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Dear readers,

You have just received the 150th issue of the EU News Monthly Journal in your hands. For more than 12 years the Monthly has been bringing you news and the most interesting events not only related to the European Union. And this „anniversary“ edition will not be an exception. Currently one of the most closely watched upcoming events is the referendum on the United Kingdom's continuance in the EU. The British demands for the reform of the Union were discussed in Brussels, where the EU tried to make concessions to Britain. On page 2 you can read about what was negotiated and when the referendum will be held. There we also review the Investment Plan (the so-called Juncker package), which has been in operation for half a year.

Undoubtedly, the good news is the confirmation of positive developments in the macroeconomic indicators of the Czech Republic, as is clear from the European Commission winter forecasts at the beginning of February this year. Even though for 2016 it envisages lower economic growth than in 2015, the country still has an above average result among the European Union countries. The good results of the Czech economy are also reflected in the labor market, where the Czech Republic ranked second place in the European Union with the lowest unemployment rate right after Germany. The Microscope section which can be found on page 8 provides additional figures and summaries.

We also bring you something completely new in the form of another overview of statistics in our Statistical Window on page 16. Alongside the two regular existing overviews with macro and micro economic indicators, we are adding another based on the Europe 2020 strategy. We have selected indicators from the five defined European Union objectives for 2020: employment of people in the 20 to 64 year age category; investment in research and development; greenhouse gas emissions compared to 1990 levels; share of energy from renewable sources; higher education (third level) of the population in the 30 to 34 year age group and change in the number of people who live in poverty and social exclusion or who are on the verge of poverty and at risk of social exclusion compared to 2008.

We have dedicated the Main Topic of this edition to the issue of quantitative easing. Although it is not anything new since quantitative easing was already being discussed in the nineties in Japan, it is still a very current topic, especially in the eurozone. The European Central Bank will in fact mark the anniversary of the entry of quantitative easing. On 9 March 2016 a year will have passed since the ECB launched the programme of asset purchases of 60 billion euros per month. The original plan to „print money“ was expected to end this fall. In December 2015 the ECB extended its programme for another six months however. Other adjustments of monetary policy should be reviewed at the meeting on 10 March this year. More about quantitative easing is on pages 9 to 12.

The EC's Column on page 6 introduces a very important package of concrete measures against corporate tax evasion that probably will not be welcomed very favourably by companies utilizing tax havens. This package is built on three main pillars which concern ensuring that firms pay taxes where their actual activity takes place and where they generate their profits. Additionally there is an effort to increase the transparency of corporate taxes and the third pillar is based on the strengthening of cooperation at the international level.

The facts that even last year the Czech Republic was still hastily drawing European money from the 2007-2013 programming period (which among other things helped economic growth) and that the new funding period for the next seven years is already here are known, but it is good to recall what has changed and whether there were some improvements by comparing these two periods - more on page 15.

Dear readers, I wish you pleasant reading of our „anniversary“ Monthly.

Tomáš Kozelský

# EU Events



Summit of EU leaders: Have they prevented a Brexit?; - Investment Plan for Europe - the goal is to again attract investment into the European economy; - The Juncker package has so far mobilized 60 billion euros and the European Investment Bank has opened its office in Prague; - The energy security package – it mainly addresses the security dimension of energy policy.

## POLITICS

### Summit of EU leaders: Have they prevented a Brexit?

On 18-19 February in Brussels a summit of EU leaders was held, which journalists and politicians considered groundbreaking and European Council President Donald Tusk himself before the start described as a „make or break summit.“

It was in fact about the British demands for the reform of the Union, which will be crucial for the decision of British voters in the referendum about remaining in the EU. **The referendum will take place on 23 June.**

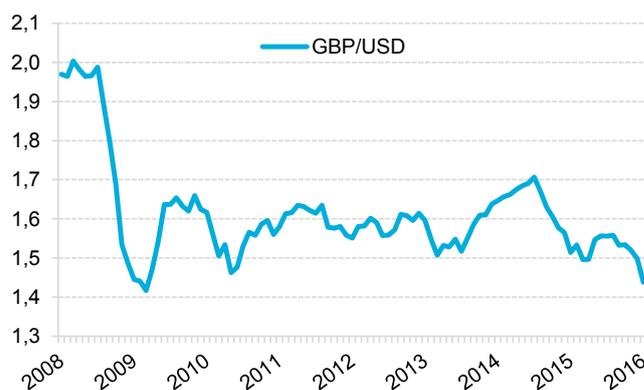
The negotiations on the British demands were not at all easy. The biggest snags concerned the payment of social benefits for foreigners and questions related to migration.

The country finally agreed that **London will be able to pay workers from other countries** whose children live in the home country child benefits only in the amount which the state where the child lives pays, and not according to the British system. Such a measure will only apply to newly arrived workers and from 2020 also to those who are already working in the UK at present. Cameron had initially asked that these benefits not be paid at all, which the Czech Republic for example refused.

**The changes also affect in-work benefits** and London will be able to restrict payment of them to newcomers for four years. Such a measure will be in force under the so-called emergency brake, which member states will be able to utilize when the influence of migration results in great pressure on their social systems. London originally wanted to be able to use the emergency brake for up to 13 years. However the countries of Eastern and Central Europe in particular disagreed with this and a compromise was therefore established for a term of seven years. According to the agreement **London will no longer have to participate in the deepening of integration**, and is thus not bound by „ever closer union“. The leaders also negotiated that if a sufficient number of national parliaments is gathered which reject a piece of proposed European legislation, the member states will have to stop dealing with it.

Other changes will affect the relationship of the eurozone countries with those in which the euro does not apply. Countries not paying with the euro, including the Czech Republic, will thus be able to examine legislative proposals for the eurozone at the European Council level if they consider them discriminatory. David Cameron presented the agreement to the members of the British government and recommended that they vote for the country to stay in the EU. Two-thirds of British companies for example also desire this. Because of concerns that the UK could leave the EU the **British pound reached its lowest level since 2009** and from 19 February it lost nearly 3% against the dollar (as of 26 February 2016).

## GBP/USD exchange rate history



Source: Bank of England

<http://www.consilium.europa.eu/en/meetings/european-council/2016/02/18-19/>

## ECONOMY AND EURO

### What is the purpose of the Investment Plan for Europe?

The European Commission's Investment Plan called the Juncker package has completed its first six months. For what purpose was it actually created? Its aim is to again attract investment into the European economy and more effectively utilize existing investments, and in this way boost economic growth. Thanks to the plan, new resources amounting to up to 315 billion euros should be activated to be used over three years, which will encourage investment in the form of guarantees. **The plan is based on three pillars:**

**1) Financial instruments** – to help attract investment and through the multiplier effect multiply their impact (an integral part of the Investment Plan is therefore the European Fund for Strategic Investments - EFSI);

**2) Technical instruments** – The European Investment Project Portal (EIPP), which has the aim to connect investors with project proponents and thus increase transparency and awareness of investment opportunities in the EU is one means. Another tool is the European Investment Advisory Hub (EIAH), which provides professional support to investors, project promoters and managing authorities;

**3) Improving the investment environment and deeper integration of the single internal market** in this area - the emphasis is placed on removing administrative and regulatory barriers. The core of the investment plan consists of the EFSI whose main task is to mobilize additional investments and to attract finance in particular from private sources in areas such as transport infrastructure, development of research and innovation, education, telecommunications and energy.



In general the EFSI funding is particularly **suitable for riskier projects** whose proponents have difficulty finding investors. The EFSI thus assumes certain risks associated with the activities of the EIB and the already functioning European Investment Fund (EIF). When selecting projects their added value will particularly be taken into account, which should be in line with current EU priorities, including job creation, strengthening competitiveness and ensuring sustainable economic growth. There are no quotas set for individual member states or specific sectors to which finance should flow. Support from the EFSI is **suitable for entities of all sizes**. SMEs and large companies as well as public sector bodies or for example banks can apply for financing. Applicants for „large“ loans can apply directly to the EIB with the project proposal (through the EIAH). For SMEs it is advantageous to use loans from „ordinary“ banking institutions which utilize guarantee programmes strengthened by the support of the EFSI. An example might be EFSI cooperation with the Czech-Moravian Guarantee and Development Bank (CMZR in English, ČMZRB in Czech) in the EU Programme for the Competitiveness of Enterprises and SMEs COSME. This enables the CMZR to provide guarantees thanks to which businesses can more easily obtain loans from commercial banks.

