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Dear readers,

With the approaching end of this year and the 2007-2013 programme period, observers of European integration developments certainly are not suffering from boredom. During November, the EU's top bodies prepared plenty of informational material for commenting, which you can read in the pages of our Monthly.

The classic saying "money is most important" applies both at home and in the entire EU. Therefore, a key event of the next to last month of the year is the approval of the EU's financial framework for 2014 to 2020. The main step was taken on 19 November with the approving vote in the European Parliament, although it was capped off, albeit with only a formal resolution, by the approving stance of the Council of the EU adopted on 2 December. The future seven-year European budget calls for expenditures for obligations equal to just under 960 billion euros, which is 3.4% less than the amount that the European Union divided up from 2007-2013. After all, in view of the debt crisis both individual member states and the EU as a whole must save money. A more detailed structure of the financial framework can be found in our main topic section on page 9.

The view of the future economic developments has been cleared up for us more by the regular autumn forecast from the European Commission's analytical workshop, which has been studied by Tomáš Kozelský. The published issues can be interpreted in multiple ways, and therefore everyone will find what they are looking for in the report. Pessimists' predictions are supported by the performance estimates for the Czech and European economies for this year. The Commission predicts that this year GDP in the Czech Republic will fall by 1% and that the EU's GDP will stagnate. However, optimists will welcome the fact that in the years to come Europe, including Central European countries, will finally experience an economic recovery. In the Microscope section on page 8, you can read about how other macroeconomic indicators are expected to develop.

An interesting contribution to the discussion about what to do so that in the years to come Europe's economic performance is as robust as possible was provided by a series of recommendations from the European Commission in the Annual Growth Survey, which was published during what is known as the European Semester. In the Commission's Column on page 6, you will read that the EU's executive bodies have recommended to member states that among other steps they should increase investments into education, science and research and further liberalise markets in the energy sector and regulated professions.

In this issue of the Monthly, you can also find topics labelled as controversial proposals. These include a directive, according to which by 2020 the share of women in non-executive positions of administrative and supervisory bodies of companies quoted on the stock exchange should reach 40%. The directive has made it through the European Parliament, and now it is awaiting approval from ministers from member states in the Council of the EU.

Dear Readers, since the next issue of the Monthly will not be published until after the holidays, we would like to take this opportunity to wish you a very merry Christmas and a lively New Year's Eve celebration.

Jan Jedlička

Jan Jedlička

Spain will stop drawing bank rescue assistance from EU in January. Before it, Ireland will leave the rescue programme as of 15 December 2013. Czech operational programmes can draw more money thanks to the weak Czech crown. The European Commission has presented a proposal, which should standardise the amount of water used to flush toilets. The European Commission has introduced five measures related to free movement of persons.

ECONOMY AND EURO

Spain will stop drawing bank rescue assistance from EU in January

Finance ministers from Eurozone countries have decided that Span will be able to leave the assistance programme which has been used to help the country's banking sector.

The assistance will end in January 2014, and Spain will not ask for back-up assistance from EU funds. Although Spain has **significantly improved the situation** of its banking sector and obviously will return to growth following the second recession for the past five years, the country certainly continues to experience major economic problems.

In 2012, Spain drew over 41 billion euros (more than 1 trillion Czech crowns) of the total of 100 billion euros intended to help the **banking sector**. The rescue package was intended for Spanish banks, which following bad loans mainly as a result of the decline of the real estate market experienced serious problems.

Money from the European stabilisation mechanism was also intended for the creation of **so-called "bad banks"** to which Spanish banks could transfer loss-making lines of credit and other assets. Even after the programme is ended, Brussels will continue to monitor the Spanish banking sector every six months until the country has paid 75% of the provided assistance.

Financial assistance for the recapitalisation of the Spanish banking sector *(max. total committed: €100 billion; availability period ends on 31.12.2013)*

Date of disbursement	Amount disbursed	Ø Maturity of loan	Final maturity
11.12.2012	€ 39.468 bn [1]	12.5 years	11.12.2027
5.2.2013	€ 1.865 bn [2]	12.2 years	11.12.2025

[1] Constant amortization between 2022-2027 of €6.578 bn per year

[2] Constant amortization between 2024-2025 of €0.933 bn per year

Ireland may leave the IMF and EU rescue programme

Following a final audit by the IMF and the EU, nothing is preventing Ireland from **leaving the financial assistance programme** on 15 December.

After three years of fulfilling the requirements from the "Trio" (the European Commission, the IMF and the European Central Bank), it **is becoming the first of the "bought" states** that will regain full independence in its economic decisions.

http://eurozone.europa.eu/newsroom/news/2013/11/statement-by-the-eurogroup-on-spain/

http://eurozone.europa.eu/newsroom/news/2013/11/statement-by-the-eurogroup-on-ireland/

REGIONAL POLICY

Czech operational programmes can draw more thanks to the weak Czech crown

Czech operational programmes can draw a higher volume of financial assistance from European funds thanks to the recent currency exchange rate intervention by the Czech National Bank.

The Ministry for Regional Development had originally estimated that by the end of this year the Czech Republic would not manage to draw **up to CZK 30 billion**. Now that amount may change. Due to the recent exchange rate intervention by the Czech National Bank to weaken the **Czech crown's exchange** rate in relation to the euro, the ministry is even more concerned.

There is reportedly an even greater risk that the Czech operational programmes will not manage to use the entire allocation assigned for this year. **For the overseeing bodies** of the operational programmes, this represents a sign that drawing of EU resources will have to be added to, or in other words that additional projects will have to be presented and approved.

According to EurActiv, the addressed operational programmes are **prepared for a greater absorption** of resources, and in their background they have plenty of new projects.

Even though the current programme period of 2007-2013 ends this year, it does not mean that resources from European funds would have to be drawn by member states by the end of the year. **Thanks to N+2 rules**, the recipients of grants can draw and subsequently report these resources until the end of 2015.

http://www.euractiv.cz/regionalni-rozvoj/clanek/operacni-programy-mohou-diky-slabe-korune-vycerpat-vic-011296

INTERNAL MARKET

EU's proposal for more eco-friendly flushing

The European Commission has presented a proposal, which should standardise the amount of water used to flush toilets. **Its aim is not to introduce a mandatory standard**, but to recommend how to flush in a more environmentally friendly and economically efficient manner.

Although the proposal has brought emotions to the surface, manufacturers and vendors of sanitary equipment are prepared for the parameters of the plan.

In the proposal, the Commission has specified that **for one environmentally friendly flush a maximum of six litres** of water should be used, and three litres should be used for reduced flushes. By enacting this step, the Commission aims to support Europeans not only by saving the environment when household water is used for flushing, but also by reducing citizens' costs.

Brussels' proposal is focused not only on end consumers, but also on manufacturers. Sanitary equipment manufacturers offering toilets that fulfil the particular rules for eco-friendliness **can obtain the official "Ecolabel" logo** for their products. The plant sticker, which is the symbol of Ecolabel, does not apply only to toilets. It is used to label a whole range of different products in order to help EU citizens make choices based on their desire to preserve the environment.

http://europa.eu/rapid/press-release_SPEECH-13-879_en.htm

Free movement of workers: five measures to benefit citizens, growth and employment

The European Commission has adopted a new document in the form of a disclosure related to promoting EU citizens' rights to live and **work in any EU member state**.

In the document, the Commission presents five measures, which should help boost persons' **freedom of movement** and should assist national and local bodies in preventing concerns related to immigration and the unwillingness of citizens to get involved in the labour markets in other member states.

Similar types of disclosures **typically determine** what kinds of policies the European Commission wants to implement in the future and what kinds of initiatives it will present.

Britain has concerns regarding free movement in EU

British Prime Minister David Cameron is calling for stricter rules **for free movement of workers**. He is concerned about potential new waves of migration to the UK after the last obstacles for citizens of Romania and Bulgaria are abolished as of January 2014.

Cameron is proposing that newly arriving migrants should not receive **employment benefits for the first three months**. He also would like for such benefits to be granted to them only after they prove their chances of gaining employment.

