

Structural Funds (Cohesion Policy) 2007-2013. A comparative analysis of the EU Member States in the Central and Eastern Europe

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***Abstract:** The aim of the Cohesion Policy and its implementing financial instruments, the Structural Funds, was to reduce the development gap between different EU regions and strengthen the economic and social cohesion (Structural Funds Regulations 2007-2013, 2007). With the accession to the EU of new Member States (10 countries in 2004; 2 countries in 2007 and 1 country in 2013), the objective of the Cohesion Policy is even more actual and necessary, especially because these new Member States were all from the Central and Eastern Europe, having had a different political and economical regime and status. The aim of the present study was to understand how the new EU Member States managed the implementation of the Cohesion Policy 2007-2013 (how the EU funding was distributed nationally, what the money was spent on and what were the main results and lessons learnt), particularly because of their lack of experience of administering programmes.*

Key-Words: Structural Funds; Cohesion Policy; ERDF; Cohesion Fund; Central and Eastern Europe

1. Introduction

European Union Structural Funds 2007-2013

The main objective of the European Union (EU) Cohesion Policy (and the accompanying Structural Funds) is to reduce the gap in the different EU regions' levels of development, in order to strengthen economic and social cohesion (Structural Funds Regulations 2007-2013, 2007).

Prior to the financial framework and programming period 2007-2013, the European Union was facing challenges as main effects of globalisation: acceleration of economic restructuring, the opening up of trade, the effects of the technological revolution, the development of a knowledge-based economy, but also derived from an ageing population and the growth of immigration (European Union - Regional Policy, 2007). The programming of the Structural Funds for the period 2007-2013 within the framework of the EU Cohesion Policy aimed at tackling these major challenges through new legislative provisions, new objectives, simplified funding instruments, new norms for implementation, financially managing, controlling and evaluating the projects.

The **EU legislation** regulating the Structural Funds for the period 2007-2013 consisted of seven regulations adopted by the Council of the European Union and the European Parliament in 2006: General Regulation (Council Regulation (EC) No 1083/2006 of 11 July 2006) (European Union Law - EUR-Lex - a, 2006); Implementing Regulation (Commission Regulation (EC) No 1828/2006 of 8 December 2006) (European Union Law - EUR-Lex - b, 2006); ERDF Regulation (Regulation (EC) No 1080/2006 of 5 July 2006) (European Union Law - EUR-Lex - c, 2006); ESF Regulation (Regulation (EC) No 1081/2006 of 5 July 2006) (European Union Law - EUR-Lex - d, 2006); EGTC Regulation (European Grouping of territorial cooperation) (Regulation (EC) No 1082/2006 of 5 July 2006) (European Union Law - EUR-Lex - e, 2006); Cohesion Fund Regulation (Council Regulation (EC) No 1084/2006 of 11 July 2006) (European Union Law - EUR-Lex - f,

2006); IPA Regulation (Instrument for Pre-Accession) (Council Regulation (EC) No 1085/2006 of 17 July 2006) (European Union Law - EUR-Lex - g, 2006).

The Cohesion Policy (and the Structural Funds as implementing tools) for 2007-2013 targeted the following **policy areas**: research and technological development; innovation and enterprise; a knowledge-based society; transport; energy; the protection of the environment; investment in human capital; employment market policy; improving worker and business adaptability.

The Structural Funds 2007-2013 were **implemented** in the EU Member States following a simple process: the European Union developed strategic guidelines and the Member States adopted them into national strategic reference frameworks, maintaining their national specificities and priorities. In general, the Member States had a lot of flexibility in implementing operational programmes, with the responsibility of monitoring and control of implementation at national level.

The Cohesion Policy 2007-2013 has been organised around three **strategic objectives**: Convergence; Regional competitiveness and employment; and European territorial cooperation. The Convergence objective aimed to stimulate growth and employment in the least developed regions in the EU. It focused on innovation and the knowledge-based society, adaptability to economic and social changes and the quality of the environment and administrative efficiency. The Convergence objective was used in the EU regions whose GDP (Gross Domestic Product) per inhabitant was less than 75% of the Community average. The Regional competitiveness and employment objective aimed to reinforce the regions' competitiveness and attractiveness as well as employment, by anticipating economic and social changes. The European territorial cooperation objective aimed to reinforce cooperation at cross-border, transnational and interregional level, to promote common solutions for the authorities of different countries in the domain of urban, rural and coastal development, the development of economic relations and the setting up of small and medium-sized enterprises (SMEs) (European Union Law - EUR-Lex - a, 2006).

In order to implement these three strategic objectives, the Cohesion Policy 2007-2013 set up **three financial instruments** (the Structural Funds): the European Regional Development Fund (ERDF); the European Social Fund (ESF); the Cohesion Fund (CF). These financial instruments were intended to contribute to the achievement of the Cohesion strategic objectives as follows (Table 1):

Table 1. The Cohesion policy 2007-2013

Objective	Financial instruments
Convergence	ERDF ESF CF
Regional competitiveness and employment	ERDF ESF
European territorial cooperation	ERDF

Source: (European Union Law - EUR-Lex - a, 2006)

At the beginning of the programming period the **EU funding** available for the Structural Funds 2007-2013 were 308,041 billion Euro (at 2004 prices), i.e. 346,5 billion Euro (at today's prices, 2016) (European Union Law - EUR-Lex - a, 2006), which had to be complemented by Member States with national co-financing from public and private sources.

