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The United Kingdom has a new prime minister

On the importance of budgetary audits in the EU

Brexit and the functioning of European insitutions

ERSTE
Corporate Banking

ČESKÁ SPOŘITELNA
Jsme Vám blíž.

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Dear readers,

Thanks not only to the referendum in Britain and discussions about how the Brexit should be carried out, but also because of other important news we will hardly be able to call these summer holidays the off season. After all, talks at the highest level took place not only on site at the European Commission, but also for example at the NATO summit which was held in July in Warsaw. There strengthening the eastern wing by deploying more national battalions in some countries of Central and Eastern Europe was discussed

In December this year, 15 years will have passed since China's entry into the World Trade Organization (WTO). Whether China should gain market economy status is linked to this. Thus the European Commission must deal with ways to proceed in this situation. The Commission's Column brings another report concerning events at the European Commission, dealing with measures for the transition to low-carbon emissions in European Union countries. In the case of the Czech Republic, reduction of greenhouse gas emissions should amount to 14% by 2030 compared to the situation in 2005.

The contribution in the Microscope section, which deals this time with the EU budget and its control mechanisms, was provided by MEP and Vice-Chair of the Committee on Budgetary Control Martina Dlabajová , who was responsible for producing a report on budget discharge. You can read about why budget control is important and the necessity to inspect EU spending on page 8.

The situation surrounding the Brexit and the United Kingdom in general will continue to be the subject of the media for a long time and given the focus of our monthly we will be no exception. Besides news concerning the new British prime minister, which will be Teresa May and changes in the presidency of the EU Council, where Estonia will replace Britain, in our Main Topic colleagues Tereza Hrtúsová and Vitek Macháček reflect on the functioning of the European institutions after Britain's decision to leave the European Union. We analyse how the balance of power in the European Parliament and the EU Council will change on pages 9 to 12.

In conclusion, it is necessary to mention one more very important event, which you will not read about in the pages of our Monthly, but which we will definitely follow. Brazil is indeed quite distant from the Czech Republic for business, so it in our regular Doing Business section we will probably not present it, but I believe the eyes of many Czechs and others will be fixed on Rio de Janeiro, the second largest city of this South American country, where from 5 to 21 August the XXXIst Olympic games will be held. Rio gained this privilege in October 2009 at a meeting of the Olympic Committee, when it prevailed over the other candidates which were Chicago in the US, Madrid in Spain and Tokyo in Japan.

Dear readers, I wish you pleasant moments not only reading our EU News Monthly Journal but also watching the Olympics.

Tomáš Kozelský

Tomáš Kozelský

EU Events

The United Kingdom has a new prime minister – former Home Secretary Theresa May. – Estonia will take the presidency of the EU Council in place of Britain. - Options for the UK outside the EU. - NATO summit: strengthening of the eastern wing. - Austrian presidential elections will be rerun. –Commissioners want to come up with new tools to protect the EU market against imports from China

BREXIT

The United Kingdom has a new prime minister

David Cameron has bid farewell to the office of British prime minister. He was replaced by former Home Secretary **Theresa May** who became the only candidate of the Conservative Party after Andrea Leadsom withdrew her candidacy. The decision about the new prime minister would originally have been made in September 2016.

May has become the second woman to head the British government after Margaret Thatcher. The new prime minister is often even compared to her. May will not have an easy job. In fact **negotiations with Brussels** on the withdrawal of the country from the EU await her. She does not want to rush into the launch of talks on leaving however. First, she plans to carefully prepare. Activation of Article 50 of the Lisbon Treaty, which officially begins the process of withdrawl should come at the turn of the year 2016/2017.

Conservative **Boris Johnson**, former mayor of London and one of the leaders of the Brexit campaign, has **become the new foreign minister**.

https://www.gov.uk/government/ministers/prime-minister

Estonia will take the presidency of the EU Council in place of the United Kingdom

In the second half of 2017 Estonia will preside over the EU Council. It will thus replace the UK which gave up its presidency in connection with the outcome of the referendum and its intention to withdraw from the Union. Estonia originally would have led the EU in the first half of 2018, thus right after Britain.

Likewise, countries such as Bulgaria, Romania and Finland which will chair the meetings of the Council after Estonia will take the baton six months early.The current presiding country is Slovakia followed by Malta from the start of next year.

Options for the UK outside the EU

European Economic Area (EEA)	
Pros	**Cons**
- Belongs to the single market	- Implements SM policies, but no representation
- Able to negotiate trade deals independently of the EU	- Complying with the EU export anti-dumping rules. - Contributes to EU budget

Bilateral agreements (Swiss model)	
Pros	**Cons**
- Free trade in goods and free movement of people with the EU. - Able to negotiate trade deals independently of the EU. - A la carte approach ermits opting out of EU - programmes on a case-by-case basis.	- Bilateral agreements require Switzerland to adopt EU rules, but Swiss have no representation in EU decision making. - No agreement with the EU on trade in services. - Pay a fee to participate in EU programmes, but contribution likely to be lower than if in EEA.

European free trade area (EFTA)	
Pros	**Cons**
- Free trade in goods with the EU. - Able to negotiate trade deals independently of the EU. - Not required to adopt EU economic policies and regulations. - No obligation to contribute to the EU budget.	- No freedom of movement of people with the EU. - No access to EU markets for service providers. - Goods exported to the EU must meet EU product - standards.

World Trade Organization (WTO)	
Pros	**Cons**
- Able to negotiate trade deals independently of the - EU. - Not required to adopt EU economic policies and regulations. - No obligation to contribute to the EU budget.	- Trade with EU subject to MFN tariffs and any barriers complying with WTO agreements. - No freedom of movement of people with the EU. - No right of access to EU markets for service providers and goods exported to the EU must meet EU product standards

Source: Centre for Economic performance

EU Events

POLITICS

NATO summit: strengthening of the eastern wing

From 8 to 10 July 2016 a summit of the North Atlantic Treaty Organization (NATO) was held in Warsaw. Even before the start of the high-level summit an **agreement was signed on deepening mutual cooperation between NATO and the European Union**. The two institutions should establish closer ties in areas such as cybersecurity, hybrid threats and maritime cooperation (in dealing with the migration crisis).

According to some representatives of the alliance, among other reasons closer relations will also be important because of the planned departure of Britain from the EU. The document was signed by NATO Secretary General Jens Stoltenberg, European Council President Donald Tusk and European Commission President Jean-Claude Juncker. He stated that later this year the EU will propose a defence action plan, which will include all the tools that the union can provide for defence cooperation and industry.

Stoltenberg announced that **NATO is launching a new maritime security operation in the Mediterranean Sea** called Sea Guardian. According to him the alliance wants to cooperate closely in this area with the naval operation Sophia, which the European Union started in response to the migration crisis. NATO and the EU want to build on cooperation in the Aegean Sea, where alliance vessels will support EU efforts to stem the tide of refugees from Turkey to Greece.The alliance has also agreed to strengthen its eastern wing through **deployment of four multinational battalions in four countries in Central and Eastern Europe**. In total about three to four thousand troops should go who will "rotate" from different countries, with the base of the battalion being US soldiers in Poland, British in Estonia, Canadian in Latvia and German in Lithuania. According to Stoltenberg the NATO battalions will be in place from 2017 and for as long as necessary.

Moscow reacted to the results of the Warsaw summit saying that NATO should concentrate instead on ensuring the safety of its citizens against terrorism, and not on non-existent threats from the East. The Kremlin sees the conclusions of the NATO summit in Warsaw as a hostile signal. Stoltenberg however pointed out that the alliance wants to engage in constructive dialogue with Russia, and that it should not be isolated.

http://www.nato.int/cps/en/natohq/events_132023.htm

Austrian presidential elections will be rerun

In autumn 2016 the **second round of presidential elections will be run again in Austria** because in July the Constitutional Court cancelled the results due to **irregularities in the counting of absentee ballots**.

