ASPECTS ON THE DEVELOPMENT OF COHESION POLICY IN THE EU

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Abstract:

EU Cohesion Policy is a solidarity-based policy, with job creation and increased competitiveness, providing support to less developed regions as well as those facing structural difficulties.

Since its creation, with the establishment of the two sectoral funds - the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF) - in 1958, Cohesion Policy has been the role of a payment mechanism, redistribution of budgetary contributions Member States to reduce disparities in regional development between them.

The main elements addressed are the current objectives of the Cohesion Policy, the evolution of budgetary allocations and the reform of this common policy. The paper also proposes a comparative analysis between the objectives of the new 2014-2020 Cohesion Policy framework and the financial allocations for 2007-2013, with a focus on the convergence of the objectives of this common policy with those of the Europe 2020 Strategy.

Key words: *Cohesion Policy, European Union, Multiannual Financial Framework, Regional Development, Competitiveness*

JEL Classification : O52, O18, R10,

1. Cohesion Policy considerations for 2007-2013

Cohesion policy in 2007-2013 has had three objectives, each benefiting from its own financial instruments.

The first objective was convergence, being funded by the European Regional Development Fund, the European Social Fund and the Cohesion Fund.

The aim was to boost growth and encourage employment in the less developed regions of the European Union. The areas covered included innovation, the knowledge society, the quality of the environment, administrative efficiency and adaptability to economic change.

The second objective, Regional Competitiveness and Employment, was funded by the European Regional Development Fund and the European Social Fund, addressing regions that did not fall under the first objective.

This objective should lead to strengthening competitiveness, increasing the attractiveness of regions and stimulating employment.

The last objective, represented by European territorial cooperation, was to encourage cross-border, transnational and interregional cooperation, being funded by the European Regional Development Fund.

Common solutions have been promoted for the authorities in the different Member States for aspects of rural, urban and coastal development, the development of economic relations, the creation of relations between small and medium-sized enterprises (SMEs), as well as research, the information society , the environment, and risk prevention.

Allocations from the European Union budget for cohesion policy registered a steady increase of nominal values, amounting to 348.865 billion euros.

If in 2007 the budget allocation was around € 45 billion, by the end of the programming period (2013) it has risen to about € 54 billion.

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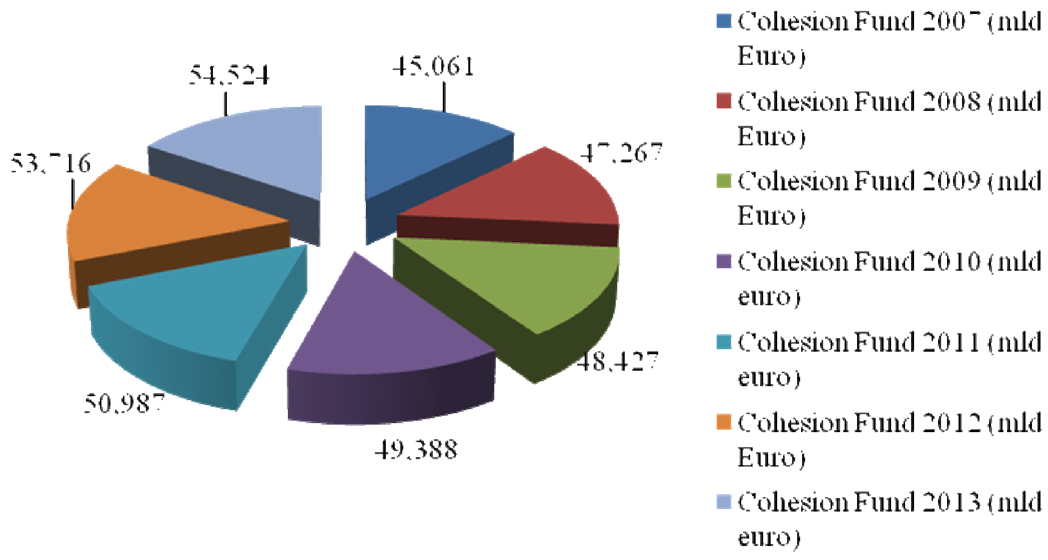


Figure no. 1: Financial allocations for cohesion policy 2007-2013

Source: https://ec.europa.eu/commission/sites/beta-political /files/budget-may2018-tailored-approach-regional-needs_ro.pdf

From the comparison, it emerged that despite the steady nominal growth, the amounts earmarked for cohesion policy (percentage of the total budget) declined during the period.