He also says there should be a way of expelling and preventing access for people who **"cannot prove a proper reason for their stay, such as employment"**.

The Commission is sceptical about such proposals and says that neither Britain nor other member states have managed to prove their concerns that migrants from the EU will abuse their social systems.

1. Solving the problem of sham marriages

The Commission is preparing a guide regarding the problem of sham marriages, which will enable national bodies to combat potential abuse of the right to free movement.

2. Application of rules for coordination of social security

The Commission and member states would like by the end of 2013 to prepare for a so-called "test of regular stay". This will involve criteria that ensure that citizens who do not work will have access to social security in another member state only when they have actually transferred most of their interests to that state.

3. Solving of problems related to social inclusion

As of 1 January 2014, the EU is expected to allocate at least 20% of resources from the European Social Fund to solve the problem of insufficient social inclusion of citizens and to help combat poverty in each member state.

4. Support for sharing of certified approaches

The Commission wants to help local bodies to cooperate better with other bodies from across Europe to enable more effective solving of problems related to social inclusion. By the end of 2013, the Commission is expected to prepare a study, which will assess the impact on free movement in six large European cities.

5. Ensuring of specific application of EU rules related to free movement

By the end of 2014, the Commission in cooperation with member states would like to launch an internet training module to help employees of local bodies to understand and be able to implement EU citizens' rights to free movement.

http://europa.eu/rapid/press-release_IP-13-1151_en.htm

http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2006&furtherNews=yes

The Council and the EP have approved a budget for the next 7 years. The EP has given its blessing to a directive, which should ensure more equal representation of women and men in non-executive positions in administrative and supervisory bodies in large companies quoted on the stock exchange. Ukraine has postponed signing of the Association Treaty with the EU. Negotiators from the EP and member states have agreed on reduction of CO_2 emissions from cars.

BUDGET

Council and EU approve 7 years budget

On 19 November 2013 a vote was held in the European Parliament about the EU budget for 2014 to 2020. The overall budget for the next seven years **is 960 billion euros** in commitments (approximately CZK 26 trillion) and **908 billion euros** in payments. The new financial framework is therefore 3.4% lower in obligations and 3.7% lower in payments that the previous one for 2007-2013, which is currently in progress. Before approving the budget, the parliament insisted on several conditions, which the multi-year financial framework should achieve.

These include resolution of payment deficits, completion of legal foundations for all EU programmes and more. EU officials already in June also agreed on another condition, which is that the new budget should have greater flexibility. Another success of MEPs is **the "examination clause"**.

The form of the framework was also finally approved by the Council at the meeting of the Council for Competitiveness on 2 December 2013. More about this topic can be found on page 9.

http://europa.eu/rapid/press-release_IP-13-1096_en.htm

Council and EP agree on a budget for 2014

The Council and the European Parliament have agreed on the form of the budget for 2014. It is expected to reach **142.6 billion euros**, including long-term obligations. The largest share is made up of part 1, including mainly structural funds and programmes for supporting competitiveness (just under 64 billion euros) and part 2, mainly financing agricultural policy (59 billion euros).

The budget will include money from the Solidarity Fund, which **the Czech Republic, Austria, Germany and Romania** will receive for coping with the consequences of this year's floods.

http://europa.eu/rapid/press-release_MEMO-13-978_en.htm

EMPLOYMENT AND SOCIAL POLICY

Directive about greater representation of women in companies

The European Parliament has given its blessing to a directive, which should ensure more equal representation of women and men in **non-executive positions** in administrative and supervisory bodies in large companies quoted on the stock exchange.

The lawmakers envision that the share of women should reach **40% by 2020** (compared to 17.6% currently). Companies owned by the state will have to fulfil this requirement already by 2018.

The legislation will focus mainly on tenders. If candidates for the particular position prove that that they have the same qualifications, **the insufficiently represented gender** would be given preference. MEPs also emphasise that qualifications and achievements must remain the main recruitment criterion.

Companies that do not fulfil the particular requirements will have to inform relevant national bodies of why they have failed to fulfil them **and how they plan to achieve fulfilment**. EU lawmakers envision that sanctions would apply for wilful breaches during the recruitment processes rather than simply for failure to achieve the 40% quota.

Unlike the Commission's original proposal, MEPs would like for the sanctions to be mandatory and to include, for example, **exclusion from tenders**. In order for the directive to take effect, it must be approved by the Council and individual member states.

http://www.europarl.europa.eu/news/en/news-room/content/20131118IPR25532/html/40-of-seats-on-company-boards-for-women

EXTERNAL RELATIONS

Delay of Association Agreement between EU and Ukraine

Ukraine had been expected to sign an Association Agreement with the EU at the Summit of Eastern Partnership held in the Lithuanian capital Vilnius in November. However, the **Ukrainian government decided not to sign it.**

There has been speculation that Kiev is concerned mainly about a potential decline in trade with Russia. Russia had warned Ukraine that if it signed the Association Agreement, Russia would limit supplies of natural gas to Ukraine, would **impose customs barriers** and would halt cooperation projects.

However, Ukrainian President Viktor Yanukovych says there is another reason for his country not signing the Association Agreement with the EU. **Ukraine needs 160 billion euros** to stabilise itself and adapt to EU standards, while the EU has only offered Ukraine 610 million euros in technical assistance. **He explains his country's postponement** of the treaty as due to the need to prepare for the economic difficulties that would accompany its signing.

Brussels has also demanded that Ukraine release jailed former prime minister **Yulia Tymoshenko** for medical treatment abroad. However, the Ukrainian parliament has not agreed on a bill that would enable that to happen.

The postponement of signing the Association Agreement has prompted a wave of demonstrations in Ukraine. The EU **remains open to the possibility of negotiating** with Ukraine about signing the Association Agreement.

http://europa.eu/rapid/press-release_MEMO-13-1052_en.htm

EU's Association Agreement negotiations with Georgia and Moldova

Officials from Georgia and Moldova attending the Eastern Partnership summit in Vilnius **initialled the Association Agreement with the EU**. The final signing is expected to take place by next autumn.

http://europa.eu/rapid/press-release_MEMO-13-1078_en.htm

ENVIRONMENT

European Union agrees on reducing CO_2 emissions from cars

Following months of negotiations, at the end of November negotiators from the European Parliament and Member States agreed with the Commission about how vehicle manufacturers will reduce **the amounts of CO_2 emissions** from the cars they produce in the years to come. In the end, the rules will be less strict than called for by the European Commission's original proposal from July 2012.

The emission goal **of 95g of CO_2 per driven kilometre** will have to be fulfilled by all new vehicles in the EU by 2021. The goal was originally supposed to be achieved by 2020, and Germany proposed that the deadline for achievement should be delayed until 2024.

The reached compromise will enable manufacturers of large cars with higher consumption to balance in final calculation of emissions **"greener" models** to achieve emission reductions, including mainly electric vehicles. This has been called for mainly by Germany, although its proposal has not been entirely listened to.

Such "balancing" is enabled by a system of super credits. Under the Commission's proposal, a vehicle with emissions **under 35 g of CO_2 per km would be counted as 1.3 regular vehicles**. In the end, it will also be possible to count in the same way vehicles with emissions under 50 g, which in the final calculation will be counted as 2 "normal" vehicles.

The compromise so far has been confirmed informally by member states' permanent representatives. The European Parliament will give its final approval to the agreement in January, after which it is expected to be confirmed also by member states' permanent representatives.

Although environmental groups are not completely satisfied with the negotiated compromise, they regard the result as better than if no new regulation were introduced.

http://www.europarl.europa.eu/news/en/news-room/content/20131126IPR26748/html/Car-CO2-emissions-MEPs-reach-a-deal-with-Lithuanian-Presidency-of-the-Council

The European Commission Representation in the Czech Republic has been adding regularly to the Monthly with contributions in the Commission's Column section. In this issue, it focuses on the European Semester, during which coordination of EU states' economic policies takes place. During the European Semester, the European Commission approved the Annual Growth Survey, which maps economic development in the EU and proposes five priorities for economic policy in member states in 2014.