The complaint on the errors was made by the extreme right-wing Freedom Party of Austria (FPÖ), whose candidate Norbert Hofer lost in May by less than 31,000 votes to the independent candidate and former chairman of the Greens, Alexander Van der Bellen.

There was no proof that the voting results in Austria had been manipulated. Instead there were **formal irregularities** when members of electoral commissions began counting before the scheduled time and some envelopes were also opened by unauthorized people. Allegedly this was due to lack of time.

The rerun of the Austrian elections also merits attention because of the outcome of the British referendum on EU membership. If anti-European Hofer wins the presidential seat, it would be an additional stimulus for similar parties elsewhere in Europe.

http://euractiv.cz/clanky/aktualne-v-eu/5-zprav-minuleho-tydnektere-

FOREIGN TRADE

European commissioners want to come up with new tools to protect the EU market against imports from China

After a joint meeting European commissioners agreed that they will no longer deal with the question of whether the European Union should grant market economy status to communist China. Instead the Commission wants to focus on means by which the EU can **protect its economy against cheap Chinese imports** supported by the dumping measures of the Chinese government.

The Commission has until the end of 2016 to propose instruments that will ensure European companies the same protection against Chinese dumping which they have now.

In this context attention is focused on December, when after fifteen years the validity of some points of China’s accession protocol to the World Trade Organization (WTO) will expire. It contains an exception with regard to the special nature of the Chinese economy, which is centrally controlled with some industrial sectors enjoying above standard support.

EU Events

Yellow card on posting workers: the Commission has not given in to parliaments' objections. – Czech Republic to reduce emissions from households, transport and agriculture. – New rules for cybersecurity will enter into force in the European Union. - In the first half of the year the Czech Republic received about 66.6 billion crowns more from the EU than it paid to the common budget.

Because of this some European sectors worry about competition from Chinese exports, particularly producers of steel of which China has significant surpluses.

At present WTO members can impose anti-dumping duties against Chinese imports if exporters do not prove that they operate in market economy conditions, with importing countries basing duties imposed on the price which is paid in the selected third country, not on the price in the Chinese market.

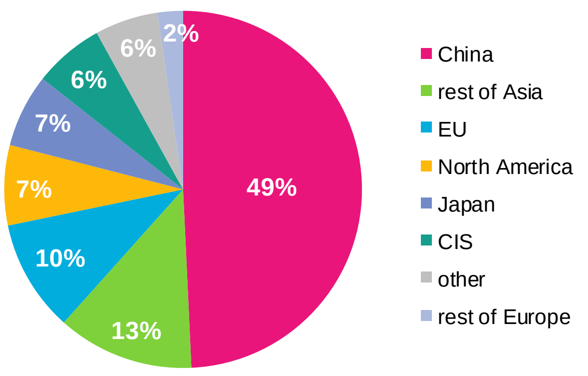
According to some interpretations, with the expiration of the accession protocol China could gain **market economy status**, even if for instance it does not fulfill the criteria which the European Union sets internally for granting such status.

The Commission had **three options on the table**: leave everything as before – which however would probably risk Chinese legal action at the WTO - fully accept the market status of China and proceed with setting up anti-dumping measures in the standard way, or come up with new tools to protect the European economy. It chose the third option.

More will be known about the specific form of these tools in the autumn. Then the Commission's proposal will still have to be approved by member states and the European Parliament.

It will be seen then whether the individual members of the EU are willing to agree on a common approach. Meanwhile for instance negotiations on an older Commission proposal to modernize the tools to protect trade are in fact stuck.

World steel production (2014)



Source: World Steel Organization

http://trade.ec.europa.eu/doclib/press/index.cfm?id=1531

EMPLOYMENT AND SOCIAL AFFAIRS

Yellow card on posting workers: the Commission has not given in to parliaments' objections

The new EU Posting of Workers Directive is needed, and therefore the Commission will continue with it. The **objections which eleven national parliaments raised** against the proposal in the framework of the yellow card procedure are not justified according to the Commission. Parlaments of member states have often pointed out that the draft legislation is in conflict with the principle of subsidiarity. This principle says that decisions in public affairs should be taken at the lowest level of public administration which is the closest to citizens.

The European Commission proposal for new legislation was introduced in spring 2016. According to the Commission revision of the existing rules will guarantee that workers who perform work in the same place will be protected by the same rules, regardless of whether they are local workers or workers posted from other countries.

The proposal drew criticism immediately after its publication. Not only do some politicians oppose the new rules but also representatives of business. For example **Czech companies fear that the proposal will increase costs and bring legal uncertainty** to businesses which send their workers across borders for contracts.

The already mentioned national parliaments also drew attention to the fact that the Commission came out with the new rules without having carried out an impact study in advance and sufficiently examining the new measures in public debate. Another criticsm was that the proposal, which in itself has the potential to further deepen divisions in Europe, in fact concerns nearly two million workers.

http://europa.eu/rapid/press-release_IP-16-2546_cs.htm

ENVIRONMENT

Czech Republic to reduce emissions from households, transport and agriculture

Faster and more convenient public transport, cars with lower fuel consumption and cheaper operation, better conditions for carsharing, warm and comfortable homes with lower heating bills, cleaner air in cities and rural areas, the start of production of domestic clean energy, easier recycling of waste and lower fees for those who sort. According to environmentalists, these are the benefits the new package of proposals on climate and energy policy that the European Commission presented on 20 July can bring.

It is based on the so-called **Effort Sharing Decision** which sets binding annual targets for reducing member state greenhouse gas emissions in transport, construction, agriculture, waste management, land use and forestry during the 2021-2030 period. It concerns **sectors outside the EU Emissions Trading System (EU ETS)** which include large sources such as power plants, heating plants and industrial firms.

The rules for the functioning of the EU ETS are set to 2020 and are currently under revision. However, the system covers only 45% of European emissions, and thus the EU legislation also regulates the so-called non-ETS sectors.

In practice this means reducing the emissions of domestic boilers, means of transportation and landfills. Within a year each EU member state must set an individual target in this area which will be determined precisely by the regulation on effort sharing. This was established by the Effort Sharing Decision which is valid until 2020.

The amount of the target for each country is governed by the size of its GDP. The targets of countries with the lowest incomes therefore have been set the lowest. The margin of reduction should be between 0% and 40% of emissions compared to 2005 (a table with an overview of targets for individual EU countries can be found on page 6). For example Bulgaria had its target set at zero. Despite this, maintaining emissions at this level will require some decarbonization measures. **The Czech Republic has to reduce non-ETS emissions by 14% compared to 2005 according to this proposal.** The Commission plans will first have to be approved by member states and the European Parliament however. The Ministry of the Environment should prepare the framework position for the approach in further negotiations during the summer.

The expected **withdrawl of Great Britain from the EU can bring question** marks to the discussion on the regulation. When Britain leaves the EU will be missing a large country which has the ambition to significantly reduce its emissions, and its share of the commitment would then probably have to be divided among other countries. This topic is also covered in the contribution to the Commission's Column section on page 6.

http://ec.europa.eu/clima/news/articles/news_2016072001_-

INFORMATION SOCIETY

New rules for cybersecurity in the EU

In the current digital age similar types of attacks have become more frequent and thus cybersecurity is becoming an increasingly pressing problem for governments and businesses.

The European response to cyber threats is the Directive on security of network and information systems (NIS Directive), the draft of which was presented by the Commission in February 2013 and at the beginning of July gained the last necessary approval from the European Parliament.

