

Position of the Czech Republic on the EU Budget review

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In October 2010 the European Commission presented its Communication on the EU budget review which puts forward the Commission proposals on how to reform the EU budget revenues and expenditures. Following an internal consultation process, the official position of the Czech Republic to the Communication was elaborated and approved by the Government of the Czech Republic on 1st December 2010. The main points of this position can be summarized as follows:

Introduction

The Czech Republic welcomes the Commission's intention to propose the future EU budget of a size not substantially deviating from the current **relative level – i.e. 1 % EU GNI**.

Whereas the Communication mentions some areas where substantial increase in future EU funding is necessary, we would welcome if it also provided a clearer picture of areas in which a reduction of the EU funding could be envisaged.

The Czech Republic notes the Commission's aim to focus EU expenditure on the achievement of the **Europe 2020 objectives**; nonetheless we are convinced that these objectives should be primarily achieved through structural and institutional reforms at the national level. Given its size, the EU budget should only be considered as a complementary instrument to the national reforms and funding.

The Czech Republic shares the Commission's view that the future EU budget expenditures should comply with the principle of **European added value** and thus the EU budget should only finance such activities which ensure greater benefits for the EU citizens than if they were implemented at national or local level.

Smart growth

The Czech Republic supports an increase in EU funding of **research, development and innovation** and of training provided that it ensures intensification of cooperation among European research centres and enhances an effective involvement of enterprises in the European R&D with a clear EU added value. The Czech Republic also supports strengthening of those instruments, which are designed to contribute to a better exploitation of the innovation potential of small and medium-size enterprises and to encourage the investment of enterprises in R&D. However, in line with the subsidiarity principle, it must be up to the Member States to create better conditions for strengthening the R&D financing and ensuring greater involvement of the private sector in R&D activities.

The Czech Republic emphasizes that **education and employment** policies remain primarily the responsibility of the Member States; the EU should rather act as a coordinator. In line with our focus on EU added value, the Czech Republic will call for earmarking of an adequate amount of funds from the EU budget for cross border mobility of students, teachers and researchers.

In the area of **Trans-European networks** the EU should primarily play the role of a coordinator of development planning activities. The Czech Republic agrees that EU financial instruments should concentrate mainly on clearly defined cross-border projects; funding of the national transport infrastructure should remain the responsibility of national governments. Only the less developed Member States that do not dispose of adequate resources for construction of national infrastructure, should be provided with sufficient assistance from the Cohesion Fund for co-financing of the Trans-European networks.

Sustainable growth

Climate change and energy policy

The Czech Republic considers the EU objectives in the area of energy efficiency, climate change and energy security to be horizontal priorities and generally agrees with the Commission proposal to mainstream these expenditures in the existing expenditure policies instead of establishing new programmes or even headings. Nonetheless, the Czech Republic is open to the inclusion of energy security in a special instrument for energy infrastructure.

Common Agriculture Policy

The Czech Republic calls for a comprehensive reform of the Common Agriculture Policy (CAP) that would lead to an enhanced competitiveness of the European agriculture and its **greater market orientation**. Therefore, the Czech Republic does not support the possibility of a limited CAP reform put forward by the Commission as one of the options. The main objective of the CAP reform must be to **set more equitable conditions for farmers from all Member States and to gradually reduce the CAP expenditure**. The Czech Republic supports the Commission proposal to abandon historical references and to achieve a comparable level of direct payments; however, this should be done without any further transitional period.

The Czech Republic fully agrees with the Commission that the CAP should remain a common EU policy and will not support introduction of national public co-financing of direct payments. Future CAP should be more oriented on the competitiveness of the agricultural sector, sustainable development of rural areas and environmental protection.

Inclusive growth

The Czech Republic agrees that Cohesion policy funds should continue to be **concentrated on the assistance to the less developed regions and Member States**, i.e. on the Convergence objective. There is no doubt that the Cohesion policy can contribute to the achievement of the Europe 2020 goals; however, its main objective should remain the **reduction of backwardness of the less developed regions and Member States** and a support of their catching-up process. The Czech Republic agrees with setting of a limited number of key EU priorities, each Member State should however be free to choose which ones to pursue and in which proportion. In particular the less developed Member States should be given an additional flexibility for setting their own priorities to reflect their national and regional development needs. In this context development of a modern, intelligent and

fully integrated transport and energy infrastructure must be seen as a basic precondition for the less developed Member States to fulfil the expectations of the Europe 2020 Strategy.