[http://ec.europa.eu/priorities/jobs-growth-and-investment/investment-plan\\_en](http://ec.europa.eu/priorities/jobs-growth-and-investment/investment-plan_en)

### The Juncker package has so far mobilized 60 billion euros and the EIB has opened its office in Prague

Currently from the so-called Juncker package aid amounting to **9 billion euros for projects in 22 countries** of the European twenty eight has been approved. The Czech Republic is among them. Altogether these projects should mobilize more than 60 billion euros.

On Monday, 22 February 2016 the **European Investment Bank (EIB)**, which wants to strengthen its presence in all EU member states, **opened its office in Prague**. Thanks to this, better communication with national authorities and more effective work with financed projects is expected. The EIB and the Commission believe that the opening of the office will also facilitate provision of information and more frequent use of the European Fund for Strategic Investments (EFSI).

<http://www.eib.org/infocentre/press/releases/all/2016/2016-050-eib-opens-office-in-czech-republic-and-signs-loan-for-youth-employment.htm>

## ENERGY AND TRANSPORT

### The energy security package

On 16 February the European Commission unveiled the next package of proposals which will move member states closer

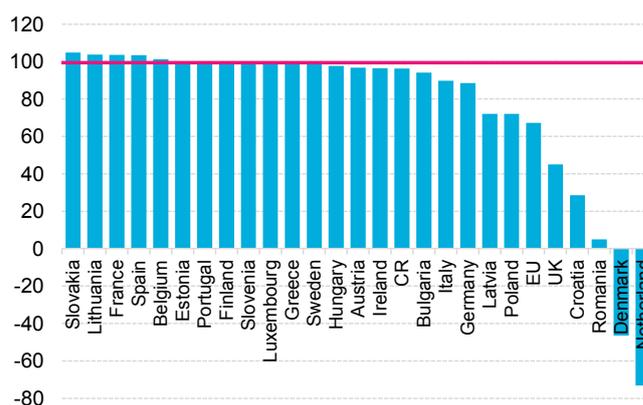
to the Energy Union. It particularly addresses the security dimension of energy policy.

#### The so-called winter package includes:

- the Regulation on Security of Gas Supply;
- the decision on intergovernmental agreements in the field of energy;
- the strategy for Liquefied Natural Gas (LNG) and gas storage;
- the strategy for heating and cooling.

As the Commissioner for Climate Action and Energy Miguel Arias Cañete stated, stress tests in 2014 showed that the European Union is still too vulnerable to serious disruptions in gas supplies .

#### Import Dependency - Natural Gas (2014, in %)



Source: Eurostat; note: Cyprus and Malta have no consumption

The „winter package“ is thus **primarily a gas package**. For this the Commission has reaped criticism from environmental organizations and advocates of an ambitious climate policy who do not like that after the Paris conference it is now focusing precisely on natural gas.

Although natural gas produces significantly less pollution than carbon, it is still a fossil fuel. The Commission is currently preparing proposals relating to energy efficiency and renewable energy sources (RES) and they should be given to the public during 2016.

**Without gas the transition to a low carbon economy cannot be done** as well however, which could be given as the explanation of the European Commission.

Natural gas is in fact considered to be a fuel that combines well with less predictable energy production from renewable sources, and therefore it should presumably have a major role in European energy.

The package does not focus only on finding new sources of gas and transport routes, but also on the effective use of existing ones. In the heating and cooling strategy in addition it also **focuses on the use of renewable energy**.



What does the so-called winter energy package contain?; - Compliance with Schengen rules on the borders of Greece; - 5G internet: the Czech Republic awaits changes – the 700 MHz frequency band should be partially released for mobile services; - The Czech Republic is in 17th place in the area of the Digital Agenda.

## Regulation on Security of Gas Supply

According to the Commission The EU should **strengthen the resilience of its markets** in case it has to face disruption of gas supplies. Ideally national and regional markets should be interconnected, liquid and competitive. That is why it is considered necessary to improve transparency in the European gas market. The Commission proposes a shift from a national approach to a regional approach when preparing measures in the field of gas supply security. It also wants to **implement the principle of solidarity** among member states, according to which purchasers would be protected in the event of an emergency by secure supplies from neighboring countries. Among these consumers are households, hospitals, small and medium enterprises and emergency service providers.

## Decision on intergovernmental agreements in energy

At present if an EU member state concludes an intergovernmental agreement relating to natural gas supplies, the Commission receives it retroactively. The new proposal however, is that the executive will have **the possibility to influence the form of contracts** even before they are signed. In this way the Commission wants to ensure that agreements with third countries are transparent and in line with EU legislation. This should **prevent the creation of a dominant position**, which for example the Russian firm Gazprom has in Central Europe. Regarding commercial contracts, on the basis of the above-mentioned decision contracts concluded for a period exceeding one year and covering more than 40% of the market in a given country will automatically be submitted to the Commission for notification.

## Liquefied natural gas (LNG) and gas storage strategy

Thanks to the ability to transport **natural gas** by sea in tankers, in the Commission's view **it could become a global commodity and trade with it would be far more open**. The EU should presumably make use of this. Its total capacity for importing liquefied natural gas at present is sufficient to cover about 43% of the current total demand for gas (data for 2015). **Between individual regions there are big differences** however. Because of this the Commission has prepared a strategy for LNG, which aims to improve the access of all member states to this fuel as an alternative source. The focal point of this strategy is building strategic infrastructure, particularly interconnections between member states, which will enable all countries to have access to liquid gas, either directly or through neighbors.

## Heating and cooling strategy

The heating and cooling of buildings and industry consumes half the energy in the EU. There is good potential for savings, which should be the basis for the Energy Union.

**More so since from 75% of heating and cooling is dependent on fossil fuels.** The strategy therefore focuses on removing barriers to reducing carbon emissions in buildings and industry. It also places emphasis on the fact that increasing energy efficiency and use of renewable energy sources will have an impact on the security of energy supplies. Given that the EU wants to reduce its dependence on external suppliers, having a more strategic approach to this sector is crucial in the Commission's view.

[http://europa.eu/rapid/press-release\\_MEMO-16-308\\_en.htm](http://europa.eu/rapid/press-release_MEMO-16-308_en.htm)

## JUSTICE AND HOME AFFAIRS

### Compliance with Schengen rules on the borders of Greece

According to Commission President Jean-Claude Juncker, the evaluation report, which revealed shortcomings in the protection of the Schengen border on the territory of Greece, does not mean that the country should be isolated from the rest of the Schengen area. The goal is proper compliance with all regulations. Instead of thinking about isolating the country it is considered **necessary to enforce the agreed rules** and help Greece to fulfill its obligation and improve border protection in accordance with the Commission recommendations. The final form of the report was approved by the Commission on 2 February 2016. Even when discussing the draft report, however, there was talk that Greece must make improvements.

**Unannounced inspections** that took place in November 2015 at the Greek-Turkish border revealed shortcomings in the registration of incoming migrants and refugees. The necessary personnel and equipment for fingerprinting were lacking. According to the Commission it is also necessary to ensure that migrants who do not need asylum will be returned to their countries from Greece. Brussels also recommends the strengthening of border patrols.





According to Juncker the Schengen evaluation was created in order to identify problems and ensure that they are corrected.

**Greece is one of the key countries in the current migration crisis** because most migrants and refugees come into the EU right over its territory. Greek officials, however, have the feeling that the Schengen evaluation is politicized and that an effort to isolate the country exists.

<http://www.consilium.europa.eu/en/press/press-releases/2016/02/12-schengen-evaluation-of-greece/>

## INFORMATION SOCIETY

### 5G internet: the Czech Republic awaits changes

The Commission proposal, under which the **700 MHz frequency band** (currently used mainly for digital television broadcasting) should be partially released for mobile services will mean a number of changes for the Czech Republic. This will be felt not only by consumers, who also await high-speed mobile 5G internet in the future, but also by Czech firms.

Czech mobile operators in particular rejoice about the release of the spectrum, which they consider a necessary step forward due to the increase in the volume of mobile data on smartphones and tablets.

Providers of television services which allow their viewers to watch their favorite programmes via ground or terrestrial broadcasting adopt a much more restrained attitude towards the draft. These providers use those frequencies which should be used only by operators and no later than 30 June 2020. The license, thanks to which television can now broadcast on this band, will end in the period between the years 2021 to 2024 however. It can therefore be expected that if their frequencies are removed before this they will demand compensation.

**The transition to a new way of broadcasting in the Czech Republic will thus not be easy.** In addition, from 50-60% of Czech TV programmes are being transmitted via terrestrial broadcasting and not via cable or satellite, as in most cases, for example in Germany. Furthermore Czech television companies also have unfortunate news for their viewers who because of the changes will have to get new set-top boxes or replace their televisions.