In 2007, cohesion policy received 36.21% of the total budget, and in 2008 the allocation fell to 35.59% of the budget. In 2009 there was an increase, and in 2010, the amounts decreased to 35,03% of the total budget.

In the next two years there was an increase, the level reaching 36.28% in 2012. In 2013, it resumed to a similar value to the 2009-2011 period (35.75%) (Hjerp, P., Medarova-Bergstrom, K., Cachia, F., 2011).

2. Lessons in the Financing Framework 2007 - 2013

In 2007-13, the Cohesion Policy, through the three financial instruments, the European Regional Development Fund (ERDF), the Cohesion Fund and the European Social Fund (ESF) addressed a number of objectives designed to contribute to the objectives of the Europe 2020 strategy.

In the following, we propose a comparative analysis that highlights the "weaknesses" of how these strategic goals have been achieved, as well as the synthesis of some "lessons learned" (see Table 3) that can lead to a better realization of in the new funding context.

In 2007-13, the most recent report of the Cohesion Policy (EC, 2014), Member States faced a number of obstacles during the management of project cycles and, although it has been extensively used JASPERS support and other technical assistance tools, the complexity of administrative procedures has generated a potential underpayment rate.

Some analysts (Shankar, 2009) pointed out that in the process of preparing, evaluating and implementing projects financed by structural instruments, especially infrastructure, it was reported that the specific national regulations but also those resulting from the transposition of the acquis Community action requires multiple project interventions by external institutions to the structural instruments management system in the form of issuing opinions and approvals, which complicates the entire process and delays the preparation and implementation of projects.

Another issue raised by the Member States is related to the influence of the institutions and the external procedures of the structural instruments management system on the project evaluation and implementation process which has often led to delays in the contracting process.

The international economic and financial crisis has also contributed to hindering the funding process through the Cohesion Policy.

Thus, some analyzes (EC, 2010) show that one of the major problems faced by beneficiaries in the context of the economic and financial crisis was their ability to provide the necessary resources to finance the projects (be it the own contribution to the project, be it cash-flow insurance) for a number of public or public beneficiaries.

The institutional capacity deficit in structural instruments management was another key issue of the 2007-2013 funding period, both at the level of the institutions responsible for managing the operational programs and at the level of the beneficiaries, especially with regard to the implementation of major projects by the public authorities local.

Table no.1: Problems of Cohesion Policy funding during 2007-2013

" Learned Lessons " from the perspective of management authorities	*Harmonization of eligibility and sustainability rules*
The need to simplify system procedures and to outsource certain activities;	In the 2007-2013 period, there were situations where different eligibility rules were applied for similar types of projects;
Increasing project monitoring capacity	In the 2007-2013 period there were separate eligibility rules for the ESF and the ERDF, impinging on the planning
A better risk management of projects;	
The need to correlate the proposed projects with other local development strategies	

In order to contribute effectively to the achievement of Europe 2020 objectives, in the new 2014-2020 funding context, the Cohesion Policy will include the "lessons learned" within its funding directorates through three main headings: Harmonization of eligibility rules and sustainability, flexible programming of funds and single audit of projects below 100 000 euros.

In the period 2007-2013, any project, irrespective of its size, could be audited by the Audit Authority by the European Commission's auditors at any time during the course of the audit (as well as up to 10 years after its completion).

However, in the specialized literature (Böhme, 2013) it is shown that repeated audits may subject the beneficiaries to a considerable administrative burden.

