towns, functional geographic units, areas facing specific geographic or demographic problems, and macro-regional strategies.

Urban areas could be the driving force of growth and focus points of creativity and innovations. If a critical amount of participants such as companies, universities, and research workers can be gathered, it will be possible to achieve higher levels of growth and create new jobs. Problems of towns, be it related to degradation of the environment or social exclusion, require a specific response and direct inclusion on the corresponding state administration level. In this context, an ambitious urban agenda should be created, and it would closer specify means for solution of urban problems, in which urban authorities would play more important task in proposing and executing urban development strategies. The relevant measures for urban areas, related means, and affected towns should be clearly defined in the programming documents.

A question that should be solved in the future is if the regulation framework of the cohesion policy should enable bigger flexibility in compilation of operational programmes so that they could take natural and geographical aspects of development processes in account better. Programmes then could be compiled and managed not only on the national and regional levels, but also, for example, on the level of groups of several towns or basins or coastal areas.

The report shows that in some cases, development problems can be deepened by geographic and demographic features. That applies especially to the remote regions, but also to the northernmost regions with a very low population density, and also island, cross-border, and mountain regions, as expressly specified in the Lisbon Treaty. In order to take these particularities into account, it would be necessary to adopt targeted measures; however, without necessary increase of a number of tools and programs. Territorial cohesion means paying attention also to rural-urban connections from the aspect of access to available and high-quality infrastructure and services and problems in areas with a high concentration of communities living on the edge of society.

And finally, other work for creation of new macro-regional strategies should be derived from deep revisions of existing strategies and availability of means. Macro-regional strategies should be oriented at length at integrated tools focused on key problems and supported by strengthened supranational element, even though the majority of funds should originate from national and regional programmes co-funded through the cohesion policy and from other national sources.

Partnership strengthening

Effective execution of the Europe 2020 Strategy requires a governing system that would include officials in the member countries who are able to act in support of changes and that would connect the EU level with the national, regional, and local levels of state administration.

On behalf of the complete mobilization of all the participating parties, representation of local and regional participants, social partners, and civil society should be strengthened in a political dialogue, as well as in execution of the cohesion policy. With regards to the aforementioned facts, support of the dialogue between public and private subjects, including social and economic partners and not-for-profit organizations should be preserved.

In this context, importance of local development concepts within the cohesion policy should be strengthened, e.g. in the form of supporting active efforts regarding inclusion, social innovations, creation of innovation strategies, or proposal of solutions for renewal of neglected areas. Such activities should be closely coordinated with similar activities supported within the rural development policy and the marine policy.

Even in this area, it would be desirable to answer especially the following questions in the process of creation of rules of the future cohesion policy: How could that cohesion policy better take into account the key role of urban areas and territories with special geographical characteristics in the development processes and creation of macro-economic strategies? How could be deepened partnership approach and utilization of cooperation with local and regional participants, social partners, and civil society?

THE MORE EFFICIENT AND SIMPLER EXECUTION SYSTEM

Even though it is too early for deduction of final conclusions on efficiency of the execution system of the cohesion policy in the 2007 – 2013 period, member countries oppose too frequent and radical change of rules that would complicate the policy execution. However, a certain number of carefully selected changes deserves a closer look yet.

Financial management

In accordance with the recent proposal for revision of the financial regulation, an authority responsible for governing of cohesion policy programmes would annually submit so-called statement on authenticity of the governing subject that would be accompanied by the respective Statement of Balances and a finding of an independent auditor. That would strengthen responsibility for expenses co-funded from the EU budget in any fiscal year.

Regarding the cohesion policy, the European Commission proposes implementation of periodic approval of the Statement of Balances that would be derived from the annual statement of the governing subject. Such arrangement would strengthen a process of ensuring quality of audit and enable regular partial closing of programmes.

The European Commission has to consider if payment of grants to beneficiaries and increased motivation for stronger national control would not be accelerated if national authorities received payment reimbursements only after beneficiaries were paid the relevant EU grant.

The European Commission would also address a possibility of adding motivation – result based – elements into payments of the EU grants for the operational programmes or their parts based on the action in question.

And finally, simplified methods of payment of funds, such as standard scale of unit costs and payment of flat amounts for grants implemented for the 2007 – 2013 period should be utilized more. That would also bring their increased efficiency. It would be another way how to gradually switch to a more results-oriented approach.