**Under the Commission proposal every EU country should create a plan by mid-2017** according to which it will manage the release of the frequency band. In the case of the Czech Republic this is the Development Strategy for Terrestrial Digital Television Broadcasts designed by the Ministry of Industry and Trade (MPO).

This has been discussed since the end of January in inter-departmental consultations. The strategy envisages that

from the second half of 2016 to 2020 broadcasts will be simultaneously conducted in two standards DVB-T and DVB-T2 which should ensure a smooth transition. During this period, people should prepare for the changes and buy new televisions and set-top boxes, without which the popular free television programmes will already not be available in 2021.

The Commission proposal itself should be adopted by the Council and Parliament by the summer. It is expected that in the Council large countries such as Germany and France, where use of the 700 MHz band for mobile services is already permitted, will push the Commission proposal most.

**Germany for example plans to start the transition as early as 2017** and until the Czech part of the 700 MHz band for mobile data services is also freed, the German data network will interfere with its television signals. Because of this the Commission proposes that the transition be coordinated and carried out in all countries, ideally at the same time.



<https://ec.europa.eu/digital-agenda/en/towards-5g>

### The Czech Republic is in 17th place in the area of the Digital Agenda

The Commission has presented **the results of the DESI Index** (Digital Economy and Society Index), which it publishes every year in order to measure the strength of individual EU countries in their progress on the road to a digital economy.

According to this index, the Czech Republic along with Slovakia, Poland, Hungary, Greece, France and Cyprus is in the group of „underdeveloped“ countries which lag behind the EU average. Like last year the Czech Republic was **negatively evaluated primarily for the poor level of digitalization of public services** (e-Government). On the contrary, it recorded good results in areas such as people's access to fast broadband connections and the level of digital skills of the population.

<https://ec.europa.eu/digital-agenda/en/scoreboard/czech-republic>



The European Commission Representation in the Czech Republic provides contributions to the EU News Monthly Journal in the „EC's Column“ section. In the March issue of the EU Monthly this article is dedicated to the field of taxation, specifically the package of measures which the European Commission has proposed to prevent tax avoidance.

## ENSURING THAT COMPANIES DO NOT AVOID PAYING TAXES

In the modern world a direct link between economic activity and the amount of tax paid has already not applied for a long time. With economic activity and trade becoming globalized and increasing trade in intangible goods and services, it is becoming still easier for companies to avoid paying taxes.

In particular large multinational companies, with the help of various practices, utilize the differences between the tax systems of individual countries to minimize taxes paid.

It is obvious that it is difficult for countries to fight individually against these globalized malpractices. Therefore states are trying to agree on a coordinated approach both globally and within the EU. Last October the OECD countries agreed on measures to combat erosion of the tax base and profit shifting (BEPS). The European Commission unveiled a package of concrete measures against tax evasion in late January.

The package is built on three main pillars. First it is necessary to ensure that companies pay taxes where their real economic activity takes place and where they make their profits.

For this purpose the Commission has proposed a directive on the basis of which member states will be able to block the most common methods that companies use to avoid paying taxes.

### The directive covers cases where:

- Companies shift profits to their branches with a very low or zero tax rate;
- There is double non-taxation of profits (a company based in the EU invests in setting up a company in a tax haven outside the EU and then collects dividends, which since they are „already taxed“ are not taxed, although no tax is paid or is negligible on most of the money in the tax haven);
- Companies move an innovation to a tax haven shortly before patenting it, which then reduces the tax on profits arising from this innovation;
- Companies create artificial internal debt for the purpose of minimizing taxes (from its offices in countries with low taxes the firm borrows at a very high interest rate, the high interest payments then diminish the taxable profits of the company, in addition in some countries companies can deduct interest payments from taxes to a large extent);
- Companies create hybrid branches that are dealt with differently in the tax systems of different countries, which allows tax deduction of interest payments in several countries where the company operates.

The Commission simultaneously published a study which analyzes these main methods of aggressive tax planning.

The directive is accompanied by recommendations to member states on how they can best protect their tax regime against abuse and at the same time be in compliance with EU legislation.



The second objective of the package is to increase transparency in the area of corporate taxation. Transparency is of utmost importance for identifying practices of aggressive tax planning by large companies and for ensuring fair competition in the area of taxation.

That is why the Commission presented the Revised Administration Cooperation Directive, on the basis of which the national bodies of member states will exchange tax information on the activities of multinational companies.

All member states will thus have the necessary information to enable them to identify risks of tax evasion and better target their tax audits.

The third pillar of the package is strengthening cooperation at the international level. A coordinated approach is necessary to ensure more equal competition between companies based in different countries - whether in the EU or outside - but also more fairness between large multinationals and small domestic companies that normally pay taxes owed to national budgets.

Part of the package is therefore also a communication on the external strategy for effective taxation. Its aim is to strengthen cooperation with international partners in the fight against tax evasion and ensure an international network for good tax governance. At the same time the Commission has proposed a new EU procedure for creating a list of third countries that refuse to play a fair game.

The European Commission plans to continue its effort to limit tax evasion in the future as well. In particular, during this year the Commission plans to resubmit its proposal for a Common Consolidated Corporate Tax Base.

A similar proposal failed in the past because of the disunity of the member states, from which decision-making in the area of taxation requires unanimity. If they succeed in enforcing a common consolidated tax base it should be a comprehensive solution to these unfair tax planning practices.

More information about the European Commission's January Anti Tax Avoidance Package can be found here: [http://ec.europa.eu/taxation\\_customs/taxation/company\\_tax/anti\\_tax\\_avoidance/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/company_tax/anti_tax_avoidance/index_en.htm)

Our InfoService section outlines upcoming sessions of EU decision-making bodies accompanied by other significant events. Often agendas for negotiations by these important bodies are not ready until a few days before the actual meetings can be found at:  
<http://europa.eu/newsroom/calendar/>; <http://english.eu2016.nl/events>



# InfoServis

## Meeting of the key EU institutions

<b>3 March 2016</b>	<b>Brussels, Belgium</b>	<b>10 - 11 March 2016</b>	<b>Luxembourg, Luxembourg</b>
- European Parliament Committee Meetings		- Justice and Home Affairs Council	
<b>4 March 2016</b>	<b>Brussels, Belgium</b>	<b>14 March 2016</b>	<b>Brussels, Belgium</b>
- Environment Council		- Agriculture and Fisheries Council	
<b>7 March 2016</b>	<b>Brussels, Belgium</b>	<b>14 March 2016</b>	<b>Strasbourg, France</b>
- Employment, Social Policy, Health and Consumer Affairs Council		- Foreign Affairs Council	
<b>7 - 10 March 2016</b>	<b>Strasbourg, France</b>	<b>14 - 17 March 2016</b>	<b>Brussels, Belgium</b>
- European Parliament Committee Meetings		- European Parliament Committee Meetings	
<b>7 - 10 March 2016</b>	<b>Strasbourg, France</b>	<b>15 March 2016</b>	<b>Brussels, Belgium</b>
- European Parliament plenary session		- General Affairs Council	
<b>8 March 2016</b>	<b>Brussels, Belgium</b>	<b>17 - 18 March 2016</b>	<b>Brussels, Belgium</b>
- Economic and Financial Affairs Council		- European Council	

Source: [www.europa.eu](http://www.europa.eu), [www.english.eu2016.nl/events](http://www.english.eu2016.nl/events), access as of 29 February 2016



## Overview of selected calls

Call	Call number	Receipt of applications	
		From	To
<b>Operational Programme Environment</b>			
Ensure urban flood protection	34.	1/3/2016	31/5/2016
Promote flood prevention measures	35.	1/3/2016	31/5/2016
Ensure the favorable conservation status of protected areas of national importance	27.	30/3/2016	31/5/2016
Strengthen biodiversity	28.	30/3/2016	31/5/2016
Strengthen the natural functions of the landscape	29.	30/3/2016	31/5/2016
Improve the quality of the environment in residential areas	30.	30/3/2016	31/5/2016
<b>Integrated Regional Operational Programme</b>			
Construction and modernization of transfer terminals	25.	1/3/2016	1/9/2016
Social housing	28.	03/2016	07/2016
Social housing (SVL)	29.	1/3/2016	1/7/2016

Source: [www.edotace.cz/kalendar](http://www.edotace.cz/kalendar); note: the call title always includes a link with detailed information about the call



The positive development of the Czech Republic's macroeconomic indicators has been confirmed, as seen in the EC's prognosis at the start of February this year. Even though it's reckoning on lower economic growth in 2016 than in 2015 (which was influenced by the drawing down of European funds from the preceding programme period), it's still an above-average result among EU states.