At the end of the programming period (calculated in March 2016) the **total funding** for the Structural Funds 2007-2013 was 477.1 billion Euro, of which 346.5 billion Euro from the EU budget, 105,3 billion Euro public co-financing and 25,3 billion Euro private co-financing from the Member States (European Commission, 2016)

2. Data and methods

2.1 Research question and limitations

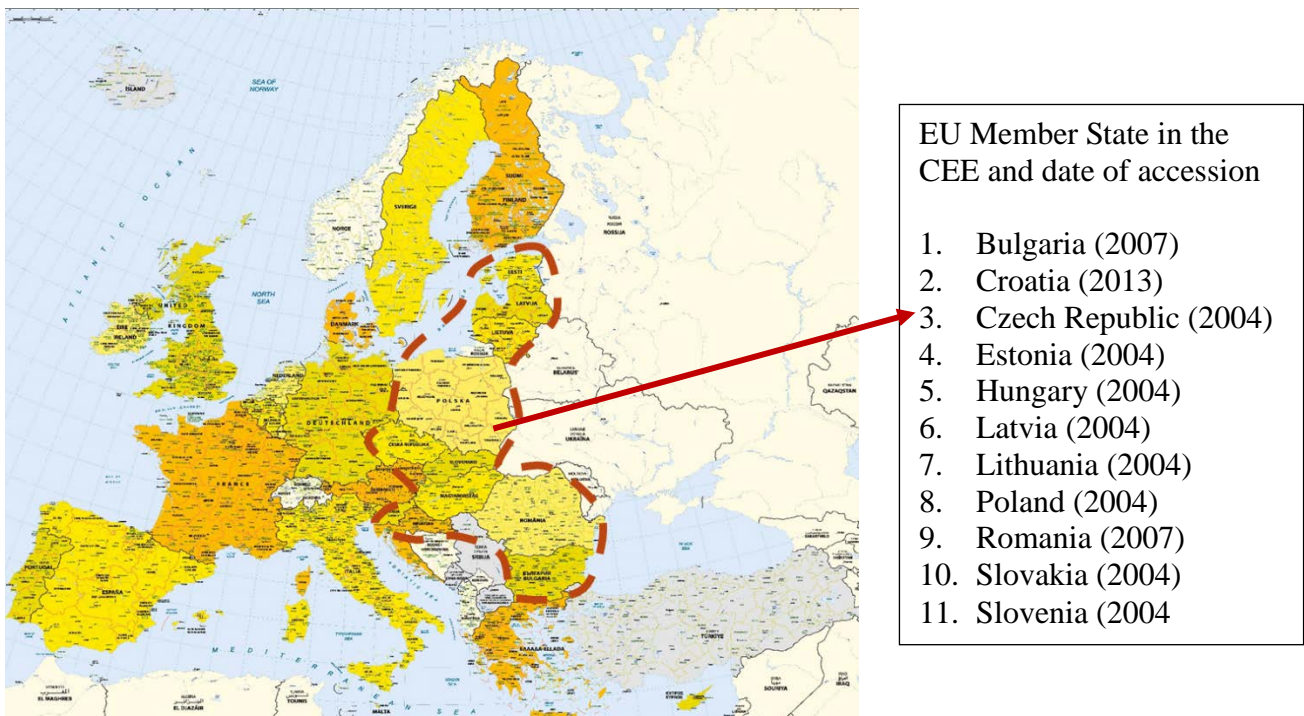
The aim of the Cohesion Policy and its implementing financial instruments, the Structural Funds, was to reduce the development gap between different EU regions and strengthen the economic and social cohesion (Structural Funds Regulations 2007-2013, 2007). With the accession to the EU of new Member States (10 countries in 2004; 2 countries in 2007 and 1 country in 2013), the objective of the Cohesion Policy is even

more actual and necessary, especially because these new Member States were all from the Central and Eastern Europe, having had a different political and economic regime and status.

The aim of the present study was to understand how the new EU Member States managed the implementation of the Cohesion Policy 2007-2013 (how the EU funding was distributed nationally, what the money was spent on and what were the main results and lessons learnt), particularly because of their lack of experience of administering programmes.

For the purpose of the present paper, the group of EU Member States in the Central and Eastern Europe (the “new” Member States) was selected (Figure 1). The paper also refers in only to the Structural Funds ERDF (European Regional Development Fund) and CF (Cohesion Fund), thus not addressing the EU policy areas related to human capital and employment market, covered by the ESF (European Social Fund).

Figure 1. The EU Member States in the Central and Eastern Europe (CEE)



Source: (European Union, 2016)

2.2 Overall methodology

In order to find answer(s) to the research question stated above, the study used a qualitative research approach, involving exploratory research methods which provided opportunities to understand how the EU Member States in the CEE (the “new” Member States) used the Structural Funds 2007-2013, to understand the decisions taken at national levels to distribute these funds and to see how they have been used and what were the main results and lessons learnt. Among the research methods used in the study, there can be mentioned interpretation of data and qualitative review of statistics.

2.3 Data and data collection

The study used as data information provided by the European Commission (EC), Directorate General for Regional Policy – InfoRegio and results gathered by the European Commission based on the national inputs and published by the open databases of the European Commission, using as sources European Commission databases (Inforegio database), EU synthesis reports and country reports, EU working staff documents, EU archives legislation (EUR-Lex). The methods used in the study to collect this data were mainly data sets analysis; study of EU archival documents for 2007-2013 and 2016; collection of the most recent published reports and data of the EC (2016); analysis of public and official documents and materials (2007-2013, 2016). The EU evaluation of the programming period 2007-2013 for the Structural Funds ERDF and CF was finalized

in March 2016, in terms of financials and figures; a EU synthesis report was published in August 2016, while country specific reports were published in September 2016 (European Commission - Regional Policy, 2016)