"AUTUMN PACKAGE" OF ECONOMIC POLICY COORDINATION IN EU – ANNUAL GROWTH SURVEY 2014

On 13 November 2013, the European Commission approved the Annual Growth Survey 2014, which is focused on economic developments in the EU and includes proposals of priorities for economic policies in 2014. The publication of the document is the first step in the half-year cycle known as the European Semester, in which economic policies are being coordinated at the EU level and which will culminate at the beginning of 2014 with the adoption of recommendations for individual member states by the Council of the EU.

According to the European Commission, the main challenge for the EU's economy currently is maintaining the fragile conjuncture of the economy from previous months. In the Autumn Economic Forecast the European Commission anticipates growth of the EU's GDP by 0.5% in the second half of 2013 (year-to-year). For 2013 as a whole, the European Commission predicts stagnating GDP for the EU and a decline by 0.4% for the Eurozone.

In the years to come, the European Commission predicts slight growth of domestic demand due to improving financial conditions and consumer confidence and less favourable conditions for the EU's exports to countries with developing economies. Total GDP in 2014 is expected to grow by 1.4% (in the EU) and 1.1% (in the Eurozone) and in 2015 to 1.9% (in the EU) and 1.7% (in the Eurozone).

More information about the EC´s Autumn Economic Forecast can be found in the Microscope section on page 8.

The Annual Growth Survey defines the priorities for economic policy in the EU in 2014 as follows:

- **Fiscal consolidation:** member states have reduced their budget deficits by approximately half, from nearly 7% of GDP in 2009. However, the European Commission expects a slight rise in gross national debt in the EU to approximately 90% of GDP until 2014, while among member states there have been major differences. Countries with room for active fiscal policies are expected to support private investments and consumption and in a longer term horizon to give priority to government investments in areas strengthening the growth potential of economies (expenditures for education, research, etc.).
- **Restoring functioning of credit channel:** certain progress has been achieved at the EU level with financial sector stabilisation, while turbulence on the financial markets has greatly eased since mid 2012. The European Commission anticipates that setting up the banking union will contribute to further stabilisation of the banking sector. Nonetheless, a problem that remains in several member states is high indebtedness of the private sector and companies' (particularly small and mid-sized companies') limited access to financing.
- **Growth and competitiveness:** strengthening of the export sector is apparent from the most recent data regarding economic development in the EU. Nonetheless, the progress so far with reforms is insufficient in several member states in relation to market liberalisation, particularly on the markets with energy and regulated professions.
- **Unemployment and development in the social area:** member states have made progress in modernising the labour market. The reforms should be focused, during continuing high unemployment in several countries, on boosting active employment policy and on reforms of education systems.
- **Public administration:** several member states are reforming their public administration systems with the aim of making them more effective and boosting cooperation among different levels of government. A priority in reforms should be reduction of administrative burden and boosting of public services via the internet. The European Commission has also published the following documents as part of the "autumn package" of coordination of economic policy at the EU level:

- Working document about progress in implementing contry-specific recommendations by member state (including the Czech Republic);
- The warning mechanism report, which analyses the potential risks and imbalances of economic development in individual EU member states;
- The employment report, which for the first time includes a transparent set of indicators (score board) related to social policy and employment;
- The report about the single market – which analyses the growth potential of the EU's single market;

The European Commission this year also presented for the first time its stances regarding the proposed budgets of Eurozone states for 2014.

Our Information Service section outlines upcoming sessions of EU decision-making bodies accompanied by other significant events such as international summits with super powers. Often agendas for negotiations by these important bodies are not ready until a few days before the actual meetings so they can be as up-to-date as possible.

Agendas can be found at: http://europa.eu/eucalendar/; http://www.eu2013.lt/en/.

Meeting of the key EU institutions

2 - 3 December 2013	**Brussels, Belgium**
- Competitiveness Council	
5 December 2013	**Frankfurt, Germany**
- Governing Council meeting of the ECB	
5 - 6 December 2013	**Brussels, Belgium**
- Justice and Home Affairs Council	
5 - 6 December 2013	**Brussels, Belgium**
- Transport, Telecommunications & Energy Council	
9 - 12 December 2013	**Strasbourg, France**
- European Parliament plenary session	
9 - 10 December 2013	**Brussels, Belgium**
- Employment, Social Policy, Health and Consumer Affairs Council	
10 December 2013	**Brussels, Belgium**
- Economic and Financial Affairs Council	
12 December 2013	**Brussels, Belgium**
- Transport, Telecommunications & Energy Council	
13 December 2013	**Brussels, Belgium**
- Environment Council	
16 December 2013	**Brussels, Belgium**
- Foreign Affairs Council	
16 - 17 December 2013	**Brussels, Belgium**
- Agriculture and Fisheries Council	
17 December 2013	**Brussels, Belgium**
- General Affairs Council	
19 - 20 December 2013	**Brussels, Belgium**
- European Council	

Source: www.europa.eu, http://www.eu2013.lt/en/, access as of 27th November 2013

In the December issue of the Monthly in the Microscope section, we focus on the Autumn Economic Forecast of the European Commission. The EC issued the forecast at the beginning of November, and besides updated and clarified data from previous forecasts, it has also presented an outlook for 2015. According to the latest data, the EU is expected to enjoy a slight economic recovery (by 1.4%) already next year, and the Commission even expect approximately 2% economic growth in 2015.

COMMISSION´S AUTUMN ECONOMIC FORECAST

Although forecasts for subsequent years have often been shown to be more optimistic than in reality, a certain recovery can be felt in the air. The European Commission predicts that in 2015 all member states will enjoy positive growth (in 2014 still except Cyprus and Slovenia). The engine of this growth is expected to be mainly increasing domestic demand. This strengthening of the economy is expected to become apparent gradually in future reduction of unemployment, which, however, will be delayed to a certain extent behind GDP growth.

As of next year, a reversal can be expected in the unemployment level, which has been growing in the EU since the economic crisis in 2008 and is expected to peak at 11.1% before the end of this year. In the subsequent two years, it will drop to 11% and then to 10.7% respectively.

Employment levels are expected to rise both in the service and industrial sectors. However, declining unemployment does not mean that for certain EU states unemployment will stop being a main subject of fear. In Greece and Spain, the unemployment level in subsequent years is expected to range around 25%. In these states, the labour market is a huge problem, mainly in terms of youth unemployment.

The key macroeconomic variables (in %)

	CR			EU		
	2013	2014	2015	2013	2014	2015
GDP Growth	-1.0	1.8	2.2	0.0	1.4	1.9
Unemployment rate	7.1	7.0	6.7	11.1	11.0	10.7
Inflation	1.4	0.5	1.6	1.7	1.6	1.6
Government deficit/surplus	-2.9	-3.0	-3.5	-3.5	-2.7	-2.6
Public budget deficit	49.0	50.6	52.3	89.7	90.2	90.0

Source: EC – Autumn forecast 2013

According to the spring´s forecast, Croatia's unemployment level was also expected to exceed 20%. However, with the expected economic recovery, the unemployment level in that country is now expected to be 16%. Contrastingly, the lowest unemployment levels are expected, as usual, in Austria (4.7% in 2015) and Germany (5.1% in 2015).

Inflation in the EU in the years to come due to the declining price of oil and the weakening effect of previous taxes is expected to remain stable at a low level with a slight decline by 0.1% to 1.6% between 2013 and 2014. In the Eurozone, inflation is expected to fall in 2015 to 1.4%. The European Commission expects positive economic performance to be reflected in declining budget deficits for 2014 (-2.7% of GDP) and 2015 (-2.6% of GDP). The EU's debt is expected to culminate in 2014 to 90.2% of GDP with a subsequent slight decline to 90% of GDP in 2015. Although that figure is not very impressive, certain states would give a lot for it. Italy has government debt exceeding 130% of GDP, and Greece has a hardly believable 170%.

Estimate for the Czech Republic

Even despite the positive figures for the second quarter, according to the Commission the Czech Republic will not experience economic growth until in 2014, when the country's economy will grew by 1.8%, followed by 2.2% in 2015. This recovery and more should help reduce unemployment.

