

EU regional policy in the new financial perspective 2014 – 2020. An example of Poland

Radosław Dziuba¹

Abstract

The regional policy of the EU implements the principle of solidarity between the nations of Europe, at the same time contributing to the growth of competitiveness of the EU economy as a whole. It is an instrument aiming at achieving one of the core objectives set out in the Treaty establishing The European Community, which is to ensure economic and social cohesion by reducing the disparities between regions and a more equal distribution of benefits of the common market across the whole European Union. The aim of this paper is to present the instruments and the goals of EU regional policy on the example of Poland.

JEL classification numbers: O43; O52; R58;

Keywords: regional policy; european union; economic growth;

1 Introduction

The economic and social disparities in Europe are significant and they grew as a consequence of the latest enlargements of the EU. The wealthiest Member State, Luxembourg, is seven times richer in terms of income per capita than the poorest Romania. At the regional level the differences are even bigger. The wealthiest region is Inner London which gross domestic product (GDP) per capita is 290% of the average for the 27 EU countries. The poorest region is the north-eastern part of Romania with 23% of the EU average². GDP does not reflect the

¹ Department of World Economy and European Integration, University of Lodz, Poland

² Own calculations based on Eurostat data

standard of living perfectly because it does not take into account the relative cost of living, but it gives a picture of the existing differences. A similar situation can be observed in other countries outside the European Union, such as China and India. The most prosperous regions in both these countries have a GDP seven times higher than the GDP of the least developed regions. Other examples are the US, where this ratio is only 2.5 and Japan (2.0). The European Union is not only the common market. It is also common values and policies agreed by Member States respecting the interest of the residents. The EU regional policy implements the principle of solidarity between the nations of Europe while contributing to the growth of competitiveness of the EU economy as a whole. It is an instrument aiming at achieving one of the core objectives set out in the Treaty establishing The European Community, that is ensuring economic and social cohesion by reducing the differences between regions and a more equal distribution of benefits of the common market across the European Union³.

2 The genesis of the European Union's regional policy

Regional policy is an integral part of development policy supporting the achievement of the objectives at the national level. It helps to use the developmental potential of regions and territories in the best possible way, provides external resources, and supports the creation of regional identities in economic, social and cultural dimension through the construction of multi-level governance system. Strengthening the economic and social cohesion within the Community should be the result of effective combination of policies pursued by individual countries at the regional, national as well as transnational level. Regional and structural policy of the European Union is an expression of solidarity of the richer member countries (and their regions) with the relatively poorer countries (regions). The primary reasons for interest in regional development policy in the European Union were regional disparities and their negative consequences occurring at the political, economic, social and cultural level. Economic and social disparities in Europe are significant and since the last EU enlargement they have deepened significantly. In order to meet the challenges of economic convergence, Polish regions use the regional level financial support coming from European funds. The basis for the EU regional policy are the funds and financial instruments managed by the European Commission. They guarantee the EU budget spending for specific purposes supporting the development of the regions.

³ Laissy A. *Praca na rzecz regionów. Polityka regionalna Unii Europejskiej na lata 2007-2013*, Komisja Europejska, Dykcja Generalna ds. Polityki Regionalnej, 2008, p. 4

The symbolic beginning of the EU regional policy is the year 1958, i.e. the moment of entry into force of the Treaty of Rome, which established the European Community. Its preamble included the following statement: "Member States wish to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and by mitigating the backwardness of the less favoured"⁴. The initial period of functioning of the EU's regional policy was related to the promotion of development of the specific regions of Member States. These actions were not coordinated and focused though, in most cases they took the form of simple subsidies, which is certainly not conducive to coherent regional development of the EU⁵.

Currently, one of the main goals of regional policy is to prevent the deepening differences and to bring about the harmonious and stable development of the regions of the European Union. Regional policy measures aim at harmonious, progressive integration of the Community, which is to provide a steady and positive development of all Member States. In the literature regional policy is often referred to as the economic and social coherence policy. This is an activity that aims at improvement of the economic and social situation in the poorest regions. One of the measures used in order to achieve the main goals of EU regional policy is ensuring financial support for the regions of the Member States⁶. Cohesion policy for 2007-2013 aimed at increasing economic growth and employment in all regions and cities of the European Union. It is carried out primarily thanks to two structural funds, i.e. European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund (CF). The aim of the EU cohesion policy is to support activities allowing to level the economic and social conditions in all regions of the European Union. In particular, the European Union aims at reducing the disparities in the level of development of regions

and the elimination of backwardness of the least favoured regions and islands, including rural areas. The basic cohesion policy implementation instruments are operational programs.

The EU cohesion policy mainly takes the form of aid grants for the EU regions.

