

Tendencies in the Financial Implementation of Structural and Cohesion Funds in the EU

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Abstract: The considerable differences between Member States of the European Union not only creates specific EU cultural diversity, they are also with an economical nature, with local specificities in each region of the Member States. In order to reduce the economic gaps between different EU Member States, each Member State being in turn divided into various regions, European Union grants financial assistance to Member States in the form of structural funds. In context of the efforts aimed at improving the overall competitiveness of the European Union, European cohesion policy is the most important financial instrument to support the Member States under the Convergence objective, namely to promote economic and social cohesion by reducing disparities starting from regional level .

Keywords: cohesion policy, absorption capacity, the 'Convergence' objective 'Regional competitiveness and employment ', programming period

JEL Classification: E03, E60, G01, H00, J1

1. Introduction

One of the most widely used definitions for the problem of structural funds, is that they are "financial instruments that the EU acts to eliminate economic and social disparities between regions in order to achieve economic and social cohesion" (MFP).

Cohesion policy aims at reducing the economic, social and territorial cohesion between EU regions. Its implementation through the Structural Funds is one of the main strands of EU action in the Europe 2020 Strategy for growth and jobs. With over 348 billion euros allocated multiannual financial framework 2007-2013, it is the second largest item in the EU budget after the Common Agricultural Policy. Cohesion policy has been a topic of great interest because of the potential opportunities, especially in the current financial and economic crisis, which can be offered by boosting accessing European funds. In April 2013 the European Commission reported that, since 2007, were created almost 400 000 jobs, over 53,000 start-ups received support, 2.6 million people were served by projects water supply and 5.7 million people were served by waste water projects. However, the contribution of cohesion policy convergence, growth and jobs remains an open question.

In this study I will try to analyze the implementation of structural and cohesion funds in the European Union and emit a series of value judgments about the factors that influence ranking achieved. It should be noted that this study is based on statistical data related Multiannual Financial Plan 2007 - 2013 and the last reporting year 2013 performance can be recovered using European funds after 2015. The data used for the case study are collected from official statistics portal the European Union and "Eurostat", European Commission website "InfoRegio" website "Inside America" and the official sites of the managing authorities of the Member under review.

2. Financial implementation of structural and cohesion funds in the Community

EU funds are an integral part of the financial resources needed to finance the need to develop the economies of all countries in Europe, particularly economies in transition, representing "an opportunity to stimulate the economy for a sustained recovery" (Kagitci 2011 , p.97).

The feature of the 2007-2013 programming period is the maximum expansion of EU funding programs, the two major axes of this process: it is, on the one hand, major restructuring of European funds available to the European Commission downwards and, on the other hand, a clear focus on financing instruments major objectives of European policy. It is worth while significantly increasing the funds allocated to the eight Member States that joined in 2004 (which almost doubled) and the inclusion for the first time, Romania and Bulgaria in program funding through the Structural Funds.

"The financial management of cohesion policy is based on systems of planning, management and control. Under this system, the three different categories of payments are made by the Commission to Member States "(Bubbico and Michelis, 2011):

- Pre-financing (advances);
- Interim payments;
- Payment of the final balance.

Advances are provided by the Commission to Member States in the first three years (eg, 2007-2009) of the program period at a rate of 7.5% - 10.5% of funds by country and background. As a result, at the start of programming, advances is money given to Member States to co-finance the early stages of implementation. Subsequent intermediate payments in comparison, come as a result of the submission of claims for reimbursement from Member States. Once the final beneficiary of a program use the funds for a project and submit statements of expenditure management authorities are undertaken many measures to control and certify the eligibility of expenditure. Declarations of expenditure from various operational programs are then collected and presented by the European Commission certification authorities three times a year. This process automatically lead to a substantial delay between implementation of a project by a beneficiary, the financial execution, corresponding to the European Commission a registration application for reimbursement.