In the following two years, the situation on the labour market is expected to improve, and in 2015 the Czech Republic with 6.7% should be among the member states least negatively affected by unemployment. Besides reduction in the unemployment level, the Commission in its Autumn Forecast also predicts a drop in inflation in the Czech Republic in 2014 by up to 0.5%.

According to the European Commission's forecast, the Czech Republic is and will be fulfilling the Maastricht criteria for public finances in 2013 and 2014. The government deficit is expected to grow for next year by 0.1% to 3% of GDP, and in 2015 it will even grow to up to 3.5% of GDP. With government debt of 49% of GDP in 2013, the Czech Republic is one of the least indebted EU member states.

However, there is a problem with the pace of growth, which is only units of percentage points annually. In the crisis year of 2008, the Czech Republic's government debt was just under 29% of GDP! According to the prognosis, the ratio of public debt to GDP is expected to grow in 2015 to 52.3% of GDP.

Although these figures are not at all optimistic, it may be necessary for all of us consumers to try to have optimism. We hope that the Czech economy will start getting back on its feet and that the situation on the labour market will calm down and improve. Compared to other European countries, we are not in such a bad situation, so may the optimistic tone of the prognosis for the years to come will be supported by real positive figures in individual years.

Tomáš Kozelský, EU Office

The main topic of the December Monthly is the newly approved Multiannual Financial Framework for 2014-2020. In the next seven years, the EU will have available 960 billion euros in obligations and 908 billion euros in payments for financing various policy areas. The financial framework has undergone several important changes. Among other things, the budget offers several new programmes and is more flexible, and drawing of resources from structural funds should be easier and more effective.

MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020

INTRODUCTION

On 2 December 2013, the Council of the EU at the meeting of the Council for Competitiveness approved the Multiannual Financial Framework of the EU for 2014-2020. The negotiations regarding the final form of the financial framework had been very intensive since June 2011, when the European Commission presented the proposed framework. The budget was originally supposed to reach 1,025 billion euros, which was more than 4.8% more than in the previous seven-year period of 2007-2013.

Following the publication of the proposal, the member states divided into two groups. One group known as the "Friends of Better Spending" proposed a more austere budget (according to some information even below 1% of GDP produced by the entire EU).

The countries in that group included the Czech Republic. Another group of countries known as the "Friends of Cohesion", which includes states that have received assistance from EU budget resources, has expressed opposition to reducing the volume of financial resources used for cohesion policy.

Following lengthy negotiations, in February of this year the European Council reached a compromise form of the financial framework, in which member states proposed that the total budget in current values of 2011 should not exceed 960 billion euros.

However, in March the proposal was rejected by the European Parliament, whose representatives demanded greater budget flexibility (the option of shifting unused financial resources to later years) and did not approve of reducing spending. Senior European Commission and European Parliament representatives agreed on the final form of the proposal only later in June 2013 together with the Irish EU presidency.

In July at a plenary session, the European Parliament confirmed the agreement, but that was only a political decision. All legislative texts were still being prepared and were to be approved in September. The proposal was eventually approved by MEPs at their meeting in Strasbourg on 19 November 2013.

Still before then, the Parliament had to agree with the Council on the final form of the corrected budget for 2013 and the budget for 2014. The Parliament demanded that outages in EU payments during that fiscal year be resolved, and that the resources in payments in the budget for 2014 be increased, which was achieved. The aim of that decision was to prevent the EU from beginning the first year of the new Multiannual Financial Framework in a deficit. The final say for the adoption of the Multiannual Financial Framework for 2014-2020 was issued by the Council of the EU, as has been stated above.

MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020

The Multiannual Financial Framework for 2014-2020 is a tool of mid-term planning for financing the European budget. According to Article 312 of the Treaty on the Functioning of the EU, the 2014-2020 framework is governed by the regulation regarding the Multiannual Financial Framework. It sets the maximum annual limits that the EU can spend to finance various areas (policies) in the next seven years.

The financial framework also sets the general limit for overall expenditures, meaning that during subsequent approval of the annual budget, expenditures must not exceed the cap imposed by the financial framework.

The main purpose of the mechanism is to strengthen budget discipline, achieve easier and timely adoption of annual budgets by individual institutions and achieve predictability of EU expenditures for the subsequent period (ensuring of proper financial management).

The financial framework consists of three documents: The regulation regarding the Multiannual Financial Framework), the Inter-institutional Agreement and individual Declarations. The regulation is a set of rules and guidelines defining the structure and functioning of the entire mechanism of the Multiannual Financial Framework. The Inter-institutional Agreement was adopted in accordance with Article 295 of the Treaty on the Functioning of the EU.

Its purpose is budget discipline and perfection of the functioning of the yearly budget process and cooperation among individual institutions. The agreement also clears up certain provisions in the regulation.

The financial framework also includes several Declarations, for example about Own Resources, Increasing of the effectiveness of public spending in areas where EU performs its activities, Youth unemployment, Boosting research, etc.

Additionally, the Multiannual Financial Framework also includes a Decision about Own Resources (which constitute revenue from the EU budget) and legal foundations, most often in the form of regulations, for individual programmes and policies, which define the conditions and criteria for allocating financial resources for member states. So far, the new programmes have not been approved.

However, for most of them political agreements have been achieved in negotiations, which have been taking place since 2011. The final approval of individual spending programmes of member states will occur during 2014. Nonetheless, negotiations are still in progress regarding the decision about own resources. The decision is not expected to become valid until during 2014, since it must be ratified by all member states. As soon as the decision becomes valid, it will apply retroactively as of 1 January 2014.

In 2016, the European Commission will examine the approved financial framework. It will focus on the current economic situation and macroeconomic projections, and it will evaluate whether any changes are necessary and will resolve additional needs for financing in certain areas.

The Parliament and the European Commission at that time will already be comprised of different members, since the new elections to the European Parliament will take place in May 2014. Following the appointment of EP members, the members of the Commission will also be replaced. The new Commission is expected to be confirmed by the Parliament in October 2014.

EU budget expenditures

Within the budget, budget headings for obligation items and items for payment are always specified. Items (or expenditures) for obligations represent a legal pledge for investment of certain funds into specific areas. Within certain areas (such as structural funds) this can involve financing of multiannual projects.

Resources for it can be paid during the overall realisation of the project, but not all of them will necessarily be paid in the first year. However, the total amount that will be drawn during the years will be included in the item of obligations always in the first year of project realisation.

In the first year of project realisation, only the portion of financial resources that will actually be paid in that year will be included in the items for payments. In subsequent years, they will be included in items for payments of the remainder of the multiannual project, which will be paid.

Own resources – EU budget revenues

In February 2013, the European Council decided on certain changes in the system of own resources for the period of 2014-2020. However, until the new Decision by the Council regarding own resources, the current system will remain in effect.

The EU's own resources represent EU revenues. Annual expenditures must be fully covered by annual revenues, since the EU's budget is not allowed to have a deficit. Various types of own resources and methods of their calculation are set in the Council's decisions regarding own resources. It also limits the maximum yearly amounts (ceilings) of own resources that the EU may increase during the year to a maximum of 1.23% of GDP.

EU's own resources

Traditional own resources
Traditional Own Resources consist mainly of import duties for countries outside of the EU and amounts related to sugar. EU member states keep 25% of the amount as costs for collection.
Own resources based on VAT
A uniform rate of 0.3% is imposed on individual member states' harmonised VAT bases.
Own Resources based on GNI
Each member state contributes to the budget 1% of its GNI to the EU. Although this source is intended only to cover the portion of expenditures not covered by other own resources, it has become the largest source of EU budget revenues.
Other sources of revenue
Other budget revenues make up about 1% of the total EU budget and include taxes and other withholding from remuneration for EU staff, bank interest, contributions from non-EU countries to certain programmes, default interest and fines.

Form of financial framework of the EU for 2014-2020

The Multiannual Financial Framework for 2014-2020 in resources for obligations is divided into six budget chapters

or basic areas of expenditures. The first area is divided into two sub-areas. Individual areas (or sub-areas) contain a number of programmes and mechanisms. In total, during the seven-year period the EU will be able to invest in appropriations for commitments just under 960 billion euros in 2011 prices, and in appropriations for payments approximately 908 billion euros. The most important budget item (almost 50% of financial resources) consists of the first area "Smart and Inclusive Growth", which is further divided into Competitiveness for growth and jobs and Economic, social and territorial cohesion.

