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Challenges of Cohesion Policy at the Level of the European Union - Simplification Tools

Maria Loredana POPESCU*
Bucharest University of Economic Studies, Bucharest, Romania
**Corresponding author, maria.popescu@mk.ase.ro*

Florin DOBRE
Bucharest University of Economic Studies, Bucharest, Romania
florin.dobre@cig.ase.ro

Otilia GANEA
Romanian Academy, Bucharest, Romania,
otilia.ganea@gmail.com

Florin VATASE
Valahia University, Targoviste, Romania

Abstract. *Economic and social cohesion ensures security among the priorities of the European Union, being among the key objectives of European and national policies. Therefore, the center-periphery development model specific to the European economy emphasized the need for public interventions to favor regional growth and convergence, highlighting the importance and complexity of the European cohesion policy. This article starts from the empirical study of cohesion policies at the European level and has as its main purpose the determination of simplification solutions and their implementation in favor of the member states. Among the main scientific research methods used in order to elaborate the paper, we can mention: the comparison method, which was used especially to highlight the differences between the socio-economic situation of the regions and the member states, which joined the European Union in different waves; the historical method - was used to capture the evolution of the Cohesion Policy, the descriptive method - was used to present the programming periods of the Cohesion Policy within the European Union. It can be observed that, at the level of the European Union, the need to coordinate, standardize and simplify the cohesion policy is an often-discussed topic, with the constant aim of identifying new methods to make this policy more efficient. In this context, the new regulations establish tools to ease the life of the executing authorities and beneficiaries, such as, among others: clearer eligibility conditions, simplification of reporting and audit checks, reduction of administrative burdens, unification of rules.*

Keywords: *cohesion policy, development, Europe Union, economy*

Introduction

The main objective of the regional development policy of the European Union was, from the very beginning, the reduction of economic and social disparities, later territorial, but also of a different nature, which equates to a real impediment for the regions of the different member states to achieve a high convergence level.

Along with this well-defined priority, a new challenge has emerged for the EU, namely to provide beneficiaries and competent authorities with an efficient, simplified, flexible, accessible, easy to interpret and implement legislative framework, so that the policy of economic, social and

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territorial cohesion of the EU to fully meet its objectives (Avdikos& Chardas, 2016). Thus, as Jean Claude Juncker (2018) stated, ensuring a proper balance between regulation and implementation in this policy area can lead to overcoming "differences between north and south, between east and west, between left and right".

Literature review

The attention given to the analysis of different aspects of the cohesion policy increased after the year 2000 with the transition to 7 year programming periods and especially in the context of the efforts made to make these policies more efficient and the expansion of the European Union to the east (Bodislav et al., 2020). Regarding the international cohesion literature there are two currents: one that accompanies the cohesion reports and the Commission's point of view emphasizing the beneficial effects of this policy and another that criticizes the Cohesion Policy and questions its effectiveness (Burlacu, 2019a).

The policy of transparency and the desire for information and awareness of the Commission determines the existence of numerous information and data on the official pages of the Commission or the Directorates, if the way in which this information is structured could be capable (Burlacu, 2019b). Cohesion reports will be the starting point for analyzing the performance of cohesion policy. These are the commission's official views on which the request for financial allocations from the EU budget to cohesion policy is based (Bodislav et al., 2019). This is also where the reform directions start, as well as the criticisms brought to the cohesion policy (Profiroiu et al., 2019a). As far as national literature is concerned, the subject of cohesion policy has become of interest in the approach to integration in the European Union. Cohesion policy becomes a topical issue, especially after accession, when Romania also becomes a beneficiary of this policy (Profiroiu et al., 2019b). The studies of the European Institute in Romania play an important role in the national literature on cohesion and its aspects.

It is well established in the specialized literature that disparities limit economic growth, at the same time generating market distortions through anti-competitive practices and/or dumping, and thus can alter European solidarity as a key conditionality of the integration process (Annoni, & Dijkstra, 2017). Consequently, the reduction of disparities has become not only a social (unequal distribution of the benefits generated by the internal market) or political (solidarity, common interest) problem, but also an economic challenge that affects the functionality and effectiveness of the internal market, as the main pillar of economic integration and increasing welfare in member states (Burlacu et al., 2019c). In this sense, in addition to redistribution, the cohesion policy gained a structural dimension and became the main investment policy of the European Union. Mammadzada et al., (2016) are concerned with the impact of globalization on developing countries. Anghel et al., (2016) are concerned with the policies grouped under the auspices of the European Initiative for IMM. Tosun (2014) develops a comparative study on the absorption of regional community funds.