Decrease of administrative burden

The general approach for the 2007 – 2013 period, based on which rules of qualification on the national level are defined, should be maintained. Nevertheless, common rules for significant matters, such as overhead costs covering various EU funds, should be adopted. Unification of qualification rules for expenses in all areas of the policy, financial tools, and funds would simplify utilization of funds by users, and it would facilitate fund management for national authorities. Error risk would be decreased while, at the same time, an option of a different approach when necessary for taking specifics of the policy, tool, or beneficiaries in question into account would be maintained. In accordance with the proportionality principle, it would also be useful to address the question of how to achieve that control measures would be more economical and based on risk evaluations, which would lead to improvement of their usefulness and efficiency and, at the same time, it would duly and at a reasonable cost cover the accompanying risks, in accordance with the principle of due financial management.

Financial discipline

The purpose of the rule on an obligation cancellation rests in ensuring that projects are carried out in a reasonable time frame and supporting adherence to financial discipline. However, by focusing too much attention on quick – and, therefore, less effective – utilization of funds can lead to impairment of access of the member countries and regions. In addition to that, application of the rule on obligation cancellation is complicated by a lot of exceptions. It is necessary to carefully balance provision of quality of investments and smooth quick execution. One of the possibilities would be to use the "N+2" system for all programmes except for the first year, and otherwise eliminate all exceptions and deviations.

Financial control

As for the governing and control systems, it is necessary to ensure not only stronger audit, but also achieve a bigger involvement of the member countries in the quality control area. That would enable the European Parliament, the European Commission, and the member countries to focus more on results and impact of the cohesion policy.

With regard to experience gained from the *ex ante* evaluation related to the conformity of programmes for the 2007 – 2013 period, the first proposal is to review the process of evaluation of the *ex ante* systems so that problems with governing and control systems are avoided. The process should be simplified while, at the same time, its benefits should be preserved. That could be achieved by focusing the evaluation on the main responsible control authority through the accreditation process and reevaluation of participation of the European Commission in this process.

The second proposal is related to increase of the safety margin through concentration of responsibility. Exclusive responsibility for due governing and control of the operational programme would be born by an accredited authority.

In this area, we should focus our attention to elimination especially of the following question marks: How could be the audit process simplified and audits executed by the member countries and the European Commission unified without decreasing a high safety margin of the audit of funds spent on co-funding? What way of applying the proportionality principle could decrease administrative burden of governing and control? Should some specific simplifying measures exist for territorial cooperation programmes? When defining qualification rules, how can be the correct balance set between the general rules common for all funds and, at the same time, differences of individual funds taken into account? How could be ensured adherence to financial discipline and, at the same time, a sufficient flexibility for compilation and execution of complicated programmes and projects provided?

THE OVERALL STRUCTURE OF THE COHESION POLICY

Objective of the cohesion policy rests in supporting harmonious development of the Union and its regions through decreased regional differences (Article 174 of the Contract). The policy also supports the growth model of the Europe 2020 Strategy, including the need to find solution for serious problems in the social area and employment, which all the member countries and regions face. The cohesion policy supports such development of all regions by clear investment strategy that increases competitive advantage and employment, improves social inclusion, and protects the environment. System of multilevel management of the policy helps improve EU awareness in the eyes of its citizens.

All the regions and member countries should be entitled to utilization of the cohesion policy and in a uniform way, adjust their strategy to their individual strengths and weaknesses.

Just like now, support provided to regions would differ depending on the extent of their economic development (expressed in per capita GDP), which clearly distinguishes between "less" and "more" developed regions. For the sake of easier transfer between those two categories and ensuring fair treatment for regions on the similar level of economic development, a question if the current system of a graded transfer could be replaced by a simpler system that would contain a new temporary category of regions could be asked. This category would also include regions that are currently entitled to assistance within the "Convergence" goal but whose GDP was more than 75 % of the Union, according to the latest statistics.

In accordance with Communication on the EU budget review, for the overall future arrangement of the cohesion policy, it is necessary to consider how could ESF orientation be modified for the purpose of ensuring fulfillment of goals and tasks of the Europe 2020 Strategy and also how to achieve bigger awareness and high-quality estimates of volumes of funds. It is no less important to examine how could ESF better serve the purposes of the European employment strategy and contribute to the comprehensive European employment initiative that is requested by Communication on the EU budget review.

The cohesion policy will keep focusing on fulfilment of integrated main directions of the economic policy and employment policy.

Member countries will be able to utilize the Cohesion Fund in the future if their per capita GNI is lower than 90 % of the Union average.

Last but not least, the cohesion policy will keep supporting territorial cooperation dimensions (cross-border, supranational, and inter-regional). That will include revision and simplification of the current adaptation of cross-border cooperation, including the NPP, ENPI, and ERF tools for cross-border cooperation on the EU external borders, and also the existing practice regarding events with a supranational nature supported from EFRR, as well as from ESF.