As part of Competitiveness for growth and jobs, in the subsequent period 10 specific programmes will function, which will be focused mainly on research, development and innovation, education and training, development of trans-European networks related to energy, transport and telecommunications, social policy and support for small and mid-sized enterprises.

With regard to cohesion policy, for which the EU has allocated 325 billion euros for the seven-year period, the financial resources are being directed mainly for regional development, assistance for the least developed countries and regions in the EU, boosting of the competitiveness of all regions and development of inter-regional cooperation.

Approximately 40% of budget resources are intended for "Sustainable Growth".

A significant portion of money is focused on Common Agricultural Policy (direct payments to farmers and rural development), and the remaining resources are intended for Common Fisheries Policy, the environment and climate matters. Financial resources related to the the third area "Security and citizenship" are intended to finance border protection, immigration and asylum policy, public health, consumer protection, culture, youth, information campaigns, etc.

The fourth spending area "Global Europe" includes financial resources for all measures related to internal policy (and foreign policy) of the EU, such as for development and humanitarian assistance.

The fifth area "Administration" involves financing of administrative expenditures of European institutions.

The last, sixth, area of the financial framework involves "Compensations". It is only a temporary mechanism of financial resources. The aim is to ensure that Croatia, which joined the European Union in July 2013, in the first year following its accession does not contribute more to the EU budget than it receives from it.

Financial perspective 2014-2020 (in mil. eur) – 2011 prices

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	2014-20	2014-20 *
1. Smart and Inclusive Growth	60 283	61 725	62 771	64 238	65 528	67 214	69 004	450 763	508 921
Competitiveness for growth and jobs	*15 605*	*16 321*	*16 726*	*17 693*	*18 490*	*19 700*	*21 079*	*125 614*	*142 130*
Economic, social and territorial cohesion	*44 678*	*45 404*	*46 045*	*46 545*	*47 038*	*47 514*	*47 925*	*325 149*	*366 791*
2. Sustainable Growth: Natural Resources	55 883	55 060	54 261	53 448	52 466	51 503	50 558	373 179	420 034
of which: Market related expend. and direct paym.	*41 585*	*40 989*	*40 421*	*39 837*	*39 079*	*38 335*	*37 605*	*277 851*	*312 735*
3. Security and citizenship	2 053	2 075	2 154	2 232	2 312	2 391	2 469	15 686	17 725
4. Global Europe	7 854	8 083	8 281	8 375	8 553	8 764	8 794	58 704	66 262
5. Administration	8 218	8 385	8 589	8 807	9 007	9 206	9 417	61 629	69 584
of which: Administrative expenditure of the instit.	*6 649*	*6 791*	*6 955*	*7 110*	*7 278*	*7 425*	*7 590*	*49 798*	*56 224*
6. Compensations	27	0	0	0	0	0	0	27	29
TOTAL COMMITMENT APPROPRIATIONS	**134 318**	**135 328**	**136 056**	**137 100**	**137 866**	**139 078**	**140 242**	**959 988**	**1 082 555**
as a percentage of GNI	1.03%	1.02%	1.00%	1.00%	0.99%	0.98%	0.98%	1.00%	1.00%
TOTAL PAYMENT APPROPRIATIONS	**128 030**	**131 095**	**131 046**	**126 777**	**129 778**	**130 893**	**130 781**	**908 400**	**1 023 954**
As a percentage of GNI	0.98%	0.98%	0.97%	0.92%	0.93%	0.93%	0.91%	0.95%	0.95%
Margin available	0.25%	0.25%	0.26%	0.31%	0.30%	0.30%	0.32%	0.28%	0.28%
Own Resources Ceiling as a % of GNI	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%

*Source: European Commission, * current prices*

COMPARISON WITH MFF 2007-2013 AND 2014-2020

For the seven-year period of 2014-2020, just under 960 billion euros in 2011 prices (1% of GDP) is reserved in total appropriations for commitments, which compared to the preceding budget period of 2007-2013, when 994 billion euros were reserved for commitments, is 3.4% less.

For overall appropriations for payments, the difference of both budget periods is 3.7%, and for the subsequent seven years it is expected to be 908 billion euros in current 2011 prices (0.95% if GDP), compared to 943 billion euros for the previous period (1.07% of GDP).

MFF 2014-2020/2007-2013 (in mil. eur), in 2011 prices

COMMITMENT APPROPRIATIONS	2007-2013	2014-2020	2014-2020/2007-2013	
			Δ in mil. eur	Δ in %
1. Smart and Inclusive Growth	446 788	450 763	3 975	0.9%
1a: Competitiveness for growth and jobs	91 541	125 614	34 073	37.2%
1b. Economic, social and territorial cohesion	355 248	325 149	-30 099	-8.5%
2. Sustainable Growth: Natural Resources	420 682	373 179	-47 503	-11.3%
of which: Market related expenditure and direct payments	318 820	277 851	-40 969	-12.9%
3. Security and citizenship	12 396	15 686	3 290	26.5%
4. Global Europe	56 815	58 704	1 889	3.3%
5. Administration	56 503	61 629	5 126	9.1%
6. Compensations	920	27	-893	
TOTAL COMMITMENT APPROPRIATIONS	**994 104**	**959 988**	**-34 116**	**-3.4%**
as a percentage of GNI	1.12%	1.00%	-0.12%	
TOTAL PAYMENT APPROPRIATIONS	**943 137**	**908 400**	**-34 737**	**-3.7%**
As a percentage of GNI	1.07%	0.95%	-0.12%	-

Source: European Commission

KEY NON-FINANCIAL CHARACTERISTICS OF THE FINANCIAL FRAMEWORK

A more transparent budget

The new financial framework enables more flexibility during reactions to occurring unexpected situations.

Flexibility for payments

This enables shifting of unused financial appropriations for payments or carrying over from one budget year to another. These adjustments must be compensated by a corresponding reduction of the ceiling of payment items for year n-1.

Flexibility for commitments in growth and employment

Commitments for obligations not used in 2014-2017 will create a reserve for additional expenditures in the period of 2016-2020 in the area of growth and employment.

Special flexibility for youth employment and research

So that a maximum of financial resources can be used where they are most needed, the EU will have at its disposal for 2014-2015 up to 2.1 billion euros as part of the Initiative

for the Youth Employment Initiative and up to 400 million euros for supporting research, small and mid-sized businesses and the Erasmus programme.

Flexibility for aid for the most deprived

Member states may voluntarily increase the division of allocations for supporting their most impoverished persons to up to 1 billion euros.

Contingency Margin

This is an instrument of final assistance, which makes it possible to react flexibly to unforeseen circumstances. Within this instrument it is possible to draw up to 0.03% of the EU's gross income. Besides the limits of the multi-year financial framework, special "flexibility mechanisms" will also function, which will enable drawing of additional financial resources, but only in certain specific cases.

Financial correction mechanisms

Certain member states contribute to the EU's joint budget, in comparison with their national wealth, through larger amounts. Therefore, over the years they have negotiated various advantages in the form of entitlement to financial correction. Also for the 2014-2020 period, compensation for the United Kingdom will be kept in the same amount as in the previous period.

The so-called "the UK rebate" is a discount from deductions to the joint budget, which for Britain is counted as 66% of the difference between the financial resources that Britain transfers to the joint budget and the financial resources that the country gets back as part of various policies.

Denmark, the Netherlands and Sweden will within their annual contributions calculated based on gross national income contribute less to the EU's joint budget during the entire seven-year period.

For Denmark, this annual contribution to the EU budget is reduced to 130 million euros. The Netherlands will contribute 695 million euros, and Sweden will contribute 185 million euros annually. Austria will then contribute a reduced amount of 30 million euros in 2014, 20 million in 2015 and 10 million in 2016. Germany, the Netherlands and Sweden are also provided an advantage with a lower 0.15% rate for deductions from VAT.