In response to this issue, 2014-2020 changes bring a reduction in the number of audits by national audit authorities and by the European Commission. Operations for which the total eligible expenditure does not exceed EUR 100 000 will normally only be subject to a single audit by the audit authority along with the European Commission for their entire duration (unless there is evidence of a specific risk) .

This will eliminate the possibility for smaller project beneficiaries to face multiple audits that distract them from the main project activities.

3. Reforms of the cohesion policy for the period 2014-2020

It should be noted that cohesion policy will maintain its vital role in stimulating the development of regions and Member States and within the 2014-2020 programming period. In order to increase the consistency of European Union action, the European Commission has put forward a series of legislative proposals which show that it is trying to facilitate smart, sustainable and inclusive growth.

Under the new programming period, there is a Common Strategic Framework (CSF) for all Structural Funds, which will promote the coordination of structural instruments, which will provide programming guidelines for all funds. Development Partnerships and Investment Partnerships (developed for each Member State) and negotiated with the European Commission will be signed. The agreements will be national strategic documents that will establish and substantiate the thematic development objectives as well as the allocation of funds for the period 2014-2020.

The Commission's legislative proposals also introduce a new classification of the regions. There will be three categories of regions: less developed regions with a GDP / share of less than 75% of the EU average of GDP, regions in transition whose GDP / GDP is between 75% and 90% of the EU average; and developed regions that have GDP / GDP values higher than 90% of EU GDP.

It is considered that for developed countries, access to structural instruments is necessary to encourage the transition to the knowledge economy and the transition to a low-carbon economy.

Another important aspect of the proposals is the introduction of new conditionality for the granting of funds, with ex-ante conditionalities, ex-post conditionalities and macroeconomic conditionality

Firstly, by imposing ex ante conditionality, the necessary conditions for the correct use of European funds will be ensured, eliminating the weaknesses of national and institutional policies. The role of ex-post conditionality's is to focus on the performance of Member States in order to achieve the objectives set out in the Europe 2020 Strategy.

There will be milestones related to the Europe 2020 targets to be achieved, with 5% of the national allocations being kept, which will be distributed, following an interim evaluation by the Member States, to the programs where the milestones have been achieved. Under the proposal, if the Member States fail to meet the targets, the funds will be suspended.

Macroeconomic conditions are designed to ensure secure macroeconomic policies. Funds will be able to be temporarily directed to solve existing economic problems in a Member State. If the Member State fails to take effective action in the economic governance process, the Commission has the right to suspend all or part of the payments and commitments.

The legislative proposal contains additional provisions on the limitation of "capping" allocations to 2.35% of GDP and the allocation for Member States will not exceed 110% of the total allocation for the current period. These measures also include others on employment, integrated programming and the use of financial instruments.

Financing economic, social and territorial cohesion in the European Union and Romania in 2014-2020 revealed the following situation:

● Increased the Community budget for cohesion policy to 376 billion euros;

● Funding will aim to increase solidarity towards less regions
which will benefit from 162.6 billion Euros;

