

FUNDING COHESION POLICY IN THE EUROPEAN UNION AND ROMANIA DURING 2014 – 2020

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Abstract

Cohesion policy is one of the most important and complex policy of the European Union, a position clearly derived from the assumed objective of "harmonious development by reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands". Its unique role in shaping and implementing integrated development strategies, which involve activities in various fields such as education, research and innovation, employment, business environment, infrastructure, environmental protection, climate change and energy efficiency is undeniable.

To accomplish these goals cohesion policy is benefiting from its own budget for each Member State in relation to the national objectives of economic and social development and to integration into the Single Internal Market and achieving territorial cohesion.

Keywords: thematic objectives, operational programmes, structural funds, Community budget, cohesion fund.

JEL classification: F36, R11

INTRODUCTION

During 2014-2020 the main investment field from the EU budget is the cohesion policy, financed from the Regional Development Fund (ERDF), European Social Fund (ESF) and the Cohesion Fund (CF), funds that seek to achieve the following objectives: reducing development disparities between regions, creating jobs, fighting poverty, promoting social inclusion, promoting energy efficiency, improve transport infrastructure and increase efficiency of public administrations in Member States.

The legislative framework of cohesion policy for the current stage includes: a General Regulation, Specific regulations for ERDF, ESF and CF and a specific regulation for the European Grouping for Territorial Cooperation (EGTC).

Multiannual Financial Framework provided by the Structural and Cohesion Funds have a triple role: political, setting political priorities of the period; budgetary, establishing areas where investments will be made and forecasting, specifying objectives to be met to achieve a smart, sustainable and inclusive growth.

1. THEMATIC OBJECTIVES AND FINANCIAL INSTRUMENTS OF EU COHESION POLICY IN THE FINANCIAL PERIOD 2014-2020

Cohesion policy funding from the European Union will be divided on three categories of regions: less developed regions, where GDP per capita is less than 75% of the average GDP of the EU; transition regions where GDP per capita is between 75% and 90% of the average GDP of the EU and more developed regions where GDP per capita is less than 90% of the average GDP of the EU .

Each Member State shall develop a Partnership Agreement with the European Commission and conclude Partnership Contracts / Agreements encompassing multi-annual programming and allowing better coordination of economic policies of the Member States.

Cohesion policy, by seeking to achieve thematic objectives enshrined in the Partnership Agreement aims to strengthen solidarity towards less favored regions, for which purpose it has created a new category of regions, transition regions, to enable a differentiated financial allocation.

Table 1

Financial instruments and objectives of EU cohesion policy during 2014 - 2020

Objectives	Types of regions	Funds	Billion euro
Investments in economic growth and employment	Less developed regions	ERDF	162,6
	Transition regions	CF	39,0

	Less developed regions	ERDF ESF	53,1
Territorial cooperation	All regions	ERDF	11,7

Data source: Processing by the author based on data from the EU Cohesion Policy. www.ec.europa.eu/info/region ; Cohesion policy 2014-2020: Investing in growth and employment, <http://ec.europa.eu>

In order to cover community contributions by cohesion policy a distinction has been made between less developed regions, transition regions and more developed regions, regions benefiting from 254.7 billion euros, to which should be added a financing achieved through six Operational Programmes specific to this period.

Regarding thematic objectives and specific financial instruments, we must retain the idea that funding will be made only from three structural funds and cohesion funds totaling 376 billion euros.

Table 2

Thematic objectives and financial instruments of EU cohesion policy

Common Strategic Framework	
Thematic Objectives	Funds
1. Research and innovation	ERDF
2. Information and communication technologies	ERDF
3. Competitiveness of SMEs	ERDF
4. Low-carbon economy	ERDF
5. Combating climate change and risk prevention	ERDF
6. Environment and resource efficiency	ERDF CF
7. Sustainable transport	ERDF CF
8. Employment and Mobility	ESF ERDF
9. Social inclusion and poverty reduction	ESF ERDF
10. Education and training	ESF ERDF
11. Better public administration	ESF ERDF

Source: author's work on Common Strategic Framework and Europe 2020 Strategy, the European Commission SWD (2012) 61 final.