Emergency Aid Reserve - maximum of 280 million euros per year

This reserve is intended for financing humanitarian assistance, for financing rescue work (such as following the commencement of armed conflicts in any non-EU states) with the aim of reacting quickly to an unpredictable situation.

Solidarity Fund - maximum of 500 million euros per year

The resources from this fund serve for providing assistance following major disasters (such as earthquakes and floods) in member states or candidate countries. The resources are for restoring basic infrastructure, handling direct health risks, ensuring temporary housing, etc.

Flexibility instrument – max. 471 million euros per year

The resources are provided for clearly specified expenditures, which cannot be covered from the EU budget without exceeding the maximum annual amount for expenditures set by the Multiannual Financial Framework. In the past this instrument has been used for example for financing energy projects.

European Globalisation Fund – max. 150 million euros per year

This fund is focused on assisting workers who have lost their jobs as a result of major changes in the structure of global trade and who are trying with the help of retraining to gain new employment and become reintegrated into the labour market.

THE MOST IMPORTANT BUDGET ITEMS AND THE IMPACT ON THE CZECH REPUBLIC

At the time when this issue of the Monthly was being finalised, the exact allocations of the key budget areas for individual states had not yet been made public:

- Cohesion Policy
- Common Agricultural Policy (1st and 2nd pillars)

However, unofficial preliminary simulations for the new programme period are already available.

According to them, the total package of resources within the cohesion policy directed to the CR was to equal an amount slightly exceeding 20.5 billion euros.

Resources for direct payments to farmers, which comprise the 1st pillar of the CAP, intended for Czech entrepreneurs, could reach up to 6.1 billion euros.

By volume, the least money is from the most important budget resources for rural development grants. For the Czech Republic, a financial package has been estimated in the amount of 2.2 billion euros. All of the figures specified in this chapter are expressed in current 2011 prices.

CONCLUSION

After two and a half years of negotiating, European institutions finally reached a definitive consensus regarding the form of the Multiannual Financial Framework budget for 2014-2020. The long-term budget sets in 2011 prices commitments totalling 960 billion euros, and 908 billion euros in resources are intended for actual payments.

Compared to the previous financial framework for 2007-2013, there is 3.4% less in commitments and 3.7% less in payments. However, for priority areas sufficient financial resources remain allocated. In the coming years, the EU wants to invest particularly into employment, education, research, development, innovation, support for small and mid-sized businesses, etc.

The largest amount of financial resources is being directed to the cohesion policy and being allocated for the joint agricultural policy. The approval of this document is of key importance for EU member states. It will enable them to begin preparing for optimum drawing of resources from the European budget.

Within the new financial framework, a few major changes are taking place, and the budget is more flexible and enables greater flexibility during reactions to unexpected situations. Besides the limits of the framework, there are also other mechanisms for unexpected circumstances.

From the budget for the Cohesion Policy, there is a newly reserved portion of resources known as the "performance reserve". It is intended to serve as a reserve for payment of rewards to member states and regions that manage to fulfil objectives set in advance. There will also be changes to regular drawing from individual structural and investment funds.

The drawing process will be simpler and less bureaucratic. We will encounter adjustment of the rules also in agricultural policy. The new rules will affect, for example, young and small farmers, with measures related to milk, sugar, wine, fruits and vegetables and also fairer division of direct payments.

As far as the Czech Republic is concerned, during the 2014-2020 period approximately 6 billion euros will be reserved for direct payments to farmers from the European budget, and over 2 billion euros will be reserved for rural development.

The largest piece of pie from our revenues from Brussels, however, will be in the form of financing from structural and investment funds.

The allocation of financial assistance within the cohesion policy for the Czech Republic amounts to 20.5 billion euros. That is approximately a quarter less than the allocation in the current 2007-2013 programme period.

However, we do not have to consider that a tragedy. In an optimum case, the lower volume of grants will finally create desired pressure to bring about their more effective use.

The Guide to Doing Business Section is part of the advisory programme "Foreign Business Guide", which the EU Office has offered since the beginning of this year. Within the program, we provide our clients from among small and medium-sized businesses with information about how to expand abroad successfully and what business environment awaits them there. You can find more information about the programme here: www.csas.cz/eu. In this issue we present France.

FRANCE

Official name	France (French Republic)
Population	65 397 912 (2013)
Area	551.500 km^2 + 92.301 km^2 overseas territories
Currency	Euro (EUR)
Language	french

Source: CIA World Factbook

France is a parliamentary republic with a semi-presidential system. The president is elected for a 5-year term directly by the people with the possibility of being re-elected once. (Socialist Francois Hollande was elected president in 2012.) The French Parliament is bicameral. Its National Assembly has 577 legislators, who serve five-year terms and France's parliamentary elections and presidential elections are held at the same time.

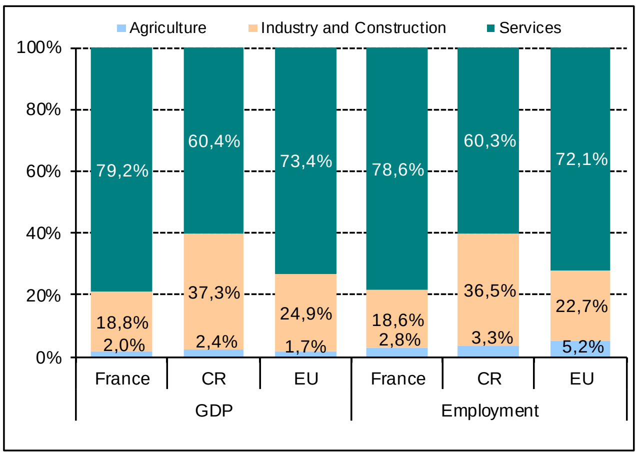
The other house of parliament, the Senate, cannot be dissolved, and every three years an election is held to replace half of the senators. The senators are elected indirectly by representatives of provinces, and their number cannot exceed 348.

Structure of economy and foreign trade

France, compared to the Czech Republic and other EU states, has a strongly represented service sector making up 79.2% of GDP, which employs 78.6% of the work force. Contrastingly, in the Czech Republic the service sector makes up only around 60% of GDP and employment.

The French industry sector (18.8% of GDP) is about half the size of the same sector in the Czech Republic, while both countries' agricultural sectors are about the same size. France mostly imports machines and equipment, vehicles, chemical and petroleum.

Sectors of the National Economy - France (CR and EU)



Source: Eurostat, data as of 2012

The country's main import partners are Germany (19.5%), Belgium (11.3%) and Italy (7.6%).

France exports mainly machines and equipment, along with aircraft, plastics, chemicals, medications, iron and beverages. The country's exports go mainly to Germany (16.7%), but also to Belgium and Italy (each 7.5%).

Macroeconomic outlook

After two quarters of recession, GDP grew year-to-year in the second and third quarters of 2013 by 0.5% in each quarter. Economic activity is expected to remain on the ground until 2014, when growth will remain below 1%. Foreign demand is expected to give a boost to the economy in 2015, along with private consumption, which, however, will contribute only cosmetically.

Weak economic performance is also reflected in the continued double-digit unemployment rate and the continuing absence of inflation pressure. France's Achilles' heel is its unpleasant situation with public finances, which according to estimates is not expected to improve even in the 2013-2015 period.

Basic indicators (in %)	2012	2013^e	2014^e	2015^e
GDP Growth	0.0	0.2	0.9	1.7
Unemployment rate	10.3	11.0	11.2	11.3
Inflation	2.2	1.0	1.4	1.3
Balance of payments	-2.1	-1.8	-1.5	-1.5
Government deficit	-4.8	-4.1	-3.8	-3.7
Public budget deficit	90.2	93.5	95.3	96.0

Source: European Commission; ^{e} - estimate

Labor market

The problems with France's economy include its labour market with an unemployment level slightly above 10%, about 3% higher than in the Czech Republic. The French minimum wage expressed in euros is nearly 4.5 times the Czech minimum wage.