It means the realization of the following objectives of the programming period 2007-2013:

- convergence – The European Union supports the development of infrastructure as well as of economic and human potential of the poorest regions (almost 82% of total expenditures within the Structural Funds);

⁴ Treaty of Rome – Preamble 1958

⁵ Churski P. *Obszary problemowe w polityce regionalnej Unii Europejskiej w latach 2000 – 2006*, [in:] Kosiedowski W. (red.), *Międzynarodowe uwarunkowania konkurencyjności regionu*. III Międzynarodowa Konferencja Naukowa z cyklu "Rozwój Regionalny" Uniwersytet Mikołaja Kopernika w Toruniu. Włocławskie Towarzystwo Naukowe. Włocławek. p. 128

⁶ Kierkowski T. *Fundusze strukturalne oraz Fundusz Spójności*, Wydawnictwo C.H. Beck, Warszawa 2009, p. 36

- increase of regional competitiveness and employment – the European Union supports innovation and research, sustainable development and vocational training in less developed regions (almost 16% of total expenditures within the Structural Funds);
- European territorial cooperation – fostering, promotion and implementation of joint international projects throughout the European Union.

Cohesion policy relies largely on supporting economic growth, social and spatial development (including the improvement of rail, road and air communication) and is based on the following principles⁷:

- one operational program, in other words – one fund (operational program) may correspond to the activities of only one fund. The exception is the Operational Program Infrastructure and Environment, which is financed by the Cohesion Fund and the European Regional Development Fund,
- so-called cross-financing, that is overlapping of funding within the Structural Funds,
- a reference to the objectives of the Lisbon Strategy, i.e. the promotion of strong economic growth through the introduction of modern solutions and knowledge-based economy,
- partnership – cooperation at EU and national level,
- Programming – policy sets 3 objectives to be developed within a period of 7 years,
- subsidiarity – The European Union provides very general guidelines for cohesion policy,
- n + 2 rule – if the beneficiary receives funds in the period “n”, it has to use them within two years.

3 Instruments of the EU regional policy

The basis for the EU regional policy funds are the financial instruments managed by the European Commission. They guarantee budget expenditures for certain purposes. These funds and financial instruments include:

- European Maritime and Fisheries Fund (EMFF)
- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- European Agricultural Fund for Rural Development (EAFRD)
- Cohesion Fund (CF).

⁷ Fundusze europejskie – Polityka spójności Unii Europejskiej
<http://www.funduszeuropejskie.gov.pl/wstepdofunduszyeuropejskich/strony/czymsafundusze.aspx>, access 1.09.2014

Additionally, the candidate countries can benefit from the support for the regions within the so-called Instrument for Pre-Accession Assistance (IPA). IPA can be implemented in five areas:

- Transition assistance and strengthening of institutions;
- Cross-border cooperation (with EU Member States and other countries included in the IPA activities);
- Regional development (transport, environment and economic development);
- Human resources (strengthening human capital and combating social exclusion);
- Rural development⁸.

IPA beneficiary countries are divided in two groups⁹:

- The candidate countries for accession to the EU (Montenegro, the former Yugoslav Republic of Macedonia, Serbia, Turkey and Iceland) have access to IPA in all five components.
- Potential candidate countries (Albania, Bosnia and Herzegovina, Kosovo in the meaning of Resolution 1244/99 of the UN Security Council) can use the IPA only in the first two areas.

The purpose of pre-accession assistance is¹⁰:

- strengthening institutional and administrative structures in the countries which were not prepared for implementation and use of the procedures related to policies used in the Community Member Countries,
- adaptation of the functioning of enterprises to the standards existing in the EU,
- acquainting the candidate countries with the principles and practice of EU structural policies and the extremely complex procedures applied under these policies.

Pre-accession funds were subordinated to the principles that are similar to the rules that must be obeyed in the Member States when applying for Structural Funds and Cohesion Funds. They replaced previous pre-accession assistance funds such as PHARE, SAPARD and ISPA¹¹.

⁸ IPA Funds European Commission www.ec.europa.eu/regional_policy/thefunds/ipa/index_pl.cfm 04.05.2015

⁹ European Commission – Enlargement. Current www.ec.europa.eu/enlargement/countries/check-current-status/index_en.htm 25/04/2015

¹⁰ Ekstowicz B., *Aspekty polityczne społeczne i ekonomiczne procesu wdrażania europejskich funduszy strukturalnych w Polsce*, Adam Marszałek, Toruń 2010 p. 124

¹¹ Barcz J., Kawecka-Wyrzykowska E., Michałowska-Gorywoda K., *Integracja europejska*, Warszawa 2007 p. 278

