

THE LANDSCAPE OF EU FINANCIAL ASSISTANCE FOR REGIONAL DEVELOPMENT DURING 2014 – 2020 PROGRAMING PERIOD

Gabriela Marchis¹

Abstract:

The 2014-2020 programing period is characterized by a wide range of financial instruments that aim to produce social and economic cohesion between EU member states and among EU regions, as well. Together with the “classical” financial instruments, well-known as Structural Funds (which are divided into 5 main funds, for 2014-2020 – Cohesion Fund; European Regional Development Fund; European Social Fund; European Agricultural Fund for Rural Development; European Maritime and Fishery Fund) additional financing resources are assumed to support regional development in Europe, such as European Fund for Strategic Investments, JASPER initiative, Structural Programme Loans and so on.

This paper tries to identify the relations and linkages between different sources for financing regional projects of investments and also, to provide information about the integrated solutions of financing regions in order to achieve economic prosperity, social cohesion and environmental sustainability.

Keywords: structural programme loans; development strategies; ESI funds;

JEL Classification: R11; O18.

Introduction

With each stage of enlargement, socio-economic convergence in the EU has become an important goal but also a great challenge for each Member State. Just like in the previous programming periods, the strategy of cohesion policy for 2014 – 20 period is oriented towards solving the current problems of the Union, and the main challenge is to ensure a consistent approach manner of action of the European Structural and Investment Funds (ESI), so that all European policies converge towards reaching the targets set by the European strategy: 2020. One of the novelties of 2014 – 20 programming period refers to the possibility to receive funding through a *combination of financial sources*. This work intends to be informative and inspirational for those interested in using the EU financial assistance for 2014 – 20 programming period, because it will provide also practical know-how on the EU funding opportunities in different policy areas. Since the new financial assistance is aligned with *Europe 2020*’ objectives, this paper tries to identify *the main funding themes* and also the *major potential beneficiaries*. Finally, this paper will offer a **synthesis on funding opportunities** available during 2014-20 programming period. Thus, it intends to be a useful toolkit for regional and local authorities, NGOs, businesses, professionals and citizens.

EU funding opportunities in different policy areas

In order to achieve economic, social and territorial cohesion in the European Union, each Member State has an obligation to ensure convergence with the European strategy “Europe 2020” – the EU strategy for **smart, sustainable and inclusive growth**. In this context, the wide range of EU financial assistance available for 2014 – 20 programming period can be classified in accordance with the main *policy areas of development*, such as: regional policy; agriculture and rural development; fisheries; transport; tourism; employment and social inclusion; environment; research and innovation, and so on.

EU regional policy is financed through a range of 5 instruments, 3 main instruments known as ESI funds (European Structural and Investment Funds), and 2 other instruments of common agriculture and fisheries policies.

¹ Associate Professor, PhD., Danubius University of Galati, Romania, gabrielamarchis@univ-danubius.ro