MEPs therefore gave the green light to the first ever pan-European rules in the area of cybersecurity which will improve capabilities at the member state level, strengthen cooperation within the framework of the EU and also introduce new obligations for companies themselves. Thanks to intensified cooperation and the establishment of common standards both European businesses and the connected infrastructure of EU countries will be protected from attacks.

The directive will come into force in August 2016 and member states will then have 21 months to implement it in their national legal systems. To ensure that member states strengthen their capabilities in the area of cybersecurity, the new rules are based on **creating their own strategies for the security of networks and information systems.**

The Directive also imposes an obligation to designate a national authority that will monitor implementation of the new EU legislation.

Member states will also have to set up **Computer Security Incident Response Teams (CSIRT)** which will monitor and respond to incidents and risks, provide system včasnéhovarování and discuss cross-border security issues.

At the EU level a mechanism for cooperation between member states and the Commission will be created which will enable prompt sharing of information on risks and incidents of cyber attacks.

For this purpose a group will be formed composed of representatives from EU countries, the Commission and the European Union Agency for Network and Information Security (ENISA) which was established in 2004.

http://www.consilium.europa.eu/cs/policies/cyber-security/

Commission’s Column

The European Commission Representation in the Czech Republic contributes articles to the EU News Monthly Journal in the "Commission’s Column" section. In the August issue this contribution is devoted to proposals which set annual targets for greenhouse gas emissions in the 2021-2030 period in the various sectors

MEASURES FOR THE TRANSITION TO LOW-CARBON EMISSIONS IN ALL SECTORS

The Paris Agreement on limiting global warming from December 2015, which the leaders of all European countries including the Czech Republic signed, gave impetus to the transition to a modern and low-carbon economy, not only in the EU but also globally.

As a guide for the implementation of the Paris Agreement, in July 2016 the European Commission presented proposals which establish binding annual targets for member state greenhouse gas emissions in the period 2021-2030 in the areas of transport, construction, agriculture, waste management, land use and forestry.The new framework applies to all member states. The Commission only proposes setting specific targets for reducing emissions by 2030 and leaves it to the countries of the European Union to decide how to set up individual measures.

The Czech Republic should reduce greenhouse gas emissions by 14% (see table). The numbers refer to the state in 2005. On the countrary, countries with high GDP should contribute significantly more, e.g. Germany 38%, Sweden 40% and France 37%.

Transport is responsible for a quarter of Europe's emissions of greenhouse gases and represents a major cause of air pollution.Because of this part of the proposal is also a strategy for low-emission mobility for vehicles with low and zero emissions and alternative low emission fuels (see Factsheet MEMO/16/2497).

The proposals also include a mechanism that will enable countries which do not use up their emission limits to save their allocations to use them later.The system is also open to the possibility of transferring emission allocations between individual member states.

For the fulfilment of the agreed climate targets, within the European Union budget (at least 20% of the current budget) and within the framework of the Investment Plan (European Fund for Strategic Investments - EFSI) there are funds available (more than 50% of investment approved so far is relevant to the climate) which countries and private entities can utilise.

In October 2014 the heads of state and government of the European Union set a binding target to reduce domestic emissions by 2030 in the entire economy by at least 40% compared to the 1990 level.

All sectors of the economy should contribute to achieving these emission reductions.The industrial and energy sectors covered by the EU Emissions Trading System (EU ETS) will have to reduce emissions by 43% compared to 2005.

Other sectors such as transport, construction, agriculture, waste management, land use and forestry, will have to reduce emissions by 30% in comparison. The proposals will now pass through debate among member states and also the European Parliament.The Commission will further develop the action plan for low-emission mobility and submit the remaining initiatives. By the end of the year these will also be in the areas of energy from renewable sources, energy efficiency and the internal energy market.

Proposed targets for EU member states

Target 2030		Target 2030	
Luxembourg	-40 %	Malta	-19 %
Sweden	-40 %	Portugal	-17 %
Denmark	-39 %	Spain	-16 %
Finland	-39 %	Slovenia	-15 %
Germany	-38 %	CR	-14 %
France	-37 %	Greece	-13 %
UK	-37 %	Slovakia	-13 %
Netherlands	-36 %	Lithuania	-9 %
Austria	-36 %	Poland	-7 %
Belgium	-35 %	Croatia	-7 %
Italy	-33 %	Hungary	-7 %
Ireland	-30 %	Latvia	-6 %
Estonia	-36 %	Romania	-2 %
Cyprus	-24 %	Bulgaria	0 %

Source: European Commision, targets compared to 2005

Additional information available at: http://ec.europa.eu/czech-republic/prechod_k_nizkouhlikove_ekonomice_cs

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://www.eu2016.sk/en

InfoServis

Meeting of the key EU institutions

29 August – 1 September 2016	**Brussels, Belgium**	**9 – 10 September 2016**	**Bratislava, Slovakia**
- EP Committies		**- Informal meeting of Economic and Financial Affairs ministers**	
2 September 2016	**Bratislava, Slovakia**	**12 – 15 September 2016**	**Brussels, Belgium**
- Informal meeting of Foreign Affairs ministers		**- EP Plenary Session**	
5 – 6 September 2016	**Brussels, Belgium**	**12 – 15 September 2016**	**Brussels, Belgium**
- EP Committies		**- EP Committies**	
8 September 2016	**Brussels, Belgium**	**12 September 2016**	**Bratislava, Slovakia**
- EP Committies		**- Informal meeting of development ministers**	
9 September 2016	**Brussels, Belgium**	**13 September 2016**	**Bratislava, Slovakia**
- Eurogroup		**- Informal meeting of agriculture and fisheries minsiters**	

Source: www.europa.eu, http://www.eu2016.sk/en, access as of 29 July 2016

Overview of selected calls

Call	Call number	Receipt of applications	
		From	To
Operational Programme Environment			
Reduce the energy demands of public buildings and increase the use of renewable energy sources (5.1)	**39.**	**1. 9. 2016**	**20. 12. 2016**
Increase the share of material and energy utilization of waste (3.2)	**41.**	**1. 9. 2016**	**30. 11. 2016**
Prevention of waste creation (3.1)	**40.**	**1. 9. 2016**	**30. 11. 2016**
Integrated Regional Operational Programme			
Social entrepreneurship II.	**43.**	**09/16**	**01/17**
Social entrepreneurship for SVL II.	**44.**	**09/16**	**01/17**
Infrastructure of primary schools	**48.**	**09/16**	**02/17**
Infrastructure of primary schools (SVL)	**49.**	**09/16**	**02/17**

Source: www.edotace.cz/kalendar

Microscope

MEP and deputy chairperson of the Committee on Budgetary Control, Martina Dlabajová, who had responsibility for drafting reports on the granting of budgetary discharge, has provided us with her own contribution to August's EU Monthly news. You can read why budgetary control is important and what the need is to inspect EU expenditure in the following section.

ON THE IMPORTANCE OF BUDGETARY AUDITS IN THE EU AND THE NEED FOR NEW PRIORITIES

The EU budget is an essential tool for complying with the function of EU fiscal policy and represents approximately 1% of EU GDP (which in relative terms is dramatically less than what national budgets constitute in regard to the economic power of individual member countries). But at the same time, the EU budget plays an essential role in funding priorities of common European interest and represents in relation to national budgets (or, rather, should represent) a complementary tool. Its involvement in the financing of agriculture, and rural, economic, social and territorial cohesion, as well as fostering competitiveness, innovation, and research and development is crucial.

