COMPARATIVE ANALYSIS OF THE COHESION POLICY’ IMPACT IN THE MAIN BENEFICIARY MEMBER EU STATES UP TO 2014

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Abstract: In the debate on the future of cohesion policy has emerged the idea that one of the highly favorable effects that it had on the overall development of the European Union was to focus efforts and strategic approaches at EU level on critical issues of the future Union and even of humanity (given the role of the EU as a global player it holds). This study estimates the impact of cohesion policy on the economies of the main beneficiary Member States.

Key words: cohesion, economics, European Union, legislation, policy

INTRODUCTION

The countries covered by this study are Greece (EL), Portugal (PT) and Spain (ES), which benefited from Cohesion Policy for a longer period of time and the 12 Member States that joined the EU after April 2004. In Greece, Portugal and Spain work covers two programming periods (2000 - 2006 and 2007-2014). For other countries (Cyprus - CY, Czech Republic - CZ, Estonia - EE, Hungary - HU, Lithuania - LT, Latvia - LV, Malta - MT, Poland - PL, Slovenia - SL, Slovakia - SK), the main impact of the PC is as expected from the transfers made during 2007 - 2014. Finally, for Romania (RO) and Bulgaria (BG), which joined the EU in 2007, only the period 2007-2014 is considered. [3]

The more voices support representative at EU level a stronger role for the European Commission in defining and disseminating models and intervention approach at national, regional and local level to solve global problems such as climate change, reducing greenhouse gas emissions emissions, the challenges posed by migration and security, energy efficiency, sustainable development models of transport networks. [8] Some of these voices have criticized the European Commission even change the positioning of active actor modeling development toward that of regulator of funds assigned to the implementation of cohesion policy, focusing on regulating the use of funds resulting in excessive bureaucratization and a shift of attention to the impact of project beneficiaries compliance with bureaucratic rules and procedures.

The impact of European cohesion policy assistance largely depends on the structure of the economy, in particular the size of the productive sector and services. This section describes the main characteristics of the analyzed countries, in particular those relating to the production and distribution of employment by sector. Situations are compared in 14 countries in the last year for which historical data are available HERMN system used for cohesion, in 2014. [8]

MATERIALS AND METHODS

The situation for Romania could be explained by higher productivity of labor employed in construction compared to other sectors of the economy. [1] The construction sector provides the majority of European Cohesion Policy investments, but he is not receiving long-term productivity gained from investments. Therefore, its contribution to the catching process is quite limited.
In PL and RO share of labor employed in construction is lower than the percentage contribution of the construction sector in total GDP of Romania acquis, while for other countries the ratio of workforce employed in construction and GDP is reversed. [5]

Figure 1 shows the contribution (weight) of the construction sector in generating GDP, ranging from 4.7% to 11.6% in BG ES (Spain).

![Fig. 1. Contribution made product (share of value of production) in the construction sector in GDP – 2014](source: Eurostat 2015)

The chart above presents the contribution made product (share of value of production) in the construction sector in GDP and employment and share of total employment in the Member States of the European Union. [8]

Figure 2 shows the state of the productive sector across countries. His contribution to the product range from 9.2% to 25.2% in CY CZ. The percentage of this sector in total employment is 27.2% in CZ, 26.1% in SL, 25.6% and 24.5% in BG in SK. [6] Although in most countries the percentage of the productive sector is lower than that of the services sector plays an important role in the development of these economies. Therefore, the manufacturing sector is a major channel through which EU interventions affecting export competitiveness and long-term growth.

![Fig. 2. Product and employment range in the manufacturing sector - 2014](source: Eurostat 2015)
Figure 3 shows that the services sector is the most important in terms of product and labor in the countries studied. Except CZ and RO, it contributes over 50% of the total value of goods and services expressed on each of these states, the highest percentage recorded in LV (62.8%). [7]

Contribution to employment ranging from 23.8% to RO 45.9% in ES and 60% in CY. In general this sector is mostly determined and only the non domestic demand. However, in some countries a significant proportion of market services is affected by external demand, such as tourism for ES, PT and EL (Greece) or logistical and financial services for LV.

However, this sector still absorbs approx. 14% of the total workforce in LT and EL, PL and 19% to 34.8% in RO, reflecting the low level of productivity. In countries with a higher rate of employment in industry and services sector (SK, CZ, HU, CY, ES, EE) employment in agriculture is less than 6%. In BG, PT and LV this sector employs approx. 10% of all workers. [2] Data for RO and PL should be reviewed carefully as agricultural employment could include hidden unemployment.

Looking forward in these figures, in the comparative analysis with that of the other EU Member States, Romania needs an urgent and significant structural adjustment,
maintaining a high degree of employment in agriculture along with a very low contribution of agriculture to GDP is likely to perpetuate disparities EU economic to long term. [5]

RESEARCH RESULTS

The magnitude of the impact of Cohesion Policy is partly dependent on the budget involved. Figure 5 shows the total allocations for the 15 countries for 2007-2014 in EUR million (at current prices). From this perspective that larger countries have bigger budgets.

![Fig. 5. The NSRF 2007 - 2014 budget](image)

Source: Eurostat 2015

The contribution of agriculture to total product is quite low, approx. from 3% to 6%, except for RO and BG where these percentages are 10.1% and 10.7% (see Fig. 5). [4] Figure 6 shows the average annual infusion of structural and cohesion funds as a percentage of GDP during the implementation period.