## WINTER PROGNOSIS: POSITIVE CZECH DEVELOPMENT CONFIRMED

The positive figures for the Czech Republic's and European Union's economic development were confirmed in the latest European Commission winter prognosis from February.

The European Union has been growing for several periods in a row at a gently increasing pace.

This economic revival is driven mainly by consumption and other factors, such as low interest rates, the price of oil, which recently reached a twelve-year minimum, and the development of the Euro's exchange rate.

Economic growth in 2015 was demonstrated in practically all member states, even though in the case of Greece and Finland it tended to be more of a positive zero.

For 2017, however, the Commission is already predicting positive growth in all Union states when the highest economic growth should be achieved by Luxembourg (4.4% GDP) and the lowest in Finland (0.9% GDP).

The positive development is reflected in the labour market where (despite constant high figures in some states) a gradual improvement in the situation and a reduction in the unemployment rate is occurring – in the case of the European Union in 2017 to 8.7% from 9.5% in 2015.

In the Eurozone states it is estimated the unemployment rate will decrease by 0.8 percentage points to 10.2%.

This reduction in unemployment will take place in practically all states using the euro, especially those states that will benefit from reforms undertaken in the labour market (e.g. Spain, where the unemployment rate should fall from 22.3% in 2015 to 18.9% in 2017).

Even in trouble-torn Greece it is estimated that unemployment will fall to 22.8% in 2017 and should thus remain the only member state with unemployment over 20%.

The reduction in public financial deficits in member states, which should fall to 1.8% GDP in 2017 from last year's 2.5% GDP, can also undoubtedly be attributed as a further success. Public debt relative to GDP is also on a downward trajectory.

The Czech Republic's economic growth is estimated by the European Commission to be at 4.5% GDP for 2015, which places the country at the forefront of member states, behind the "awakening Irish tiger", Malta and Luxembourg. Compared to the autumn prognosis, there has even been a positive correction, as the Commission had estimated domestic growth about 0.2 percentage points lower.

The positive figures in GDP development were contributed to in large part by both domestic demand and to a large extent by the drawing down of money from European funds.

The contribution of net exports for 2015 was still negative for the above reason of strong domestic demand, which had an impact on the flow of imports and which exceeded exports.

For 2016, both domestic demand and the positive contribution of net exports, and to a lesser extent supply, are contributing to estimated growth of 2.3% GDP.

In 2017, the Czech Republic's economic growth is estimated at 2.7% GDP, which exceeds the expected EU average by 0.7 of a percentage point.

The impact of economic growth can be traced to both the improving labour market situation, wherein the Czech Republic's low unemployment rate places it at the forefront of the Union, and the decreasing public debt – or its relation to GDP from 40.9% in 2015 to 40.1% in 2017.

Thanks to increasing consumption and in view of increasing employment and thus the growing pressure on wage growth, the rate of inflation will edge slightly closer to the Czech National Bank's inflation target, and according to the European Commission's prognosis it should reach 1.4%.

### Overview of key macroeconomic variables (in %)

	CR			EU		
	2015	2016	2017	2015	2016	2017
<b>GDP growth</b>	4.5	2.3	2.7	1.9	1.9	2.0
<b>Unemployment rate</b>	5.1	4.8	4.7	9.5	9.0	8.7
<b>Inflation</b>	0.3	0.4	1.4	0.0	0.5	1.6
<b>Public budget balance to GDP</b>	-1.6	-1.1	-1.0	-2.5	-2.2	-1.8
<b>Public debt to GDP</b>	40.9	40.7	40.1	87.2	86.9	85.7

Source: *The winter 2016 European Economic Forecast*

In contrast to the estimated economic growth in the European Union, some external factors may have a negative effect, whether it's the geopolitical situation in the East or developments in the world and developing economies, the weakening of which may be directly reflected both in foreign trade and further developments in member states.

However, a solution to the migration crisis and the result of the planned British referendum regarding the continuation of the United Kingdom in the European Union remain unknown factors. Both these aspects will undoubtedly occupy the media and nor will they allow Union leaders to sleep easy either.

Tomáš Kozelský, EU Office / Knowledge Centre ČS

Monetary expansion is taking place at present all over the world and often doesn't bear the name of quantitative easing. The massive printing of money is occurring or recently occurred across the developed world – from Japan where quantitative easing was first tested at the start of the millennium because the country was struggling with deflation, to the Eurozone and the Anglo-Saxon world.



## Main Topic

# QUANTITATIVE EASING - PRINTING IS EASY

## INTRODUCTION

It is almost certain that the current period will enter macroeconomic textbooks as a period of large-scale monetary experiments. However, the question is how these experiments will be evaluated. Central Banks over the whole world are trying to combat the effects of the crisis in many different ways. The latest term for the printing of money in an electronic form is quantitative easing (QE). The massive printing of money is taking place or has recently taken place across the developed world – from Japan to the Eurozone to the Anglo-Saxon world. Quantitative easing is a very non-standard policy which is used only in situations involving low or even negative interest rates – i.e. in situations where standard monetary policy instruments

can no longer be used. In practice, it concerns the massive purchase of bonds from commercial banks which receive new money in exchange.

Quantitative easing was first tested at the turn of the millennium in Japan, which was struggling with deflation and the central bank there (the Bank of Japan) had already exhausted standard monetary policy options. Following the outbreak of the economic crisis and the fall of interest rates to zero it returned with much greater intensity in the Anglo-Saxon world where central banks “printed” money worth up to dozens of percent of their GDP. Similarly extensive quantitative easing later appeared in the Eurozone and Japan.

## WHAT IS QUANTITATIVE EASING?

For the wider public, as well as for many economists, monetary policy is an abstract “magic” where huge amounts are “conjured” and nobody really knows what happens to them. Let's therefore try to clarify the QE term – especially in situations where it becomes a normal part of monetary policy.

In most cases, the primary goal of monetary policy is the maintenance of price stability. Monetary policy instruments are used for this – i.e. instruments that control the money supply – the amount of money in the economy. If it's successful and there remains scope for further operations, then attempts are made to control the supply of money to encourage economic growth.

Central banks have a variety of levers for managing the money supply – from subtle calibrations of indirect instruments (for example, interest rates at which money can be lodged with central banks and thereby determine the yield of a “risk-free” deposit) to strong direct instruments – for example, banking regulation. Generally, the stronger monetary policy instruments are, the greater the side effects and central banks are therefore reluctant to use them.

But in a situation where short-term interest rates have fallen to zero, as is the case at present, the operating room for banks remains very limited. And at this moment central banks resort to non-standard instruments such as QE. The difference between classical operations on the free market and various forms of QE is to be found in particular in the assets that central banks purchase. While assets with shorter-term maturity are the focus of standard operations on the money market, in a QE regime a central bank tries to affect the end of the yield curve through the purchase of longer-term bonds. This thereby pushes down not only short-term but also long-term interest rates.

Thanks to this, QE can serve several monetary policy aims – low interest rates can increase inflation and hence help fulfil the primary aim of modern central banks – to achieve their inflation targets. Another effect that in the case of QE often comes in first place is stimulation of the real economy – more intensive investment financing can be achieved by both adequate liquidity in commercial banks that thanks to quantitative easing acquire “free” new money, and lower interest on longer-term assets and hence higher demand for loans from businesses. In practice, quantitative easing can lead to a revival of the share, bond and real estate markets and thereby stimulate demand for capital and investment.

To a large extent, monetary policy also affects expectations – the success of each policy also depends on what degree economic entities believe that central bankers really will keep to a chosen policy and that monetary policy really will lead to proclaimed goals. Thanks to the fact that quantitative easing is a highly untraditional instrument, it may really help central bankers to obtain credibility and “trustworthiness”. Moreover, to fulfil the aims of QE it's often enough for market entities to believe that the central bank will act in the foreseeable future and mean it seriously and not has a one-off act.

This begs the question why quantitative easing is a non-standard instrument – if it helps economic performance why not simply always undertake easing and thereby stimulate the economy that way?

The reasons are multiple, but by the far the most important is the threat of inflation – experience with the printing of money, which quantitative easing undoubtedly is, shows that if it goes too far the result can be a hyperinflationary spiral and the utter breakdown of the entire economic system.

