ANALYSIS OF THE STRUCTURAL AND COHESION FUNDS IN CENTRAL AND EASTERN EUROPEAN COUNTRIES

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Abstract
During 2007-2013, the European Union countries decided to consecrate a considerable part of their joint efforts and the EU budget for a higher economic growth and for creating jobs. The sustainable development has become one of the Union's main priorities. The European Union economy had to be more competitive and less prosperous regions had to make up for the gap towards the other regions. This paper aims to provide insights in the European integration and absorption of the European funds. The paper proposes an analysis of the financial framework by means of data and statistics provided by the European institutions, national and international statistics institutions.

Key words: structural funds, cohesion funds, regional integration, funds absorption

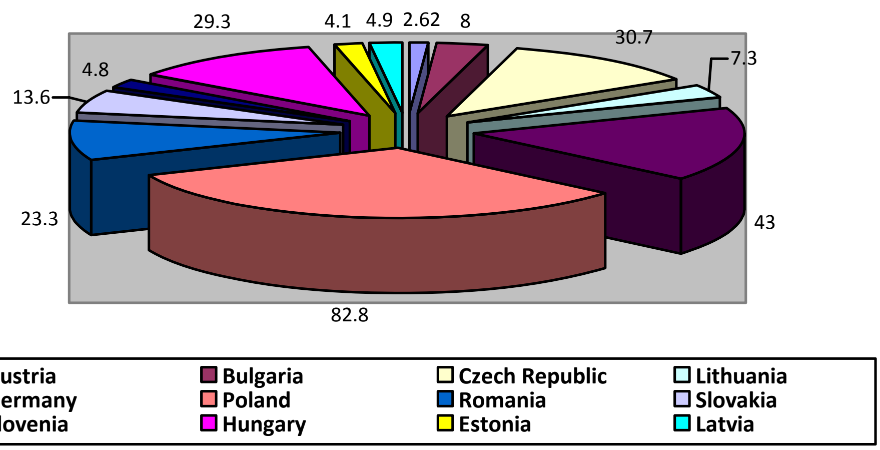
JEL CODE: F02, F15, P47

Introduction

The structural and cohesion funds, as well as their allocation strategies by the Union's member countries, are essential elements in the implementation of European cohesion policy. Each member state has contributed to building the budget for 2007-2013 through its own national strategic frameworks approved by the European Commission, the budget being made up of national co-financing and European funding. The financing agreements are signed by management authorities and end-users. [Rys, V, 2001]

When speaking of European funds, we talk about contracting rates and actual payments rates. Contracting rate is the ratio between the value of approved contracts and budget available for 2007-2013 and actual payments rate is the ratio between the amounts actually paid and available budget for 2007-2013.

Figure 1. Available budget between 2007-2013



Source: EUROSTAT data processing

I Implementation of the National Strategic Plans in Central and Eastern European countries

Austria has structured its National Reference Strategic Framework for 2007 – 2013 in 11 operational programs, the budget amounting to 2.62 billion Euros together with the national co-financing. By the end of 2011, Austria received from the EU around 49% of the budget.

Bulgaria has structured its National Strategic Plan for 2007- 2013 in 7 operational programs, the budget amounting to 8 billion Euros together with the national co-financing. By the end of 2011, Bulgaria has contracted 6.3 billion Euros, that is 4/5 of the budget (79%) and it has been paid 1.5 billion Euros, or 1/5 of contracting and about 19% of the budget.

The Czech Republic has structured its National Strategic Plan for 2007- 2013 in 17 operational programs, 8 sectorial, 7 regional and 2 operational programs, the budget amounting to 30.7 billion Euros along with the national co-financing. By the end of 2011, the Czech Republic has contracted 22.2 billion Euros, namely 72% of the budget and it has been paid 11.8 billion Euros, meaning around 40% from the budget.

Estonia has structured its National Strategic Plan for 2007- 2013 in 3 operational programs, the budget amounting to 4.1 billion Euros together with the national co-financing. By the end of 2011, Estonia has contracted 3.8 billion Euros, that is 94% of the budget and it has been paid 1.8 billion Euros, namely approximatively 44% of the budget.