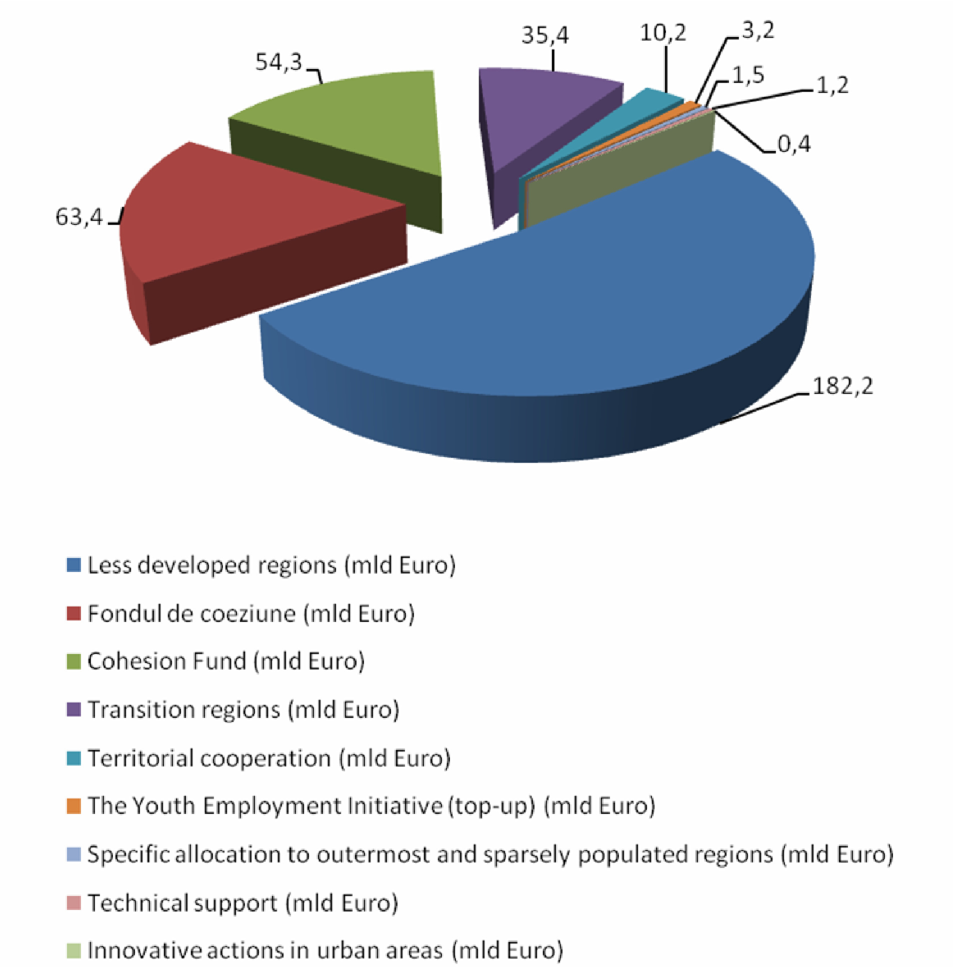
● The two cohesion policy objectives: Investment in growth and employment (€ 254.7bn) and European Territorial Cooperation (€ 11.7bn);

● Establishing a new chapter in the Cohesion Policy budget "Connecting Europe" to fund cross-border projects in the fields of transport, energy and information technology;

● Affirming a new position vis-à-vis the territories of the Outermost Regions, for which EUR 900 million has been allocated;

● Specification of the objectives pursued within the six Operational Programs, among which there are no sectoral programs.

● The analysis of the financing of the thematic objectives has highlighted a characteristic of these areas not only of Romania but of the whole of Europe, the allocation of about 60% of total investment (13.3 billion euros) to three objectives: moving to a low-carbon economy carbon dioxide; protecting the environment and increasing the efficiency of resource use and developing transport infrastructure.



To increase the absorption rate of Structural and Cohesion Funds and the rate of reimbursement of funds from the European Union to Romania, it will be necessary:

● Enhance the authority and efficiency of Managing Authorities: MFE and MDRAP;

● Depoliticizing the management of the managing authorities and the ministries;

● Stabilizing the staff of the institutions that manage the operational programs and absorbing the community funds by establishing an appropriate remuneration;

● Timely elaboration of programs and projects that wish to be funded from the community budget in order not to work under the pressure of time and to develop ineligible projects;

● Simplifying procurement procedures and exercising control in time to avoid fraud;

● Increasing the importance and role of local administrations not only in the process of project development but also in the timely provision of the co-financing;

● Avoid delays in implementing programs to prevent suspension of funding and, more seriously, disengagement of funds;

● Requiring Managing Authorities to approve in a timely and reasonable manner the projects issued in order to proceed with their implementation, while granting national co-financing.

4. Conclusions and proposals of the European Commission on the future MFF 2021-2028

The European Commission shows that the EU budget is facing a major challenge - to finance more actions with fewer resources.

