

THE FUTURE OF EU COHESION POLICY REGARDING HUMAN CAPITAL IN ROMANIA¹

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Abstract

Europe is going through a period of economic crisis and we can consider that it could be too early to judge to what extent the crisis has affected spending on education but it will become possible to measure the true impact when we will have a wider time frame. At the end of 2011, the European Commission adopted a draft legislative package that will provide a policy framework regarding EU cohesion policy for the period 2014-2020.

For 2014-2020, ESF's outlines are based on strengthening thematic concentration, reinforcing partnership, social innovation and transnational cooperation, strengthening the focus on results, simplifying the delivery system and increased use of financial instruments. Regarding Romania's case, it will be a real challenge to improve significantly in terms of consolidating the professional competences of the labor force.

Keywords: *cohesion, european funds, Europe 2020 Strategy, human capital, sustainable development.*

JEL Classification: J24, O15, O19, Q01

1. Introduction

With this article, my goal is to evidence the importance of human capital for the next programming period (2014-2020) related to EU cohesion policy through European Social Fund and its Sectoral Operational Programme for Human Resources Development. A decisive argument and an essential document supporting the main idea of this article is represented by Europe 2020 Strategy's objectives. Its 5 headline targets (employment, innovation, education, poverty reduction and climate/energy) took into consideration the importance of growth that needs to be *smart*, through more effective investments in education, research and innovation, *sustainable*, thanks to a decisive move towards a low-carbon economy and *inclusive*, with a strong emphasis on job creation and poverty reduction.

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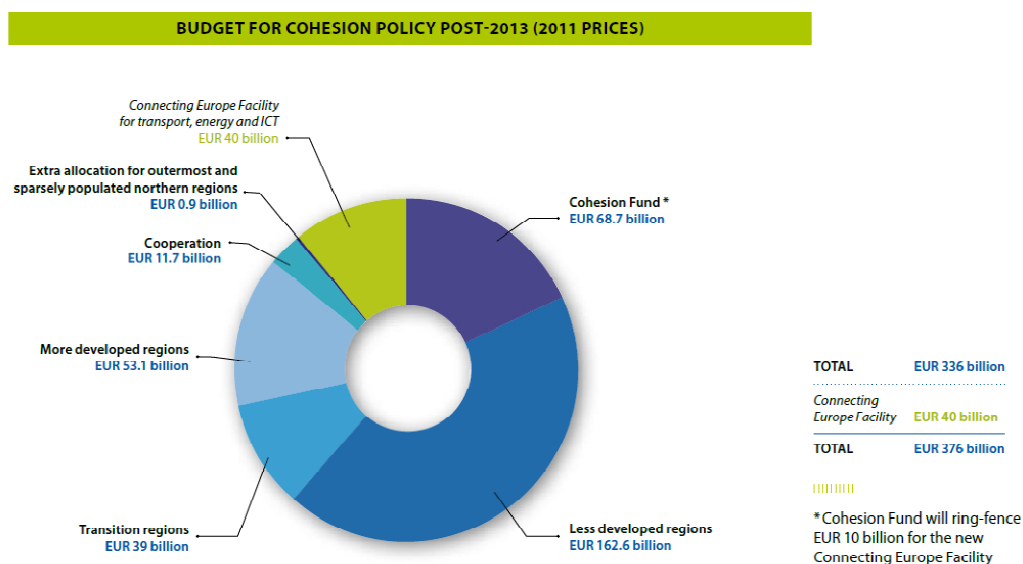
2. An overview regarding the future of EU Cohesion policy: 2014-2020

At the end of 2011, the European Commission adopted a draft legislative package that will provide a policy framework regarding EU cohesion policy for the period 2014-2020. Thus, the significant changes, proposed by the Commission in order to design and implement the cohesion policy for the future period, are²:

- concentrating on the Europe 2020 Strategy's priorities of smart, sustainable and inclusive growth;
- rewarding performance;
- supporting integrated programming;
- focusing on results – monitoring progress towards agreed objectives;
- reinforcing territorial cohesion and
- simplifying delivery.

These changes became more obvious and necessary after the adoption by the Commission in June 2011, of a proposal for the next multi-annual financial framework for the same period: a budget for delivering the Europe 2020 Strategy. In its proposal, the Commission decided that cohesion policy should remain an essential part of the next financial package and emphasized its essential role in delivering the Europe 2020 Strategy.

The total proposed budget for the period 2014-2020 will be EUR 376 billion, including funding for the new Connecting Europe Facility, which is designed to enhance cross-border projects in 3 key areas: energy, transport and information technology.