Latvia has structured its National Strategic Plan for 2007- 2013 3 operational programs, the budget amounting to 4.9 billion Euros together with the national co-financing. Until the end of 2011, Latvia has contracted 4.2 billion Euros, meaning 87% of the budget and it has been paid 2.1 billion Euros, that is around 44% of the budget.

Lithuania has structured its National Strategic Plan for 2007- 2013 into 4 operational programs, the budget amounting to 7.3 billion Euros together with the national co-financing. Until the end of 2011, Lithuania has contracted 5.8 billion Euros, that is 78% of the budget and it has been paid 3.2 billion Euros, that is about 43% of the budget.

Germany has structured its National Reference Strategic Framework for 2007- 2013 into 36 operational programs, the budget amounting to 43 billion Euros together with the national co-financing. Up to the end of 2011, Germany has received from the EU aproximatively 52% of the budget.

Poland has structured its National Strategic Plan for 2007- 2013 into 21 operational programs, 4 sectorial, 16 regional programs and 1 for technical assistance, the budget amounting to 82.8 billion Euros along with national co-financing. By the end of 2011, Poland has contracted 52.4 billion Euros, meaning 63% of the budget and has received 23 billion Euros, about 28% of the budget.

Romania has structured its National Strategic Plan for 2007- 2013 into 7 operational programs, 5 sectorial, one regional and 1 for technical assistance, the budget amounting to 23.3 billion Euros along with national co-financing. By the end of 2011, Romania has contracted 14.6 billion Euros, meaning 63% of the budget and has received 3.2 billion Euros, that is approximatively 14% of the budget.

Slovakia has structured its National Strategic Plan for 2007- 2013 into 11 operational programs, the budget amounting to EUR 13.6 billion with national co-financing. By the end of 2011, Slovakia has contracted 8.6 billion Euros, or 64% of the budget and has received 3.8 billion Euros, namely around 28% of the budget.

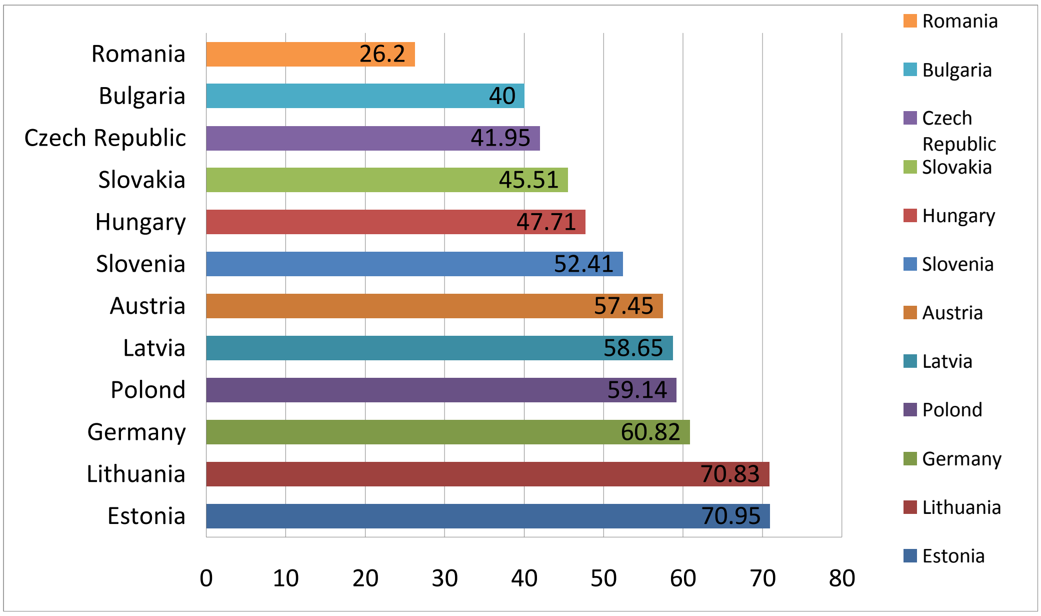
Slovenia has structured the National Development Plan for 2007 - 2013 in 3 operational programs, 2 sectorial and 1 regional, the budget amounting to 4.8 billion Euros together with the national co-financing. Until the end of 2011, Slovenia has contracted 2.8 billion Euros, meaning 64% of the budget and it has been paid 1.8 billion Euros, that is about 38% of the budget.

