# CZech BusinessToday.eu

Published by

CEBRE CZECH BUSINESS REPRESENTATION

www.cebre.cz

volume XIX, 4-2020


## EU RECOVERY PLAN: THE CZECH REPUBLIC SHOULD START A "HAPPY" ECONOMIC PERIOD


On 27th May, the European Commission presented a plan to facilitate the recovery of the European economy after the coronavirus crisis. The plan includes an increase in cohesion funds, a new instrument to support recovery and resilience, which will finance assistance to the Member States most affected by the crisis, and a strengthening of instruments to mobilise private investment and investment in strategic sectors. The funding comes from the EU's multiannual financial framework for 2021-2027. The size of the recovery package and the criteria for allocating the new funds will then be decided by the Member States and the European Parliament. In a debate organised on 22nd May by the Representation of the European Commission in the Czech Republic together with CEBRE and Confederation of Employers´ and Entrepreneurs´ Associations of the CR, representatives of the Commission, Czech Government office, Czech entrepreneurs and trade unions discussed how the European recovery plan could help the Czech Republic. The speakers agreed that investments in infrastructure, especially in digitisation and transport, but also in green technologies, will be important for the recovery of the domestic economy. The May recommendations of the Commission for the Czech Republic and the National Investment Plan should be a good guide for the use of the EU Recovery fund. Investment priorities should also be reflected in the operational programs for the forthcoming Cohesion Fund programming period. Above all, it is necessary to identify priority projects at an advanced stage of readiness so that the investment impetus in the economy can come as soon as possible. At the same time, administrative burdens, which are one of the key obstacles to development, need to be removed. According to the Czech Chamber of Commerce, it would help entrepreneurs if some ambitious goals were postponed, as entrepreneurs will have to deal with the consequences of the crisis in the short term, even though they have expected to release investments in green technologies this year. According to Lukáš Kovanda from the Government's National Economic Council, the Czech Republic should focus on strengthening the Czech-Moravian Guarantee and Development Bank so that it can provide repayable assistance to companies in sufficient volume. European funds could also be used to kick-start financial instruments. The Czech Republic is concerned that a change in the allocation criteria for drawing cohesion funds, e.g. in terms of taking into account the decline in GDP or employment after the COVID crisis, will be disadvantageous for the Czech Republic. On the other hand, the Czech government has an appetite to use the SURE tool to support short-time work scheme, thus protect jobs and self-employed against the risk of unemployment and loss of income.

## COMPETITIVENESS OF EU COMPANIES IS CRUCIAL FOR RECOVERY

The European Commission presented its eagerly awaited proposal for a post COVID-19 crisis EU recovery plan. It is based on a new recovery instrument called Next Generation EU with a suggested budget of EUR 750 billion, with the budget for the future Multiannual Financial Framework 2021-2027 set to increase to EUR 1.85 trillion. The new instrument will be based on 3 pillars, namely supporting Member States in investment and reforms, kick-starting the economy through incentives for private investment, and addressing the lessons learned from the crisis. To support investment and reform, the Commission is proposing a new Recovery and Resilience Facility with a budget of EUR 560 billion. Support will take the form of grants (up to EUR 310 billion) and loans (up to EUR 250 billion). The Commission also decided to increase the budget for the Just Transformation Fund by EUR 40 billion, and EUR 55 billion will be set aside for a new REACT-EU initiative to support cohesion policy. The Commission reiterates that economic recovery should be based on green and digital transitions, with the Green Deal for Europe being the cornerstone of the process. European business organisations welcomed the package presented by the Commission, acknowledging especially

*see page 2*

## News FLASH

### >RECOMMENDATIONS FOR THE CZECH REPUBLIC 2020

In its 2020 recommendations to the Czech Republic, the European Commission recommends ensuring the resilience of the healthcare system, supporting employment through active labour market policies, supporting skills more effectively (including digital skills), supporting SMEs by making greater use of financial instruments to support liquidity, reducing administrative burdens and improving e-Government. The Commission also recommends focusing investments on green and digital transformation.

### >COVID LOANS FOR CZECH BUSINESSES

Czech entrepreneurs will have the possibility to apply for soft loans in order to recover from the crisis. Loans will be granted by commercial banks and guaranteed by the Czech-Moravian Guarantee and Development Bank which will have a leverage effect on loans up to CZK 500 billion, thus supporting approximately 150,000 self-employed persons and SMEs. The programme called COVID III was approved by the European Commission in May 2020.

### >CZECH BUSINESSES IN TOURISM REQUESTS VOUCHERS

The offer of advantageous vouchers for domestic stays, reduction of VAT on services in tourism and extension of the Antivirus program are considered essential by business representatives of the tourism sector which is suffering due to the COVID-19 crisis. Without these measures it is not possible to quickly restart the tourism sector and maintain jobs. The Czech government will defend, before the Commission, its legislation which allows travel agencies to issue travel vouchers instead of cash for cancelled trips. Vouchers can be rejected i.e. by persons 65+, handicapped people, schools, unemployed or parents on parental leave.