The register of control activities that apply to the European budget should also correspond to this importance. This register is multiplex in terms of both the subject of control activities, as well as the entities subject to inspection. The most important activities are implemented at the EU level and are supplemented by other control activities at the national level. The consistency between national and EU controls is an area in need of substantial improvement, as indicated by the results of the implementation of inspection practices. I will focus in particular on budgetary control from the EU perspective.

The first level of control is implemented by the European Commission, the EU's key executive body. It takes the form of monthly reports through which the Commission keeps the European Parliament and the EU Council informed, i.e. its budgetary section regarding revenues achieved. They are divided by type and with a statement of the total amount which the European Commission received from the beginning of the year to the end of the pertinent month. It also reports on actual expenditure, including the implementation of the budget, i.e. comparing budgeted and actual expenses incurred. This information must be available 10 days prior to the end of each month.

The chief accountant of the European Commission (the Commission's Accounting Officer) compiles a report on an annual basis on the annual accounts of the EU, which include financial statements and consolidated reports on the implementation of the budget. Each Directorate General of the European Commission has to prepare a report by the end of March each year for the previous financial year containing the results achieved and the corresponding amount spent, and in comparison with the stated budget intention at the beginning of the period. In summary, the activity report serves as a key source for the synthesis report, which is one of the basic documents used by the European Court of Auditors in preparing the annual Statement of Assurance.

The third form of inspection activities constitute audit activities which are also divided into internal and external. An internal audit - as the name suggests - is carried out by the appropriate special service of the European Commission and apart from a focus on the Commission itself covers the activities of EU agencies. The internal audit of the Commission is independent, many of its results remain for the internal use of the institution and in a corresponding manner the generalized results are published in the annual report. The external audit is carried out by the European Court of Auditors, an institution established primarily for conducting an audit of the EU budget. The European Court of Auditors analyses various activities and payments on an annual basis, especially in terms of the legality and regularity of the process, but has increasingly done this recently in the form of an inspection of results achieved. The European Court of Auditors places an emphasis on results and performance, particularly in its special reports devoted to specific EU policies.

Discharge or budgetary discharge represents the fourth form of the implementation of control activities in relation to the EU budget, this time directed primarily at the European Parliament. Budgetary discharge is a decision taken by the European Parliament on the recommendation of the Council of the EU toward the European Commission with regard to its responsibilities in the management of the EU budget for a pertinent year. It is performed with a corresponding time interval allowing detailed examination of the performance of budgetary policy undertaken by the European Commission.

I have direct experience with this form of control as a rapporteur for the report on the granting of discharge to the European Commission for 2014. That is why I consider it important that in assessing expenditure from the European budget emphasis is placed on whether the funds respect not only the formal and legislative rules, but also whether they contribute to the real effects and consequences of the European Union's economic, social and environmental development. It is necessary to allocate EU funds to areas where their investment will have the greatest effect, and to jointly identify new European priorities in relation to this.

Martina Dlabajová, MEP and Deputy Chairperson of the Committee on Budgetary Control

How will the UK's departure affect the functioning of the European Union? How will the departure impact upon individual European institutions? How will the EP and the votes in the EU Council within ordinary legislative procedure change? The theme of the August monthly can't respond exhaustively to these questions, but it can steer the reader in the right direction.

Main Theme

BREXIT AND THE FUNCTIONING OF EUROPEAN INSTITUTIONS

INTRODUCTION

The result of the decision made by British voters in the referendum on remaining in the EU on June 23, 2016, will impact not only the United Kingdom (UK). The UK's departure will certainly affect what is happening in the institutions of the EU.

Britain's withdrawal may, however, paradoxically cause a strengthening of integration efforts within the EU - the main integration current would lose a great critic. The significant strengthening of the eurozone also contributes to the strengthening of integration, which, after the UK's departure, would have almost 86% of European GDP. Such considerations, however, may reverse the negative attitude to integration on the part of the European population. But this probably wouldn't happen before the elections to the European Parliament (EP) in 2019. After Britain's departure, one can also expect a substantial strengthening of the major states at the expense of the smaller ones. The search for partners for approving legislation would be complicated after the UK leaves, especially thanks to "qualified majority" voting.

Without the approval of large states (especially Germany), it will be much more complicated than before to push through proposals. The blocking of proposals would also be more difficult. Analyses also indicate a significant strategic strengthening of Poland, which definitely ranks among the truly big countries of the EU.

Withdrawal from the EU according to Article 50 of the Treaty on European Union

The possibility of the withdrawal of a Member State of the European Union was specifically introduced with Article 50 of the Lisbon Treaty. It does not mean, however, that the withdrawal of a Member State was not possible until then - a vivid and sole example is Greenland which left the EU (at that time still the European Community, EC) in 1985 - after it had gained autonomy in 1979 from Denmark and three years later held a referendum on withdrawal from the EC.

According to Article 50 of the Treaty on European Union (TEU), the procedure for withdrawal of a Member State from the EU, in this case the United Kingdom, is as follows:

- The UK must declare its intention to the European Council. According to recent information, it should do this at the turn of the year 2016/2017.
- With regard to the guidelines of the European Council, the EU then concludes an agreement with the UK on the conditions of withdrawal. The EU Council concludes this on behalf of the EU, which acts on the basis of a qualified majority after obtaining the consent of the European Parliament. It is important to note that the UK representatives in the EU Council and the European Council will not participate in the discussions and decisions concerning their country's exit from the EU. British MEPs' voting powers in the matter of granting the consent of the European Parliament to an agreement on withdrawal are not restricted and they could therefore influence approval of an agreement.
- After the conclusion of a withdrawal agreement and its entry into force, EU treaties shall cease to be binding for the UK. However, if no agreement is reached within two years of notification of the intention to withdraw from the EU and the European Council does not agree unanimously with the UK on extending this period, the UK automatically loses membership in the EU and EU treaties will automatically cease to apply to it. Two years, however, is a relatively short time to negotiate the conditions. In short - if some of the EU states want to "sweeten" the UK and would agree to extend the deadline, there would be a legal mess in the British Isles.

INSTITUTIONAL ROUND

In order to understand the consequences of Brexit better, let's recall the role of the key EU bodies – the "institutional troika" which is responsible for policy-making and decision-making in the Union. It consists of the European Parliament, the Council and the European Commission. They are assisted by the Economic and Social Committee and the Committee of the Regions as an advisory body.

Main Theme

A large part of EU legislation is approved by "ordinary legislative procedure", which in a joint process reflects the views of both Member States (the EU Council) and the European Parliament. The procedure in many areas (energy, transport, environment, consumer protection, etc.) carries the same weight in both the European Parliament and the EU Council - the majority of laws are adopted by the two institutions together.

And how does it all work in practice? If during the first reading the EP and EU Council disagree, a second reading takes place – changes can again be proposed and if an agreement is reached, the proposed provision can be adopted.

If the two institutions fail to find common ground even after the second reading, a conciliation committee is convened whose task is to find a solution. During the last (third) reading both the EP and EU Council can block a proposal.

In addition to ordinary legislative procedure, when adopting legislation even more special legislative procedures are distinguished where the EU Council is virtually the sole legislator. The European Parliament is involved in the process, although its role, depending on the case, is limited to consultation or approval.

Special legislative procedures are used for example in adopting new legislation on combating discrimination and setting exemptions from the rules of the internal market and competition law.