Brunazzo (2016) considers the correlation between management at the regional level and the attraction of financial resources from European funds, Anghelache, Soare and Dumitrescu (2016) describe the usefulness of modern IT platforms in the management of projects financed from such funds. Cappelen et al., (2003). are concerned with the analysis of the cost of capital. Elgström (2007) analyzes the perception of third parties on the European Union in the context of international trade activity. Bubbico et al., (2016) deal with trade liberalization policies in the European Union. Rodríguez-Pos and Di Cataldo (2015) analyze some characteristics of the sovereign debt crisis in Europe.

Crescenzi, Cataldo& Rodríguez-Pose (2016) studies the correlation between monetary integration and the costs of borrowed resources. Anghelache, Niță and Badiu (2016) are concerned with the role of remittances in financing activities in an economy, with an impact on development. Tömmel (2016). analyze job polarization in Europe. Barro and Tenreyro (2007) comment on the impact of monetary unions on national economies. Pellegrini et al. (2013) are concerned with some characteristics of income-generating financial instruments.

Cutrini (2019) analyze three policies from the category of initiatives dedicated to SMEs and the usefulness of the information obtained in organizational development. Anghel, Dumitrescu and Dumitrescu (2016) analyze the contribution of EU member states to financing through European funds.

Dzemydaitė (2021) presents the concepts and tools of economic modeling. Blank and Buch (2007) develop the theme of the international banking system. Huggins& Thompson (2016). describe some principles of corporate valuation. Ezcurra & Rios, 2019) analyzes the role of European funds attracted to Romania in financing regional development. Pauna, Buzoianu, Bolohan and Coroban (2022) are concerned with the role of the banking system in financing SMEs.

Methodology

Elaboration of the article on the research topic that we have proposed involves the use of the main research methods, specific to the field of economic sciences and not only. Thus, among the main scientific research methods used in order to elaborate the paper, we can mention: the comparison method, which was used especially to highlight the differences between the socio-economic situation of the regions and the member states, which joined the European Union in different waves; the historical method - was used to capture the evolution of the Cohesion Policy, the descriptive method - was used to present the programming periods of the Cohesion Policy within the European Union.

With the help of deduction and induction methods, it was possible to argue the necessity of the policy, as well as the positive role played by it within the community space. Starting from concrete examples, from the results, it was possible to extrapolate some arguments in favor of the Cohesion Policy. Also based on general information related to various results of the European Union. Through the deductive method, arguments were brought to justify the Cohesion Policy. I used the analysis method throughout this article, when examining the various aspects of cohesion, seen as the basic policy of the EU, respectively the implementation of this policy in the member states.

In addition to the positive aspects of this work, during the research we also identified a number of "shortcomings", which we assume, even if some of them do not belong entirely to the author of this work. First of all, we mention the lack of qualitative research, through interviews or focus groups, which would have helped us to know much more deeply the perception of cohesion policy at the level of the European Union. Another limitation is related to the fact that being in the foreground the concept of perceived value in European policies, it was quite difficult to surprise some dimensions of its multidimensional approach. Since the value is very dynamic over time, carrying out a longitudinal study instead of a cross-sectional one would add value to the research, in this case being able to observe its changes over time and the factors that influence it.

Results and discussions

The new normative framework for the economic, social and territorial cohesion policy of the European Union will take shape in its definitive form with the completion of the negotiations on the union institutional stage, these being governed by the principle of sustainable solidarity, in the conditions where more solidarity is needed to be more efficient. It should be remembered that the debates regarding the new structure of the EU cohesion policy for 2021-2027 take place in a completely different social, economic and political context compared to the one that governed the negotiations starting in 2000.

Unlike the framework in which the normative packages corresponding to the regional development policy for 2007-2013 and for 2014-2020 were adopted, we are currently facing a Union that has managed to overcome and remove the extremely negative consequences of the worst economic recession and financial from its history, but facing new economic, social and political challenges.