In this context, the next discussion should be oriented at satisfactory answer of, for example, the following problem areas: How it could be ensured that the overall arrangement of the cohesion policy would take into account uniqueness of every fund, especially the need of bigger awareness and ability to foresee the volume of ESF funds, and how to orient this fund at fulfilment of goals of the Europe 2020 Strategy? How could a new temporary category of regions, which would help regions that still have not finished catching up with other regions, look like?

Further steps

Fifth Cohesion Report indicates several key ideas of the European Commission regarding the cohesion policy reform related to a long discussion that started in 2007, at the time of issuance of the Fourth Cohesion Report. These ideas will be tuned up and consolidated within several following months. The authoritative forum that caped the current level of debates on the future cohesion policy was the Fifth Cohesion Forum that took place in Brussels, at the turn of January/February 2011. Another significant contribution for clarification of the future cohesion policy then will be adoption of strategic general conclusions regarding the new multiannual financial framework after 2014, which we should live to see in the course of 2011.

Key macroeconomic indicators

in %	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
	2007	2008	2009	2007	2008	2009	XI-10	XII-10	I-11	XI-10	XII-10	I-11
Belgium	2.9	1.0	-3.1	2.2	-2.9	0.5	8.3	8.2	8.1	3.0	3.4	3.7
Bulgaria	6.2	6.0	-5.0	-26.8	-24.0	-9.4	10.0	10.1	10.1	4.0	4.4	4.3
CR	6.1	2.5	-4.8	-3.2	-0.7	-1.1	7.2	7.3	7.7	1.9	2.3	1.9
Denmark	1.7	-0.9	-4.9	1.5	2.2	4.0	7.6	7.7	7.8	2.5	2.8	2.6
Germany	2.5	1.3	-5.0	7.6	6.7	4.9	6.6	6.6	6.6	1.6	1.9	2.0
Estonia	7.2	-3.6	-14.1	-17.8	-9.4	4.6	14.3	14.3	14.3	5.0	5.4	5.1
Ireland	6.0	-3.0	-7.5	-5.3	-5.2	-2.9	13.9	13.8	13.7	-0.8	-0.2	0.2
Greece	4.5	2.0	-2.0	-14.4	-14.6	-11.2	na	na	na	4.8	5.2	4.9
Spain	3.6	0.9	-3.6	-10.0	-9.7	-5.4	20.6	20.5	20.4	2.3	2.9	3.0
France	2.3	0.4	-2.2	-1.0	-2.3	-2.2	9.7	9.7	9.7	1.8	2.0	1.9
Italy	1.5	-1.3	-5.0	-2.4	-3.4	-3.2	8.7	8.6	8.6	1.9	2.1	1.9
Cyprus	5.1	3.6	-1.7	-11.7	-17.5	-8.3	7.1	7.2	7.3	1.7	1.9	3.0
Latvia	10.0	-4.6	-18.0	-22.3	-13.0	9.4	na	na	na	1.7	2.4	3.5
Lithuania	9.8	2.8	-15.0	-14.5	-11.9	3.8	17.4	17.4	17.4	2.5	3.6	2.8
Luxembourg	6.5	0.0	-3.6	9.7	5.3	5.6	4.7	4.8	4.8	2.5	3.1	3.4
Hungary	1.0	0.6	-6.3	-6.6	-7.0	0.2	11.4	11.5	11.8	4.0	4.6	4.0
Malta	3.8	2.1	-1.9	-6.1	-5.6	-3.9	6.4	6.2	6.2	3.4	4.0	3.3
Netherlands	3.6	2.0	-4.0	8.7	4.8	5.4	4.4	4.4	4.3	1.4	1.8	2.0
Austria	3.5	2.0	-3.6	3.6	na	na	4.2	4.2	4.2	1.8	2.2	2.5
Poland	6.8	5.0	1.7	-4.7	-5.1	-1.6	9.7	9.7	9.7	2.6	2.9	3.5
Portugal	1.9	0.0	-2.7	-9.4	-12.0	-10.3	11.2	11.2	11.2	2.2	2.4	3.6
Romania	6.3	7.3	-7.1	-13.4	-11.6	-4.5	na	na	na	7.7	7.9	7.0
Slovenia	6.8	3.5	-7.8	-4.8	-6.2	-1.0	7.5	7.5	7.7	1.6	2.2	2.3
Slovakia	10.6	6.2	-4.7	-5.7	-6.6	-3.2	14.5	14.5	14.5	1.0	1.3	3.2
Finland	4.9	1.2	-7.8	4.3	3.1	1.3	8.1	8.0	8.0	2.4	2.8	3.1
Sweden	2.5	-0.2	-4.9	8.4	9.5	7.3	8.1	7.8	7.8	1.7	2.1	1.4
UK	2.6	0.5	-4.9	-2.7	-1.5	-1.3	7.8	7.8	na	3.3	3.7	4.0
EU	2.9	0.8	-4.2	-1.0	-1.9	-1.1	9.6	9.6	9.6	2.3	2.7	2.8