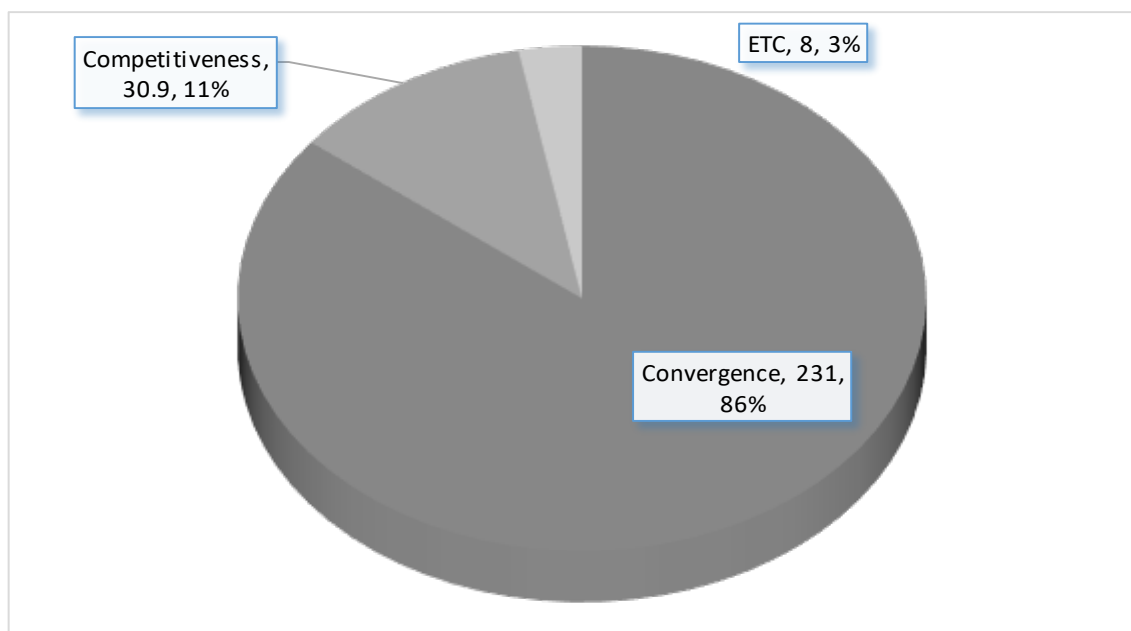
3. Structural Funds ERDF and CF 2007-2013 in the EU Member States in the CEE. Results and Discussion.

The total EU allocations for Structural Funds 2007-2013 was 346,5 billion Euro (in current prices, 2016), of which ERDF amounted to 200.0 billion Euro; CF represented 69.9 billion Euro; and the ESF was 76.6 billion Euro (European Commission, 2016).

3.1 The distribution of the ERDF and CF 2007-2013 on Cohesion Policy strategic objectives and policy areas

The Structural Funds ERDF and CF for the period 2007-2013 were allocated by the European Commission mostly on the Convergence objective, i.e. 88% of the total ERDF & CF Funds 2007-2013 (Figure 2). The Convergence objective referred to regions whose GDP (Gross Domestic Product) per inhabitant was less than 75% of the Community average. All the “new” EU Member States in the Central and Eastern Europe, as well as some of the “old” Member States, were eligible for receiving funding under the Convergence objective.

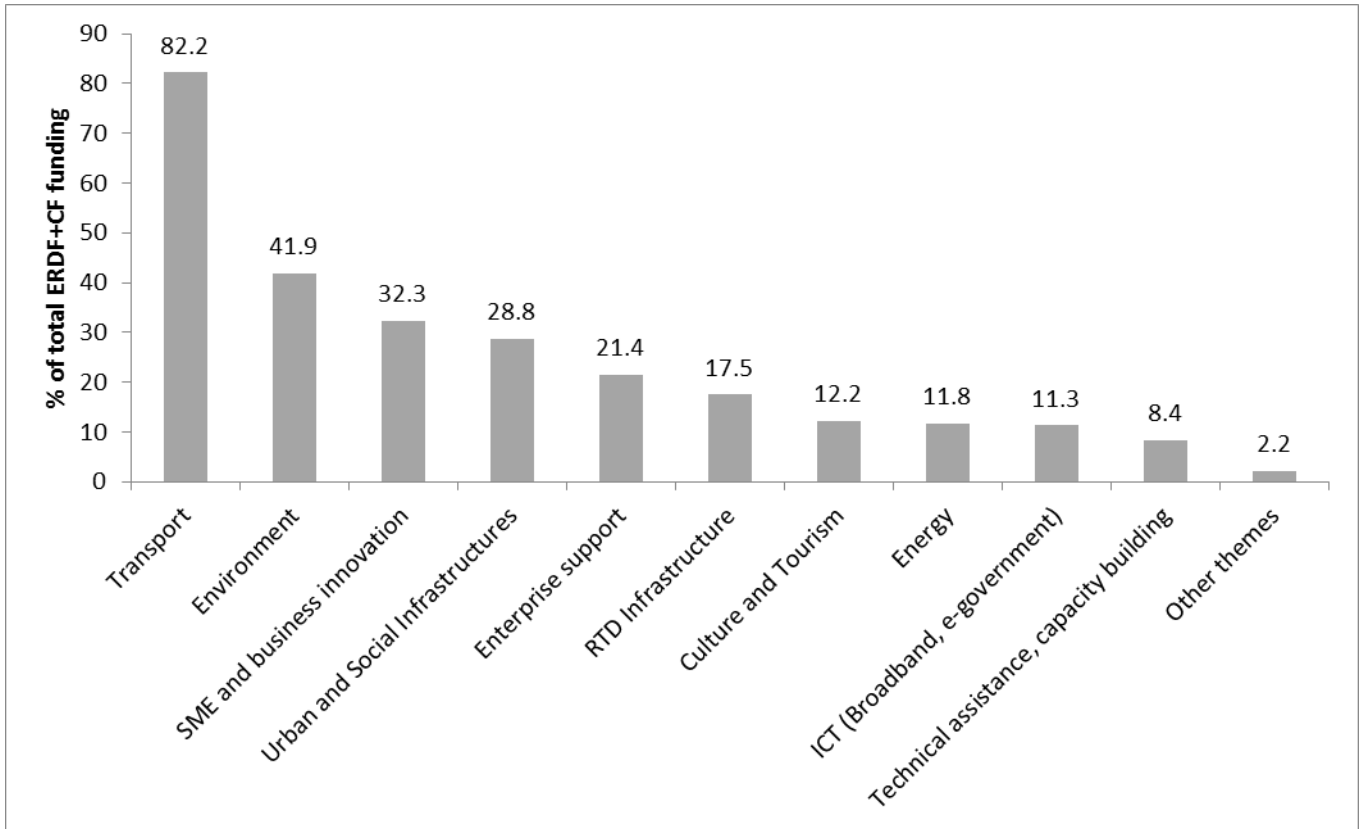
Figure 2. Distribution of ERDF and CF 2007-2013 per strategic objective of the Cohesion Policy, in billion Euro and percentage of total ERDF+CF