4 Cohesion Policy in Polish regions 2007-2013 and 2014 – 2020.

The funds allocated by the EEC, and later by the EU for regional as well as for structural policy have been growing quickly since 1988. In February 1988, the European Council passed the regulation allowing the real doubling of Community structural expenditures in the period 1988-1993 from ECU7 billion to ECU14 billion per year. The total budget for those six years amounted to ECU67 billion. Adequate financial decisions for the years 1994-1999 were taken in December 1992 at the EU summit in Edinburgh. It was decided to nearly double the available funds to approx. ECU141.47 billion (for the whole period), in fixed prices, out of which ECU12.7 billion were earmarked for Community Initiatives. Also the Cohesion Fund established by the Maastricht Treaty received ECU15.5 billion. In addition, the European Investment Bank allocated at the same time more than ECU90 billion for loans within structural actions. Decisions taken by the European Council in Berlin in March 1999 outlined a financial framework of the EU structural policy for the years 2000-2006. The total value of these funds was set at EUR195 billion, in 1999 prices. It was also decided that 69.7% of funds will be allocated to Objective 1 (a total of EUR135.9 billion), 11.5% to Objective 2 (EUR22.5 billion) and 12.3% to Objective 3 (EUR24.05 billion). Starting from 2002 an additional pool of funds in the amount of EUR39.48 billion was also reserved for structural activities in the newly acceded EU Member States. In the programming period 2007 – 2013 the European Union allocated EUR347 billion in current prices for the implementation of economic and social cohesion policy . The allocation of funds for the different objectives was as follows:

- 81.54% for the Convergence Objective (EUR283 billion)
- 15.95% for the Competitiveness and Employment Objective (EUR54.96 billion)
- 2.52% for the Territorial Cooperation Objective (EUR8,72 billion)

These funds can be used neither for pre-accession assistance, nor for the current EU Member States¹².

In the period 2014-2020, Poland is about to receive a total of approx. EUR77.6 billion (current prices) within the cohesion policy, including:

- EUR 51.2 billion for less developed regions (dolnośląskie, kujawsko-pomorskie, łódzkie, lubelskie, lubuskie, małopolskie, opolskie, podkarpackie, podlaskie, pomorskie, śląskie, świętokrzyskie, warmińsko-mazurskie, wielkopolskie i zachodniopomorskie).
- EUR 2.2 billion for more developed regions (mazowieckie).
- EUR 23.2 billion within the Cohesion Fund. EUR700.5 million for the European territorial cooperation.

¹² *Polityka regionalna UE 2007 – 2013* <http://www.kk.jgora.pl/int/unia07.htm> 17.10.2014

- EUR 252.4 million for the initiative promoting employment of young people.

At least EUR 12.8 billion of these funds will come from the ESF. The exact amount will be determined on the basis of the specific projects, which Poland wants to pursue in the areas covered by the ESF.

In the years 2014-2020 Poland will carry out 22 operational programs within the EU cohesion policy. 16 regional operational programs will receive funding from the European Regional Development Fund (ERDF) and the European Social Fund (ESF). One operational program will be financed from the ERDF and the Cohesion Fund. Three operational programs will obtain funding from the ERDF. One operational program will receive funding from the Cohesion Fund. One operational program will receive funding from the ESF. Poland will realize in this period

11 thematic objectives set out in the National Development Strategy until 2020¹³.

- Thematic Objective 1. Strengthening scientific research, technological development and innovation,
- Thematic Objective 2. Increasing the accessibility, level of use and quality of information and communication technologies,
- Thematic Objective 3. Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture
- Thematic Objective 4. Supporting the transition to a low carbon economy in all sectors,
- Thematic Objective 5. Promoting the adaptation to climate change, risk prevention and risk management,
- Thematic Objective 6. Preservation and protection of the environment and promoting resource efficiency,
- Thematic Objective 7. Promoting sustainable transport and removing bottlenecks in critical network infrastructure
- Thematic Objective 8. Promoting sustainable and high quality jobs and support labor mobility,
- Thematic Objective 9. Promoting social inclusion and combating poverty and all forms of discrimination,
- Thematic Objective 10. Investing in education, training and vocational training aiming at acquiring skills and lifelong learning,
- Thematic Objective 11. Strengthening the institutional capacity of public institutions and parties concerned and the efficiency of public administration.