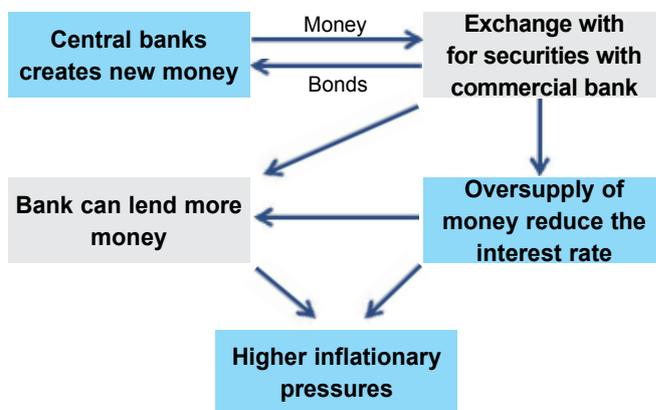
# Main Topic



This is related to another unpleasant side of quantitative easing – to start printing money is simple and for a central bank it means crediting numbers to commercial bank accounts in exchange for receiving bonds.

From this moment, however, the newly created money becomes a part of the financial system. If the central bank decided to withdraw the newly created money from the economy, this step would only be possible at a substantial cost that may reverse all the success that the quantitative easing brought. In practice, a large part of the new money goes back to the central bank to where banks deposit these funds as reserves.

However, to simply take it again from the banks is legally not altogether simple.



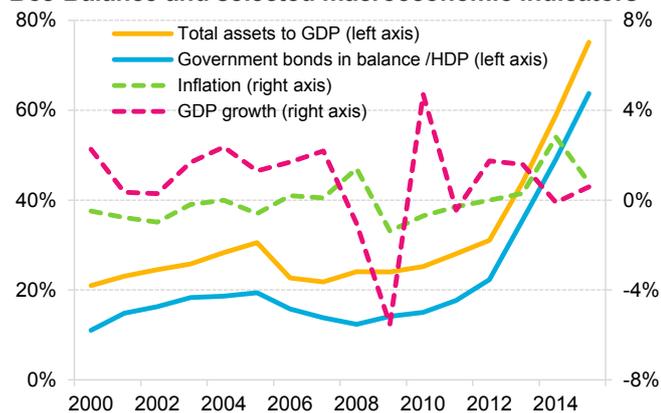
## QUANTITATIVE EASING IN THE WORLD

When evaluating any macroeconomic policy a certain amount of caution is generally required – finding a causal relationship between two variables is a task that is beyond the scope of this analysis – and it’s therefore necessary to interpret the following data with reservations. It’s also important to bear in mind that “printing money” still doesn’t necessarily mean that the funds should go directly into the real economy.

### Japan

Quantitative easing was used for the first time in history in Japan at the turn of the millennium. Japan had been suffering problems since the start of the 1990s with deflation and a desperate central bank had already exhausted the standard monetary policy options. In March 2001, it therefore launched what had been until then an unprecedented experiment and started to provide liquidity to commercial banks in exchange for bonds. During the course of 2005 inflation finally rose above zero. In comparison with Japanese GDP the balance sheet increased by only 10 percentage points (government bonds comprised 8 of these). Problems with deflation and slow growth, however, remained in Japan.

**BoJ Balance and selected macroeconomic indicators**



Source: OECD, Bank of Japan (BoJ)

In 2010, Shinzo Abe was re-elected prime minister along with the economic policy of “Abenomics”. One of its key pillars is quantitative easing – which together with fiscal expansion and structural reforms should return Japan to growth. In 2013, the Japanese central bank officially announced a new programme of quantitative easing. The BoJ’s balance since 2010 has tripled and today contains money worth three quarters the Japanese GDP. For now, there is no indication that the programme of purchasing bonds, which was expanded further in autumn 2014, is to end. The Japanese economy is currently growing very slightly and inflation is also at a positive zero, although it can’t be compared at all to the strong increase up to the 1990s.

### USA

Thanks to the intervention of the American FED, quantitative easing emerged from central bankers’ academic considerations and became the centre of economists’ attention from all around the world. Three waves of quantitative easing have taken place in the USA and the last one continues today.

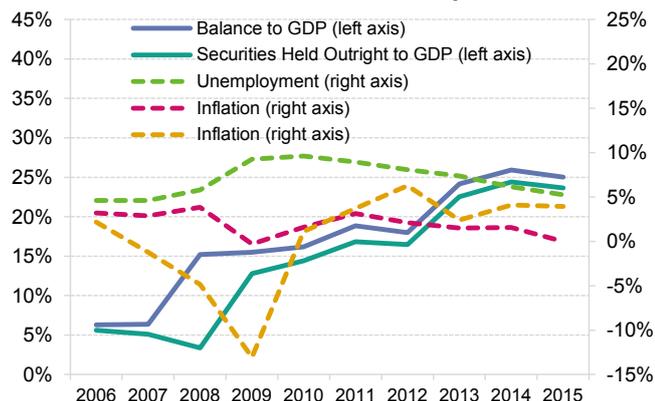
The FED began increasing its balance prior to the official announcement of quantitative easing – it had already started in September 2008. Increasing the FED’s balance sheet was reflected in the provision of temporary liquidity to American banks so that the financial system would avoid a “credit crunch” and overcome the mutual distrust of banks.

The first round of quantitative easing called QE1 started soon after the outbreak of the financial crisis in December 2008 and ended in March 2010. Ben Bernanke, then head of the FED, and who carried out the activity, described it as “credit easing”. In addition to state bonds and treasury bills, the FED also purchased mortgage-based securities and highly rated corporate bonds. Given the continued poor performance of the American economy, especially the labour market (unlike European central banks the FED has as one of its main aims full employment), a second round of quantitative easing was launched.



At the end of 2010, the FED announced that over the course of the following 12 months it would purchase government bonds worth USD 600 billion.

### FED balance and US macroeconomic performance



Source: FED, OECD

A third round of quantitative easing was nicknamed QE-Infinity in the economic world. While the FED had always announced the exact extent and duration of the intervention in the previous versions, in September 2012 it announced that it would purchase mortgage-based securities for USD 40 billion “until the labour market improved substantially”. Massive purchases began immediately following the announcement in 2012 and over the following almost two years the volume of securities in the FED’s balance sheet grew by more than 60%. Since autumn 2014, the purchases have stopped and the FED’s balance sheet and the securities it holds have remained stable.

Currently, the FED’s overall balance sheet is nominally more than 5x larger than prior to the outbreak of the crisis.

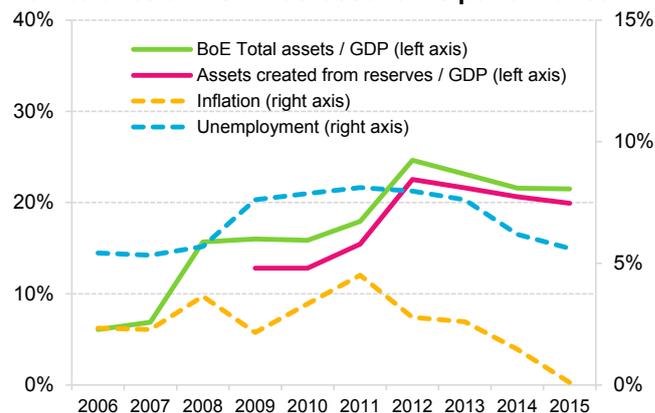
While the FED’s balance sheet before the outbreak of the economic crisis corresponded to about 6% of GDP, thanks to the intensive purchases of securities this had already reached 15% by the end of 2008. By the end of the second round, it had climbed to 18% of GDP. Massive purchases again came with the third round of QE when the FED’s balance sheet sucked up a further 8% of GDP. At the peak of QE, the American central bank’s assets were the equivalent of a quarter of American annual production. The proportion to GDP has fallen since that time, but this is probably due to growth in GDP that has been around 2% since 2010. The avowed goal of American monetary policy was mainly improvement of the poor performance of

the American economy, especially the labour market. The American unemployment rate is steadily declining and at the start of 2016 it was close to 5%. This is also why the FED left off from further QE – it is naturally a question of how much this development is due to QE and how much it’s the natural development of the American economy. Despite QE, inflation in the USA has reached zero thanks to low commodity prices.

### United Kingdom

Experiments with QE were also undertaken by the UK. As in the USA, this did not take place as a one-off – QE there was expanded and extended several times. The Bank of England established a special fund for this purpose – the Asset Purchase Facility, which upon its creation in 2009 received GBP 200 billion to manage – especially in British state bonds. Over time, the banking council added a further GBP 375 billion to it and which it has been managing since summer 2012.

### BoE balance and UK macroeconomic performance



Source: Bank of England (BoE), OECD

Up to 2011, the Bank of England also purchased some quality corporate bonds. Since that time, however, it’s abandoned this effort and has concentrated on state bonds of various lengths of maturity. Since the last increase in 2012, the amount of bonds held has stabilised. The extent of the QE in the UK is very similar to the American one – while the English central bank’s balance sheet in the pre-crisis period was around 6% of GDP, since 2012 it has already exceeded the 20% threshold. Thanks to the relatively solid growth in GDP, however, this proportion has fallen in recent years. Not even in the case of English QE is there an obvious connection between inflation and QE.