CEBRE – Czech Business Representation, protects the interests of the Czech business community in relation to EU institutions, informs Czech businesses about EU legislation affecting them, trains Czech entrepreneurs in Brussels and represents Czech business associations at European business federations. Contact: Avenue des Arts 19 AD, 1 000 Brussels, Tel:+ +32 2 502 0766/+32 2 502 8091, e-mail: brussels@cebre.cz, www.cebre.cz

*continued from previous page*

the focus on boosting investment. According to EUROCHAMBRES, the EU has a crucial role to play in the response to the crisis and underline that time is of the essence right now. Therefore, they call on the European Parliament and the Council to approve the package as soon as possible so that the support gets to European businesses in time to avoid collective redundancies and business closures. BusinessEurope welcomes the strong focus on green and digital transitions as well as strengthening of the key industrial value chains. In its view, the re-launching and modernisation of Europe's economy must go hand in hand with the support of the European industrial base. Vladimír Dlouhý, Deputy President and Chair of the Sustainable Europe Committee of EUROCHAMBRES, says the Commission's proposal contains some promising financial incentives and ask for their swift implementation and for environmental targets that are realistic and achievable by entrepreneurs who are slowly recovering from the COVID-19 crisis. To achieve a sustainable economic recovery, companies need support in the short term and legal and planning security in the medium and long term. Supporting growth and recovery is necessary in all the EU Member States, given the goals that each Member State has to meet, especially in the area of the green transition. The best way to respond to the crisis is to further enhance the Single Market which is the engine of the growth for the whole EU. As Jaroslav Hanák, President of the Confederation of Industry of the Czech Republic mentions, the recovery plan lacks the emphasis on reduction of regulatory burden, which is enormous for European industry. Also, the Commission shouldn't forget to further support the ambitious trade policy that will allow companies to penetrate new markets outside the EU, increase their competitiveness and create new jobs. Furthermore, some ideas presented by the European Commission need to be further clarified, for example the idea of new own resources that would contribute to the budget. According to Czech business organizations, the new own resources shouldn't mean additional taxation and burden on European companies. The EU will become stronger by supporting the competitiveness of its companies and therefore the EU mustn't implement any initiatives that would jeopardise it.


# EESC CORNER: EESC EMPLOYERS GROUP CONTRIBUTING TO THE PREPARED OPINION ON THE EU ACTION PLAN FOR SINGLE MARKET

*The European Commission stresses in its communication for the 2020 European semester: Country specific recommendations, that the COVID-19 has strongly effected the functioning of the Single Market for goods and particularly for services exposed to disproportionate regulatory restrictions. Reducing regulatory and administrative barriers will be crucial. The EU Action plan for the Single market has to be a part of EU recovery strategy. European business has been frustrated for some time by the remaining obstacles on the EU Single market generated, in many cases, by the incorrect and incomplete application at the national level of already-agreed EU legislation. This is the reason why business welcomes the long-term Action plan for better implementation and enforcement of the Single market rules. Even if the action plan is nothing revolutionary, it is without any doubt a step towards improvement. It builds a good narrative and tries to give an insight into the unique EU governance system, in which all levels are important for effective enforcement and implementation. For that reason it is also positive that the plan has a strong focus on both the role and responsibilities of Member States and the Commission. The Commission has decided for a complex and comprehensive approach, introducing 22 concrete actions and balancing ex-ante and ex-post measures. Business finds it key to have more guidance relating to implementation of the Services Directive, the principle of Mutual Recognition, the application of Articles 34-36 TFEU and the Product Liability Directive. The legislative framework for goods has become increasingly layered and complex and overlaps between various directives and regulations have emerged. Similarly, the Services Directive, as a horizontal legal act, should be explained better through its links to other pieces of the Single Market framework. Improving access to information is essential for companies. The proposed action should further strength the Single Point of Contact, the Single Digital Gateway, and set up a central information point on practical questions that civil servants have in their daily work. One single, coordinated answer from a contact point about both national and EU related issues should be the standard across the EU. Improving access to information is also a central task of the European Labour Authority (ELA) and it is essential to improve information provision regarding mobility opportunities for companies and workers, including through mapping existing information sources, gaps and the creation of a single website for accessing information from each Member State. This information should be available in all EU languages. Together with enhancing cooperation between Member States, these should be the core tasks of the ELA and where the Authority could bring genuine added value.*

*European business is positive that the Commission finally proposes concrete ideas to tackle the issues with transposition and correct implementation of EU directives in Member States, since gold-plating and incorrect transposition can highly impact company operations and competitiveness. A more structured dialogue between the Commission and Member States when transposing, implementing and enforcing the EU rules will create a more uniform approach across the EU. There are actions in many areas of an urgent priority for business - a proper use of TRIS (Directive 2015/1535), adoption of the Services Notifications Directive, Implementation of the Professional Qualifications Directive and Proportionality Test Directive, reinforcing and prioritising SOLVIT or Upgrading Single Market Scoreboard. One of the actions refers also about the possibility of inclusion of certain information obligations on e-commerce platforms with regard to EU product rules, through the foreseen Digital Services Act initiative. Business holds that information requirements spelled out under Articles 5, 6 and 10 of the presently applicable e-Commerce Directive should remain limited to what is necessary and proportionate in attainment of the Directive's objectives, should it be revised. It is positive that the Commission plans to issue its annual Single Market Enforcement Report, however it walks a slippery road of "identifying specific areas of concern and priorities for enforcement" without any clarity on the criteria to be applied in this regard. A welcomed step is to revive and clarify the pre-infringement stage, called the "EU-Pilot" that used to serve well as pre-infringement "clean-up" process with Member States which would both fix non-compliances and avoid politically sensitive infringement battles between the Commission and Member States. Overall, the Action Plan seems to address many of business´ concerns, and is concrete enough to monitor its delivery. At the same time, it falls short of any far reaching reforms of governance like, for example, a more centralised market surveillance in the EU or a uniform approach to legal consequences of non-compliance with notification requirements.*

*Vladimíra Drbalová,*
*EESC Member – Group I*

## CEBRE CALENDAR:

- 22nd – 23rd June – e-meeting with Czech exporters





CEBRE was founded in 2002 by the three most important Czech business organizations – Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.