Hungary has structured its New Plan of Hungarian Development for 2007 - 2013 into 15 operational programs, the budget amounting to 29.3 billion Euros along with the national co-financing. By the end of 2011, Hungary has contracted 18.8 billion Euros, namely 64% of the budget and has received 8.3 billion Euros, meaning about 28% of the budget.

Along the period of implementing the European funds, have occurred changes concerning the implementation of structural and cohesion funds, compared to the national allocation related to the period. For the period 2007 - 2013 there are differences among allocations and actual payments made to Member States by the European Commission.

Thus, at the level registered in June 2013, Romania has reached approximately 26% of the European funds absorption. The first place is occupied by Estonia with an absorption rate of around 71%.

Figure 2. European funds absorption rate in Central and Eastern Europe - June 2013



Source: http://ec.europa.eu/regional_policy/thefunds/funding/index_en.cfm

II Reducing the Disparities and Distributing the European Funds in the Countries of Central and Eastern Europe

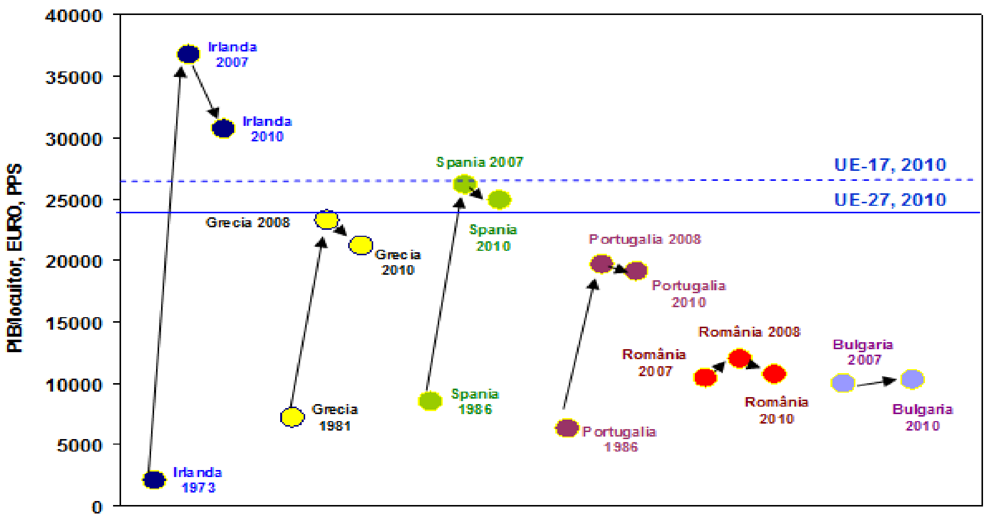
All European policies have the purpose of reducing the disparities [D. L. Constantin, 2010] among the member states. In order to start, the gaps concerning the economic growth have to be lowered.

The determinants of a fast economic growth are according to the theory of integration: accumulation of the factors of production, including human and physical capital, efficient allocation of the resources within the economy and technology improvements over time.

To support these elements there have to be applied policies adapted at national and international economic environment such as: free market or government intervention, open trade or protectionism, high taxation or low taxation, tax facilities or tax neutrality.

Therefore, the ultimate goal of the European Union through economic growth and competitiveness default was, is and will be to reduce economic disparities between Member States.

Figure 3 Economic disparities within the EU



Source: European economic policy and competitiveness, 2011

For the purpose of reducing the disparities within the European Union, it has proposed a fiscal discipline. The uniformity of measures established by the fiscal pact has, on the one hand, the advantage of setting a common framework and a set of uniform rules that would avoid the so-called "double standard" and, on the other hand, requires a fixed structure for situations different concerning the public debt, including for countries that would need more funds for lowering the gaps and catch up with the strongly developed countries.

The European Union requires a budget deficit of 0.5% of GDP. The limit is very sharp, especially for Central and Eastern European countries which need support for reducing the disparities. Even the additional use of 0.5% of GDP for development can make the difference among reducing the disparities and their keeping or deepening.