## THE ECB AND QUANTITATIVE EASING

If we talk about quantitative easing, it’s necessary to also mention the ECB. The ECB proceeded with quantitative easing on 9 March last year after it was decided on 22 January 2015 to expand the asset purchase programme for bonds issued by state governments and agencies in the Eurozone and

European institutions on the secondary market. The amount of the purchase of these assets was set at EUR 60 bn, which is the equivalent of appr. CZK 1.6 trillion. The original intention was to undertake these purchases from March 2015 until the end of September 2016, i.e. to the amount of EUR 1.1 trillion.

# Main Topic



In December 2015, the ECB lowered its deposit rate by ten basis points to -0.3% and extended its asset purchase programme by six months. In total, the ECD was to have pumped EUR 1.5 trillion into the economy, i.e. approximately 15% of the Eurozone's annual GDP. The president of the European Central Bank, Mario Draghi, announced that in addition to state bonds the ECB would also purchase the bonds of municipal and regional entities. A further measure will be that income from matured bonds shall be used for undertaking further purchases.

## Total ECB balance and deposit rate



Source: ECB, balance is in trillions euros

In December last year not only was the period of “pumping” money into circulation extended, but the deposit rate was also changed. Not even a quarter of a year afterwards it again looks like the situation from 9 December 2015 when the European Central Bank intervened in the amount of the deposit rate and lowered it by a further 0.1 percentage point to -0.4%. This negative deposit rate means a cost for financial institutions, as their funds at the ECB are charged. Monetary policy settings will be discussed and examined at a meeting on 10 March this year. The effort will resolve the situation in the Eurozone, which has been struggling for a long time already with a low inflation rate. The ECB is seeking a favourable correction in the rate of inflation. The long term goal of the ECB is to keep the rate of inflation in the mid-term under 2%, but close to this level. In addition to low prices for some commodities (mainly oil), achieving this goal will also prevent overly strongly growth and low investment activities. According to European Commission data from its winter economic prognosis, the rate of inflation for 2015 fell to zero. Even despite the strong commitment of the ECB to keep the inflation rate very low. This year and next the inflation rate will slightly increase to 0.5% for 2016 (or 1.5% in 2017). The latest Eurostat figures show that consumer prices in the Eurozone states for February 2016 fell by 0.5 of a percentage point in comparison to the preceding month to -0.2%, and states using the euro are thus in deflation for the first time since 2009.

The greatest impact comes from energy prices, which fell by 8%. Besides a reduction in the deposit rate, it's also possible that the ECD will increase its securities purchase programme by further tens of billions from the present 60 billion per month. Given the level of interest rates, the ECB no longer has many instruments to use apart from quantitative easing.

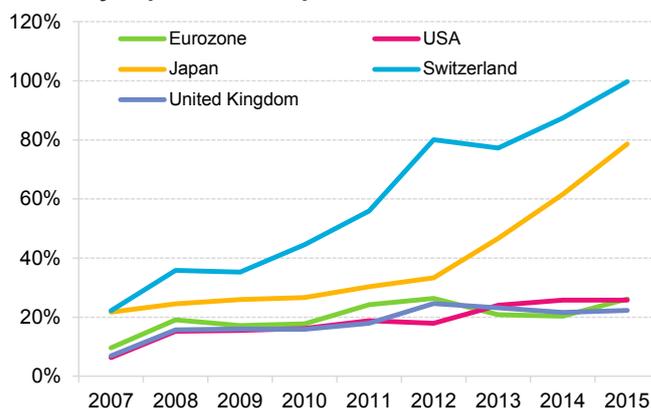
Quantitative easing after a year of existence increased the ECB's balance sheet by EUR 700 billion, i.e. by approximately one third. In comparison with the USA or Japan it is thus not far from a dramatic increase. Despite this, it's necessary to be cautious – especially because in the preceding years the ECB's balance sheet was increased in other ways, e.g. to help states in trouble. While prior to the outbreak of the crisis the ECB's balance sheet was less than one trillion euros, it is at present more than EUR 2.5 trillion.

## Conclusion

Monetary expansion is at present taking place all over the world and often doesn't have the name quantitative easing. For example, the Czech National Bank's balance sheet has grown thanks to currency intervention.

What may be surprising, however, is that in those states where QE is most spoken of – i.e. in the Eurozone and the USA – it is far from being the largest. Japan has an extensive monetary policy tradition – the Bank of Japan's balance sheet has had the equivalent of 20% of GDP since at least 2000. However, in all the monitored economies the balance sheet has been significantly inflated – in some countries by up to 5x. This doesn't mean that the amount of money in circulation has increased at the same rate – a large amount of money has returned to the central bank in the form of bank reserves. Nevertheless, the developed world (perhaps also thanks to quantitative easing) is currently returning to growth and has to think about how best to withdraw from the greatest monetary experiment in history and at the same time not hurt its own or any other economy.

## Monetary expansion comparison



Source: FED, BoE, BoJ, ECB, SNB

The Doing Business is part of the Foreign Business Guide offered by the Česká spořitelna EU Office. Within the program, we provide our clients from among small and mid-sized enterprises with information about how to expand abroad successfully and what business environment awaits them there. In the March issue, we will focus on the business environment in the Romania.



# Doing Business

## ROMANIA

<b>Official name</b>	România
<b>Population</b>	19.870.647 (2015 - estimated)
<b>Area</b>	238 391 sq km
<b>Currency</b>	Romanian leu (RON)
<b>Ethnic groups</b>	Romanian 83.4%, Hungarian 6.1%, Roma 3.1%

Source: *The World Factbook*

Romania achieved independence in 1878. After the Second World War it came under Soviet influence and broke free of it in 1989. In 2004, Romania joined NATO and in 2007 the EU.

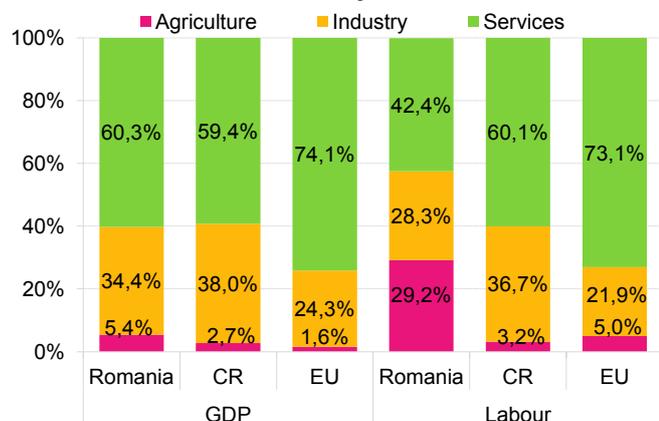
In the Romanian half-presidential system the president is elected by direct vote for a period of five years and a maximum of two presidential terms. The bicameral parliament is composed of a Senate (137 members elected for 4 years), and a House of Representatives (334 members elected for 4 years).

### Structure of economy and foreign trade

Key export commodities include machinery, metal materials and refinery products. The main Romanian export market is Germany to where 19.2% of exports are directed, followed by Italy (11.9%), France (6.8%) and Hungary (5.1%).

It mostly imports engineering products, fuel and textiles. The biggest import partners are Germany and Italy (19.1% and 10.8%). In imports and exports, the Czech Republic is in 13th position with a share of around 2.5%. Cars play the main role in both categories.

### Sectors of National Economy



Source: Eurostat, data as of 2014

### Macroeconomic outlook

Economic growth for 2015 should be 3.5% GDP. This trend should continue in 2016 when growth is estimated to be 4.1%

GDP – thanks also to the Romanian government's plan to support domestic demand even at the cost of a worsening budget deficit.



The inflation rate should remain in negative figures until mid-2016, but then it is expected to grow to 2.3% in 2017. The positive trend in the growth of wages should also be maintained in the following two years together with an improvement in labour market conditions.

Romanian public debt is about the lowest in the Union, although it should slightly deteriorate in future because of generous government policies – in 2016 it should exceed the 40% GDP threshold.

Basic indicators (in %)	2014	2015 <sup>e</sup>	2016 <sup>e</sup>	2017 <sup>e</sup>
<b>GDP Growth</b>	2.8	3.6	4.2	3.7
<b>Unemployment rate</b>	6.8	6.7	6.6	6.5
<b>Inflation</b>	1.4	-0.4	-0.2	2.5
<b>Current account balance</b>	-1.4	-1.0	-2.1	-2.9
<b>Public debt (% GDP)</b>	39.9	39.0	40.5	42.6

Source: *European Commission*; <sup>e</sup> - estimate

### Labor market

The unemployment rate has been maintained under the 7% threshold for several years already and this trend should continue in future. The Romanian unemployment rate is higher than in the Czech Republic even though there are no significant differences. In 2015 the difference was 1.6 percentage points.