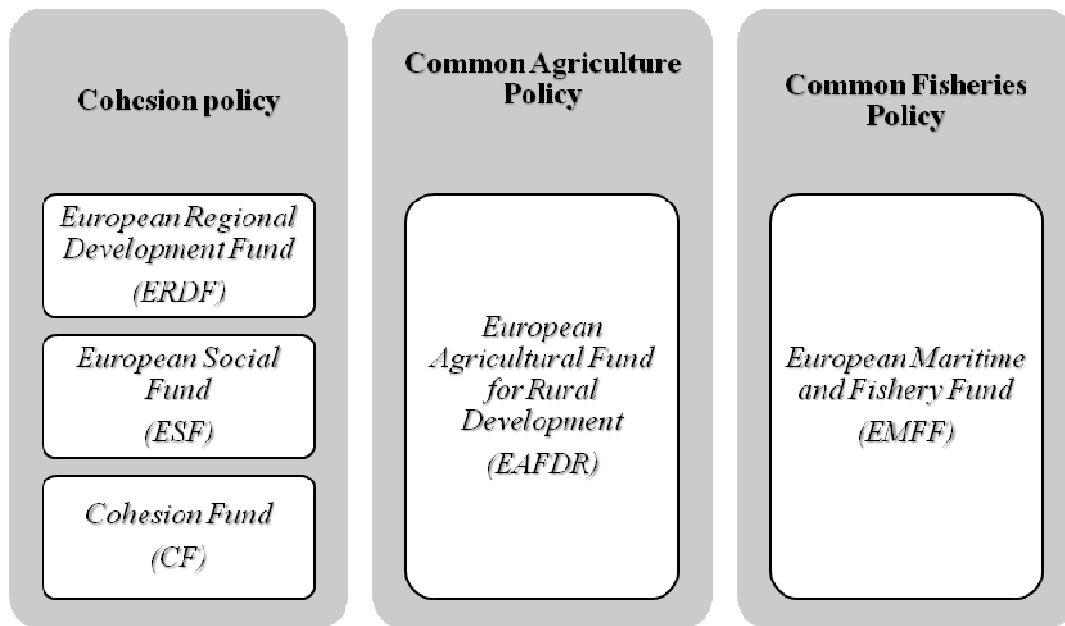


Figure 1 EU funding opportunities for regional policy

The main goal of EU regional policy is to improve citizens' quality of life by supporting the job creation, business competitiveness and economic and sustainable development.

The **11 investment priorities**, also known as thematic objectives, will receive EU financial assistance through ESI funds, as it is presented in table 1.

These “classical” instruments (ERDF, ESF and CF), developed along different periods of programming, were reconsidered for 2014 – 20.

For instance, through ESF is funded *Youth Employment Initiative* (YEI) which provide support to young people aged below 25 that are living in regions where youth unemployment was higher than 25% in 2012. YEI is one of the main EU financial resources to support the implementation of Youth Guarantee schemes.

Another examples refer to ERDF and CF assistance which support regional policy development through a set of *facilitating instruments*, such as:

- ↳ **JASPER** (Joint Assistance to Support Projects in European Regions), that is a technical assistance instrument which provide specialized advice to those member states that want to submit the request for EU grant finance for major projects of infrastructure;
- ↳ **TAIEX REGIO PEER 2 PEER**; **Urban Development Network**; **URBACT III**, **ELENA** (European Local Energy Assistance) and **JESSICA** (Joint European Support for Sustainable Investment in City) which were developed in order to set up integrated strategies for sustainable urban development;

Beside the investments for growth and jobs, the cohesion policy of 2014-20 programming period, is focus on enhancing European territorial cooperation, through the interregional cooperation programme (**INTERREG Europe**) and three networking programmes – **URBACT III**, **Interact III** and **ESPO 2020** (European Observation Network for Territorial Development and Cohesion).

Table 1. The distribution of ESI funds in accordance with the 11 investment priorities

| Investment priorities | Thematic concentration of ESI funds | | | | |
|---|-------------------------------------|-----|----|--------------|-------------|
| TO1. Strengthening research, technological development and innovation | ERDF | ESF | | <i>EAFDR</i> | |
| TO2. Enhancing access to, and use and quality of information and communication technologies (ICT) | ERDF | ESF | | <i>EAFDR</i> | |
| TO3. Enhancing the competitiveness of small and medium-sized enterprises (SMEs) | ERDF | ESF | | <i>EAFDR</i> | <i>EMFF</i> |
| TO4. Supporting the shift towards a low-carbon economy in all sectors | ERDF | ESF | CF | <i>EAFDR</i> | <i>EMFF</i> |
| TO5. Promoting climate change adaptation, risk prevention and management | ERDF | | CF | <i>EAFDR</i> | |
| TO6. Preserving and protecting the environment and promoting resource efficiency | ERDF | | CF | <i>EAFDR</i> | <i>EMFF</i> |
| TO7. Promoting sustainable transport and removing bottlenecks in key network infrastructures | ERDF | | CF | | |
| TO8. Promoting sustainable and quality employment and supporting labour mobility | ERDF | ESF | | <i>EAFDR</i> | <i>EMFF</i> |
| TO9. Promoting social inclusion, combating poverty and any discrimination | ERDF | ESF | | <i>EAFDR</i> | |
| TO10. Investing in education, training and vocational training for skills and lifelong learning | ERDF | ESF | | <i>EAFDR</i> | |
| TO11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration | ERDF | ESF | CF | | |

Funding for Agriculture and rural development is drawn from 2 funds: the *European Agricultural Guarantee Fund* (EAGF) and the *European Agricultural Fund for Rural Development* (EAFRD). In addition, there are various direct payment schemes such as: the **Basic Payment Scheme**, the **Small Farmers Scheme** and **Young farmers**, which are granted annually directly to farmers or measures in order to provide sector-specific support and to regulate agricultural markets. Moreover, there are many funding opportunities for research and innovation in agriculture, as follows: **Horizon 2020**; **LIFE+**; **COSME Programme**; **ESF**; **EIP-Agri** (the European Innovation Partnership for agricultural productivity and sustainability); **LEADER**.