Ionuț Dumitru, the Fiscal Council President said: "If a country has a GDP of Euro 10,000/capita and wants to diminish the gap in relation to one having a GDP of Euro 20,000/capita, the growth rate of the first country has to be double, if only wants to maintain the gap. An increase of 4% per year compared to 2% per year, leads to Euro 10,400 and Euro 20,400. The difference remains invariable, of Euro 10.000. Generally, if accepted deficits of 5% per year, it can be obtained the disparity reduction in absolute terms."

Given the minimum financing of 5% with own funds of projects assisted by European non-reimbursable funds, an additional deficit of 0.5% of GDP, used with maximum efficiency would involve 10% of GDP through the multiplying effect.

It can be noticed that all Central and Eastern European countries, besides Germany and Austria, failed to reach the average level of EU GDP, 27, despite the measures taken, even though it was diminished after the new states accession, compared to the EU 15. [Ciupagea C, 2005]. Furthermore, Bulgaria, Czech Republic, Lithuania, Poland, Romania, Slovakia, Hungary, Latvia and Estonia have failed to reach even the average level of GDP in the Central and Eastern European countries. Slovenia is the only country that exceeded the group average, but is far from the EU average, 27.

As regards the expenses by main categories of European funds, we have achieved a comparative report of the EU 25 with the Central and Eastern European countries for the periods 2000-2006 and 2007-2011. During the period 2000-2006, in agriculture, the proportion of expenses incurred by the countries of Central and Eastern Europe (ECE12) in total expenses is 47.86% compared to the percentage of 51.75%, representing the proportion of costs incurred in the same segment of the EU-25 countries.

Table 1 Main categories of ECE 12 expenses

Expenses (mil. Euro)	UE CEE 12 eșantion								
	2000	2001	2002	2003	2004	2005	2006	TOTAL 2000-2006	
1.Agriculture	6693,6086	6914,3024	7904,834	7005,136	7846,975	11165,33	12281,06	59.811,2	47,86%
2.Structural actions	4005,1971	3771,951	3599,6741	4088,1347	6497,3197	6759,905	8632,285	37.354,5	29,89%
3. Internal policies	832,51045	842,62204	1661,4611	997,4589	1613,5254	1936,918	2317,613	10.202,1	8,16%
4. External actions	4,1470081	3,9696787	5,7108664	4,2888759	0,3275185	0,733822	0	19,2	0,02%
5. Administration	163,04107	166,61849	177,34086	184,63115	265,63595	266,7931	286,1418	1.510,2	1,21%
6.Reserves	0	0	0	0	0	0	0	0,0	0,00%
7. Pre-accession strategy	948,6472	1256,3747	1604,5892	2097,7342	2635,0926	2533,477	1855,149	12.931,1	10,35%
8. Compensations	0	0	0	0	1247,2204	1063,51	836,4685	3.147,2	2,52%
TOTAL	12.647,2	12.955,8	14.953,6	14.377,4	20.106,1	23.726,7	26.208,7	124.975,5	100,00%

Source: own processing, EUROSTAT data

This can be explained by the fact that Western European countries use a larger amount for direct aids and export subsidies than the Eastern European countries, the latter having a lower agricultural productivity.

During 2000 - 2006, the 12 Central and Eastern European countries, which represent 48% of the 25 EU countries spend for the Structural Reform Policy (structural funds and cohesion funds) only 18% of the budget (37,354 billion Euros out of 200,273 billion Euros), which means that the remaining 13 states use 82%.

Following the accession of 2004, these expenses have had an increasing rate of use among the new member states than in the pre-accession period.

In the case of agriculture, the percentage spent by 48% of the EU member states, that is the countries of ECE 12 (which include Germany and Austria), is 19%, meaning that the remaining 13 states use 81%. After joining in 2004, these expenses recorded an increasing rate of use among the new member states compared to the pre-accession period.