The Czech Republic is not in favour of the establishment of a **European performance reserve**, as we view the linking of success of the Cohesion policy to the achievement of Europe 2020 objectives as rather problematic. As regards the proposal to introduce various additional **conditionalities**, the Czech Republic does not agree with setting conditions related to the structural and institutional reforms which are not closely linked to the Cohesion policy interventions.

The Czech Republic supports the Commission's proposal to keep the **European Social Fund** within the Cohesion policy framework and emphasizes the need for future ESF allocations to be determined according to the same methodology as for the other Cohesion policy funds with GDP/capita as the main criterion. In comparison with ESF, which proved to be an effective instrument ensuring higher adaptability of employees, the **European Globalization Adjustment Fund** does not provide European added value and therefore the Czech Republic will advocate its abolishment.

Citizenship

The Czech Republic supports a gradual and reasonable increase in funding of **justice and home affairs** in line with the growing importance of this policy area. However, the sole responsibility of Member States for ensuring security on their territory and for protection of the external borders must not be called into question.

The Czech Republic is convinced that the scope of interventions and current eligibility criteria for the EU **Solidarity Fund** should be preserved and the Fund should continue to be mobilised only in case of natural disasters.

Global Europe

In the area of external relations the Czech Republic will focus on sustaining the enlargement dynamics and on the **pre-accession assistance** concentrating on investments in physical infrastructure, enhancement of administrative capacity and preparation of the candidate countries for the use of structural funds.

The Czech Republic agrees with the Commission that the external relations instruments should contribute to **the promotion of EU interests and values in the world**, in particular in areas such as energy, migration or environmental protection.

Concerning financing of the **climate change** measures in the developing countries, we do not favour the establishment of an EU fund outside of the EU budget.

Fight against poverty together with the promotion of stability and democracy and protection of human rights in third countries may contribute significantly to the mitigation of migration pressures and security threats that the EU faces. The Czech Republic will support further harmonization of **European Development Fund** (EDF) rules with the rules of the other EU external relations instruments; however we are not in favour of the integration of the EDF into the EU budget.

The Czech Republic agrees with the Commission that the **European Neighbourhood Policy** is a significant instrument favouring cooperation of the EU with its neighbours and their democratization. In this context we underline the Eastern dimension of this policy.

Revenue side

The Czech Republic will call for a simple, transparent and equitable system of own resources. In our opinion the EU budget should be financed solely through traditional own resources and GNI-based resource. In this respect, we welcome the proposal to abolish the VAT-based resource, which does not comply with the principles of simplicity and equity. However, we **are not in favour of introducing a new own resource** as it would only complicate the revenue side and interfere with the Member States' competence in the area of fiscal policy. The Czech Republic supports the Commission's proposal to gradually remove all the corrections, though we are aware that their elimination will only be possible provided that the expenditure side is substantially modified.

Flexibility and length of the financial framework and new financial instruments

The Czech Republic is convinced that the existing **flexibility** mechanisms incorporated in the financial framework have proven to be sufficient and allow for adequate response to unforeseeable circumstances. Therefore, with the exception of the obligatory fixing of a certain percentage as a minimum margin, we cannot support any further increase in flexibility (including a substantial reduction of the number of headings).

The Czech Republic believes that the current length of the financial framework represents the right balance between stability and flexibility and ensures the necessary predictability for investment. Therefore **the seven-year programming cycle should be preserved** for the next period.

The Czech Republic is convinced that the proposed **innovative financial instruments** need to be further assessed, in particular with regard to their benefits and possible risks. We agree with the Commission that innovative financial instruments can generally contribute to funding of the strategic EU projects which could otherwise not be supported due to the limited EU funds. However, it has to be ensured that they do not crowd-out market instruments, that the control powers of the budgetary authority are preserved and that the EU budget does not bear inadequate risks.

The Czech Republic will call for **simplification** of the implementation rules and reduction of the administrative burden for both the beneficiaries and the implementing authorities. We agree that this objective can be promoted through an extended use of lump sums and through the harmonisation of eligibility rules for the basic expenditure categories. We also fully support the Commission intention to contain administrative expenditures.