Source: Cohesion Policy 2014 – 2020, Investing in growth and jobs, page 14

² Cohesion Policy 2014 – 2020, Investing in growth and jobs, page 1, http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm

According to the European Commission vision, from the common rules applicable to the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund, European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF), the most important ones include partnership and multi-level governance, compliance with applicable EU and national laws, promotion of equality between men and women, non-discrimination and sustainable development.

For Romania, the year 2013 is crucial regarding the absorption of european funds (EU funds) because it will be necessary and almost mandatory to submit projects for a total value of 5 billion Euros in order not to lose the money allocated, according to the declaration of the European commissioner for Regional Policy, Johannes Hahn.

Because of problems such as excessive bureaucracy, fraud regarding public procurement, conflict of interest from the authorities staff that administer the public funds, political issues and other controversies, Romania is, at present, ranked on the last position regarding attracting EU funds, with a real absorption rate up to 11%.

In order to focus on the main challenges in Romania, on 5 of November 2012 took place a conference for presenting the document elaborated by European Commission - "Position of the Commission Services on the development of Partnership Agreement and programmes in Romania for the period 2014-2020".

In this presentation is made an objective analysis which compares the current situation in Romania and the national 2020 target in the National Reform Programme (NRP):

Europe 2020 headline targets	Current situation in Romania	National 2020 target in the NRP
3% of expenditure on research and development	0,47%	2%
20% greenhouse gas (GHG) emissions reduction compared to 1990	+9% (2010 emissions compared to 2005) -7% (2020 emissions compared to 2005)	+19% (national binding target for non ETS sectors compared to 2005)
20% of energy from renewables	23,4	24%
20% increase in energy efficiency	Under revision	10 Mtoe
75% of population aged 20-64 should be employed	62,8 (2011)	70%
The share of early school leavers should be under 10%	17,5% (2011)	11,3%
At least 40% of 30-34 years old should have completed a tertiary or equivalent education	20,4% (2011)	26,7%
Reducing the number of people at risk of poverty or exclusion by 20 mill. In the EU	-788,000 (2011)	-580,000

Source: "Position of the Commission Services on the development of Partnership Agreement and programmes in Romania for the period 2014-2020", <http://www.politicaregionala.ro:8080/polreg/articol/196608/Prioritatile-de-finantare-pentru-Romania-in-perioada-2014-2020-in-viziunea-Comis>

Romania is underperforming for early school leaving, tertiary attainment and basic skills. Also, here exists a mismatch between labor market needs and labor skills and has been measured a low participation in lifelong learning and a low labor market participation through low employment levels combined with increasing youth unemployment. Therefore, it can be concluded that human capital, in every form in which can be developed, is considered by the European Commission one of the main concerns in Romania.

3. European Social Fund – financing source for human capital development still available for the next programming period 2014-2020. Case study: Romania

European Social Fund (ESF) has a major role in the implementation of economic, social and territorial cohesion policy and is considered one of the European Union's main financial instrument, being easily recognized, especially for its motto "investing in people". The main areas, through which brings out its contribution are focused to increase the employment opportunities of European citizens, to promote better education and to improve the situation of the most vulnerable people at risk of poverty.

For 2014-2020, ESF's outlines are based on strengthening thematic concentration, reinforcing partnership, social innovation and transnational cooperation, strengthening the focus on results, simplifying the delivery system and increased use of financial instruments.

In order to achieve all above, the Regulation proposes to target the ESF on four thematic objectives throughout the entire European Union³:

- promoting employment and supporting labor mobility;
- promoting social inclusion and combating poverty;
- investing in education, skills and lifelong learning and
- enhancing institutional capacity and an efficient public administration.

The proposed Regulation should enter into force in 2013 and should look for the following results⁴:

- greater focus on a limited number of objectives in line with the Europe 2020 Strategy – to increase funding impact;
- EU countries would have to ensure that, of the total EU cohesion policy funding they received, a certain minimum percentage came from the ESF.

³ Cohesion Policy 2014 -2020, Investing in growth and jobs, page 9, http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm

⁴ European Social Fund (ESF) 2014-2020 – proposed Regulation, Citizens' summary, http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm

This would help focus attention on employment promotion, education and training and poverty reduction;