In 2007-2011, the Central and Eastern European countries, which represent 44% of the 27 EU countries have used for sustainable growth (structural funds, cohesion funds), 44% of the EU 27 funds from this field. Emphasis placed by the European Union on innovation is found in these expenses, structural and cohesion funds (infrastructure, strategic projects for environment, transport) representing 80% of the expenditure chapter for sustainable growth, the remaining 20% expenses being for research, Central and Eastern European states being supported to develop this sub-chapter.

Table 2 Main categories of EU 27 expenses

Expenses (mil. Euro)	UE 27						
	2007	2008	2009	2010	2011	TOTAL 2007-2011	
1.Sustainable Growth	42.456,30	43.782,01	42.425,48	46.491,66	52.164,06	227.319,5	41,96%
2. Preservation and Management of Natural Resources	53.853,87	52.094,39	50.626,01	55.906,67	55.868,77	268.349,7	49,53%
3. Citizenship, freedom, security and justice	980,42	1.239,23	1.907,84	1.289,28	1.712,23	7.129,0	1,32%
4. EU as a global player	1.452,41	1.147,00	944,13	463,94	189,16	4.196,6	0,77%
5. Administration	6.111,84	6.492,75	6.708,65	7.185,92	7.402,67	33.901,8	6,26%
6. Compensations	444,65	206,64	209,11	0,00	0,00	860,4	0,16%
TOTAL	105.299,5	104.962,0	102.821,2	111.337,5	117.336,9	541.757,1	100,00%

Source: own processing, EUROSTAT data

Table 3 Main categories of ECE 12 expenses

Expenses (mil. Euro)	CEE 12 eșantion						
	2007	2008	2009	2010	2011	TOTAL 2007-2011	
1.Sustainable Growth	14902,01	16140,902	20302,807	22407,73	26000,311	99.753,8	52,28%
2. Preservation and Management of Natural Resources	14204,134	14339,363	16057,468	18365,319	19127,123	82.093,4	43,03%
3. Citizenship, freedom, security and justice	465,12523	325,3065	399,88877	365,0441	609,79174	2.165,2	1,13%
4. EU as a global player	1443,022	1146,9982	944,12691	463,9406	189,13038	4.187,2	2,19%
5. Administration	320,25776	344,29447	342,24088	386,52832	350,17587	1.743,5	0,91%
6. Compensations	444,64615	206,63629	209,11291	0	0	860,4	0,45%
TOTAL	31.779,2	32.503,5	38.255,6	41.988,6	46.276,5	190.803,4	100,00%

Source: own processing, EUROSTAT data

For the preservation and management of natural resources, the EU 27 consumes Euro 268,349 billion and ECE 12 consumes Euro 82,093 billion, that is 30%. This situation is explained by the fact that most Central and Eastern European countries, except Germany and Austria were not prepared to absorb all funds from this chapter. Agriculture holds around 75% of this chapter of expenditure, the rest being allocated to rural development and fishing.

Conclusions

Obtaining a long-term growth also depends on fostering and enhancing the growth potential of the EU. This priority, called "cohesion", requires assistance provision, especially, to the less advantaged regions, with a view to transforming their economy so as to cope with the global competition. The Union's efforts to achieve cohesion focus on infrastructure development and regions assistance as concerns the workforce training and adopting the latest production technologies.

The European Union makes efforts to improve the living standards by protecting the environment, encouraging the creation of new jobs, lowering the regional disparities at region level and connecting isolated regions by developing cross-border infrastructure.

To conclude we can say that the former goals of the Structural Funds, as well as the Community initiatives during the period 2000-2006 gave place to a new architecture that has simplified the system.

There is an obvious connection between the cohesion policy and economic growth in the European Union. Studies have shown that GDP in the EU-25 was 0.7% higher in 2009 due to the investments of cohesion policy in 2000-2006. It was to rise to 4% up to 2020. In the EU-15, the effect on the gross domestic product is estimated to be 3.3% until 2020.

Along the period of EU funds implementation, changes occur concerning the implementation percentage of structural and cohesion funds, compared to the national allocation related to the period. During 2007 - 2013 there are differences between allocations and actual payments made to member states by the European Commission. (Annex 3.1).

Thus, at the level recorded in June 2013, Romania has reached approximately 26% of European funds absorption. Estonia occupies the first place, with an absorption rate of around 71%.

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