There is a major difference compared to the Czech Republic not only in the minimum wage, but also in total labour costs (besides gross wages, they also include additional costs related to labour, such as for social security, health

insurance, etc.). For example, in the processing industry, labour costs approaching 4,800 euros are more than 3 times higher than in the Czech Republic.

Basic indicators of labor market		
Unemployment level (September 2013)	11.1%	
Labor productivity to Ø EU (2012)	127,4 %	
Minimum monthly wage (2013)	1 430 EUR	
Ø monthly labor costs in sectors	**France**	**CR**
Manufacturing (2012)	4 779 €	1 445 €
Transport and storage (2012)	4 227 €	1 488 €
Accommodation and food (2012)	3 217 €	917 €

Source: Statistical Offices of France and Czech Republic

Labor law basics

An employment contract can be for a definite or indefinite period. The maximum probationary period for a new employee differs by profession, but is usually two months. Severance pay is paid based on the length of employment; it cannot be less than one fifth of the monthly wage for each year worked and another two fifteenths of wages for each year above ten years of employment.

The work period is 35 hours per week. Any additional hours are considered overtime work, and higher wages must be paid for them. Each employee is entitled to 30 days of vacation per year.

Commercial law basics

France offers investors the opportunity to establish any form of company (a limited liability company, a joint-stock company, a simplified joint-stock company, a European company) or to establish a representative office or branch.

For a limited liability company (abbreviated SARL in French), there is no minimum registered capital requirement. Legislation allows the value of time, work and professional knowledge of partners to be included in the registered capital.

Form of Company	Minimum Capital
Joint Stock Company (SA)	37 000 EUR
Simplified Joint Stock Company (SAS)	not required
Limited Liability Company (SARL)	not required
European Company (SE)	120 000 EUR

Source: Ministry of Economy in France

Their number can be between 2 and 100 (a special type exists only for one partner). For a joint-stock company, the minimum registered capital is 37,000 euros. At least 7 individuals or legal entities are needed to establish a joint-stock company, except for a simplified joint-stock company, for which only one or more persons is required.

Main taxes and additional labor costs

The tax system in France is relatively difficult. It is based not only on a greater number of individual tax rates, but also on local taxes and other withholding.

The basic tax rate for French companies is 33.33%. Companies also pay a social contribution equal to 3.3% of the paid corporate taxes exceeding 763,000 euros. Additionally, large corporations with annual turnover of over 250 million euros are subject to a temporary 5% surcharge based on the total amount of corporate taxes paid. Companies can be taxed at a maximum corporate tax rate of 36.1% (33.3 * 1.083 = 36.1).

Individual income taxes are progressive and have six rates. The highest rate is 45% for annual income exceeding 150,000 euros. VAT in France has 4 rates: the basic rate is 19.6%, the two reduced rates are 5.5% (for food) and 7% (for books, medications, accommodation, restaurants, etc.), and there is one super-reduced rate of 2.1% used for newspapers and certain medications.

Tax/payment	Rate
Corporate Tax	33.33%, max. 36.1%
Dividend tax for non-residents	30.0%
Individual Income Tax	0 / 5.5 / 14 / 30 / 41 / 45%
VAT	2.1 / 5.5 / 7 / 19.6%

Source: web pages of French Ministry of Finance

Energy

France has 25% cheaper electricity than the Czech Republic. The price of natural gas in France is more expensive (by about 12%), and during the first half of 2013 it hovered at around 10.2 euros per gigajoul. Three quarters of France's electricity comes from nuclear power plants, and 15% comes from renewable resources.

Investment incentives

France offers foreign investors a wide range of investment incentives, mainly through national programmes, tax relief, etc. The country also supports technological innovations, research and development by providing investors with a range of interesting tax benefits.

Investments into job creation are also supported. Other benefits that France offers are related to investments into education and the environment.

In the current issue of the Monthly, we pick up from where we left off in the previous two issues by focusing on EU budgets, and we also focus on the third and fourth financial perspectives. We focused on the first and second ones in the November issue. The first perspective for 1988-1992 was for a five-year period, and for 1993-1999 it was a seven-year period. The seven-year planning period proved to be effective, and so in later years the period did not change.

FINANCIAL PERSPECTIVES IN THE NEW MILLENNIUM

Financial perspective 2000-2006

The 2000-2006 financial framework was approved on 6 May 1999 based on the signed third inter-institutional agreement prepared by the European Commission: Agenda 2000 – for a stronger and broader Union. As a result of enlargement, the outlook was modified by a decision by the European Parliament and Council of 19 May 2003.

Financial perspective 2000-2006 (in mil. eur)

Selected years of financial perspective	2000	2006
COMMITMENT APPROPRIATIONS		
1. Agriculture	41 738	50 573
- CAP	*37 352*	*43 746*
- Rural development	*4 386*	*6 827*
2. Structural Funds	32 678	43 056
- Structural Funds	*30 019*	*37 133*
- Cohesion Fund	*2 659*	*5 923*
3. Internal policies	6 031	9 108
4. External action	4 627	5 104
5. Administration	4 638	6 325
6. Reserves	906	442
7. Pre-accession aid	3 174	3 455
8. Compensations	-	1 041
Total Commitment Appropriations	93 792	119 104
Total Payment Appropriations	91 322	114 740
Own resources ceiling as % of GNP (GNI)	1.27 (1.24)	1.27 (1.24)

Source: Decision of the European Parliament and of the Council 2003/429/EC, in 2004 prices

For this period, an emphasis was placed on agricultural policy as well as on economic and social cohesion. The pre-accession strategy and the future enlargement of the EU were taken into consideration, along with the potential consequences related to financing.

Important steps included expanding financing of agriculture to include rural development policy, and the Special Accession Programme for Agriculture and Rural Development (SAPARD) was created. In the area of structural and cohesion policy, a new pre-accession mechanism was created for co-financing of projects related to the environment and infrastructure, ISPA.

The plan called for maintaining compensation for Britain. In relation to income as part of the financial outlook for 2000-2006, the VAT contribution of individual member states was reduced to 0.75% (in 2002). Since 2004, this contribution has been only 0.5% of the VAT base. As of 2002 the fourth additional source of revenue, which was originally calculated from GDP, was replaced by the gross national income indicator. The ceiling of own resources at that time was set for the period as 1.27% of the EU's GDP, which corresponded to 1.24% of the EU's gross national income.

Financial perspective 2007-2013

The most recent financial outlook for finished periods was set for 2007-2013. Within this outlook, there was a relatively major change in budget resource allocation. Already from the beginning, the outlook was construed for 27 member states. The framework was approved as part of the fourth inter-institutional agreement on 17 May 2006 and pertained to budget discipline and proper financial management. As of 2009 in connection with the adoption of the Lisbon Treaty, the financial outlooks were enshrined in primary law and became part of the EU's official financial procedure.

The financial outlook was revised several times, and the final form of the financial perspective for 2007 and 2013 is shown by the following table. In this period, the "British rebate" was reduced, and financial contributions to regions were increased. One of the most important items remains agricultural policy, even though since 2007 the EU has been trying to its detriment to contribute to structural funds.

Financial perspective 2007-2013 (in mil. eur)

Selected years of financial perspective	2007	2013
COMMITMENT APPROPRIATIONS		
1. Sustainabla Growth	50 865	59 111
1a: Competitiveness for Growth and Empl.	*8 404*	*13 112*
1b: Cohesion for Growth and Employment	*42 461*	*45 999*
2. Preservation and Management of Natural Resources	51 962	51 284
3. Citizenship, freedom, security and justice	1 199	2 014
4. EU as a global player	6 199	8 029
5. Administration	6 633	7 106
6. Compenstations	419	63
Total Commitment Appropriations	117 277	127 607
Total Payment Appropriations	115 142	120 731
Own resources ceiling as % of GNI	1.24	1.23

Source: Decision of the European Parliament and of the Council 2013/419/EU, in 2004 prices

The Statistical Window displays the selected economic indicators of all 28 EU member states. It includes comparable data from the labour market (the unemployment level, the average gross salary compared to the EU average, work productivity compared to the Czech Republic) as well as price characteristics (year-to-year inflation based on the HICP index, average mortgage interest rates and electricity prices compared to the EU average for 1000-2500 kWh). For a comparison, the same indicators for the entire EU are shown in the table.