ERDF Regulation states that it will finance all thematic objectives (11) assumed through the Partnership Agreement by the member countries, ESF Regulation states only the funding of the 4 thematic objectives (nr.8,9, 10 and 11) and the CF Regulation states that it will participate in funding just two goals (6 and 7).

Table 3

Budget allocation for cohesion policy in the 2014-2020 financial period

	YEAR							Total
	2014	2015	2016	2017	2018	2019	2020	
Billion euro	50400	50900	52400	54100	55100	56000	57100	376000
%	13,4	13,5	14,0	14,3	14,7	14,9	15,2	100,0

Data source: author's work based on data from the Multiannual Financial Framework 2014-2020 ([Http://ec.europa.eu/Budget/index_en.cfm](http://ec.europa.eu/Budget/index_en.cfm)) and A budget for Europe (2014-2020), COM (2011) 500 final.

Cohesion policy funding from the EU budget (totaling 376 billion euros) will continue to increase from year to year during the 2014-2020 period, in line with the experience gained by Member States in implementing the objectives and ensuring co-financing by the central and local administrations.

2. PARTICIPATION IN THE STRUCTURAL FUNDS AND COHESION FUNDS AND THE FINANCING OF THEMATIC OBJECTIVES

EU cohesion policy will come about through six Operational Programmes which will cover the 11 thematic objectives financed by ERDF, ESF and CF.

Table 4

Funding Operational Programmes and Thematic Objectives

Fund	Operational Programmes	Thematic Objectives
ERDF	Regional OP	T.O 1. Research and innovation T.O.3. Competitiveness of SMEs T.O. 4. Low-carbon economy T.O. 6 Environment and resource efficiency T.O. 7. Sustainable transport T.O.9. Social inclusion and poverty reduction
	Competitiveness OP	T.O. 1. Research and innovation T.O 2. Information and communication technologies T.O.3. Competitiveness of SMEs T.O.8. Employment and mobility T.O. 10. Education and training
	Technical Assistance	T.O. 11. Better public administration
ESF	Human Capital	T.O 1. Research and innovation T.O.3. Competitiveness of SMEs T.O.8. Employment and mobility T.O..9. Social inclusion and poverty reduction T.O. 10. Education and training
	Administrative capacity	T.O 2. Information and communication technologies T.O. 11. Better public administration
CF	Large Infrastructure	T.O. 5. 5. Combating climate change and risk prevention T.O. 6 Environment and resource efficiency T.O. 7. Sustainable transport

Data source: author's work after the Common Strategic Framework; Europe 2020 Strategy , M.E.F.

European Regional Development Fund provides funding to three OPs: Regional, Competitiveness and Technical Assistance and 10 Thematic objectives, the ESF participates in two Operational Programmes: Human capital and Administrative Capacity and seven Thematic objectives and Cohesion Fund participates in Large Infrastructure Operational Programme and 3 thematic objectives.

3. ROMANIA'S POLICY OF MAKING ECONOMIC, SOCIAL AND TERRITORIAL COHESION DURING 2014 - 2020

Romania's participation in implementing the EU cohesion policy has required the development of several key documents: the Romanian Development Strategic Framework, 2014-2020 (RDSF); Partnership Agreement (PA) and the Operational Programmes (OPs).

Romanian Development Strategic Framework specifies priorities for action by the Structural Funds (ERDF and ESF) and the Cohesion Fund (CF) for achieving inclusive growth and strengthening institutional capacity and efficiency of public administrations.

Table 5

Consistency of Partnership Agreement with Thematic and Financial Structure of the Common Strategic Framework

E.U. level		National level			
Common Strategic Framework		Partnership Agreement			
ESIF	Thematic Objectives	Funds	Operational Programme	Thematic Objectives	Management Authority
ERDF	TO 1,2,3,4,5,6,7,8,9, 10,11	ERDF	Competitiveness OP Regional OP Technical Assistance	TO 1,2,3,8,10 TO 1,3,4,6,7,9,10,11 TO 11	MEF MRDPA MEF

			OP		
ESF	TO 1,2,8,9,10,11	ESF	Administrative Capacity OP Human Capital OP	TO 2,11 TO 1,3,8,9	MRDPA MEF
CF	TO 4,5,6,7	CF	Large Infrastructure	TO 5,6,7	MEF
EAFRD	-	EAFRD	National Programme of Rural Development	-	MARD
EMFF		EMFF	Fisheries and maritime affairs	-	MARD

Data source: MEF: Programming 2014-2020, 2020 http://librabank.ro/programe_finantare-europeana_nerambursabila_2014-2020

The Partnership Agreement aims to prioritize the development of national economy by using three funds allocated to cohesion policy (ERDF, ESF and CF), and the other two funds: the European Agricultural Fund for Rural Development (EAFRD) and the European Agricultural Fund for Fisheries and Maritime Affairs (EMFF), exceeding the cohesion policy.