Source: DG Regional and Urban Policy, Infview database, (European Commission, 2016)

The analysis and evaluation of the ERDF and CF Structural Funds 2007-2013 has been done along 7 policy areas, concerning innovation & RTD; enterprises (large; small and medium-sized – SMEs); transport; energy; environment; culture & tourism; urban development and social infrastructures. Within these policy areas, the European Commission identified 8 thematic areas which were evaluated, and for which this study collected data, namely Support to SMEs and business innovation; Financial instruments for enterprise support; Support to large enterprises; Transport; Environment: waste, water and waste water infrastructure; Energy efficiency in public and residential buildings; Culture and tourism; Urban development and social infrastructures (European Commission, 2016). The distribution of ERDF and CF on these thematic areas is presented in Figure 3.

Figure 3. Distribution of ERDF and CF 2007-2013 on Cohesion Policy thematic areas (in % of total 269.9 billion Euro)



Source: (European Commission, 2016)

3.2 The distribution of the ERDF and CF 2007-2013 in the EU Member States

With 67.2 billion Euro, Poland received the largest ERDF+CF contribution among all EU Member States, “new” and “old”, whilst the lowest amount went to Luxembourg (50.5 million Euro) (Figure 4). The EU Member States in the CEE that received Structural Funds ERDF&CF over 10 billion Euro for 2007-2013 were Poland, Czech Republic, Hungary, Romania, Slovakia (Figure 5).

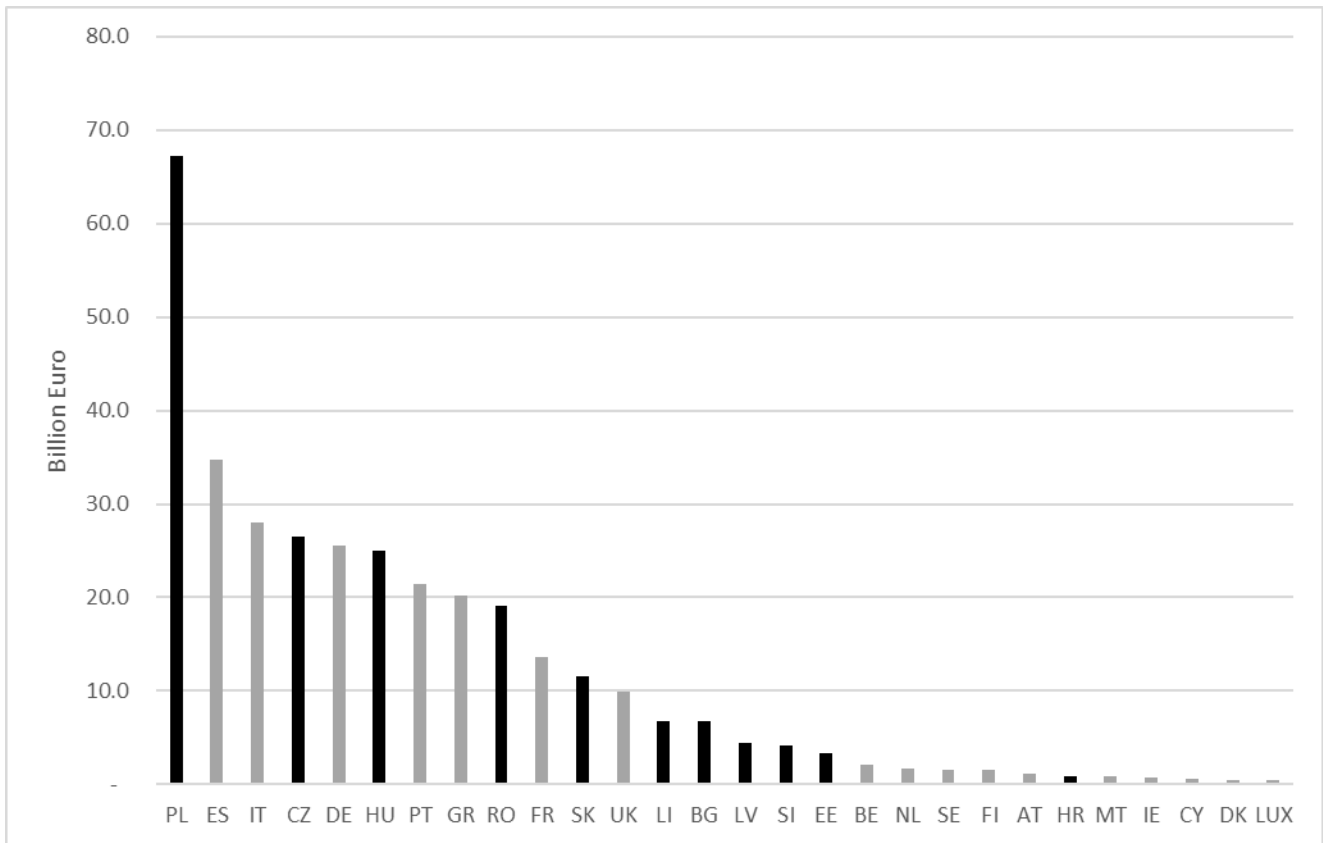
Figure 4. ERDF and CF distribution of funding 2007-2013 (March 2016), in billion Euro