Key economic indicators

	Inflation (YoY)				Unemployment rate				Average wages to Ø EU			
in %	VII-13	VIII-13	IX-13	X-13	Q4-12	Q1-13	Q2-13	Q3-13	2008	2009	2010	2011
Belgium	1.6	1.1	1.0	0.7	8.0	8.3	8.5	8.8	135.1	138.1	134.3	128.9
Bulgaria	0.0	-0.7	-1.3	-1.1	12.5	12.9	12.9	13.1	11.1	12.7	12.6	13.1
CR	1.4	1.2	1.0	0.8	7.2	7.2	7.0	7.0	36.3	35.9	36.8	35.6
Denmark	0.4	0.1	0.2	0.3	7.1	7.3	6.8	7.1	160.0	166.1	163.5	155.0
Germany	1.9	1.6	1.6	1.2	5.4	5.4	5.3	5.3	137.5	138.5	137.3	132.2
Estonia	3.9	3.6	2.6	2.2	9.7	9.3	8.1	n/a	33.4	32.0	31.0	29.9
Ireland	0.7	0.0	0.0	-0.1	14.2	13.7	13.8	13.7	108.1	107.1	104.6	99.0
Greece	-0.5	-1.0	-1.0	-1.9	26.1	26.6	27.4	n/a	55.5	62.5	66.2	47.4
Spain	1.9	1.6	0.5	0.0	26.1	26.4	26.4	26.6	77.2	81.4	80.2	76.1
France	1.2	1.0	1.0	0.7	10.6	10.8	10.8	11.0	111.5	115.0	112.8	108.1
Croatia	2.7	2.4	1.7	0.8	17.6	17.0	16.9	17.0	n/a	n/a	n/a	n/a
Italy	1.2	1.2	0.9	0.8	11.4	11.9	12.1	n/a	89.1	92.4	91.4	87.5
Cyprus	0.7	0.1	0.3	-0.5	13.4	14.5	15.8	16.7	n/a	n/a	n/a	n/a
Latvia	0.5	-0.1	-0.4	0.0	14.2	12.6	11.3	n/a	26.9	27.9	26.6	25.8
Lithuania	0.6	0.5	0.5	0.5	12.9	12.6	11.9	12.1	24.6	23.2	21.9	21.0
Luxembourg	1.8	1.7	1.5	1.0	5.2	5.5	5.7	5.8	156.2	162.3	159.7	150.4
Hungary	1.7	1.6	1.6	1.1	11.0	10.9	10.4	n/a	30.8	29.3	29.5	28.3
Malta	0.9	0.7	0.6	0.5	6.5	6.5	6.5	6.4	55.7	57.7	58.1	59.4
Netherlands	3.1	2.8	2.4	1.3	5.6	6.2	6.7	7.0	143.3	149.6	146.4	138.4
Austria	2.1	2.0	1.8	1.5	4.6	4.9	4.7	n/a	123.7	127.5	124.6	118.4
Poland	0.9	0.9	0.9	0.7	10.4	10.6	10.5	10.4	31.9	27.2	29.3	28.2
Portugal	0.8	0.2	0.3	0.0	17.1	17.6	17.0	16.4	55.4	57.7	56.2	53.0
Romania	3.4	2.6	1.1	1.2	6.7	7.1	7.4	7.5	18.1	16.8	18.0	18.0
Slovenia	2.8	2.2	1.5	1.1	9.5	10.6	10.6	10.3	52.4	54.2	54.8	51.5
Slovakia	1.6	1.4	1.1	0.7	14.4	14.2	14.2	14.0	28.2	30.5	30.2	29.1
Finland	2.5	2.0	1.8	1.7	7.9	8.1	8.1	8.1	124.1	129.5	129.4	125.0
Sweden	0.8	0.8	0.5	0.2	8.1	8.1	8.0	7.9	121.7	114.9	125.0	125.4
UK	2.8	2.7	2.7	n/a	7.7	7.8	7.7	n/a	139.2	126.3	129.4	119.1
EU	1.6	1.3	1.1	0.7	10.8	11.0	11.0	11.0	100.0	100.0	100.0	100.0

	Productivity to Ø CR				Average interest rate on mortgages				Price electricity to Ø EU			
in %	2009	2010	2011	2012	2010	2011	2012	1H-13	2010	2011	2012	1H-13
Belgium	264.5	259.8	257.8	270.1	n/a	n/a	n/a	n/a	120.9	122.3	115.7	109.7
Bulgaria	33.0	33.8	36.1	40.2	9.7	8.8	8.3	7.8	45.2	43.6	43.8	43.7
CR	100.0	100.0	100.0	100.0	5.2	4.5	4.0	3.6	118.8	119.1	112.8	110.2
Denmark	280.2	286.6	283.1	294.2	3.7	4.0	3.4	n/a	164.4	167.8	160.0	154.7
Germany	207.1	204.8	203.1	211.5	3.8	4.0	3.2	2.8	146.1	143.3	140.2	148.4
Estonia	80.9	83.2	84.0	89.9	3.9	3.7	3.1	2.9	55.2	53.1	55.0	65.2
Ireland	290.9	279.5	283.2	296.4	3.1	3.5	3.3	3.4	118.2	125.4	131.3	130.8
Greece	168.1	156.9	151.0	158.0	3.8	4.7	3.6	3.2	57.1	56.5	61.0	67.4
Spain	190.8	185.3	184.6	196.4	2.6	3.5	3.4	3.2	111.6	116.5	120.1	114.0
France	246.3	237.2	235.3	246.7	4.3	4.4	4.4	3.9	82.6	81.8	78.2	78.7
Croatia	98.1	97.1	96.1	102.1	n/a	n/a	n/a	n/a	62.1	60.9	68.6	69.9
Italy	217.2	211.2	207.3	212.7	2.8	3.6	4.3	3.9	89.2	86.9	94.0	91.7
Cyprus	150.3	147.2	146.5	156.8	4.6	5.3	5.5	5.4	106.0	115.0	138.0	128.4
Latvia	66.0	63.7	75.3	83.2	7.4	4.7	3.8	3.8	57.6	61.1	61.4	61.2
Lithuania	66.2	68.4	72.4	85.4	6.0	4.2	3.3	2.7	66.5	65.2	62.7	65.2
Luxembourg	582.9	601.0	605.6	637.1	2.2	2.5	1.4	2.2	105.4	95.8	91.9	86.8
Hungary	85.0	85.0	84.3	83.7	10.5	10.5	11.9	10.2	94.2	87.5	80.5	68.8
Malta	130.4	128.7	126.2	131.7	3.7	3.6	3.6	3.5	109.9	103.3	97.2	93.6
Netherlands	236.1	229.6	225.4	233.1	4.6	4.6	4.3	3.9	52.9	55.0	55.9	57.9
Austria	n/a	n/a	n/a	n/a	3.1	3.4	3.2	2.9	117.8	113.9	108.7	110.7
Poland	68.9	76.3	76.8	81.3	7.1	7.0	7.4	6.2	80.3	78.3	74.9	71.9
Portugal	117.3	115.6	112.8	117.4	3.4	4.8	4.8	4.2	100.7	102.7	109.8	107.9
Romania	43.7	43.6	45.2	46.2	11.7	9.5	8.0	8.3	57.6	56.8	53.2	63.1
Slovenia	127.1	122.8	122.4	n/a	3.5	4.0	3.6	3.4	92.6	87.1	85.5	88.2
Slovakia	93.4	94.6	94.7	102.0	5.6	5.2	5.2	4.5	97.7	98.2	94.8	89.8
Finland	243.8	239.6	241.6	254.5	2.1	2.6	2.2	2.2	94.1	100.8	95.3	94.0
Sweden	230.0	258.3	270.8	293.5	2.4	3.9	3.5	2.9	112.9	116.4	108.8	108.5
UK	193.2	198.6	195.6	217.0	n/a	n/a	n/a	n/a	83.8	84.1	92.0	88.6
EU	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100.0	100.0	100.0	100.0

Source: Eurostat; ECB