

# Czech

## BusinessToday.eu

Published by



volume XIII, 2-2014

### NEW AGRICULTURAL RULES: FAIRER AND GREENER, BUT WITH LOWER FUNDING FOR FARMERS



After three years of intensive negotiations between the European Parliament and EU Member States, the reform of the Common Agricultural Policy (CAP) was finally approved by the end of 2013. Due to the fact that the implementation of the new legislation into national standards will take at least half a year, the new CAP rules will come into force in 2015. As in previous years, the CAP is to become the biggest slice of the European budget pie (39%). Under the new rules, quota systems, namely for milk, sugar and wine, should progressively disappear. The modernized CAP Directive should have an impact on Czech farmers especially as regards the reduction of direct payments. Other impacts of the reform on Czech farmers and the CAP benefits in general were discussed during the debate co-organized by CEBRE on the 19<sup>th</sup> February 2014 in the European House in Prague. According to Tassos Haniotis, Director of the Directorate of Economic Analysis, Perspectives and Evaluation and Acting Director of Directorate for Direct Support, Market Measures and Promoting, the new CAP rules will more focus on supporting farmers rather than on promoting individual products. Greater emphasis will be also put on the quality and sustainability, which are, together with increased competitiveness of European agriculture, the main objectives of the CAP reform. There will be certain change in the share of direct payments, where the amount of money awarded to the Czech Republic will be slightly diminished. Nevertheless, according to Mr. Haniotis, the direct payment scheme will be fairer and the whole

system of support will be more transparent and effective. In the context of cuts in direct payments, Haniotis stated that the financial resources taken from direct payments would stay in the same Member State and will be used on rural development. Jaroslava Beneš Špalková from Czech Ministry of Agriculture perceives the new CAP rules as fairer and with a potential to the red tape reduction. Regarding the decrease of direct payments awarded to large farms, Špalková stressed that the Czech Republic managed to minimize the reduction in direct payments in negotiations with other Member States in the way that capping of direct payments is voluntary. The CAP reform also introduces new environmental measures, such as crop diversification and maintenance of permanent grasslands. Even though the Czech Republic highly supports these measures, they should not significantly interfere with the production capabilities and competitiveness of Czech companies and be rather voluntary.



Tassos Haniotis, Director of the Directorate of Economic Analysis, Perspectives and Evaluation, DG AGRI, European Commission

### NEW CZECH GOVERNMENT CHANGES ITS COURSE TOWARDS EU AFFAIRS

The new Czech government, established in January, seems to be more EU orientated than the previous one. According to new Prime Minister Bohuslav Sobotka and new Minister of Foreign Affairs Lubomír Zaorálek, the Government is ready to adopt the EU fiscal pact very shortly. This is a significant change of orientation as the previous Government was strictly against and was, together with the UK, the only EU Member State that hadn't adopted it. It is not clear yet when the fiscal compact will be signed, but it is sure there is a sufficient political support to it. The topic was also raised by Czech President Miloš Zeman during his speech at the plenary session of the European Parliament in Strasbourg

at the end of February. He confirmed that he supports both signing of fiscal compact and adoption of euro by the Czech Republic as soon as possible. However, according to the President, the Czech government should not apply Article III of the pact which says that the governmental budget should be balanced. Nevertheless, the proposal has to be adopted by both Chambers of Czech Parliament first. The adoption of euro, however, is another story. Even though both Zaorálek and Zeman expressed their support to the adoption, new Minister of Finance Andrej Babiš sees it as a long-term process that, according to him, will not be accomplished in the next five years.

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.



### News FLASH

#### >GDP IN THE CZECH REPUBLIC ROSE BY 1.6%

According to Eurostat figures for the final quarter of 2013, Czech economy grew by 1.6%. Together with Romania, the Czech Republic recorded the strongest growth among EU28.

#### >COMMISSION HAS APPROVED REGIONAL AID MAP 2014-2020 FOR THE CZECH REPUBLIC

At the beginning of February, the European Commission approved the plan of state aid for regional development between 2014 and 2020 for the Czech Republic. The regional aid map reflects new regional aid rules backed by the Commission in June 2013. In compliance with these guidelines, regional investment aid will apply to 88.10% of Czech population.

#### >EUROPEAN COMMISSIONER CONNIE HEDEGAARD VISITED PRAGUE

On 26<sup>th</sup> February, the Committee on EU Affairs of the Czech Senate welcomed EU Commissioner for Climate Action Connie Hedegaard who presented proposed goals within EU energy and climate framework 2030 and called for an urgent action in this matter in order to stop global climate changes.