Operational Programmes of the Cohesion Policy from Romania states funds used both to finance thematic objectives and priority axes specific to each Programme.

European Structural and Investment Funds (ESIS) finance, in addition to cohesion policy, the Common Agricultural Policy (EAFRD) and Maritime Affairs and Fisheries Policy (EMFF).

Structural and Cohesion Funds (ERDF, ESF, CF) participate differently in financing economic, social and territorial cohesion in Romania, according to the commitments undertaken in the Partnership:

- European Regional Development Fund (ERDF) participates in the financing of three Operational Programmes: Competitiveness, Regional and Technical Assistance, addressing the 11 thematic objectives:

Table 6

The thematic objectives of cohesion policy financed by Structural and Cohesion Funds through Operational Programmes in Romania

Thematic Objectives	Operational Programmes	Participating funds
1. Research and innovation	COP, ROP, HCOP	ERDF
2. Information and communication technologies	COP, ACOP	ERDF, ESF
3. Competitiveness of SMEs	COP, ROP, HCOP	ERDF, ESF
4. Low-carbon economy	ROP	ERDF
5. Combating climate change and risk prevention	LIOP	CF
6. Environment and resource efficiency	ROP	ERDF, CF
7. Sustainable transport	ROP, LIOP	ERDF, CF
8. Employment and Mobility	COP, HCOP	ERDF, ESF
9. Social inclusion and poverty reduction	ROP, HCOP	ERDF, ESF
10. Education and training	COP, ROP	ERDF, ESF
11. Better public administration	ROP, ACOP	ERDF, ESF

Data source: MEF: Programming 2014-2020, http://librabank.ro/programe_finantare-europeana_nerambursabila_2014-2020; Summary of Partnership Agreement with Romania, 2014-2020, http://librabank.ro/programe_finantare-europeana_nerambursabila_2014-2020

European Social Fund (ESF) participates only in two OPs, Administrative Capacity and Human Capital, addressing only six thematic objectives: 1,2,3,8,9,11;

The Cohesion Fund finances only O.P Large Infrastructure, three thematic objectives: 5,6,7.

Within the cohesion policy in the 2014-2020 period, Romania will manage six operational programmes financed by ERDF, the CF (4 channels) and the ESF (2 programmes) which ensures the financing of Youth Employment Initiative with 106 million euro.

The Cohesion Fund will finance operational programmes in two areas: large infrastructure to develop major transport networks and environmental protection and efficient use of resources.

Table 7

Funds' destination by Objectives the Cohesion Policy during 2014-2020

Chapters in the budget of Cohesion Policy	Billion EURO	%
Cohesion fund	6,93	28,74
Development regions	15,50	64,30
- less developed	15,06	-
- developed (Bucharest)	0,44	-
Territorial Cooperation	0,45	1,86
"Connecting Europe" Facility	1,23	5,10
T O T A L	24,11	100,00

Data source: author's work based on data from: Cohesion Policy and Romania, MEF; 2014-2020 Structural Funds and investment, [http://www.beckerconsult.ro/pages/FINANȚĂRI-4](http://www.beckerconsult.ro/pages/FINANȚĂRI-4;); 2014-2020 grant programs, http://librabanck.ro/programe_finantare_europa_nerambursabilă_2014-2020.

European territorial cooperation will allow subsequent actions to overcome the challenges that transcend national and regional boundaries by financing three areas: cross-border, transnational and interregional cooperation. Connecting Europe Facility will receive 1.23 billion euros which will be used to fund joint projects in the fields of energy, transport and information and communications technology by promoting access to single internal market to residents and regions of Romania.