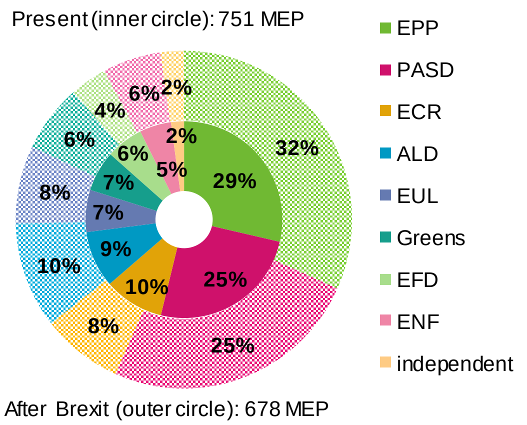
Furthermore, the EP's consent or consultation is required as a non-legislative procedure for the adoption of international agreements negotiated by the EU, for serious violations of human rights, the accession of new member states, agreement on the conditions for withdrawal from the EU or the negotiation of international agreements as part of common foreign and security policy.

The European Parliament

The EU's strong role (and hence of nation-states) in European politics balances to some extent the role of the European Parliament, which has direct legitimacy from the European population. Its powers in comparison with the EU Council are indeed weaker, but most enacted legislation cannot be passed without its sanctification.

The last elections to the EP were held in 2014 and more are planned for 2019. In the current eighth electoral term of office 751 MPs were elected, 73 of whom represent the UK. MEPs are organized into "factions", which bring together people advocating similar ideological points of view. Parliament is dominated by two factions in particular - the European People's Party (EPP) and the Alliance of Progressive Socialists (PASD) which together make up more than 50% of MEPs. The third most powerful faction is the Eurosceptic European Conservatives and Reformists (ECR).

EP fractions before and after Brexit



Source: European parliament

A large majority of British MEPs in the EP is divided into three factions. The strongest represented party is otherwise relatively marginal - the strongly Eurosceptic Europe of Freedom and Direct Democracy (EFD), in which there are 22 British MPs (from the ranks of UKIP). But that skepticism towards integration among British parliamentarians doesn't end there - 21 MPs from the British Conservative Party belong to the European Conservatives and Reformists faction, whose skepticism is not as intense as in the former case, although it is still considerable. Labour MPs in the European Parliament associate with the PASD faction.

The departure of the British in this election period would thus constitute a dramatic reduction of the Eurosceptic voice in the EP. Of the total number of 46 deputies in the EFDD faction, 22 of them come from Britain. In addition, its chairman is Nigel Farage. British withdrawal from the EU would be highly likely to lead to the disbanding of the faction or its significant weakening. According to current rules, the faction would in addition lose the right to funding from the EP. British MEPs are also very important for the ECR faction - 21 of the 74 deputies come from Britain and the deputy chairperson is again from the UK - Syed Kamall. The departure of the British would in the best case scenario mean the marginalization of the ECR, and the worst case, total oblivion.

Debate over various proposals within the European Parliament takes place first in committees, which thus have a fairly significant impact on the final wording of the approved proposals. If a committee approves the wording of a law, it then goes to a vote in a plenary meeting. A committee's opinion is thus crucial in the final verdict of the EP. British MEPs who also remain members of the British Parliament are currently in a period of uncertainty about when they will make decisions that ultimately will not apply to them at all. This is likely to result in their motivation to make truly informed decisions. The UK as a large state naturally participates in all 25 committees. There are around 10% British MEPs in almost every committee. The most participants are in the Committee on Fisheries, which has over 15% of members elected from the UK. Also they play a significant role in the committees on culture and education and women's rights.

The most influential people in the committees are the chairpersons and vice chairpersons who set the agenda and have a profound impact on who becomes a rapporteur on specific proposals. Some committees over which British MEPs preside cover important topics - including the Committee on Civil Liberties, Justice and Home Affairs (LIBE) and the Committee on Development (DEVE).

Great Britain's role may prove to be very strategic in future in the Committee on Internal Market and Consumer Protection, where Britain has not only the chairperson Vicky Ford of the Conservative Party, but also the deputy chairperson Catherine Stihler of the Labour Party. The internal market agenda is currently crucial for the UK because access to the European internal market is by far the most important topic of mutual relations after the departure of Britain from the EU. In particular, having a committee chairperson from the party of the Prime Minister, Theresa May, may be a boon for Britain. The mandate of British MEPs is likely to disappear upon the date of exit from the EU, so MEPs would therefore have the opportunity until then to participate in decision-making, including issues relating to exit.

On the other hand - the role of the EP in the negotiations is not well appreciated and, moreover, one can expect pressure to be applied for the resignation of the head of the committee because of the obvious conflict of interest.

The whole situation may change with the next European elections in 2019, when eurosceptics in Britain may be replaced by a new generation from the ranks of other Member States (e.g. Marine Le Pen's National Front,).

The European Union Council

The Council of the EU, which together with the European Parliament's main decision-making body, is where ministers of EU member countries meet according to what area is being discussed (if it is about the environment, ministers for the environment will come together).

At present, the majority of decisions are voted on most often by a “qualified majority”. The Lisbon Treaty extended the areas which could be voted on in this way. In some areas, however, such as the adoption of the EU budget, tax harmonization or foreign and security policy, unanimity is required.

Until 31 March 2017, it is possible to achieve a qualified majority in two ways. Until that date, Member States may request a vote according to the "old" wording of the rule where each Member State has a certain number of votes (weighted according to the number of inhabitants in a given state).

In the case of the UK, this is a total of 29 votes (after withdrawal they would probably have to be redistributed among the remaining Member States). The withdrawal of the UK from the EU, however, probably wouldn't occur by 31 March 2017 - the call for change in this area is therefore not entirely appropriate.

From 1 November 2014, however, the "double majority" procedure will be used (unless the "old" method is requested), according to which two conditions must be fulfilled:

• *55% of Member States (currently 16 out of 28) must vote for the proposal;*

• *a proposal must be supported by many Member States which together represent at least 65% of the total population.*

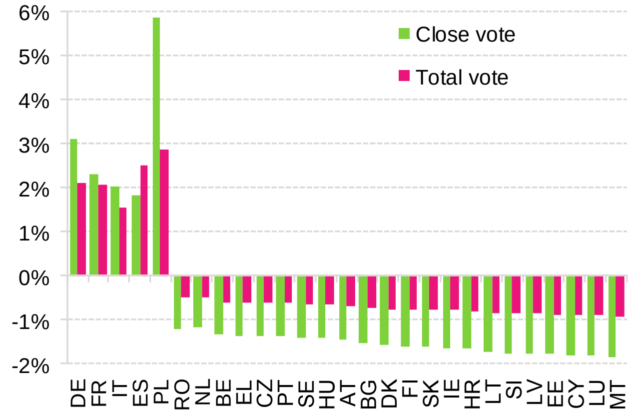
Given the size (percentage representation of the population) the UK's departure from the EU could significantly affect the vote - especially with regard to the position of small member states.

Using simple simulations, all combinations of the vote have been calculated in which both conditions for a qualified majority are fulfilled. The analysis looked for the answer to a simple question: How often do individual states show up in 'winning coalitions'? It monitors two levels - a close voting situation where 16 Member States vote for a proposal prior to the departure of the British, or as the case may be, 15 member states after it. Analysing the situation of the total vote, the former situation is reflected in all situations where the proposal passes.

The results cannot be interpreted absolutely because they don't reflect institutional and other differences between states. If we look at the results, however, in relative comparison of before and after the UK's departure, we get an idea of how it facilitates or complicates the position of individual states in the search for potential partners.

Thanks to the UK's high population its departure will trigger a strengthening of the other big players. It is not overly surprising - one large state will be missing that may help meet the 65% requirement. This will increase the relative price of the other large players in negotiations. The surprise is the significant increase in Poland's position.

