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EU funds: Beware of re-allocations for old Member States and missing national support systems!

The Czech Republic has implemented many interesting projects thanks to the EU funds and this money contributed to development of its regions and transport infrastructure. On the other hand, EU funding has almost erased national support system which has been replaced by EU funding. But what happens once the Czech Republic becomes a net contributor? The success of the new financial perspective lies undoubtedly in the capacity of the Member States, as well as the regions, to allocate and absorb the EU money. The question is how the EU budget (mainly the revenue side) will be made up and spent when many EU countries witness increasing debts. Conclusions of the discussion pointed out that the reallocation of EU funds in favour of old Member States will be also an important issue. For instance the „Connecting Europe Facility“ fund supporting EU infrastructure will be created, according to the participants, to the prejudice of the EU money for new Member States.

Key Czech economists, representatives of State administration and regional entities and European Commission discussed the future of EU budget on 20th September in Prague.

Proposal of the new financial perspective for 2014-2020 reflects current economic situation as well as key priorities of the Europe2020 Strategy. According to **Jan Michal**, Head of the EC Delegation in the Czech Republic, the EU budget proposal is ambitious but realistic. Total volume of the new multiannual financial framework (MFF) is of € 1,025bn, i.e. 1.05% EU GNP. Compared with 2007–2013 period the budget increases by 4.8%, which surpasses the average inflation in the last ten years (2%). Nevertheless the biggest amount of expenditures is allocated to the growth support. On the revenue side, there are two new controversial own resources such as European VAT and Financial Transaction Tax. Submission of the EC proposal has kicked off long-lasting negotiations between the EU Council and European Parliament. "The key and toughest negotiations will take place before the 2012 summit", said **Jan Gregor**, Deputy Minister of Finance. The most important area in the EU budget is the cohesion policy for the Czech Republic. During the negotiations, Czechs will advocate equal treatment between "old" and "new" EU Member States. Proposal of the new EU infrastructure fund connecting EU networks (in energy, ICT and transport field) does not appeal to the Czech Republic. "The way how it will be managed as well as the choice of projects are still unclear as it is interconnected with the cohesion policy", added Gregor.

Radko Martínek, President of the Pardubice region, said that problems of many countries such as Greece, Portugal and Spain result partially from the fact that these countries became from the net beneficiaries the net contributors. Current system of support was in the Czech Republic totally replaced by EU funding. The volume of EU money will be in the next multiannual financial frameworks still lower. Therefore the Czechs must create own support infrastructure, from which will be financed areas such as investment in transport development. **Michal Mejstřík**, President of ICC Czech Republic and Member of National Economic Government Council (NERV) highlighted that we have to assess the EU budget proposal within the context of economic situation in the whole EU. Many countries are struggling with huge debts and it is not clear how these countries will be able to contribute to the EU budget as well as

This debate was organized within a project of the EC Delegation in the Czech Republic and Information office of the European Parliament in the Czech Republic aimed at communicating current EU topics towards broad public implemented by the Confederation of Employers´ and Entrepreneurs´ Associations of the Czech Republic and CEBRE – Czech Business Representation to the EU. For more information please refer to prague@cebre.cz.

comply with agreed rules (such as conditionality). The EU Member States, and also the Czech Republic, should focus on support of competitiveness. For this purpose they should use financial engineering, on which the new MFF will focus. “In any case, it is necessary to set up stable and explicit rules for granting EU money and rules regulating returnable forms of support”, said Mejstřík. **Petr Zahradník**, Economist of the EU Office of Česká spořitelna and a NERV Member reminded that the EU budget does not need to solve traditional payments unlike national budgets (e.g. pensions, social contributions etc.). In the new MFF proposal Zahradník welcomes the approach oriented on results and better use of financial engineering tools. According to him the important rule will play the capacity of Member States to absorb the EU money. Therefore it is important to simplify the implementation structure of the EU funding in the Czech Republic.

The debate was organized in Prague on 20th Sept. 2011 by the European Commission Delegation in the Czech Republic, Information office of the European Parliament in the Czech Republic in cooperation with the Confederation of Employers´ and Entrepreneurs´ Associations of the Czech Republic and CEBRE – Czech Business Representation to the EU. For more information please see the related website http://www.cebre.cz/cz/docs/eu-budget-after-2014/ or contact Mr. Michal Kadera, Director of CEBRE (Michal.Kadera@cebre.cz).

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