
THE COHESION POLICY AT EU LEVEL

- **The evolution of the budgetary allocations (2007-2013)**
- **Proposed reforms (2014-2020)**

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Abstract

It is necessary to analyze the evolution of the annual allocations (from the EU budget) for the Cohesion Policy in order to better understand how this policy funds were managed in the aforementioned period. The main points raised in the paper will be the objectives and mechanisms of the cohesion policy, the evolution of budget allocations, as well as the reforms proposed by the European Commission in the field of cohesion policy for 2014-2020.

*The policy, according to the European Commission, will continue its vital role in stimulating the development of regions and Member States in the 2014-2020 programming period, contributing to the achievement of the objectives of stated in the **Europe 2020 Strategy**.*

Keywords: *EU cohesion policy, the EU budget, trends, financial programming periods.*

The commitment to achieve a “**harmonious development by reducing the differences existing between various regions and ensuring that the least favored regions will not fall behind**”[1] was found among European priorities since the signing of the Treaty of Rome. Over time, as the EU expanded by successive waves of accession, important steps have been taken in the development of cohesion policy.

The cohesion policy acted as a payment mechanism, redistributing the budgetary contributions of Member States in order to reduce disparities between European regions[2]. At the present, the policy and its instruments, namely **the Structural Funds and the Cohesion Fund are the key elements for strengthening convergence at economic, social and territorial level**.

Economic, social and territorial cohesion, according to the Europe 2020 Strategy, will ensure that all energies and capacities at European level and in the Member States are mobilized and focused on meeting the priorities of the strategy. In the strategy, the cohesion policy and structural funds are emerging as “**key mechanisms used to achieve the priorities of smart, sustainable and inclusive growth in Member States and regions**.”[3] In order to facilitate this process, the new multi-annual 2014-2020 framework

should reflect long-term priorities, ensuring that financial allocations can be modified to maximize impact, effectiveness and added value.

The cohesion policy in the multi-annual 2007-2013 framework, had three objectives, each having its own financial instruments.

The first objective was convergence, which was financed from the European Regional Development Fund, European Social Fund and the Cohesion Fund. The goal was to stimulate growth and encourage employment in less developed regions of the EU. The areas covered included innovation, knowledge society, environmental protection, administrative efficiency and adaptability to economic change.

The second objective, **regional competitiveness and employment**, was financed from the European Regional Development Fund and European Social Fund, targeting regions that could not be included in the first objective. The objective was supposed to lead to the strengthening of competitiveness, to increase the attractiveness of regions and to stimulate employment.

The third goal, represented by **European territorial cooperation** was meant to encourage the strengthening of cross-border, transnational and interregional cooperation and was financed by the European Regional Development Fund. Within this objective, common solutions were promoted to the authorities in different Member States for rural development issues, urban and coastal economic relations, building relationships between small and medium enterprises (SMEs), as well as in terms of research, information society, environment and risk prevention.

The EU budget allocations for the cohesion policy experienced a steady increase, totaling 348.865 billion euros.

Even though in 2007, the allocation was of about 45 billion euros, by the end of the programming period (2013) it had increased to about 54 billion euros.

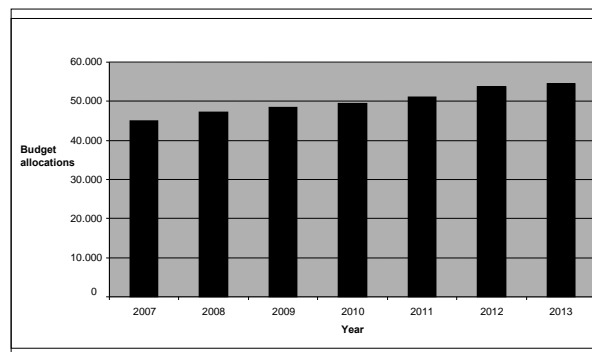
Budget allocations for the cohesion policy in the 2007-2013 period

Year	Sums (bill euro)
2007	45,061
2008	47,267
2009	48,427
2010	49,388
2011	50,987
2012	53,716
2013	54,524
Total	348,865

Source: [6]

The upward trend of the allocations for the cohesion policy can be easily observed from the following graphical representations, which highlight the important role given by policymakers at EU level to the elimination of disparities between regions in Member States. Furthermore, a breakdown of the funds allocated for the cohesion policy (expressed in percentages) is presented for each year.