(Note: Croatia – HR, joined the EU only in 2013, at the end of the programming period 2007-2013)



“New” EU Member States in the CEE

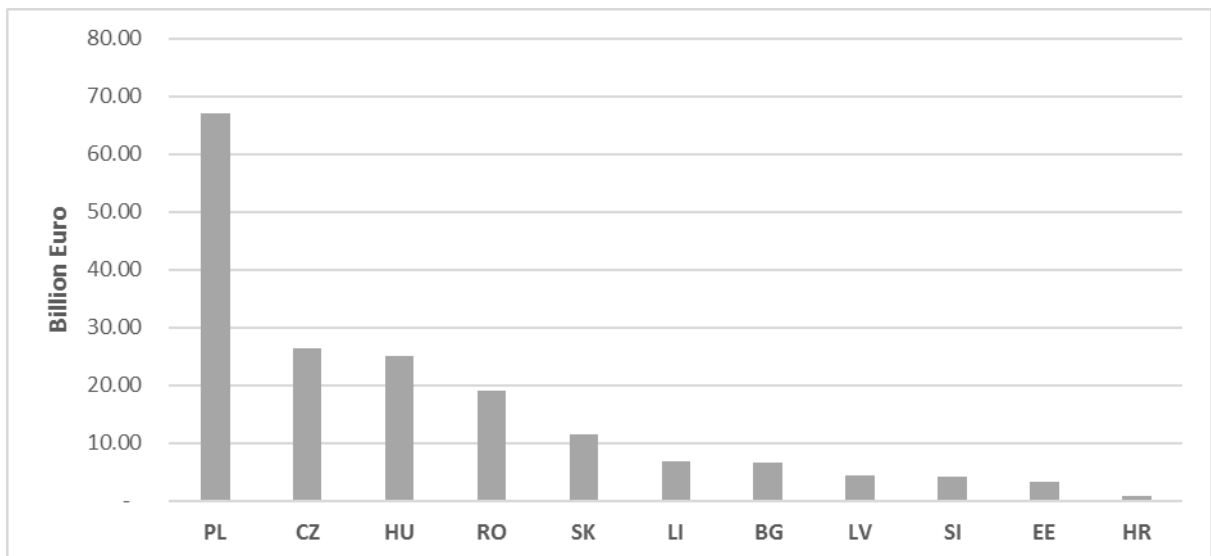
“Old” EU Member States



Source: (European Union Open Data Portal, 2016), based on Eurostat and government statistics

Figure 5. ERDF and CF distribution of funding 2007-2013 in the EU Member States in the CEE (March 2016), in billion Euro

(Note: Croatia – HR, joined the EU only in 2013, at the end of the programming period 2007-2013)



Source: (European Union Open Data Portal, 2016), based on Eurostat and government statistics

3.3. The implementation of the ERDF and CF 2007-2013 in the EU Member States in the Central and Eastern Europe (CEE)

According to the Commission strategic priorities, the largest of the ERDF & CF Structural Funds were assigned to Transport (82.2% of total ERDF+CF funding), Environment (41.9%), SMEs and business infrastructure (32.3%) (see Figure 2). The Commission distribution of funding among priority areas did not, however, influence the national setting of priorities, all Member States being asked to develop their own national strategic frameworks. It can be understandable why all EU Member States in the CEE allocated high percentages of the ERDF&CF Structural Funds to Transport, for example, and low percentages to Energy (Figure 6e and Figure 6d). It is rather more difficult to explain why Bulgaria, Romania and Hungary allocated under 8% to Innovation and RTD, whilst all other Member States in the CEE considered over 15% and, in case of Estonia and Slovenia), over 20%. Looking at the data presented in Table 2 and Figure 6c, it can also be noted the differences between the Member States in the CEE with regard to Environment. Bulgaria, Croatia, Estonia, Latvia, Romania and Slovenia assigned over 20% of the ERDF&CF Structural Funds to the protection of the environment and waste recycling.

Table 2. The distribution of the ERDF and CF 2007-2013 among thematic areas in the EU Member States in the Central and Eastern Europe, in % of total ERDF and CF per country (at the end of March 2016)

Thematic area	BG	HR	CZ	EE	HU	LV	LI	PL	RO	SK	SI
Innovation & RTD	4.5	16.4	15.3	20.1	7	15.5	15.2	15.4	5.5	11.6	25.7
Entrepreneurship & Enterprise	8.9	1.9	3.6	3.3	11.4	1.6	4.1	5.0	9.2	1.2	4.0
ICT (citizens & business, broadband)	0.8	1.1	3.8	2.5	3.2	4.8	4.2	6.2	2.9	9.9	3.3
Environment	25.4	38.7	17.7	25.5	19.7	20.1	16.9	11.8	28.8	18.3	24.5
Energy	5.4		5.9	1.0	4.9	3.5	8.8	4.1	3.9	1.9	5.1
Transport	38.8	32.5	36.0	22.9	31.8	29.2	27.3	44.9	35.7	33.3	27.4
Culture & social infrastructure	6.1	1.3	8.2	19.5	13.9	15.2	16.8	6.6	8.9	15.4	5.5
Territorial dimension	3.5	2.9	6.7	3.2	4.1	7.7	5.5	3.3	1.4	4.7	2.7
Technical assistance, capacity building	6.6	5.2	2.8	2.0	4.0	2.4	1.2	2.7	3.7	3.7	1.8