In order to fill the gap between the less developed regions of Romania and developed regions in the European Union, our country has the opportunity to finance projects under cohesion policy amounting to 15.06 billion euros, in addition to other funds that it will benefit from through the six operational programmes financed by ESIF. 7 of the 8 regions will receive funding for faster development, the region Bucharest-Ilfov being part of the developed regions.

Table 8
Structural and Cohesion Funds and National Co-financing of Cohesion Policy Objectives and the Operational Programmes

Investments in economic growth and employment		Community contribution		Contribution of Romania		Total	
1	2	3	4	5	6	7	8
Operational Programme	Fund	bln. euro	%	bln. euro	%	bln. euro	%
Regional OP	ERDF	6,7	29,88	1,26	26,16	7,91	27,10
Competitiveness OP	ERDF	1,33	5,93	0,25	5,17	1,58	5,41
Human Capital OP	ESF	4,22	18,82	0,83	17,18	5,05	17,30
Large Infrastructure	CF	9,41	41,97	2,39	49,49	11,80	40,43
Administrative Capacity OP	ESF	0,553	2,46	0,105	2,17	0,658	2,25
Technical Assistance	ERDF	0,212	0,94	0,040	0,82	0,252	0,86
Total OP	-	22.420	100,00	4,829	100,00	27.249	93,37
Territorial Cooperation	ERDF	0,450	86,87	0,068	15,23	0,518	1,77
"Connecting Europe" Facility	-	1,23	86,92	0,185	13,08	1,425	4,88
TOTAL		24,10	82,58	5,082	17,42	29,182	100,00

Data source: author's work: Partnership Agreement 2014-2020, MEF summary, non-reimbursable European funding programmes 2014-2020, http://www.librabank.ro/programe_finantare_europeană_nerambursabilă_2014-2020

Funding of thematic objectives of cohesion policy in Romania is made of three structural and cohesion funds through six OPs covering all the objectives of the Common Strategic Framework and the five objectives of the Europe 2020 strategy: increasing public and private investment in research and innovation to 3% of GDP; reducing greenhouse gas emissions by 20-30% compared to 1990 levels; raising to 75% the employment rate of labor; promoting social inclusion and eliminating the risk of poverty and reducing school drop below 10%.

OP funding is provided from the ERDF and from national sources worthing 10.26 billion from the ESF amounting to 5.708 billion euros, while the CF amounting to 11.80 billion euros. European and national financial allocation for cohesion policy in 2014-2020 is higher by EUR 4 billion to the amount allocated in 2007-2013 as a result of increasing funding under OP Regional territorial cohesion, especially for the seven Thematic Objective: Realising sustainable transport and major infrastructure development.

4. Conclusions

An analysis of financing programme of cohesion policy at EU and national level reveals the following situation:

- cohesion policy budget has increased reaching 376 billion euros;

- financing will consider increasing solidarity towards the less developed regions that will benefit from 162.6 billion euros;
- Cohesion Policy is restricted to two objectives: Investing in growth and employment (254.7 billion euros) and European Territorial Cooperation (11.7 billion euros);
- the establishment of a new chapter in the cohesion policy budget "Connecting Europe Facility" to finance cross-border projects in the fields of transport, energy and information technology;
- affirmation of a new position to the territories of the outermost regions, which were allocated 900 million euro;
- waiving the Multiannual Financial Framework and its replacement with a new document, the Common Strategic Framework where 11 thematic objectives are inserted;
- Outlining the objectives pursued in the six Operational Programmes which cannot be found between the sectorial programmes.

For Romania to access and absorb EU funds in 2014-2020 for cohesion funding several documents had : Strategic Development Framework 2014-2020; Partnership Agreement with the European Union, the OPs and defining the thematic objectives pursued.

- financial allocation of 24.11 billion euros will fund projects in less developed regions (seven regions), a developed region (Bucharest - Ilfov), and the Connecting Europe Territorial Cooperation;
- an analysis of financing thematic objectives revealed a characteristic of this period, not only for Romania, but for the whole Europe, a priority allocation of approximately 60% of total investments (13.3 billion euros) for three objectives: the transition to a low carbon economy; protecting the environment and increasing resource efficiency and the development of transport infrastructure.

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