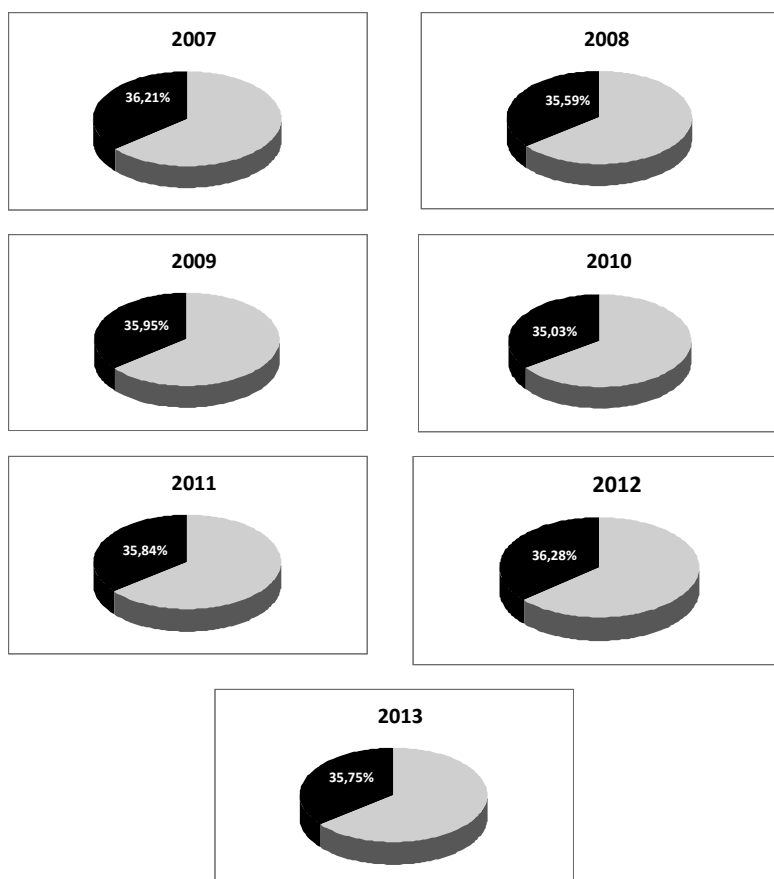
The evolution of the budget allocations for the cohesion policy between 2007-2013 (absolute figures)



Source: [6]

From the comparison it resulted that, despite the constant nominal growth, the amounts allocated for the cohesion policy (as a percentage of the total budget) decreased in the 2007-2010 period. In 2007, the cohesion policy received 36.1% of the total budget allocation and in 2008 the sums dropped to 35.59% of the budget. In 2009 there was an increase and in 2010, the amounts fell to 35.03% of the total budget. In the next two years, there was an increase in these allocations, their level reaching 36.28% in 2012. In 2013 the allocation was similar to the those from the 2009-2011 period (35.75%).

Budget allocations for the cohesion policy in the 2007-2013 period
(percentages of the total budget)



Source: [6]

It should however be noted that the level of allocations is not necessarily conclusive, because they are legal commitments to provide funding if certain conditions are met, but they differ from the payments made to beneficiaries since multi-annual programs and projects have an implementation period that exceeds an year. Payments are done periodically, throughout the implementation of projects. The annual payments will be lower than the annual appropriations, as it can be seen in table below.

Payments realized in the 2007-2013 period

Table 2

Year	Payments (bill euro)	Annual budget (bill euro)
2007	122,190	124,458
2008	129,681	132,797
2009	120,445	134,722
2010	134,289	140,978
2011	133,700	142,272
2012	141,360	148,049
2013	144,285	153,168
Total	925,950	976,443

Source: [6]

The proposed reforms for the cohesion policy for the 2014-2020 period

According to the European Commission, **the cohesion policy will maintain its vital role** in stimulating the development of regions and Member States in the 2014-2020 period. In order to increase the coherence of EU actions, the European Commission put forward a number of legislative proposals that demonstrated that **the EU is trying to facilitate smart, sustainable and inclusive growth.**

In the new programming period, there is a Common Strategic Framework (CSF) for all Structural Funds, which will promote the coordination of structural instruments and provide guidelines for the programming of all funds. Partnership Agreements will be signed for development and investments (for each individual Member State) and negotiated with the European Commission. The agreements will be national strategic documents that **will establish thematic development objectives and the allocation of funds for 2014-2020.**

The Commission's legislative proposals also introduced a new classification of regions. There will be three categories of regions: **the less developed regions**, which have a GDP / capita less than 75% of EU27 GDP, **transition regions**, whose GDP / capita is between 75% and 90% of the EU27 and **developed regions**, which have a GDP / capita greater than 90% of the average EU-27 GDP. It is considered that developed regions should have access to structural funds in order **to encourage the transition to the knowledge economy and to a low carbon economy.**

Another important aspect of this proposal is that it introduces new conditionalities for receiving funds, which will consist of **ex-ante conditionalities**, **ex-post conditionalities** and **macroeconomic conditionalities**. First, the ex-ante conditionalities will ensure that the conditions necessary for correct use of

EU funds exist, in this way eliminating the weaknesses from national policies and institutional frameworks. The role of ex-post conditionalities is to focus on the performance of Member States, in order to achieve the objectives set out in the Europe 2020 Strategy. Benchmarks related to Europe 2020 targets will be established and have to be met, keeping 5% of national allocations that will be distributed after an interim evaluation of the Member States in which the programs' milestones were achieved. According to this proposal, if Member States fail to meet the objectives, the Funds may be suspended.

Macroeconomic conditionalities are designed to ensure reliable macro-economic policies. The funds will be directed, temporarily, to solve economic problems that exist in a Member State. If the Member State fails to take effective steps in the process of economic governance, the Commission has the right to suspend part or all of the payments and commitments.

The legislative proposal contains additional provisions related to the limitation of appropriations for the cohesion policy ("capping") to 2.35% of GDP, while the allocation for Member States may not exceed 110% of the total allocation for the current period[5]. These measures are accompanied by other proposals related to employment, integrated programming and the use of financial instruments.

Conclusions

The important role that the cohesion policy has played in the 2007-2013 period will be maintained, according to the European Commission, in the 2014-2020 period. In order to facilitate obtaining a higher impact for the cohesion policy allocations, ex-ante, ex-post and macroeconomic conditionalities, as well as other measures on employment and on the use of integrated tools were introduced.

The study and detailed analysis of the annual allocations confirm the importance given at European level to the cohesion policy, the nominal value of the appropriations registering constant annual increases.

Selective bibliography

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