Source: Compiled data from DG from Regional and Urban Policy, Country Reports ERDF & CF published September 2016, (European Commission - Regional Policy, 2016)

Figure 6. The distribution of the ERDF and CF 2007-2013 among main thematic areas in the EU Member States in the Central and Eastern Europe (CEE)

Source: DG for Regional and Urban Policy, Country Reports ERDF & CF published September 2016, (European Commission - Regional Policy, 2016)

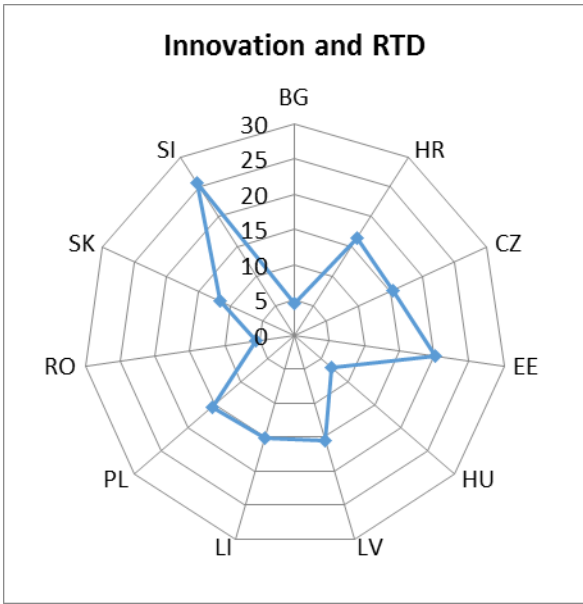


Figure 6a. ERDF and CF 2007-2013 for Innovation and RTD in the EU Member States in the CEE

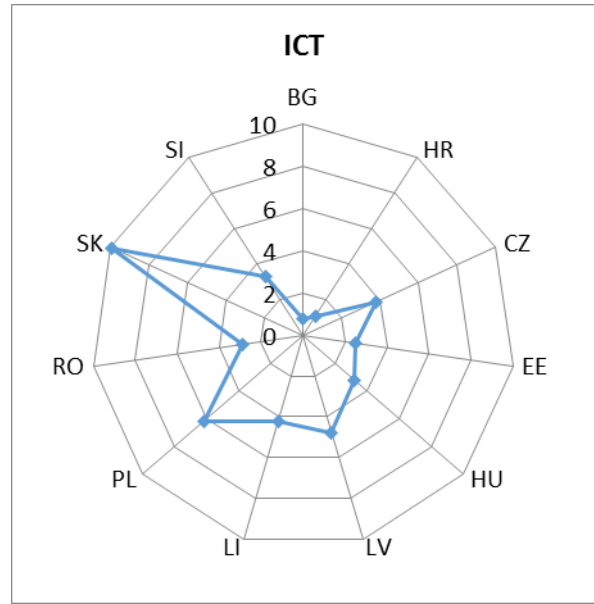


Figure 6b. ERDF and CF 2007-2013 for ICT in the EU Member States in the CEE

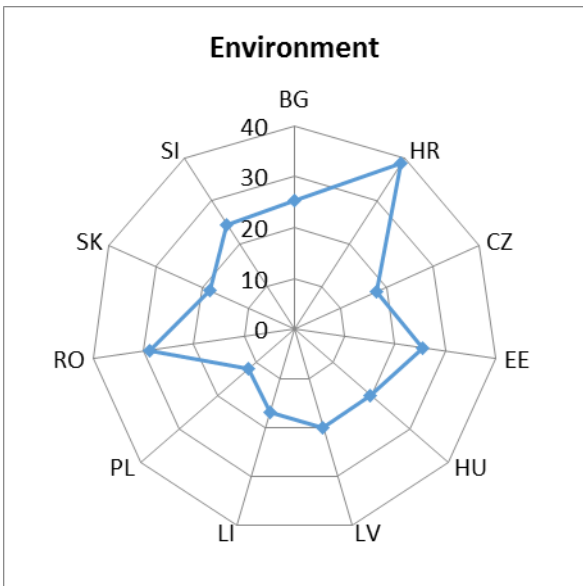


Figure 6c. ERDF and CF 2007-2013 for Environment in the EU Member States in the CEE