Funding for Fisheries comes from **EMFF** which on 2014-20 programming period will finance projects under 3 main axes:

- ↳ Environmentally sustainable EU fisheries
- ↳ A competitive EU fisheries sector
- ↳ Better social conditions

The major policy project for Transport, TEN-T receives EU grant support through the **Connecting Europe Facility**; the **CF** and the **ERDF**.

Tourism may be consider a privileged area because it receives financial support through a wide range of instruments: **ERDF**; **CF**; **EAFRD**; **ESF**; **LIFE Programme**; **Creative Europe Programme**; **COSME**; **Erasmus+**; **Horizon 2020**; **EaSI programme** (Employment and Social Innovation).

Employment and social inclusion represents an important direction of development in accordance with *Europe 2020*. The main financing instrument is represented by ESF, but the novelty of this programming period is the ***EaSI programme*** which gather together 3 EU programmes from the previous programming period: PROGRESS, EURES and Progress Microfinance (and Social Entrepreneurship). Other instruments focused on employment and social inclusion are represented by ***COSME***; the ***Social finance guide; European Globalisation Adjustment Fund*** (EGF) and the ***Fund for European Aid to the Most Deprived*** (FEAD).

Environment is supported by ***LIFE*** programme for the 2014 – 20 programming period, which is split in 2 sub-programmes, one for the environment and one for climate action. Also, funding opportunities for environment may arise from different sources, mainly from research projects which have an environment component; grants in the field of energy, rural development and agriculture, and in the field of education and training, as well. ***ERDF*** provides support to all EU Member States in the field of cohesion and risk prevention. Withal, the ***Civil Protection Financial Instrument*** has the responsibility for the protection of the environment. Moreover, ***CIP-EIP*** (the Competitiveness and Innovation Framework Programme – Entrepreneurship and Innovation Programme) supports projects in eco-innovation.

Research and innovation is another cross-field of EU funding scheme for 2014-20 period. Besides ***Horizon 2020*** which covers over 18 research areas, other important instruments are available, as follows: ***Marie Skłodowska-Curie Actions***; ***Erasmus +***; ***Euratom Research and Training Programme***; ***Galileo***; ***Copernicus***; ***Research Fund for Coal and Steel***; ***CEF grants*** (Connecting Europe Facility – CEF Telecom; CEF Energy); ***EEEF*** (European Energy Efficiency Fund); ***NER 300 programme***; ***ESI funds*** and ***EFSI*** (European Fund for Strategic Investment); ***COSME***; ***LIFE*** and the ***EU's Health*** programmes.

Table 2. List of the major potential beneficiaries depending on funding themes

| Policy area | Potential Beneficiaries |
|--|---|
| <i>Regional policy</i> | <ul style="list-style-type: none"> ↗ <i>Local, regional and national authorities and administrative bodies;</i> ↗ <i>Social, cultural and educational institutions;</i> ↗ <i>Workers' and employers' organisations, as well as organisations providing training, support for workers, labour market support;</i> ↗ <i>NGOs, associations and foundations;</i> ↗ <i>Public administrations and municipal institutions;</i> ↗ <i>Companies, SMEs including micro-enterprises and Social Economy Enterprises and associations;</i> ↗ <i>Civil society organisations;</i> ↗ <i>Research institutes.</i> |
| <i>Agriculture and rural development</i> | <ul style="list-style-type: none"> ↗ <i>Administrative bodies;</i> ↗ <i>Local Regional authorities institutions;</i> ↗ <i>Institutes, educational institutions;</i> ↗ <i>NGOs;</i> ↗ <i>Companies, SMEs and associations.</i> |
| <i>Fisheries</i> | <ul style="list-style-type: none"> ↗ <i>Professional fishermen;</i> ↗ <i>Regional, national and municipal institutions and administrative bodies;</i> ↗ <i>Institutions, associations;</i> ↗ <i>NGOs;</i> ↗ <i>Companies, SMEs.</i> |