in %	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Belgium	-0.3	-1.3	-6.0	84.2	89.6	96.2	116.0	115.0	116.0	108.3	111.1	113.9
Bulgaria	1.1	1.7	-4.7	17.2	13.7	14.7	40.0	44.0	na	46.2	50.2	52.7
CR	-0.7	-2.7	-5.8	29.0	30.0	35.3	80.0	81.0	82.0	62.4	72.8	70.6
Denmark	4.8	3.4	-2.7	27.4	34.2	41.4	123.0	123.0	121.0	137.4	141.2	144.6
Germany	0.3	0.1	-3.0	64.9	66.3	73.4	116.0	116.0	116.0	101.9	103.8	106.4
Estonia	2.5	-2.8	-1.7	3.7	4.6	7.2	69.0	68.0	64.0	73.1	78.0	75.1
Ireland	0.0	-7.3	-14.4	25.0	44.3	65.5	147.0	133.0	127.0	124.5	127.6	125.0
Greece	-6.4	-9.4	-15.4	105.0	110.3	126.8	91.0	93.0	93.0	90.7	94.0	97.4
Spain	1.9	-4.2	-11.1	36.1	39.8	53.2	105.0	103.0	103.0	92.8	95.4	97.4
France	-2.7	-3.3	-7.5	63.8	67.5	78.1	108.0	107.0	108.0	108.1	110.8	114.3
Italy	-1.5	-2.7	-5.3	103.6	106.3	116.0	104.0	104.0	104.0	102.9	105.6	106.5
Cyprus	3.4	0.9	-6.0	58.3	48.3	58.0	93.0	97.0	98.0	88.1	90.5	91.2
Latvia	-0.3	-4.2	-10.2	9.0	19.7	36.7	56.0	56.0	52.0	66.6	72.6	74.8
Lithuania	-1.0	-3.3	-9.2	16.9	15.6	29.5	59.0	61.0	55.0	60.0	64.7	67.8
Luxembourg	3.7	3.0	-0.7	6.7	13.6	14.5	275.0	280.0	271.0	115.3	119.1	121.3
Hungary	-5.0	-3.7	-4.4	66.1	72.3	78.4	62.0	64.0	65.0	66.7	68.1	65.5
Malta	-2.3	-4.8	-3.8	61.7	63.1	68.6	77.0	78.0	81.0	75.5	78.8	81.4
Netherlands	0.2	0.6	-5.4	45.3	58.2	60.8	132.0	134.0	131.0	101.9	104.0	108.5
Austria	-0.4	-0.5	-3.5	59.3	62.5	67.5	123.0	124.0	124.0	102.2	105.1	107.9
Poland	-1.9	-3.7	-7.2	45.0	47.1	50.9	54.0	56.0	61.0	62.0	69.1	58.6
Portugal	-2.8	-2.9	-9.3	62.7	65.3	76.1	78.0	78.0	80.0	85.7	87.0	89.3
Romania	-2.6	-5.7	-8.6	12.6	13.4	23.9	42.0	47.0	46.0	63.8	60.9	57.5
Slovenia	0.0	-1.8	-5.8	23.4	22.5	35.4	88.0	91.0	88.0	79.0	82.3	85.5
Slovakia	-1.8	-2.1	-7.9	29.6	27.8	35.4	68.0	72.0	73.0	63.2	70.2	73.7
Finland	5.2	4.2	-2.5	35.2	34.1	43.8	117.0	118.0	113.0	119.9	124.3	126.4
Sweden	3.6	2.2	-0.9	40.0	38.2	41.9	125.0	122.0	118.0	115.7	114.5	107.0
UK	-2.7	-5.0	-11.4	44.5	52.1	68.2	116.0	115.0	112.0	112.6	100.1	92.7
EU	-0.9	-2.3	-6.8	58.8	61.8	74.0	100.0	100.0	100.0	100.0	100.0	100.0

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

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