Conversely, average labour productivity there is more than one third lower than in the Czech Republic.

The minimum monthly wage in Romania should have been increased in January 2016, but it didn't happen. At the moment it is the equivalent of EUR 233.

Basic indicators of labor market		
Unemployment rate (January 2016)	6,5%	
Labour productivity to Ø EU (2013)	45,1%	
Minimum monthly wage	233 EUR	
Ø monthly labor costs in sectors (2014)	Romania	CR
Manufacturing	648 €	1 475 €
Wholesale and retail trade	650 €	1 434 €
Transportation and storage	732 €	1 389 €
Acommodation and food service	432 €	916 €
Information and communication	1 364 €	2 895 €

Source: *Ministry of Labor, Family and Social Protection*



In selected Romanian business sectors labour costs are approximately half what they are in the Czech Republic.

## Labor law basics

A labour contract must be executed in writing and registered at a local Labour Inspectorate within 20 days of its execution. It's possible to execute one for a fixed or unlimited period. The trial period is usually negotiated. Its maximum length is 30 days and for managerial positions it is 90 days. Fresh university graduates can be employed with a trial period of 6 months.

A work week according to the law has five days and working hours are set at 40 hours per week, although total working hours may not exceed 48 hours per week, including overtime. The exception is positions worked in shifts.

## Commercial law basics

A limited liability company (Ltd) is the most common form of business, and thanks in particular to the liability of Ltd partners only up to the amount of their unpaid contribution. The minimum required capital of one partner is RON 10, and for a whole company RON 200 (CZK 1,140). For larger business projects, a joint stock company is more often used whose basic capital is a minimum of RON 90,000, i.e. close to half a million crowns.

The cost of establishing an Ltd is only RON 72, reserving the name of the company costs as much again, and other steps are free. The process of registering a company is ready within eight days.

Form of Company	Minimum Capital
Limited Liability Company	200 RON
Joint Stock Company	90 000 RON

Source: Ministry of Economy, Trade and the Business Environment

## Main taxes and additional labor costs

The corporate income tax rate is 16% across the board, which in the European context places it among the lowest. The same level is set for individual income tax and withholding tax on dividends for non-residents. This can be reduced to zero for strategic investors from the EU. Each individual has to submit his or her own declaration, and there is no joint taxation of spouses.

The basic rate of VAT was reduced 4 percentages points in January 2016 to 20%, and a lower rate of 9% is applied, for example, to foodstuffs, medical aids, culture and travel. Romania also has a super-low rate (5%) that is applied to selected residential real estate. Contributions for employee social security have several components and employees (16.5% of gross wages) and employers (a minimum of 22.75% of gross wages) contribute to it.

Tax/payment	Rate
Corporate Tax	16%
Dividend Tax (non-resident)	16%
Individual Income Tax	16%
VAT	20 / 9 / 5%
Social insurance (employee)	16.5%
Social insurance (employer)	22.75%

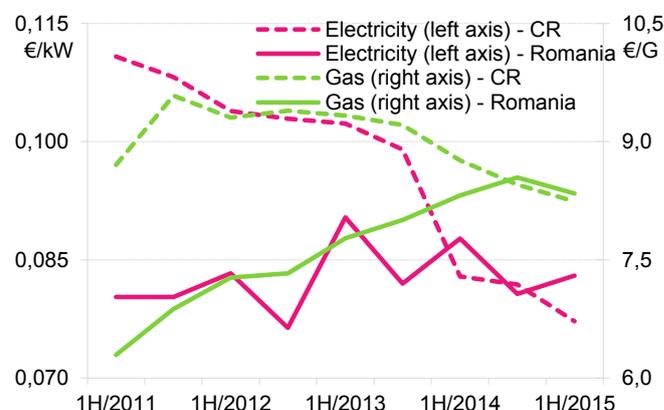
Source: Ministry of Public Finance

## Energy

The primary source of power generation in Romania is sold fuel (coal) with a share of around 40% of the energy mix. The second most important source is renewables with a 26% share.

Electrical energy prices in Romania were generally lower than in the Czech Republic - on average by nearly a quarter in the period from 2011 to the second half of 2014. Since 2014, however, Romania has become slightly more expensive (because of a fall in Czech prices) and in mid-2015 the scissors were again wielded to the benefit Czech large consumers.

### Development of energy prices



Source: Eurostat, tariffs for wholesales excluding VAT

## Investment incentives

Romania offers a sophisticated system of investment incentives. Incentives may be provided in the form of tax advantages or direct subsidies. The amount of an investment incentive depends on the regional location of the investment, the amount of the investment and the number of jobs created. The minimum level of investment for a non-repayment grant is EUR 10 million and the creation of 10 jobs. Total public support can reach up to 50% of eligible costs for large companies with a 20% increase for small companies and 10% for medium enterprises. In addition to general investment in new production capacity, the construction of renewable energy sources, for example, is supported.

The EU series has taken as one of its aims to address the issue of grant programmes distributing funding among applicants from EU resources. In the first part we introduced a miniseries on the main Operational Programmes designed for the programme period 2014-2020. The aim of the next miniseries is to familiarize you with the options for drawing on grants from a practical point of view.



## EU Series

### CHANGES IN COMPARISON TO THE PRECEDING PERIOD – REAL LESSONS AND A TRANSITION TO BETTER TIMES?

The fact that the preparation period for the programme period 2014-2020 was stormy and took a long time is no secret. The first programmes were launched with a truly record delay.

The delay was caused not only by the negotiators' attempts to promote the most activities possible within the Operational Programmes, wherein they managed this in many cases despite the strong opposition of the Commission, but also by the effort to simplify the whole process of submitting and evaluating applications so that applicants weren't discouraged from the outset, as well as to unify all the methodologies and procedures.

**And here, let's face the fact that the final result is at least questionable.** An example may be the system of powers of attorney – while in the Operational Programme Enterprise and Innovation for Competitiveness (OP EIC) it's necessary to submit a written power of attorney, i.e. a verified power of attorney signed only by the principal and which is necessary to subsequently be converted electronically and uploaded back into the system where it will be signed by the agent, the OP Environment (OP E) acknowledged only such paper powers of attorney that were signed by both the principal and the agent.

The necessity to convert the power of attorney was then never mentioned in the official documents even though it was subsequently required. It was similar in the Integrated Regional OP (IROP), which in contrast to the OP E had a sample power of attorney. The advantage of the power of attorney in the OP EIC is its universality for the entire programme, and not the necessity to create a separate power of attorney for individual projects. The problems, however, don't relate only to the applications, but for example to tenders. The methodologies determining the type of tender processes refer to paragraphs instead of stating the precise wording, and so the layman has no choice but to look up the internet and try to identify everything out of fear of making a mistake.

**The main, or rather the most commonly cited two changes are the reduction in the number of Operational Programmes and the uniform system for submitting applications.**

In regard to the reduction in the number of operational programmes, the question is whether it's not simply a cosmetic change, and one can't simply say that it's led to an improvement. It's certainly possible to evaluate the merger of the two Prague OPs into one – OP Prague – Growth Pole (OP PGP) – as beneficial. One can view the merger of OP Research and Development and OP Education for Competitiveness under OP Research, Development and Education (OP RDE) as similarly positive. **This reduction is thus indisputable and beneficial.**

In the case of perhaps the steepest reduction in the number of programmes, i.e. the replacement of the Integrated OP and the seven Regional Ops into one Integrated Regional OP (IROP), the positive impact isn't so obvious.

In terms of clarify and the amount of resources and the unification of rules it's certainly more than a good solution. The problem, however, is the fact that the concept that was initiated in the preceding years has not been retained, i.e. the targeted support of regions focused on their specific needs.

This concept was established within the scope of the truncated 2004 – 2006 programme period as part of the Common Regional OP where it was conceived as grant schemes. Given that the concept proved successful, it was expanded in 2007 – 2013 and individual regions even had their own OP.

However, particular traits in our national character appeared and some unscrupulous fellow citizens abused this step and tried to influence it to their own benefit, which led government leaders to the current situation and management of the programme only at the state level.

Unfortunately, this step backwards was so deep that a return to SROP methodology hasn't taken place, and only the evaluation of individual projects has remained in the regions.