To achieve this benchmark study will use the following definitions:

- Contracted amounts - the amounts for which the contract was signed by the Managing Authority and Intermediate Body for Implementation and the beneficiary until 31 December 2013. The contract includes grants financial resources distributed through European Regional Development Fund (ERDF) Fund (CF) and European Social Fund (ESF);

- Amounts paid - the amounts which have actually been distributed to beneficiaries (including pre-funding) until 31 December 2013;

- The contracting rate - represents the ratio of the actual amounts contracted under the Multiannual Financial Plan 2007 - 2013 and the available budget for this period;

- The payment rate - represents the ratio of the actual amounts paid under the Multiannual Financial Plan 2007 - 2013 and the available budget for this period;

- Amounts certified by the European Union - is the amount of the expenditure certified by the European Commission in 2007-2013.

The two structural instruments to ensure implementation of EU cohesion policy are the Structural Funds, namely the European Social Fund (ESF) and European Regional Development Fund (ERDF) on the one hand, and the Cohesion Fund.

ESF aims to achieve the objectives of the revised European Employment Strategy by investing in human capital to ensure the development and training of human resources in connection with the labor market requirements. For Romania, this instrument would result in more sustainable integration in the labor market of about 900,000 people by 2015 by providing learning opportunities throughout life and develop a modern and flexible labor market.

The ERDF finances investments to create new jobs and are intended primarily to support the small and medium enterprises, infrastructure development (social, cultural, transportation, environmental, energy, communications etc), developing the potential of autochthonous grant technical assistance.

Cohesion Fund supports actions designed to achieve the objective of "convergence" is for Member States with a gross national income below 90% of the Community average in order to help stabilize the economic situation and reduce differences in socio-economic development. Between 2007-2013 the fund is intended for countries like Cyprus, Estonia, Bulgaria, Greece, Croatia, Malta, Latvia, Lithuania, Poland, Portugal, Czech Republic, Romania, Slovakia, Slovenia and Hungary.

Under the convergence objective are eligible NUTS 2 regions, regions where GDP per capita (expressed in PPS) is below the 75% of the EU average and is characterized by a relatively low level of infrastructure development, investment and services related businesses. Romania (as in Poland, Bulgaria, Slovakia and the Baltic States)) was declared eligible for European Union funding under this objective throughout (all developing regions). For the year 2007-2013 in support of this policy it has been allocated a budget of 347 billion euros (over a third of the total EU budget).

Of the total budget of the structural and cohesion funds for the period 2007-2013, 19.2 billion euros were allocated to Romania as can be seen from Table. 1. This is intended for financial support to co-finance projects (the program, priority axes, key areas and actions), in a proportion of up to 85% being completed by allocations from national budgets and private contributions from beneficiaries. For our country, the appropriate contribution calculated ante national budget amounted to a level of around 4.3 billion euros, bringing the total amount allocated for structural and cohesion funds for the 2007-2013 period to 23.5 billion euros .

The data in Table 1 show that all Member States (except Croatia) assumed financial commitments representing over 99% of the budget, first hovering Poland with more than € 67 billion. The relationship between payments and commitments should be noted that the vast majority of EU member states recorded values exceeding 60% for this indicator (78% in countries such as Estonia, Lithuania and Portugal). At the other extreme is Slovakia (48.05%), Romania (37.2%) and Croatia (20.81%).