Change of strategic position in double majority



Source: own calculation; the share of winning coalitions after Brexit - share of winning coalitions before; states ranked by population

It has almost twice as many people than the country following it (in terms of population) - Romania. After the UK leaves the EU and the consequent reduction of the population limit required for approval of a proposal, the need for Poland's consent to proposed measures will greatly increase. This effect is much stronger in a close majority situation - Poland benefits from Brexit.

The strengthening of the big states logically comes at the expense of the weakening of the small states. But these didn't have a particularly strategic position even prior to the UK's departure. If necessary, they had a partner in the UK which talked loudly for them with a protest vote. They have lost this partner with Brexit.

This would be the case for achieving the votes needed to obtain a blocking minority. If any member disagrees with the results, at least four Member States representing 35% of the population are needed to block a measure.

In addition, if we take into account that Eurozone members already meet the criteria for a majority (19 states, 66.6% of the EU population), and they can in practice adopt legislation that suits them, it will be necessary to mitigate the criteria necessary for achieving a blocking minority.

The UK's withdrawal will significantly strengthen the role of Germany. This is confirmed by the results of simulations – thanks to Germany's population dominance, the proportion of four-member coalitions would be enough to block a proposal, with German participation increased from the previous 72% to over 86%. In other words, blocking a vote without the participation of Germany will be much more difficult in future than it has been until now.

We can therefore expect pressure will be applied to change the voting system. Pressure to change the decision-making process would have a rational core to it.

Data on voting in the EU Council show that it is the UK that most often votes against the enacted legislation. This therefore invites the question of whether voting will become ineffective after the UK leaves the EU.

However, countries such as Sweden, the Netherlands and Denmark evince a similar trend, and we can therefore expect that if a proposal (because of its non-membership in the EU) could not be blocked by the UK, then it would be these very countries that would do so.

Although the UK has voted in opposition to the majority most frequently, in the years 2009-2015 it stood on the "winning" side of proposals on which it voted in "only" in 86.7% of cases.

And in which areas has the UK been in opposition with the others the most? Most often it is the EU budget, foreign and security policy and international development aid.

The UK's withdrawal from the EU will have the least impact on the last member of the troika - the European Commission. British Commissioner Jonathan Hill, who was in charge of financial stability, services and capital union, retired with the words "What has happened cannot be undone, and now we need to work on a new relationship with Europe".

His agenda will be taken over by the Commission deputy chairperson for the Euro, Valdis Dombrovskis. This will also likely lead to the departure of some high-ranking officials within the Commission whose function is political and has something in common with the UK's membership of the EU.

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 May issue, we will focus on the business environment in Slovenia.

Doing Business

HUNGARY

Official name	Hungary (Magyarország)
Population	9 855 571 (2015)
Area	93 028 km^2
Currency	Forint (HUF)
Ethnic groups	Hungarians (85.6 %), Romani (3.2 %)

Source: The World Factbook

Hungary seceded from the Austro-Hungarian Empire in 1918. After the Second World War it fell within the Soviet sphere of influence, under which it remained until 1989. In 1999, it became a member of NATO and in 2004 a member of the European Union.

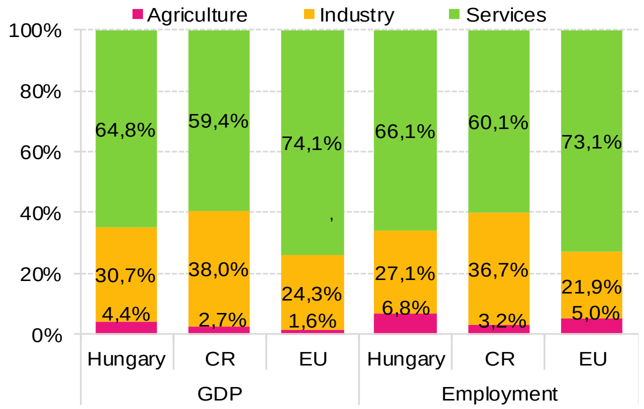
Hungary is a parliamentary democracy. The government headed by the Prime Minister requires the confidence of the unicameral National Assembly. It also elects the president by secret ballot once every 5 years. The last election in 2014 was won by Prime Minister Viktor Orban, who rules the country with his national-conservative party, Fidesz.

Structure of economy and foreign trade

Exported commodities include primarily different types of consumer goods (Gorenje), machinery and transport equipment, chemicals and foodstuffs. Imports are mainly machinery, transport equipment, chemicals and plastics. The main business partners (in regard to imports and exports) are in this order: Germany, Italy and Austria.

Over half of exports and imports in Hungary consist mainly of machinery, transport equipment and chemicals. A quarter of exports and imports are procured by Germany. Exports from Hungary go further mostly to Romania (5.2%), Slovakia (5.0%) and Austria (4.8%). Hungarians conversely import goods from Austria (6.6%), China (5.8%) and Poland (5.6%).

Sectors of national economy



Source: Eurostat (2014)

Macroeconomic outlook

The Hungarian economy grew in 2015 by 2.9%, and this year it is expected to grow at 2.5% (due to the slower dynamics of domestic demand and net exports), so in 2017 it could accelerate to 2.8% of GDP thanks to the recovery in domestic demand. The contribution of net exports will continue to decline. The downward trend in the unemployment rate will continue and by the end of 2017 will fall to 6%.Conversely, inflation, which was at zero for 2014, is starting to slowly increase, but will remain below 0.5% for 2016. The public finance deficit will remain stable at around 2% of GDP.

Basic macroeconomic indicators	2014	2015^e	2016^e	2017^e
GDP Growth (%)	3.7	2.9	2.5	2.8
Unemployment rate (%)	7.7	6.8	6.4	6.1
Inflation (%)	0.0	0.1	0.4	2.3
Budget deficit (% GDP)	-2.3	-2.0	-2.0	-2.0
Public debt (% GDP)	76.2	75.3	74.3	73.0

Source: European Commission; ^{e} - estimate

Labor market

The average unemployment rate in Hungary was at 5.6% in March 2016, while the European Commission predicts unemployment of 6.4% in all 2016. It should in future decline by several tenths of a percentage point.

Average labour productivity in comparison with the CR is 6 percentage points lower and is 65.6% of the EU average.

Basic indicators of labor market		
Unemployment rate (May 2016)	5.2 %	
Labor productivity to ø EU in PPS (2014)	65,6 %	
Minimum monthly wage	353 EUR	
Ø monthly labor costs 2015	**Hungary**	**CR**
Manufacturing	1 252 €	1 528 €
Wholesale and retail trade	1 126 €	1 500 €
Transportation and storage	1 180 €	1 444 €
ICT technologies	2 304 €	3 017 €

Source: Eurostat

The minimum monthly wage in Hungary is the equivalent of EUR 353, i.e. EUR 13 lower than in the Czech Republic. In comparison with the Czech Republic, the monthly cost of labour in all selected industries in Hungary is lower on average by 19%.

Doing Business

Labor law basics

A labour contract must be concluded in writing. It can be concluded for a definite or indefinite period. An employment contract for a definite period may be concluded for a maximum length of 5 years.

The probationary period in a labour contract may be set at a maximum of 3 months and it is possible to terminate it throughout this probationary period at any time for any reason. An employee may terminate employment for an indefinite period at any time without giving a reason. For termination by an employer a 30-day notice period applies and the employer pays severance equivalent to one to six months' wages.

Commercial law basics

A business company is the most common form of entry by foreigners into the Hungarian market. A limited liability company (Ltd.) and a joint stock company may be established by one or more partners. Partners (shareholders) are liable for liabilities only to the amount of their deposit. The minimum required capital for a limited liability company is HUF 3 million (about CZK 260 000).

For larger business projects, a joint stock company without a public offer for the subscription of shares is more often used, and whose capital is at least HUF 5 million, i.e. approx. CZK 430 000.