| Policy area | Potential Beneficiaries |
|---------------------------------|---|
| Transport | <ul style="list-style-type: none"> ☞ Bodies established in each Member State; ☞ International organisations. |
| Tourism | <ul style="list-style-type: none"> ☞ Universities; ☞ NGOs; ☞ Tourism clusters; ☞ Companies, SMEs and associations. |
| Employment and social inclusion | <ul style="list-style-type: none"> ☞ Social, cultural and educational organisations; ☞ Organisations of workers and employers and organisations providing training, support for workers, support on the labour market; ☞ NGOs; ☞ Government authorities and municipal foundations; ☞ Companies and associations; ☞ National, regional and local authorities; ☞ Employment services; ☞ National statistical offices; ☞ Higher education institutions and research institutes; ☞ Social partner organisations and other interested parties; ☞ Public bodies; Regional / local administrations; ☞ Welfare organizations. |
| Environment | <ul style="list-style-type: none"> ☞ Public bodies; ☞ Private commercial organisations; ☞ Private non-commercial organisations (including NGOs). |
| Research and innovation | <ul style="list-style-type: none"> ☞ Individual researchers in all domains; ☞ Research industries; ☞ Research institutions; ☞ Universities; ☞ Public and private entities; ☞ Municipal, local and regional authorities. |

Source: Synthesis from European Parliament. (2016). *Guide to EU Funding 2014-2020*. European Parliamentary Research Service - EPRS.

European Fund for Strategic Investments

Designed as a tool to accelerate investment in Europe, **European Fund for Strategic Investments** (EFSI) is not a “fund” in the traditional sense. It is a guarantee instrument, launched jointly by the European Commission and EIB in order to mobilize private financing for strategic investments and SMEs.

EFSI cannot be considered as the national co-financing contribution to any ESI funds and any part of the project that is supported by EFSI cannot be consider “eligible” expenditure for ESI grants. EFSI financial products are mainly loans, guaranties and equity investments. Any public and private promoter investing in Europe is eligible to apply for EFSI support. EFSI has no geographical or sectorial allocation or quotas, because it is demand driven instrument that finance projects across EU and beyond – cross-border projects. However, accordingly with Article 9 of the EFSI Regulation, there are some key sectors that EFSI is focused on, such as: transport, energy and digital economy; environment and resource efficiency; human capital, culture and health; research development and innovation; support to SMEs and mid-caps.

Structural Programme Loans

The *additionality principle* that governs the use of EU financial assistance, requires that the inflow from EU funds be complement to the domestic public funds.¹ Even if the amount from EU funds are higher than the domestic public funds for any investment, the co-financing of the local recipients may represent an important problem. In this context, it is necessary to find new resources of financing regional public investments, in terms of the compliance with the additionality principle. Accordingly, starting from 2000 – 06 programming period, European Investment Bank (EIB) offers financial support to regions and countries through these structural programme loans (SPLs).

As a matter of fact, SPLs represents additional financing for regional investments. An important feature of SPLs is that they *support the entire programmes*, allowing smaller regions to finance one or several projects supported by EU funds. Another important characteristic is that SPLs are *fundamentally multi-sector*, financing various sector of activity that promotes the objectives established by the Operational Programmes.

SPLs support regions to implement the EU co-financed programmes and other not EU co-financed eligible projects, as well. A total amount of 30% of the signed loan may represent the first disbursement and the limit size of disbursements are established in the contractual obligations approved by EIB.

Conclusion

The landscape of EU financial assistance for regional development, during 2014 – 20 programming period, is characterized by *complexity* and *diversity*.

In order to improve the *quality of investments* supported by EU funds, a large set of instruments (technical and financial, as well) are put into practice in this programming period. *Coordination*, *synergy* and *complementarities* between ESI funds and the other's EU funding opportunities represents the key to the right use of EU support for regional development.

The magnitude of EU financial support for reducing disparities and promoting economic well-being among EU regions, will reach the expected goals of **Europe 2020**, only if relevant economic and decisional-political factors from each Member State will understand the mechanisms and principles² on which EU funds are building on and will act accordingly.

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¹ The allocation mechanism of European Structural Funds is based on additionality principle, mainly because of the expected greater positive impact on convergence and growth in the recipients' economies. [(Becker, Egger, & von Ehrlich, 2010); (Dall'erba & Le Gallo, 2008); (Pellegrini, Terribile, Tarola, Muccigrosso, & Busillo, 2013)].

² Three main principles for 2014 – 20 programming period: *partnership*; *concentration* (of resources, efforts and spending) and *additionality*.

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