Table 1. SCF financial implementation of the EU - 28 in 2007-2013

Țara	Buget inițial (euro)	Angajamente (euro)	Plăți (euro)	Buget inițial/ Angajament	Plăți/ Angajamente
Bulgaria	6.673.628.244	6.673.628.244	3.225.285.508	100,00%	48,33%
Belgia	2.063.500.766	2.062.838.322	1.204.476.096	99,97%	58,39%
Republica Cehă	26.539.650.285	26.539.650.285	12.973.845.881	100,00%	48,88%
Danemarca	509.577.239	509.577.239	277.275.740	100,00%	54,41%
Germania	25.487.968.469	25.487.968.470	17.570.552.148	100,00%	68,94%
Estonia	3.403.459.881	3.403.459.881	2.665.401.765	100,00%	78,31%
Grecia	20.210.261.445	20.210.261.445	13.973.052.408	100,00%	69,14%
Spania	34.650.749.454	34.648.906.855	21.413.535.306	99,99%	61,80%
Franța	13.449.221.051	13.446.308.576	7.578.351.879	99,98%	56,36%
Croația	858.275.017	753.527.447	156.828.490	87,80%	20,81%
Irlanda	750.724.742	750.724.742	508.155.947	100,00%	67,69%
Italia	27.955.874.054	27.922.613.430	13.535.892.900	99,88%	48,48%
Cipru	612.434.992	612.434.992	322.573.764	100,00%	52,67%
Letonia	4.530.447.634	4.530.447.634	2.965.813.082	100,00%	65,46%
Lituania	6.775.492.823	6.741.329.245	5.277.472.404	99,50%	78,29%
Luxembourg	50.487.332	50.487.332	31.961.565	100,00%	63,31%
Ungaria	24.921.148.600	24.907.724.239	14.584.898.057	99,95%	58,56%
Malta	840.123.051	840.123.051	409.016.616	100,00%	48,69%
Țările de Jos	1.660.002.737	1.660.002.737	1.023.197.648	100,00%	61,64%
Austria	1.204.478.581	1.204.478.581	782.014.218	100,00%	64,93%
Polonia	67.185.549.244	67.185.549.244	44.784.425.972	100,00%	66,66%
Portugalia	21.411.560.512	21.411.560.512	16.751.939.122	100,00%	78,24%
România	19.213.036.712	19.057.658.141	7.055.881.333	99,19%	37,02%
Slovenia	4.101.048.636	4.101.048.636	2.539.183.654	100,00%	61,92%
Slovacia	11.498.331.484	11.496.467.767	5.523.603.001	99,98%	48,05%
Finlanda	1.595.966.044	1.595.966.044	1.050.909.150	100,00%	65,85%
Suedia	1.626.091.888	1.626.091.888	1.116.915.536	100,00%	68,69%
Marea Britanie	9.890.937.463	9.890.937.463	5.576.582.436	100,00%	56,38%
UE-28	347.563.329.198	347.206.388.081	208.920.184.291	99,90%	60,17%

Data source: Inforegio - EU Regional Policy - European Commission

The structure of European funds by objectives in the tables below are shown commitments and payments for all 28 Member States of the European Union in the 2007-2013 financial period based on the "Convergence" objective and the objective "Regional Competitiveness and workforce".

Table 2. Convergence

Țara	Buget inițial (euro)	Angajamente (euro)	Plăți (euro)	Buget inițial/ Angajament	Plăți/Angajamente
Bulgaria	6.673.628.244,00	6.673.628.244,00	3.225.285.508,44	100,00%	48,33 %
Belgia	638.326.154,00	638.326.154,00	347.550.081,91	100,00%	54,45 %
Republica Cehă	26.115.128.486,00	26.115.128.486,00	12.760.102.143,58	100,00%	48,86 %
Germania	16.079.195.325,00	16.079.195.325,00	11.289.065.853,35	100,00%	70,21 %
Estonia	3.403.459.881,00	3.403.459.881,00	2.665.401.764,99	100,00%	78,31 %
Grecia	19.574.961.266,00	19.574.961.266,00	13.427.588.464,97	100,00%	68,60 %
Spania	26.180.199.964,00	26.180.199.964,00	15.822.890.746,65	100,00%	60,44 %
Franța	3.190.562.284,00	3.190.562.284,00	1.738.973.267,66	100,00%	54,50 %
Croația	858.275.017,00	558.064.721,57		65,02%	
Italia	21.630.983.947,00	21.597.723.323,23	9.799.180.545,19	99,85%	45,37 %
Cipru	213.204.484,00	213.204.484,00	103.081.847,40	100,00%	48,35 %
Letonia	4.530.447.634,00	4.530.447.634,00	2.965.813.081,89	100,00%	65,46 %
Lituania	6.775.492.823,00	6.741.329.245,00	5.277.472.404,11	99,50%	78,29 %
Ungaria	22.890.071.092,00	22.890.071.092,00	12.889.375.572,04	100,00%	56,31 %
Malta	840.123.051,00	840.123.051,00	409.016.616,40	100,00%	48,69 %
Austria	177.166.964,00	177.166.964,00	117.427.746,83	100,00%	66,28 %
Polonia	67.185.549.244,00	67.185.549.244,00	44.784.425.972,17	100,00%	66,66 %
Portugalia	20.472.658.975,00	20.472.658.975,00	16.008.452.741,03	100,00%	78,19 %
România	19.213.036.712,00	19.057.658.141,00	7.055.881.332,59	99,19%	37,02 %
Slovenia	4.101.048.636,00	4.101.048.636,00	2.539.183.654,31	100,00%	61,92 %
Slovacia	11.041.105.348,00	11.039.241.630,95	5.320.836.214,52	99,98%	48,20 %
Marea Britanie	2.912.466.791,00	2.912.466.791,00	1.788.635.397,72	100,00%	61,41 %
Total	284.697.092.322,00	284.172.215.536,7	170.335.640.957,7	99,82%	59,94 %