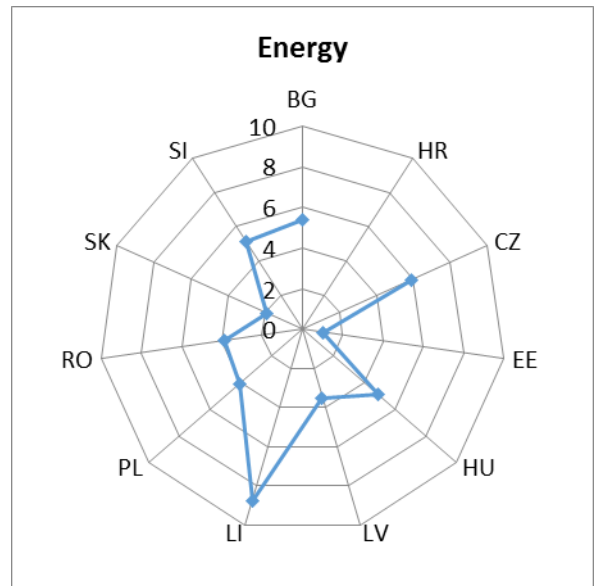


Figure 6d. ERDF and CF 2007-2013 for Energy in the EU Member States in the CEE

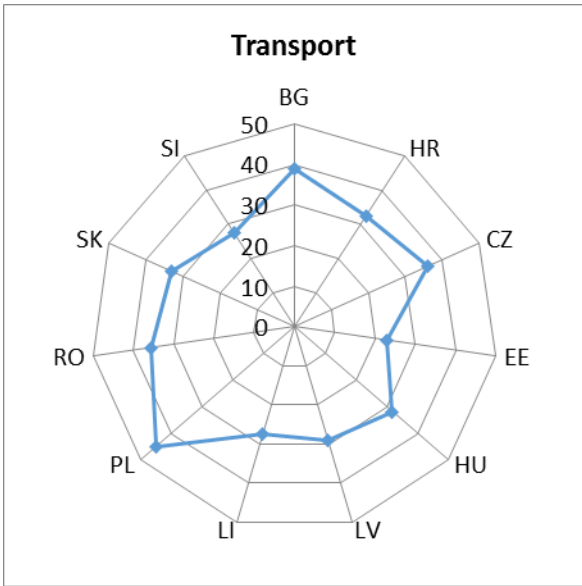
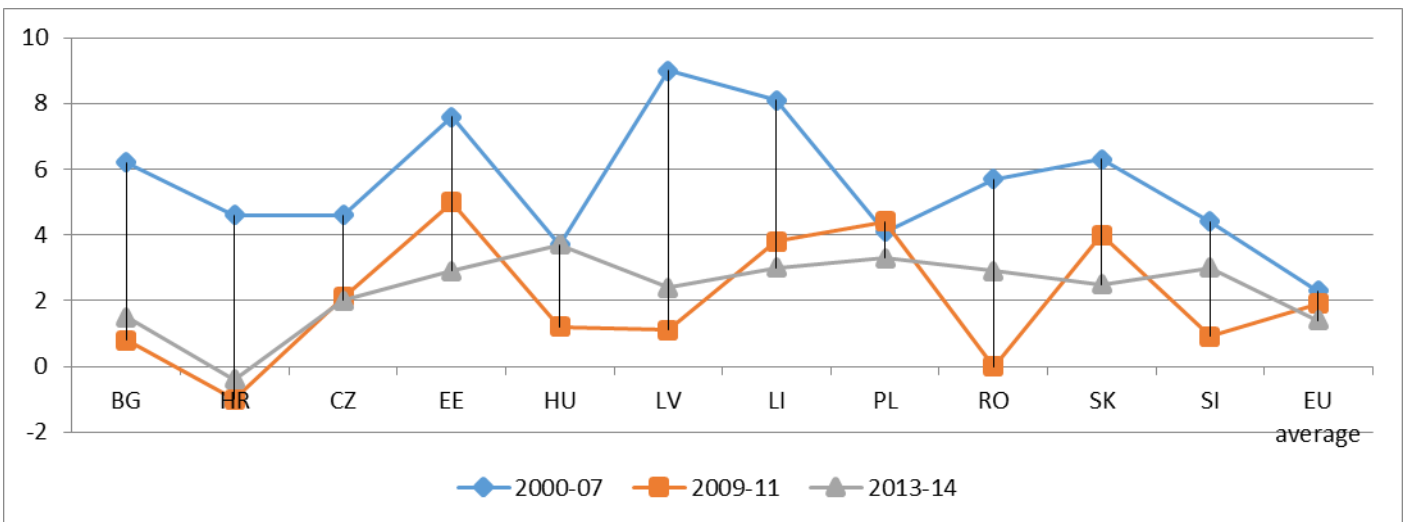


Figure 6e. ERDF and CF 2007-2013 for Transport in the EU Member States in the CEE

3.4 Core indicators measured as a result of implementing the ERDF and CF 2007-2013 in the EU Member States in the CEE

Following the global crisis in 2008, and subsequent economic and financial crisis, all EU Member States manifested a drop in the GDP. Among the Member States in the CEE, the most affected were Latvia, Lithuania, Croatia, Bulgaria, Romania (the biggest GDP drop) (Figure 7). The Structural Funds ERDF & CF have had a positive impact on the GDP growth on all EU Member States in the CEE, with an estimated increase in the GDP in 2015 by average + 4% above the level it would have been in the absence of EU funding (Table 3).

Figure 7. GDP growth 2000-2015 in the EU Member States in the Central and Eastern Europe

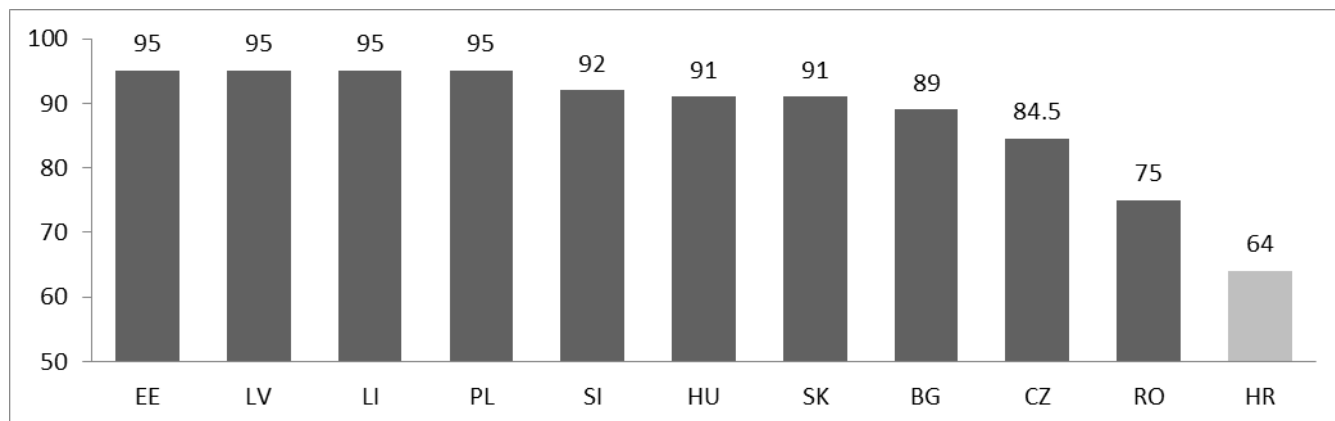


Source: Compiled data from DG Regional and Urban Policy, Country Reports Sept. 2016 (European Commission - Regional Policy, 2016)