![Fig. 6. Average annual infusion of structural and cohesion funds as a percentage of GDP](image)

Source: Eurostat 2015

The impact of cohesion policy clearly depends not only on the size of the budget, the allocation of expenditure. In particular, the financing of physical and human capital accumulation and research and technological development (RTD) is expected to improve conditions for increasing the supply and have long-term effects on GDP, productivity and employment. [8] Figure 7 illustrates the Cohesion Policy budget allocation of 15 countries by category of expenditure in the 2007-2014 programming period.
The bulk of Cohesion policy spending is channeled towards physical infrastructure. Except PT, ES, SL and CY allocation for physical infrastructure exceeds 60% of the total budget of the countries examined. Percentage of human resources accruing more than 20% of the total allocation in PT, EL, ES and BG. [8]

The last two categories are support services and productive economic sectors. RTD investment is channeled to support the productive sectors and is included in the amounts allocated to industry and services. [1] As a result, the manufacturing sector is disaggregated aid for investments related to RTD and other aid which mainly include costs for support services.

The proportion of RTD expenditure as a percentage of the total allocation is shown separately in Figure 8. As a result of the reorientation of European PC support for achieving the Lisbon goals related RTD investment rate reaches 10% or more of the total allocation in 10 countries.

The overall impact of the Cohesion policy generates an impact on the economy through three different channels. Cohesion policy adds value on investment in physical infrastructure, human resources and direct support to the productive sector. Direct support for the productive sector can be further broken down into RTD expenditure. [6] These types of expenses induce a positive impact on demand, leading to higher production and income, which in turn generates an increase in demand and lead to production and additional revenue, according to the Keynesian principle of multiplication. They also offer...
two types of effects: the first is that investment in infrastructure, human resources and RTD increase the physical capital and human capital, and increase technological level.

Second, investment in infrastructure and RTD increase total factor productivity, while investment in human resources increases productivity. Similarly, the Cohesion Policy helps to increase productive capacity in the economy of the recipient countries. Estimates of the overall impact on GDP, employment and labor productivity are shown below. [2] This impact is the result of short-term demand and the gradual accumulation of long-term impact on demand. The impact is measured as the difference between the basic level (in the absence of Cohesion Policy) and actual levels (with the intervention of the Cohesion Policy).

Figure 9 shows the average annual impact during implementation. For most countries that joined the EU after 2004 implementation period covering 2004-2015. For EL, ES, and PT, the average impact of the intervention cohesion is calculated for 2000-2015, while for Romania and BG, environmental impact refers to the period 2007-2015. In this way, it is considered throughout the cohesion funding for both 2000-2006 and 2007-2014. [8] The biggest environmental impact on GDP is expected in the Baltics (LV - 6%; EE - 5.4%; LT - 5.1%), CZ (3.8%) and BG (3.7%). The three Baltic States and CZ also recorded the highest average productivity growth.

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Long-term effects on supply are shown calculated using the same indicators for 2020. Figure 10 shows a similar hierarchy in terms of long-term effect on GDP: the three Baltic states, PL and BG are expected to benefit the most GDP growth: LV - 5%; LT - 4.8%; EE - 4.6%; PL - 3.8%; BG - 3.6%).
By 2020, GDP growth will be lower than the average values from 2007 to 2015 in most countries. The difference is due to the impact on demand during the implementation period that disappear afterwards. During the implementation of the Cohesion Policy intervention increase public investment in recipient countries. [2] As noted above, HERMIN allocate Cohesion Policy on three expenditure categories: infrastructure, human resources and support for the productive sector, which includes support for RTD. According to the definition of national accounts, allocations for infrastructure are treated as public investment, while funds earmarked for human resources and productive sector expenditures are added to the public.

CONCLUSIONS

- Romania will have to step up exchanges and discussions between its representatives and clarifying their counterparts in Member States, to clarify first what needs changing and how should subsequently modified the formulation and implementation of cohesion policy.

- In terms of impact on Romania - it is even more difficult to predict, the more that any impact assessment must be based on the analysis of the effects (impact) similar interventions implemented preferably in the same territory of reference. As countless highlights both analyzes conducted by the European Commission and Member States, but also by independent organizations, obtained from the extrapolation of the impact of European regions to other regions show a high degree of subjectivity due to structural economic and social heterogeneity of European regions.

- Given that Romania's experience in implementing structural interventions is extremely low (accession program implementation with a degree of similarity rather low with implementation of operational programs financed from structural instruments), Romania is practically before the first exercise of its kind, a relevant image on the impact of implementing the interventions financed by the Cohesion policy instruments was shaped only after completion of the first cycle of implementation: 2007 -2014.

- In conclusion, it is clear that the analysis will be continued until the definition of cohesion policy after 2014, following both the progress in individual Member States clotting opinions and / especially common position on the main needs and directions for policy reform EU Cohesion; in parallel is at least as important to build a clear position on the Romanian representatives of the main priorities of cohesion policy, based on the analysis of impact position that stressed concrete and comprehensive as both direct and indirect benefits and side effects ("side effects") undesirable results after implementing various categories of interventions.

- The main issues and proposals for reform of the Cohesion Policy and potential answers to these proposals Romanian Maintaining the funding positions of the Member States, representatives of the European Commission and European Parliament representatives, it appears a common position, namely that in the future, the Cohesion Policy should benefit from funding at least at the same level as in the current period.

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