# HOW TO IMPROVE EU POLICY-MAKING PROCESS FOR THE NEXT FIVE YEARS?



Smart regulation and cutting red tape is a top priority for businesses. The policy-making process is a constant activity and needs to be adapted to new developments. Current Commission have dealt with many initiatives in the field of smart regulation policy. Still, a lot of work remains and further effort is expected from those who will embark on the next 5-year mandate. The EU reduction target of 25% by 2012 was achieved though not noticed by businesses and a lot of uncounted administrative burden was added meanwhile. If there is any new reduction target adopted

by heads of states at EU or national level, it has to bear in mind new regulation as well. Regardless constant effort to cutting red tape, the most burdensome fact for companies is a frequent legislative change. Common commencement dates at EU and national level could be a remedy and help companies to prepare for a specific legislation to a certain date. The EU policy-making needs to highlight better regulation in all of its stages of political cycle, i.e. from agenda setting, via public consultations, legislative process to evaluation. It requires engagement and cooperation of

all the three EU institutions – Commission, Parliament and Council. Each of them needs to define a clear vision regarding smart regulation and set up internal rules respected by all services involved. Consistency and better quality of impact assessments should be improved. More efforts need to be done in the Council when it comes to substantive changes in proposed legislation. Consultation with stakeholders on impact assessments could render their quality better providing their masters with information on cumulative costs and feedback from the ground. The EU with its twenty eight members will always strike with diverse implementation of a particular EU legislative act. There might be a difference regarding time and effort of the administrative control on the ground. For this reason Member States must carefully examine consequences of the transposed EU regulation into the national law and avoid any gold-plating. Here also stakeholders' opinions count. Businesses should be consulted on the regulation transposed and central websites with transposition deadlines and national law concerned in real-time could improve the consultation on EU legislation to be transposed. Evaluation of implemented regulation provides evidence-based critical analysis of whether the actions are fit for purpose and delivering as expected. Many initiatives brought by the EU smart regulation policy such as REFIT and ABR+ help the Commission and Member States to focus on the priority areas. However scepticism remains about the capacity of Member States to analyse the real impact of measured implemented legislation as well as the consistency in the process.

## EESC CORNER: THE LIBERAL PROFESSIONS – AN IMPORTANT PART OF THE EUROPEAN ECONOMY AND SOCIETY

The EESC adopted the own initiative opinion on Liberal Professions at its 496<sup>th</sup> Plenary Session on 26<sup>th</sup> February 2014. The system of liberal professions has a significant contribution to make in the future to providing high-quality "social goods" such as healthcare, delivering public services, safeguarding civil rights and increasing economic prosperity. There are two approaches to the regulation of liberal professions: "rules-based regulation" and "principles-based regulation" and both are capable to achieve optimal regulation for the liberal professions. The liberal professions play a significant role in the economic life. The figures on the EU are as follows: 600 000 undertakings in each of "management consultancy" and "engineering activities"; 550 000 undertakings in "legal consultancy" and "auditing"; 315 000 in "architectural activities"; and 270 000 in "marketing and market research". The entrepreneurial aspect of the liberal professions must be acknowledged and supported. The EESC is pleased that the Commission recognises members of the liberal professions as fully-fledged entrepreneurs and seeks to support the sector by including them in programmes to boost SME development and competitiveness. This approach entails examining and improving the conditions of the entire liberal

professions system, as in fact required by the directive on services in the internal market. In all Member States, professional organisations or associations represent the interests of their profession and play an advisory – or sometimes formative – role in State regulation. They play also the main role in shaping and monitoring of self-regulation regarding the knowledge, ethics and character of service providers. They should engage in drafting European codes of ethics highlighting and guaranteeing the rigorous requirements incumbent on the liberal professions throughout Europe as reflected in Article 37 of the Services Directive. A common EU-wide definition of "liberal profession" should be developed, which simply sets out the general features of liberal professions and lists the categories of occupations covered. Any such definition must not prevent the creation of new liberal professions. Professional regulations must be compatible with Europe's fundamental freedoms, in particular with freedom to provide services, freedom of establishment and freedom of movement. They must therefore be non-discriminatory, proportionate, and serve an imperative requirement in the general interest, and also be compatible with national law. The EESC concludes its opinion that there still will be a need for independent advice and support in

2020. Therefore, the liberal professions are likely to remain viable as an institution, provided they are modernised in a timely manner, such that their essential nature, comparative edge in terms of knowledge, independence/transparency, and resulting trustworthiness, are not compromised.



Ivan Voleš  
Member of EESC  
Group I - Employers

### CEBRE CALENDAR:

- Debate on "Rules of State Aid" – 27<sup>th</sup> March, 2014 (Prague)
- Debate on „Czech Pension Reform“ – 1<sup>st</sup> April, 2014 (Prague)
- Debate on "Labour Market Flexibility" – 13<sup>th</sup> May, 2014 (Prague)

AVAILABLE  
IN BRUSSELS!



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: Czech House, 60 Rue du Trône, 1050 Brussels, Tel: +32 2 502 0766/+32 2 502 8091, e-mail: brussels@cebre.cz, www.cebre.cz