Citizens in the Member States expect the European Union to play a more prominent role in new policy areas such as migration, internal and external security or defense.

The EU should also retain its leading role on the world stage as the largest donor of humanitarian aid and socio-economic development as well as leader in the fight against climate change. These targets will have to be met by having a Union budget that will be even smaller after the United Kingdom leaves the EU.

The reflection paper looks at this challenge and presents the main elements under discussion, structured around the five scenarios of the White Paper:

1. EU Member States will continue on the same path;
2. Will do less, together;
3. Will advance with different intensities;
4. Will do less, but more efficient;
5. They will do much more together.

For each of these illustrative scenarios, the implications are different, both in terms of the amounts allocated to each objective concerned and in terms of possible sources of funding. The proposed options go from reducing spending on existing policies to increasing EU revenue.

In addition, the reflection paper sets out the key features of the EU budget and outlines the main trends and developments in key policy areas such as agriculture and cohesion. It also addresses general issues such as the added value of EU funding or the correlation between EU funds and structural reforms in the Member States.

The revenue sources of the EU budget include contributions from EU Member States, import taxes applied to products from outside the EU and fines imposed on businesses that do not comply with European standards. EU Member States agree on the size of the budget and how it will be funded in the coming years.

The EU budget supports growth and job creation. Based on the principles of cohesion policy, it finances investments to mitigate major economic disparities between countries and regions in Europe.

The EU budget is based on the principle of the balance between expenditure and revenue and includes compensation mechanisms for certain EU countries. Approximately 80% of the EU budget is funded from national contributions based on gross national income (GNI) and VAT. GNI-based contributions are considered fair as they adequately reflect the relative "payment capacity" of the Member States.

Customs revenue is considered to be an authentic own resource, as it is revenue generated as a result of the common commercial policy, which feeds the EU budget.

However, a number of adjustments and "corrections" have been introduced over time, as some EU Member States considered their contributions to the EU budget to be excessive compared to the benefits they get from follow-up.

This is why the current EU funding system has become increasingly complex and opaque.

Thus, the European Commission considers that the way in which revenues can contribute to meeting EU priorities needs to be analyzed. Withdrawing the United Kingdom and removing budgetary corrections to it would remove some of the obstacles to reforming the revenue side of the EU budget.

At the European Council meeting of 23 February 2018, the leaders of the EU Member States discussed how they can ensure that the priorities they set (16 September 2016 in Bratislava and 25 March 2017 by the Rome Declaration) will be adequately funded, thus becoming a reality. The two elements - defining common priorities and providing the necessary resources for the Union to implement them - are regarded as indissociable.

On 14 February 2018, the European Commission presented various options - as well as their financial consequences - for a new and modern EU budget to ensure the achievement of the Union's priority objectives after 2020.

The European Commission contributes to this important debate for the future of the EU in three ways: by providing the necessary data on the EU budget and its benefits, achievements and added value, by developing scenarios illustrating the financial impact of the various policy options and highlighting the consequences which a possible delay in the adoption of the new EU budget could have on researchers, students, infrastructure projects and many other issues.

Thus, the European Commission considers that when discussing EU actions in areas such as: protecting the external borders, supporting a genuine defense unity, fostering Europe's digital transformation, or increasing the effectiveness of cohesion policy and agricultural policy, it is important that leaders have a clear idea of what would mean their EU-wide options in terms of funding.

These are not Commission proposals, but illustrations based on frequently advanced ideas during the public debate. Their purpose is to help focus on key issues, stimulate discussion, and provide a solid factual basis for making important decisions for the future.

For example, if leaders agree to comply with the often-articulated commitment to improve the protection of the EU's external borders, this would cost between 20 and 25 billion euros over a seven-year period, or up to 150 billion euros for a complete system management of EU borders. Likewise, any political priority - the European Union of Defense, supporting youth mobility, boosting Europe's digital transformation, stimulating research and innovation, or creating a genuine economic and monetary union - will need to be adequately funded to become reality.

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