¹³ Ministerstwo Rozwoju Regionalnego – Strategia Rozwoju Kraju 2020; www.mir.gov.pl
20.10.2014

Table 1. The initial allocation of funds within the new financial perspective for the years 2014-2020 within individual operational programs.

| Program name | Total allocation |
|---|--------------------------|
| Operational Program Infrastructure and Environment | EUR27 513 million |
| Operational Program Intelligent Development | EUR8 614 million |
| Operational Program Knowledge, Education, Development | EUR4 419 million |
| Operational Program Digital Poland | EUR2 255 million |
| Operational Program Eastern Poland | EUR2 117 million |
| Operational Program Technical Assistance | EUR700 million |
| Total | EUR45 620 million |

Source: Fundusze Strukturalne <http://www.fundusze.uj.edu.pl/fundusze/fundusze-strukturalne-2014-2020> 13.10.2014

In the next years the voivodship governments will have at their disposal a bigger pool of European funds than today. In the years 2007-2013 they had at their disposal approx. 25 per cent. Of all resources available for Poland. In the new perspective it will be almost 40% of the entire pool.

Table 2. Distribution of allocations for regional operational programs in the years 2014-2020.

| Voivodship | Allocation (EUR million) |
|--------------------|---------------------------------|
| dolnośląskie | 2,250.4 |
| kujawsko-pomorskie | 1,901.7 |
| lubelskie | 2,228.8 |
| lubuskie | 906.1 |
| łódzkie | 2,253.9 |
| małopolskie | 2,875.5 |
| mazowieckie | 2,087.9 |

| | |
|---------------------|-----------------|
| opolskie | 944.1 |
| podkarpackie | 2,112.2 |
| podlaskie | 1,212.4 |
| pomorskie | 1,863.0 |
| śląskie | 3,473.6 |
| świętokrzyskie | 1,363.2 |
| warmińsko-mazurskie | 1,726.6 |
| wielkopolskie | 2,447.9 |
| zachodniopomorskie | 1,599.7 |
| Total | 31,246.9 |

Source: <http://www.fundusze.uj.edu.pl/fundusze/fundusze-strukturalne-2014-2020>
11.05.2015

5 Conclusion

The progress and efficiency of the process of socio-economic development of regions often reflect the lack of spatial homogeneity. Various conditions and changing external and internal factors result in uneven intensity of the development processes in each area. One of the fundamental objectives of the European Union's existence is to support economic, social and spatial development of the Member States. Achieving this goal needs differentiation of approach to the problems of individual regions of Member States which have distinct developmental problems. Despite the fact that Polish regions have been improving their economic and social indicators, there are still big differences between them and they continue to differ in terms of economic development. The cohesion policy for 2014-2020 will assign support for Polish regions in the amount of EUR82.5 billion. These funds will be invested a. o. in research and its commercialization, the key road connections (motorways, expressways), the development of innovative entrepreneurship, environmentally friendly transport (rail, public transport), digitization of the country (broadband Internet access, e-government services), social inclusion and employment support programs. Thanks to a well-deployed European funds Poland has a chance to equalize the level of economic development with the EU average at an even faster pace than before.

References

- [1] Eurostat www.ec.europa.eu/eurostat access 2015
- [2] Laissy A. *Praca na rzecz regionów. Polityka regionalna Unii Europejskiej na lata 2007-2013*, Komisja Europejska, Dyrekcja Generalna ds. Polityki Regionalnej, 2008
- [3] Treaty of Rome – Preamble 1958
- [4] Churski P. *Obszary problemowe w polityce regionalnej Unii Europejskiej w latach 2000 – 2006*, [in:] Kosiedowski W. (red.), Międzynarodowe uwarunkowania konkurencyjności regionu. III Międzynarodowa Konferencja Naukowa z cyklu "Rozwój Regionalny" Uniwersytet Mikołaja Kopernika w Toruniu. Włocławskie Towarzystwo Naukowe. Włocławek 2003
- [5] Kierkowski T. *Fundusze strukturalne oraz Fundusz Spójności*, Wydawnictwo C.H. Beck, Warszawa 2009
- [6] Fundusze europejskie – Polityka spójności Unii Europejskiej www.funduszeeuropejskie.gov.pl, access 2014
- [7] IPA Funds European Commission www.ec.europa.eu/regional_policy/thefunds/ipa access 2015
- [8] European Commission – Enlargement. Current www.ec.europa.eu/enlargement access 2015
- [9] Ekstowicz B., *Aspekty polityczne społeczne i ekonomiczne procesu wdrażania europejskich funduszy strukturalnych w Polsce*, Adam Marszałek, Toruń 2010
- [10] Barcz J., Kawecka-Wyrzykowska E., Michałowska-Gorywoda K., *Integracja europejska*, Warszawa 2007
- [11] *Polityka regionalna UE 2007 – 2013* www.kk.jgora.pl. access 2015
- [12] Ministerstwo Rozwoju Regionalnego – Strategia Rozwoju Kraju 2020; www.mir.gov.pl access 2015
- [13] Fundusze Strukturalne www.fundusze.uj.edu.pl/fundusze/fundusze-strukturalne-2014-2020 access 2015