

## THE PROSPECTS OF EU COHESION POLICY AFTER THE ENLARGEMENTS OF 2004 AND 2007

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### Abstract

*After the enlargements of 2004 and 2007 European Union has confronted with an unprecedented increase of the development disparities. The cohesion policy for the period 2007-2013 concentrates on investments in research-development and innovation, infrastructure, industrial competitiveness, labor training, renewable energy sources and increase of energy efficiency. Under the new circumstances determined by the two enlargements a modernization of the cohesion policy is necessary, especially as regards the implementation mechanisms. Also, the objectives of this policy as well as its contents have to be revised.*

### Keywords

*Cohesion policy, EU enlargement, development disparities, Lisbon Strategy*

After the enlargements of 2004 and 2007 European Union has confronted with an unprecedented increase of the development disparities given the fact that the majority of the new member states has considerably lower levels of development as compared to the EU-15.

Despite this, at present all 27 members of the EU have in view the achievement of the Lisbon Strategy objectives, namely the increase of economic growth and of the number of jobs created. In this respect, the cohesion policy for the period 2007-2013 concentrates on investments in research-development and innovation, infrastructure, industrial competitiveness, labor training, renewable energy sources and increase of energy efficiency.<sup>1</sup>

Although before the two enlargements mentioned above there were a number of negative reactions regarding enlargement from the part of those affected by the “statistic effect”, namely those regions that have become in a relative way more developed than before enlargement and thus they exceeded the

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<sup>1</sup> Growing regions, growing Europe, Fourth Report on Economic and Social Cohesion, European Commission, 2007.

reference level of 75 % of the average EU GDP per capita, nowadays we can find that cohesion policy enjoys a considerable support.

This support is determined by the estimated effects of the cohesion policy which is envisaged to add between 5 to 15 % to the GDP growth of the new member states, as well as to generate about 2 million new jobs during the 2007 – 2013 programming cycle.

This support for the cohesion policy has been reconfirmed in April 2008 at the Conference on the future of cohesion policy that took place in Maribor<sup>1</sup>, Slovenia where the representatives of the EU institutions, the social partners and the representatives of the civil society have strongly supported the principle of solidarity and the cohesion policy as instruments aiming at reducing development disparities and increasing the competitiveness of the European Union as a whole at a global level.

Under the new circumstances determined by the two enlargements a modernization of the cohesion policy is necessary, especially as regards the implementation mechanisms. Also, the objectives of this policy as well as its contents have to be revised.

The results obtained up to now are encouraging given the fact that the rate of economic growth from the less developed regions and states which benefit of assistance by means of the mechanisms of the cohesion policy is higher than the EU average.

For the 2007-2013 programming period there are a number of very serious reasons for the continuation of the cohesion policy: the challenges of globalization, climate changes, the further enlargement of the EU.

These challenges will justify the more so the continuation of the cohesion policy as the various regions and member states of the EU will be affected in diverse ways by these challenges and will have different means to cope with them. The development disparities will remain a priority of the cohesion policy, but the mentioned challenges will generate new demands for the cohesion policy, especially in the regions with an average level of development.

We may say that during the period 2007-2013 the cohesion policy of the EU will add to the objective of reducing the disparities among the regions and economies of the member states the new objective of avoiding the emergence of disparities as compared to other areas of the globe or of avoiding declines as result of climate changes or of demographical phenomena.

One can note already some changes of paradigm in the sense that the reduction of disparities among the less developed regions is dependent on the economic development of the whole European Union within the context of the global economy. According to this new paradigm the focus is on the future

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<sup>1</sup> Conference on the Future of Cohesion Policy for a Cohesive and Competitive EU with Simplified and Effective Policies, Press Release 07.04.2008.

opportunities which can be capitalized by mobilizing the potential not entirely used till now, rather than on the attempt to provide assistance for certain regions for problems these regions had in the past.

In order to provide a proper modernization of the cohesion policy for the next financial cycle (2014-2020) during the period 27 September 2007 – 31 January 2008 a public consultation on the future of cohesion policy has been carried out<sup>1</sup>.

The approach of some problems on a much larger scale (as result of the enlargement of the European Union, but also as result of globalization) requires the simplification and modernization of the implementing mechanisms of the cohesion policy. These reforms will have to stress the bottom up approach and to include to a larger extent strategic prospects.

At the same time, it is necessary to orient more the cohesion policy towards the qualitative aspects of economic growth and to sustainable development, without limitation to the attainment of some macroeconomic indicators such as GDP per capita. The cohesion policy must provide sustainable results and this means the need to define objectives linked to structural factors of competitiveness, aspects related to environment and to social sustainability. The provision of sustainable development will imply also the facilitation of anticipation and of adaptation of regional economies to changes in market conditions by promoting innovation and knowledge.

The reform already proposed for the next period refer to aspects such as:<sup>2</sup>

- the support by community programs only for those initiatives which have as effect “a value added at the level of the European Union”, that means benefits at the level of the whole community;

- the support provided by the European Union should be proportional and flexible. The financial interventions should be accompanied by other instruments such as coordination of policies, use of best practices, use of credits from European Investment Bank, etc.;

- the observance of principle of budget discipline, together with the provision of a sound financial management by using independent audit and implementation of high standards of financial control.

It is recommended that the design of the parameters for the cohesion policy of the European Union for the period 2014-2020 take into account:

- the selection of those intervention that have the greatest impact on economic growth;

- the clear allocation of cohesion policy budget on destinations;

- the increase of the role of the European Bank for Reconstruction and Development and of the European Investment Bank.

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<sup>1</sup> Growing regions, growing Europe: Public consultation on the future of EU Cohesion Policy.

<sup>2</sup> UK Government Response, Commission’s Consultation on the future of Cohesion Policy, Department for Business Enterprise and Regulatory Reform, 30 January 2008.

A characteristic of the cohesion policy for the next period is the taking into account of the global framework in which European Union functions. In this context the cohesion policy should assist regional economies to find their place within the world markets, by participation to global networks and increase of internationalization. This change of accent from the community framework to the world framework in the implementation of cohesion policy is maybe the most notable element of change.

At the same time, for the new member states the cohesion policy may have in the future an even greater role for the increase of the coherence of their sectoral policies, of the quality of public investment, in promoting partnerships and consultations in view of the increase of the quality of public governance, inclusively by integrated political approaches and by a closer public-private partnership in the design and implementation of policies. From this point of view one may say that the cohesion policy represents the central element of the process of European integration<sup>1</sup>.

In the medium and long term the cohesion policy will have to follow the provision of some efficient institutions and of a favorable business environment, thus departing from the simple objective of granting direct assistance.<sup>2</sup>

Cohesion policy will have to determine a better infrastructure for transport and communications, to information networks, to the increase of qualification of labor, to more research and development and innovation activities. By the support provided for the creation or consolidation of these element the cohesion policy may act as a catalyst of development, without becoming a substitute for the market forces.

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<sup>1</sup> Jose Socrates, Address by the Prime Minister of Portugal and President of the European Council, IV Cohesion Forum, Brussels, 28 September, 2007.

<sup>2</sup> Danuta Hubner, Cohesion Policy: Genuinely modern and still reinventing itself, Brussels, 28 September, 2007.