Perspectives on simplification

The need to reduce excessive bureaucracy, costs and the time it takes to access funds is also at the center of the debates for the future of EU cohesion policy. Some studies show that the significant simplification that was wanted for the period 2014-2020 has not yet been achieved, one of the barriers being the lack of stability and coherence of the regulatory framework. At the same time, other reasons were identified that were the basis of the complexity and burdensome tasks that accompany the administration of the EU cohesion policy funds, consisting in the regulatory differences outside the scope of the regional development policy, highlighted, in particular, by the national norms regarding state aid and public procurement. In this regard, the European Parliament states that the rules governing state aid seem to be particularly burdensome, especially when combining grants with financial instruments, encouraging the European Commission to propose legislative simplifications, in order to ensure fair conditions for the implementation of all financial instruments, removing any possible preferential treatment between funding sources.

With regard to state aid, the consulting experts in the previously mentioned workshops emphasized the existence of inconveniences related to the applicability of state aid in the various EU policies, appreciating the fact that, in particular, in the case of European territorial cooperation programs, the application of the rules regarding state aid amounts to a particularly complicated process. In the Final Report entitled "Simplification of the Implementation of Cohesion Policy", elaborated following the workshops of January 27 and March 10, 2016, in the conclusions regarding national legislation in the field of public procurement, the stakeholders expressed their concern vis-à-vis the abundance of different material and procedural legal norms Existing at the level of the member states, which often generate great difficulties and even determine the application of financial corrections also due to technical errors, devoid of economic implications.

Moreover, another problematic aspect was highlighted regarding the need to respect both EU and national norms (these having different degrees of flexibility and rigidity), especially from the perspective of the audit carried out at the EU level, which requires compliance with both frameworks normative, the result being characterized by a strong lack of flexibility and the avoidance of using the public procurement procedure, especially for reasons of time and costs.

Another challenge that must be addressed in the new legislative framework of the regional development policy is represented by ensuring the coherence of the rules on accessing and implementing different EU instruments, in order to promote and facilitate access to combining different funding sources.

Related to this last aspect, the European Parliament underlines, in its 2017 resolution, the still unexplored potential of combining grants and financial instruments, highlighting the need for additional harmonization of the rules aimed at ensuring synergies between ESI funds (European structural and investment funds) and between these and other financial instruments, such as Horizon 2020.

In this context, since 2017, the European Parliament has asked the Commission to focus its attention on the development of clearer, consistent and focused legislation to facilitate the combination of grants from the ESI funds with other funding sources, so as to provide beneficiaries and investors from the public and private sectors with a simplified and attractive legislative framework, aspects that could guarantee a potential for sustainable growth in the Union.

The seventh report on economic, social and territorial cohesion has an essential role in the extensive process of negotiation and debate in order to adopt the rules that regulate the new regional development policy of the European Union for the period 2021-2027.

In its content, from the perspective of the need for simplification, the European Commission finds that, similar to the 2007-2013 period, the spending from the cohesion policy budget is concentrated or accumulated in the last 2-3 years (2018-2020), an aspect that reflects the need to simplify and strengthen administrative capacity. At the same time, the European Executive draws attention to the poor institutional quality in the member states, which generates effects such as the reduction of competitiveness and the impact of investments, equating to a real impediment to economic growth and a real barrier burdensome in the way of accessing European funds. In this context, the Commission believes that the new legislative framework should focus more on improving the quality of national administrations and on strengthening administrative capacity, in order to reduce bureaucracy and excessive burdens.

Moreover, it highlights the need for, for 2021-2027, the EU's regional development policy to enjoy a more flexible regulatory framework, which is characterized by strengthening the link between economic governance and the European semester, so that all interested parties can - have a simplified, transparent, accessible system that allows the effective implementation of the cohesion policy, thus favoring convergence. In the conclusions of the report, the European executive emphasizes the concern that the cohesion policy of the European Union is gradually becoming more and more difficult to manage, requiring "a much more radical approach to simplify implementation".