Measured at the end of March 2016, the absorption of Structural Funds for the period 2007-2013 was maximum for Estonia, Latvia, Lithuania and Poland. The lowest absorption rate was identified in case of

Romania (75%) (Note: Croatia, even if it joined the EU in 2013, still managed to absorb 64% of the Structural Funds) (Figure 8).

Figure 8. Absorption rate for Structural Funds 2007-2013 (ERDF, CF, ESF) (April 2016)
(Note: Croatia joined the EU in 2013, at the end of the programming period)



Source: Compiled data from DG Regional and Urban Policy, Country Reports Sept. 2016 (European Commission - Regional Policy, 2016)

According to the core indicators measured by the European Commission (based on national results), such as jobs created; number of RTD projects; research jobs created number of start-ups supported; km of road/rail new/reconstructed, etc, created as a result of the implementation of the Structural Funds ERDF&CF, the most successful among the EU Member States in the CEE were Hungary and Poland (Table 3). However, the core indicators were not compulsory in 2007-2013. For some indicators (e.g. the jobs figure) reporting was systematic, but for the other indicators there were cases where achievements on the ground went unreported, leading to undercounting (European Commission, 2016).

Table 3. Core indicators measured as a result of implementing the ERDF and CF 2007-2013 in the EU Member States in the Central and Eastern Europe

Core indicator	BG	HR	CZ	EE	HU	LV	LI	PL	RO	SK	SI
Jobs created	6018		22485	10908	108908	3333	7841	84636	35172	5068	5860
Number of RTD projects	71		1423	2000	3916	153	1526	1382	569	504	655
Number of cooperation project enterprises-research institutions	37		636		640	36	31	1057	41	279	3101
Research jobs created	244		3908		3623	336	674	5000	1160	40	
Number of direct investment aid projects to SME			8047		40644	163	1509	14955	2898	2104	
Number of start-ups supported			36		1991	1184		1993	101	291	25
Jobs created in SME (gross, full time equivalent)			241		41453			38624	13228	3111	
km of new roads	175		312	70	502			1886	368	80	52

Core indicator	BG	HR	CZ	EE	HU	LV	LI	PL	RO	SK	SI
km of new TEN roads	173		111		135			1056	314	41	
km of reconstructed roads	1040		2018	205	2521		1473	7216	1893	1626	11
Km of TEN railroads	234		294		20			482	22	64	89
km of reconstructed railroads	234		369		216	637			122	64	89
Additional capacity of renewable energy production (MW)			226	19		140	337	915	532	191	172
Additional population served by water projects (no)			371321	13695	478117	672161		262221		33019	291626
Additional population served by waste water projects (no)			490266	15804		90121	78478	537311		44195	194160
Area rehabilitated (km ²)			147		581			144		1	
Number of jobs created in tourism			1792				814	3948		733	887
Impact on GDP growth	+4%		+4%	+4%	+5%	+5%	+4.3%	+4.3%	+4%	+3.5%	+2.5%

Source: Compiled data from DG Regional and Urban Policy, Country Reports Sept. 2016 (European Commission - Regional Policy, 2016)

4. Conclusions

The EU Structural Funds ERDF and CF 2007-2013 assisted the EU Member States and regions in a period with many difficulties, the most important ones being on one hand the economic and financial crisis of 2008 and, on the other hand, the accession to the EU of a large number of countries with different stages of economic and social development.

For all the “new” Member States (all of which being located in the Central and Eastern Europe, CEE), the 2007-2013 was the first programming and implementation period, and they faced many challenges in terms of infrastructure and administrative capacity.

The difficulties in implementation of the Structural Funds 2007-2013, coupled with the effects of the global crisis, resulted in a slow take-up of the funding until 2012. Since that time, however, some of the EU Member States in the CEE increased their rate of absorption and in March 2016, Estonia, Latvia, Lithuania and Poland succeeded in 100% reimbursement rate. Romania and Croatia lag behind, with 75% absorption rate in case of Romania, and 64% absorption rate for Croatia, although it has to be noted that Croatia joined the EU only in 2013, at the end of the programming period 2007-2013.

The distribution of the Structural Funds ERDF and CF 2007-2013 on policy areas and priorities has been made by the European Commission. However, Member States had the possibility to decide, within their national strategic frameworks, how and how much to allocate on their own national priorities. The study noted that the EU Member States in the CEE approached two different strategies for the implementation of the structural funding: a focused approach on some target areas (for example, Slovenia) and a dispersed approach, with funding assigned to all areas (for example, Hungary, Poland, etc).

Based on the results presented in the paper, it can also be observed how the interests of the EU Member States in the CEE vary along policy areas. For example, Bulgaria, Romania and Hungary allocated under 7 % of the ERDF and CF Funds to Innovation and RTD, whilst Slovenia and Estonia assigned over 20% to the same

priority. The same discrepancies among Member States are observed in case on Environment and Culture and Social Infrastructures.

Cohesion Policy 2007-2013, through its financial instruments ERDF and CF, had a positive impact on many indicators in the EU Member States in the CEE. The positive effect is clear in terms of the GDP growth, in the number of new jobs created or in terms of transport (road, rail, trans-European).

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