In regard to objectivity, it is however necessary to concede that grant opportunities have dwindled for many activities that had a distinctly regional character and differed according to the type of region. In this programme period, applicants expected a unification of the system for submitting applications.

All applications are to be submitted electronically only, so therefore there is no annoying paperwork and walking to the mailroom with large packages, and waiting in long lines to register a project.

#### Comparison of the 2007+ and 2014+ grant periods according to selected criteria

Criteria	2007+	2014+	Improvement
Uniform methodology	No	Mostly yes	Partial
Number of OPs	17	8	Yes
Systems for submitting applications	4	2	Partial
Applications are submitted electronically only	Only OPPI	All programmes	Yes

Source: Erste Grantika Advisory, a.s.



Europe 2020 selected indicators: Employment; Expenditure on R&D; Greenhouse gas emission (EU target - 80%); Share of renewable energy; People with tertiary education; People at risk of poverty or social exclusion (cumulative difference from 2008, target - at least 20 million fewer). The source of the data is Eurostat. For more information visit [goo.gl/dlxFqa](http://goo.gl/dlxFqa)

## Europe 2020 selected indicators

	Employment (aged 20-64; %)				Expenditure on R&D (% GDP)				Greenhouse gas emission (1990=100)			
	2012	2013	2014	Target	2012	2013	2014	Target	2010	2011	2012	2013
Belgium	67.2	67.2	67.3	73.2	2.36	2.42	2.46	3.00	91.5	84.8	82.1	82.2
Germany	76.9	77.3	77.7	77.0	2.87	2.83	2.84	3.00	76.8	75.1	75.7	77.5
Estonia	72.2	73.3	74.3	76.0	2.16	1.74	1.46	3.00	49.8	51.3	48.6	54.4
Ireland	63.7	65.5	67.0	69.0	1.58	1.58	1.55	2.00	112.9	105.4	106.1	104.9
Greece	55.0	52.9	53.3	70.0	0.69	0.80	0.83	1.21	112.8	110.1	107.1	100.1
Spain	59.6	58.6	59.9	74.0	1.27	1.24	1.20	2.00	124.7	124.6	122.3	113.1
France	69.4	69.5	69.9	75.0	2.23	2.24	2.26	3.00	95.4	90.6	90.6	90.7
Italy	60.9	59.7	59.9	67.0	1.27	1.30	1.29	1.53	98.2	96.0	91.1	85.0
Cyprus	70.2	67.2	67.6	75.0	0.43	0.46	0.47	0.50	170.9	168.5	158.1	143.8
Latvia	68.1	69.7	70.7	73.0	0.66	0.60	0.68	1.50	46.4	43.5	42.9	42.8
Lithuania	68.5	69.9	71.8	72.8	0.90	0.95	1.02	1.90	43.7	44.8	44.5	41.8
Luxembourg	71.4	71.1	72.1	73.0	1.29	1.31	1.24	2.30	102.3	100.5	97.0	92.5
Malta	63.1	64.8	66.4	70.0	0.86	0.85	0.85	2.00	151.3	154.3	157.7	141.3
Netherlands	76.6	75.9	75.4	80.0	1.94	1.96	1.97	2.50	100.0	94.1	92.2	92.1
Austria	74.4	74.6	74.2	77.0	2.89	2.96	2.99	3.76	109.2	106.5	102.9	102.5
Portugal	66.3	65.4	67.6	75.0	1.38	1.33	1.29	2.70	117.9	115.8	112.6	109.7
Slovenia	68.3	67.2	67.7	75.0	2.58	2.60	2.39	3.00	105.1	105.2	101.9	98.0
Slovakia	65.1	65.0	65.9	72.0	0.81	0.83	0.89	1.20	62.2	61.2	57.9	57.9
Finland	74.0	73.3	73.1	78.0	3.42	3.30	3.17	4.00	107.4	97.1	89.2	90.1
Bulgaria	63.0	63.5	65.1	76.0	0.62	0.65	0.80	1.50	55.5	60.6	56.0	51.2
CR	71.5	72.5	73.5	75.0	1.79	1.91	2.00	1.00	70.5	69.9	67.8	66.0
Denmark	75.4	75.6	75.9	80.0	3.03	3.08	3.08	3.00	91.4	84.4	77.6	80.4
Croatia	58.1	57.2	59.2	62.9	0.75	0.81	0.79	1.40	80.6	78.9	72.7	69.9
Hungary	61.6	63.0	66.7	75.0	1.27	1.41	1.38	1.80	69.9	68.2	63.9	61.2
Poland	64.7	64.9	66.5	71.0	0.89	0.87	0.94	1.70	86.3	85.7	84.4	83.5
Romania	64.8	64.7	65.7	70.0	0.48	0.39	0.38	2.00	46.5	48.4	47.8	43.9
Sweden	79.4	79.8	80.0	80.0	3.28	3.30	3.16	4.00	91.7	86.2	81.3	79.3
UK	74.1	74.8	76.2	n/a	1.63	1.69	1.72	n/a	79.1	73.6	75.4	73.8
EU	68.4	68.4	69.2	75.0	2.01	2.03	2.03	3.00	85.5	82.9	81.7	80.2

	Share of renewable energy (%)				Tertiary education (aged 30-34; %)				Poverty (difference from 2008; in th)			
	2012	2013	2014	Target	2013	2014	2015	Target	2011	2012	2013	2014
Belgium	7.2	7.5	8.0	13.0	42.7	43.8	43.1	47.0	77	162	92	146
Germany	12.1	12.4	13.8	18.0	32.9	31.4	31.8	42.0	-271	-435	-133	163
Estonia	25.8	25.6	26.5	25.0	42.5	43.2	45.2	40.0	16	21	22	48
Ireland	7.1	7.7	8.6	16.0	52.6	52.2	52.3	60.0	269	328	309	216
Greece	13.4	15.0	15.3	18.0	34.9	37.2	39.4	32.0	357	749	857	838
Spain	14.3	15.3	16.2	20.0	42.3	42.3	41.1	44.0	1 577	1 841	1 844	2 616
France	13.4	14.0	14.3	23.0	44.0	43.7	44.9	50.0	690	610	94	389
Italy	15.4	16.7	17.1	17.0	22.5	23.9	24.9	26.0	1 776	2 894	2 147	2 064
Cyprus	6.8	8.1	9.0	13.0	47.8	52.5	54.2	46.0	26	53	59	54
Latvia	35.7	37.1	38.7	40.0	40.7	39.9	41.0	34.0	82	-9	-38	-94
Lithuania	21.7	23.0	23.9	23.0	51.3	53.3	56.4	48.7	101	65	7	-106
Luxembourg	3.1	3.6	4.5	11.0	52.5	52.7	50.5	66.0	12	23	24	24
Malta	2.9	3.7	4.7	10.0	26.0	26.5	27.0	33.0	9	14	18	18
Netherlands	4.7	4.8	5.5	14.0	43.2	44.8	46.4	40.0	166	59	216	319
Austria	31.6	32.3	33.1	34.0	27.1	40.0	39.1	38.0	-105	-157	-127	-89
Portugal	25.0	25.7	27.0	31.0	30.0	31.3	31.3	40.0	-157	-90	121	106
Slovenia	20.9	22.5	21.9	25.0	40.1	41.0	42.6	40.0	25	31	49	49
Slovakia	10.4	10.1	11.6	14.0	26.9	26.9	27.9	40.0	1	-2	-41	-151
Finland	34.4	36.7	38.7	38.0	45.1	45.3	45.3	42.0	39	5	-57	16
Bulgaria	16.0	19.0	18.0	16.0	29.4	30.9	32.0	36.0	272	200	72	-512
CR	11.4	12.4	13.4	13.0	26.7	28.2	29.5	32.0	32	14	-58	-35
Denmark	25.6	27.3	29.2	30.0	43.4	44.9	46.7	40.0	152	170	138	120
Croatia	26.8	28.1	27.9	20.0	25.6	32.2	31.7	35.0	63	63	-51	-78
Hungary	9.6	9.5	9.5	14.7	32.3	34.1	34.9	30.3	298	478	594	302
Poland	10.9	11.3	11.4	15.0	40.5	42.1	43.2	45.0	-1 295	-1 364	-1 744	-2 155
Romania	22.8	23.9	24.9	24.0	22.9	25.0	25.5	26.7	-788	-511	-817	-869
Sweden	51.1	52.0	52.6	49.0	48.3	49.9	50.0	40.0	171	152	234	269
UK	4.6	5.6	7.0	15.0	47.4	47.7	47.7	n/a	-26	1 029	1 517	1 119
EU	14.3	15.0	16.0	20.0	37.1	37.9	38.5	40.0	3 568	6 393	5 350	4 787

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