In the general index of the World Bank's Doing Business, Hungary is ranked in 42nd place, which is 6 places worse than the Czech Republic. Registration of companies in Hungary takes on average less than one week and costs about 150-310,000 forints (about 17,500 to 36,000 dollars). Costs vary widely according to company size, form of business and administrative demands.

Form of Company	Minimum Capital
Limited liability company	3 000 000 HUF
Joint-stock company (public)	20 000 000 HUF
Joint-stock company (private)	5 000 000 HUF
European company	120 000 EUR

Source: Ministry of Foreign Affairs and Trade

Main taxes and additional labor costs

Corporate income tax on profits up to 500 million forints (i.e. about 44 million dollars) is 10% of the tax base, and for income above this amount it's then 19%. Municipal authorities may require additional tax of up to 2%.

The tax rate on personal income is set at 15%. The basic VAT rate is 27%, and a reduction of 18% applies to hotel services and food. Medicines, books, newspapers, etc. are included in the 5% reduced rate.

An employer pays 27% of the gross wages of their employees into the social security system. Employees contribute 18.5% to social and health insurance.

Tax/payment	Rate
Corporate Tax	10 % / 19 %
Dividend Tax (non-resident)	16 %
Individual Income Tax	15 %
VAT	27 / 18 / 5 %
Social insurance (employee)	18.5 %
Social insurance (employer)	27 %

Source: Ministry of Finance

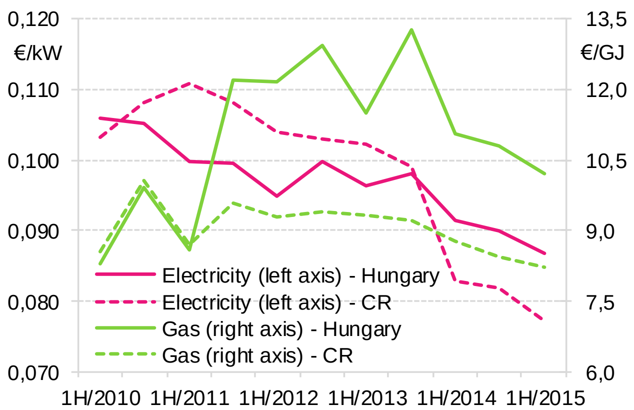
Energy

More than half of electricity production is generated from nuclear sources. Solid fuels and natural gas account for over 20% and renewables contribute only 10% to the overall mix.

The price of electricity in Hungary is below EUR 10 / kWh. Since 2013, it has fallen regularly and at the end of 2015 it cost Hungarian wholesalers EUR 8.6 / kWh.

The price of gas climbed to a peak in 2013 (EUR 13.3 / GJ) and at the end of 2015 it was only EUR 9.4 / GJ.

The energy prices in Hungary



Source: Eurostat, tariffs for large scale costumers without VAT

Investment incentives

Hungary offers foreign investors extensive investment incentives from tax breaks through to training subsidies to support the creation of new jobs. Incentives for large firms depend on the location, and the least developed areas can receive up to 50% of eligible investment costs.

Another system that can be used for submitting applications to EU programmes is the Farmers' Portal. The Portal is designed for those who are considering projects in the field of agriculture, forestry and aquaculture. And this one, together with the upcoming May calls as part of the Rural Development Programme, is again opening its doors to potential applicants.

HOW TO SAFELY GET THROUGH A TENDER WITH SUBSIDIES WITHOUT PENALTIES

The basic building block of any good project is the proper selection of external suppliers of technology, services or building work.

According to what method?

To select the correct tendering procedure, the contracting authority must first establish the estimated value of a given contract, which may be problematic in the case of projects whose objective is the common acquisition of various unconnected jobs – i.e. supplies, provision of services, and where appropriate, the execution of construction work in any combination. The contracting authority must hence determine independently the value of the supplies, the value of the services rendered and the value of the construction work and according to all these values select the correct tender procedure.The contracting authority simultaneously does not have to divide up the subject of the contract so as to help reduce the estimated value to below specified financial limits which would allow it to proceed with a less strict regime. The deliberate splitting of contracts is unacceptable and is strictly monitored and penalised by control authorities. A common mistake is the merging of orders, which results in a restriction of the suppliers who are able to meet the subject matter of the contract.

It is important to note that for contracts with the same set of suppliers submitted within one project, albeit for different activities, it is necessary to aggregate their estimated value and only then determine the procedure for them.

Precise tender conditions …

The preparation of tender conditions follows determination of the right kind of contract (supplies, services or construction work), the estimated value and the contracting procedure. The contracting authority must specify the subject matter in the tender conditions with necessary specificity and certainty, both in terms of specifications of the required job and quantity demanded, and the setting of conditions so that suppliers submit mutually comparable bids.

In order to secure the participation of only those suppliers in the tender who are actually able to fulfil the subject of the contract, the contracting authority may require suppliers to demonstrate the fulfilment of qualification conditions. At the same time, however, it is obliged to limit the scope of the required qualifications only to information and documents directly related to the subject matter and in determining these it must consider the appropriateness of its requirements. When drafting the tender conditions it is also obliged to determine how qualified candidates' offers (those who meet the contracting authority's qualification conditions) will be evaluated - or it must choose a basic evaluation criterion for awarding a contract. The tender authority may select as an evaluation criterion the economic benefit of an offer, or the lowest tender price, mainly depending on the type and complexity of the contract. The assessment may not use only evaluation criteria that were not known to contractors (bidders) in advance and which were not described in detail in the tender conditions. Each evaluation criterion must be determined in such a way that the candidate knows how to fulfil it in order to receive the highest possible score. The subject of evaluation may not be the qualification or business conditions. Never try to "tailor" the terms of reference "to order" for a selected supplier.

Quality and clear contracts are the foundation …

As soon as you select the winning bidder according to the terms of the programme a contract must be concluded with it. You always have to ensure that the contract is in accordance with the draft contract contained in the offer of the selected tenderer and tender conditions.

Concluding any amendments should be approached with extreme caution. Substantial change of a contract to the detriment of the contracting authority is especially not permissible. For construction work we also emphasise a quality contract with the project designer. Not all his mistakes and omissions can be subsequently funded from the grant, so therefore think about the possible financial impact of possible complications with the project documentation. Proper insurance of the project designer is appropriate.

It's not possible without expertise …

The selection process is the most treacherous and most monitored point of the entire implementation of your project. And it is already publicly known that there are unfortunately the most mistakes in this area. If you do not have extensive experience with the implementation of tenders in grant projects, get advice from experts.

Transfer the risk to them and at the same time avoid the lengthy loading of manuals and consultations with the provider of a grant. But we recommend carefully reading the contract with a consultant which must be of high quality and well developed in terms of taking responsibility for the correctness of the tender in terms of process.

Tereza Kniezková, project manager Erste Grantika Advisory, a.s.

Statistical Window

The “Statistical Window” in a tabular form shows important macroeconomic indicators from all member states and the European Union as a whole. It includes economic performance indicators, external economic stability indicators, fiscal stability indicators and price level to ø EU. The source of the data is Eurostat and ECB.