Data source: Inforegio - EU Regional Policy - European Commission

Many states have failed accessing financial funds initially allocated, although this is a very important objective for the implementation of cohesion policy. Between these states can include Romania, Lithuania, Croatia, Italy, states a report showing otherwise fell between payments and financial commitments. Objective "Regional competitiveness and employment" shows a relatively similar situation.

As regards structural funds and cohesion situation spread over years, it is presented in Table. 3.

Table 3. The aggregate financial implementation of structural and cohesion funds with breakdown by years (mii euro)

	Fondul European de Dezvoltare Regională FEDR			Fondul de Coeziune FC			Fondul Social European FSE		
	Buget inițial	Angajament	Plăți	Buget inițial	Angajament	Plăți	Buget inițial	Angajament	Plăți
2011	30.561.103,72	30.534.557,31	27.381.322,09	12.492.545,24	12.486.272,07	9.842.814,18	11.679.658,31	11.658.777,85	10.843.088,23
2012	29.461.139,74	29.462.909,60	25.760.679,25	11.798.480,38	11.798.480,38	8.671.943,02	11.292.665,42	11.276.766,42	10.711.517,92
2013	28.666.118,04	28.679.060,95	24.331.990,15	11.025.796,28	11.025.796,28	5.497.169,52	11.093.729,39	11.077.729,39	9.519.963,98
2014	28.196.809,34	28.184.885,45	20.329.182,72	10.188.154,79	10.188.154,79	5.625.973,09	10.833.193,53	10.815.650,93	6.734.850,73
2009	28.142.647,40	28.022.625,56	14.108.135,28	9.291.840,99	9.261.634,14	4.295.845,81	10.792.874,60	10.778.819,78	7.006.821,31
2008	28.315.354,73	28.344.869,18	6.300.269,31	8.147.381,67	8.147.381,67	2.803.819,87	10.603.195,85	10.601.450,45	2.368.158,23
2007	27.344.205,82	27.248.672,16	3.690.157,18	7.125.589,74	7.125.589,74	1.582.561,00	10.510.844,23	10.486.303,99	1.513.921,43
Tota	200.687.378,79	200.477.580,21	121.901.735,98	70.069.789,08	70.033.309,07	38.320.126,49	76.806.161,33	76.695.498,81	48.698.321,83

Source: Inforegio - EU Regional Policy - European Commission

From data presented in Table. 3 can be seen significant gap between the ratio of payments made and the commitments of the start of the period until the end. In the first three years of the 2007-2013 multiannual financial planning payments made by the beneficiary Member States were insignificant across the financial commitments in all 3 European financial funds analyzed, balancing the situation in recent years. This gap is the consequence of general provisions contained in the European Commission Regulation no. 1083/2006 adopted by the Council on 11 July 2006, which led to delays in payments since making the first interim payment was conditional upon the prior approval of the Commission. Further difficulties were included in the parallel implementation of two programming periods (2000-2006 and 2007-2013).

3. Conclusion

Economic and social development of the European Union is focused on two main vectors: competitiveness and cohesion. The first of these aimed at better positioning the EU in the context of economic globalization, while the second is the expression of the effort to discrepancies between countries, regions and social groups. To achieve these objectives at EU level have been set up and used while the three funds examined in this material through which, only in 2007-2013 were allocated 347 billion euros, or more than a third of the total Community budget.

Since 1990, European funds absorption was considered to be the primary concern in ensuring that EU cohesion policy, but many states have encountered difficulties in the absorption of EU funds, especially in the immediate accession.

The performance using European funds, consider important aspects of profitability related to projects, in this case the quantity and quality outcomes, while paying particular attention to checking revenue and expenditure, the administrative structure of a country is certainly among the most powerful criteria to be taken into account when defining structural funds management.

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