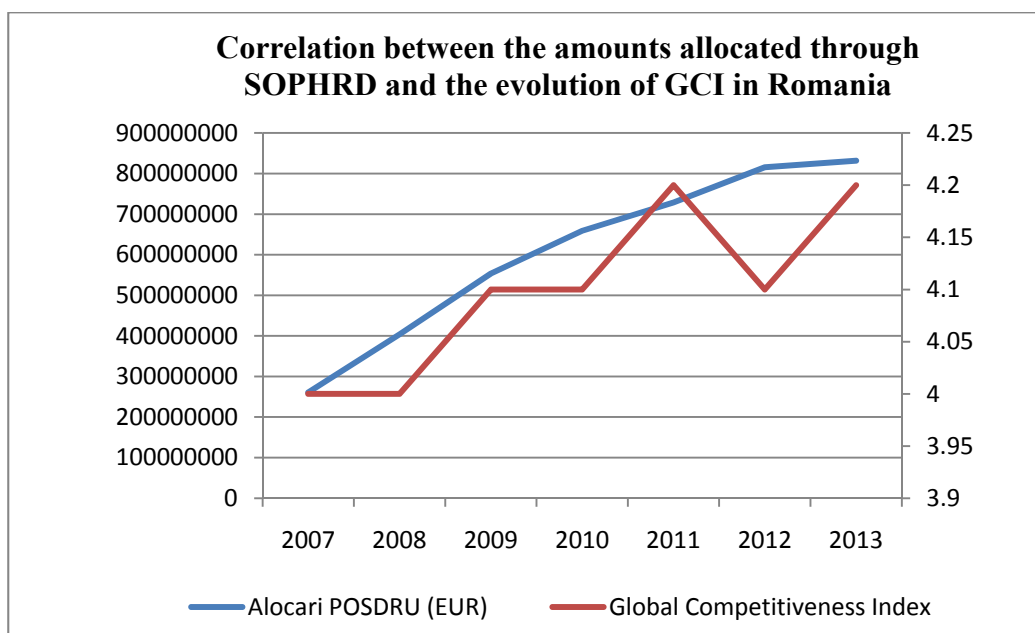
- greater emphasis on combating youth unemployment and supporting the most disadvantaged groups, such as migrants or marginalized communities – with at least 20% of ESF funding going to support social inclusion measures;
- greater involvement of social partners and NGOs in implementing the ESF – especially in less-developed regions;
- support for specific measures to promote equality between men and women and combat discrimination;
- a more active role for the Commission in facilitating transnational cooperation and promoting social innovation;
- a less complex ESF, with a special attention on simplification for small beneficiaries;
- a more result-driven approach to managing operational programmes through joint action plans.

As Androulla Vassiliou, European Commissioner for Education, Culture, Multilingualism and Youth, said “it is vital to unlock the potential of education as a key driver for growth and jobs”, especially now, when the European society is facing the negative consequences of the financial and economic crisis.

Therefore, education and training are part of the solution to face up these consequences, because they are related and can contribute to the growing of productivity, innovation and competitiveness.

When we are facing a situation such as tight public finance, investing in education and training represent an efficient and effective long-term strategy opposed to cut down investment in growth-enhancing policies, such as education. It became clear that education through human capital development can contribute to an exit from the crisis.

Taking into consideration that education and training are key points of Europe 2020 strategy for smart, sustainable and inclusive growth and ESF is financing all types of project related with this field through Sectoral Operational Programme for Human Resources Development (SOPHRD), I tried to see if there is a correlation between the amount of money allocated for this programme and the evolution of Global Competitiveness Index, in Romania, during a 7 years period: 2007-2013 (2013 GCI's value is estimated).



Source: data processed by the author

As it can be seen in the graphic, a correlation could be established because as the amount of money is increasing, also the GCI is increasing, except year 2012 due to fact that almost all the payments in SOPHRD were suspended based on all the irregularities mentioned at the beginning of this article in Romania's case.

For the next programming period 2014-2020, Romania should be able to improve human capital development through higher employment, better social inclusion and education policies.

However, for reaching these objectives, it should be implemented a strategy that combines the next priorities or defining lines: increase the employment rates of young people and vulnerable groups, improve access to participation in and quality of education and training, promote social inclusion, in particular by enhancing access to healthcare and social services and set the particular elements relevance for rural areas.

4. Conclusion

Overall, human capital have been always a key factor for the growth of economic competitiveness and thus, in the process of economic and social development.

Despite the challenges of the economic crisis, there is no doubt that education represents a solution for slowing down the effects of this period but depends also if the investment made in human capital development is an efficient one. The returns on investment in education and training are undeniable, both monetary and non-monetary, for the individual as well as for society at large.

It is possible that the effects of demographic ageing and budgetary constraints to increase but this means only that it become a necessity to prioritize efficiency of education expenditures and to improve the effectiveness of our education and training systems.

Regarding Romania's case, in order to meet the national targets assumed in the context of Europe 2020 Strategy, it will be a real challenge to improve significantly in terms of consolidating the professional competences of the labor force, as well as reducing the early school leaving in order to have a better response to the needs of the economy and dealing with the intellectual outflow of the labor force.

References

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*** See the conclusions from the Economic and Financial Affairs Council meeting in 2010
(http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/117192.pdf).