Key economic indicators

	Inflation (YoY)				Unemployment rate				Labor costs to Ø EU			
in %	III-16	IV-16	V-16	VI-16	Q2-15	Q3-15	Q4-15	Q1-16	2012	2013	2014	2015
Belgium	1.6	1.5	1.6	1.8	8.7	8.1	8.6	8.2	143.8	144.7	143.8	141.0
Germany	0.1	-0.3	0.0	0.2	4.7	4.6	4.5	4.3	120.9	120.9	121.3	122.0
Estonia	0.5	0.0	0.0	0.4	6.5	5.6	6.3	6.3	38.4	40.9	42.7	43.8
Ireland	-0.6	-0.2	-0.2	0.1	9.6	9.2	9.0	8.3	116.0	115.2	114.1	113.0
Greece	-0.7	-0.4	-0.2	0.2	25.1	24.8	24.4	24.0	69.8	64.4	63.0	n/a
Spain	-1.0	-1.2	-1.1	-0.9	22.5	21.7	20.9	20.4	87.9	87.1	85.9	84.3
France	-0.1	-0.1	0.1	0.3	10.4	10.5	10.2	10.1	130.6	129.3	128.6	127.4
Italy	-0.2	-0.4	-0.3	-0.2	12.2	11.6	11.6	11.6	104.4	105.3	104.2	102.1
Cyprus	-2.2	-2.1	-1.9	-2.0	15.3	14.6	13.5	12.9	72.1	69.1	65.8	63.9
Latvia	-0.6	-0.7	-0.8	-0.6	9.8	10.0	9.9	9.8	27.0	28.2	29.4	31.0
Lithuania	0.8	0.8	0.2	0.4	9.4	9.0	8.9	8.5	25.0	26.4	27.2	28.1
Luxembourg	-0.6	-0.6	-0.6	-0.4	6.5	6.5	6.5	6.3	142.2	145.1	147.6	145.0
Malta	1.0	0.8	1.0	1.0	5.5	5.3	5.2	4.9	57.0	58.7	59.6	59.8
Netherlands	0.5	-0.2	-0.2	-0.2	6.9	6.8	6.7	6.5	135.3	135.5	136.4	134.3
Austria	0.7	0.6	0.6	0.6	5.8	5.7	5.9	6.0	123.9	125.5	126.9	128.4
Portugal	0.5	0.5	0.4	0.7	12.4	12.3	12.3	12.2	52.5	51.5	50.2	50.6
Slovenia	-0.9	-0.7	-0.5	0.1	9.5	9.0	8.4	8.3	62.6	61.1	61.7	61.2
Slovakia	-0.5	-0.4	-0.7	-0.7	11.5	11.3	10.9	10.2	37.9	38.4	39.8	40.4
Finland	0.0	0.3	0.3	0.3	9.3	9.4	9.4	9.2	124.9	125.6	125.8	124.9
Bulgaria	-1.9	-2.5	-2.5	-1.9	9.9	8.9	7.9	8.0	14.3	14.7	15.4	16.2
CR	0.3	0.5	0.0	-0.1	5.1	4.8	4.5	4.2	42.4	42.4	42.6	43.6
Denmark	-0.3	-0.3	-0.1	0.1	6.2	6.1	6.1	5.9	157.4	157.7	157.5	156.9
Croatia	-0.9	-0.9	-1.2	-1.2	16.2	16.4	15.5	14.3	39.4	39.6	38.8	38.6
Hungary	-0.2	0.3	-0.1	-0.1	7.0	6.6	6.3	5.8	33.9	34.2	34.9	35.5
Poland	-0.4	-0.5	-0.4	-0.4	7.5	7.4	7.1	6.5	31.7	32.3	33.0	33.6
Romania	-2.4	-2.6	-3.0	-0.7	6.8	6.8	6.7	6.4	18.9	19.4	20.1	21.2
Sweden	1.2	1.0	0.8	1.2	7.6	7.2	7.1	7.1	162.9	163.7	165.7	166.8
UK	0.5	0.3	0.3	n/a	5.5	5.3	5.0	5.0	111.7	111.4	111.6	113.5
EU	0.0	-0.2	-0.1	0.0	9.6	9.3	9.0	8.8	100.0	100.0	100.0	100.0

	Productivity to Ø CR				Average interest rate on mortgages				Price electricity to Ø EU			
in %	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
Belgium	260.9	274.0	285.1	276.4	n/a	n/a	n/a	n/a	115.7	110.1	99.9	105.4
Germany	204.5	214.7	225.1	221.6	3.2	2.9	2.5	2.2	140.1	147.3	146.5	141.6
Estonia	90.7	98.0	104.7	100.1	3.1	3.0	2.9	2.6	55.0	64.6	61.3	58.8
Ireland	296.5	306.8	325.1	343.7	3.3	3.5	3.4	3.5	131.2	134.2	140.8	136.0
Greece	145.2	146.7	147.5	137.1	3.6	3.1	3.4	3.0	61.0	71.3	78.3	79.8
Spain	177.0	185.9	190.3	183.5	3.4	3.2	3.2	2.5	120.0	115.9	121.3	122.8
France	235.9	246.9	253.7	247.4	4.5	3.9	3.6	3.1	79.5	82.7	81.1	81.3
Italy	206.3	219.0	224.9	217.0	4.3	3.9	3.5	3.1	94.0	92.0	95.6	93.0
Cyprus	154.6	157.5	159.0	151.0	5.5	5.4	5.0	4.4	137.9	121.0	105.1	83.2
Latvia	78.0	81.8	87.4	85.3	3.9	4.1	n/a	n/a	61.4	58.5	55.6	72.7
Lithuania	81.5	87.0	91.0	87.6	3.3	2.7	2.7	n/a	62.7	65.1	61.0	56.1
Luxembourg	592.5	641.7	675.3	675.4	2.4	2.2	2.3	2.0	91.8	84.8	85.9	84.9
Malta	130.2	137.3	141.3	142.0	3.6	3.4	3.6	3.7	94.1	89.4	70.7	62.2
Netherlands	231.3	242.9	253.5	245.8	4.3	3.9	3.4	3.0	55.9	52.8	36.7	49.3
Austria	237.4	248.4	257.0	250.3	3.3	2.8	2.7	2.5	108.7	108.8	105.6	106.2
Portugal	113.9	122.2	125.5	122.6	4.8	4.3	4.0	3.4	109.7	108.0	108.8	109.3
Slovenia	118.8	124.0	131.1	127.6	3.6	3.5	3.5	3.0	85.5	89.6	88.1	85.1
Slovakia	97.0	102.0	105.3	101.3	5.3	4.4	3.7	3.1	94.8	88.8	77.5	77.0
Finland	245.5	259.7	270.7	262.1	2.2	2.2	2.0	1.5	95.3	93.0	91.2	88.8
Bulgaria	37.8	39.4	41.0	40.3	8.3	7.8	7.4	6.4	43.8	41.9	39.5	42.3
CR	100.0	100.0	100.0	100.0	4.2	3.6	3.3	2.7	112.8	108.1	89.9	87.5
Denmark	291.5	303.3	314.0	303.2	3.5	3.7	3.2	2.9	159.9	151.4	150.6	147.0
Croatia	86.9	91.1	89.9	86.2	n/a	n/a	n/a	n/a	68.5	68.7	64.9	62.7
Hungary	80.6	83.7	83.7	81.3	12.0	9.6	7.3	6.0	80.5	66.2	55.4	51.9
Poland	77.9	81.6	85.3	83.7	7.4	5.9	5.5	4.6	74.8	70.7	67.3	67.0
Romania	47.2	53.2	56.3	58.2	8.1	7.6	5.5	4.3	53.1	61.5	59.3	59.0
Sweden	285.3	300.1	299.3	290.8	3.6	2.8	2.3	1.7	108.7	105.6	98.6	91.7
UK	215.6	218.8	241.6	259.1	n/a	n/a	n/a	n/a	92.0	89.4	98.9	105.4
EU	186.1	194.6	203.1	201.4	n/a	n/a	n/a	n/a	100.0	100.0	100.0	100.0

Source: Eurostat