Simplification tools for the new economic, social and territorial cohesion policy of the European Union

Taking into account all the previously presented aspects and with a view to ensuring a flexible and simplified framework of rules, procedures and means for establishing, maintaining and guaranteeing an effective and coherent balance between regulation and implementation for the economic, social and territorial cohesion policy of the Union for the period 2021-2027, the proposal for a Regulation of the European Parliament and of the Council establishing common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund and the European Fund for Fisheries and Maritime Affairs, and establishing some financial rules applicable to these funds, as well as the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument, presented in Strasbourg at the end of May 2018, underline that administrative simplification is a key objective, which equates to a firm response to the excessive complexity and fragmentation of the rules identified in the Funds – Financing

Modalities report, which unfortunately have, until now, established excessive and unnecessary burdens for program managers and beneficiaries alike.

Without the pretense of an exhaustive detail, we aim to highlight the main elements of simplification proposed for the economic, social and territorial cohesion policy of the European Union for the period 2021-2027.

In this sense, we appreciate the fact that the Regulation Proposal focuses on several main areas of simplification, namely: the unification and standardization of the regulatory framework of the funds, so that it provides more clarity, consistency and certainty;; streamlining the policy framework, in order to ensure a simpler programming; reducing the number of strategic requirements to increase the effectiveness of the Union's cohesion policy; streamlining regulation for faster and more strategic programming, so that the start of implementation is faster and simpler; introducing a simpler implementation procedure, in order to apply the results more quickly; flexibilization of the rules regarding management, control and audit, so that a simpler and more proportionate system is made available, based, to a greater extent, on the national systems of the member states.

At the same time, the unification of the legislative framework of the cohesion policy is equivalent to the provision of an accessible normative structure, by shortening the number of words, ensuring a simpler and clearer wording, avoiding overlaps and repetitions in the texts of the Regulation Proposal and its annexes.

For example, the latter contain detailed models for funds, which contribute to speeding up implementation, as all the necessary and relevant aspects for programming and starting implementation are made available from the start. Also, the stages of programming are described more clearly, ensuring a high level of legal security and predictability and a reduced degree of risk for the management authorities in the member states.

Another innovative and very important element of simplification for the new framework of the cohesion policy consists in the establishment of new rules to ensure faster and strategic programming and the efficiency of the start of implementation. Thus, in order to simplify the documentation, it is proposed to eliminate the common strategic framework and improve the provisions regarding the partnership agreements. In accordance with the provisions of articles 8 and 9 of the Proposed Regulation, as amended by the legislative Resolution of the European Parliament (2019) adopted in the first reading, the partnership agreements include a series of clear and concrete data, more structured and a little more detailed.

Last but not least, the territorial instruments introduced in the 2014-2020 period, such as integrated territorial investments (ITI) and local development placed under community responsibility (DLRC), contribute to providing concrete solutions to the specific needs of the territories, increasing their attractiveness and the efficiency of public intervention. Having an essential role especially in the process of adapting to demographic changes and combating inter-regional development imbalances, these instruments are mentioned in the new programming interval 2021-2027, being included in the policy objective "a Europe closer to citizens", which is achieved by promoting the sustainable and integrated development of all regions, areas and local initiatives.

Local development placed under the responsibility of the community is of particular importance, regarding which the European Parliament adopted, through its legislative resolution, several amendments worth mentioning. The coordination relationship ensures an increased efficiency of the functioning of the local action groups, so that the objectives of interest for the respective local community can be met.

Regarding the composition and the way of organization of the local action groups, in order not to have doubts about the influence of the decision-making process, the European Parliament establishes, in amendment 189, the fact that the local action groups are formed by "representatives of the local socio-economic interests of public and private sectors, where no individual interest group, including the public sector, controls the decision-making process", clearly highlighting the fact that the public sector cannot have any interference in the decision-making process within the local action group .

In our effort to highlight the simplifying aspects of the upcoming programming period starting in 2021, it is important to welcome the legislative simplifications proposed by the European Commission regarding the creation of fair conditions for the implementation of all financial instruments.

Thus, both in the content of the Proposal for Regulation and in the texts of the amendments introduced by the legislative Resolution of the European Parliament (2019), the appropriate integration of financial instruments was sought from the beginning of the programming and implementation process.

For example, through amendment 250 of the legislative resolution of the European Parliament (2019), a unification of operations is introduced: financial instruments can be combined with grants in a single operation, within a single financing agreement, when these forms of support are offered by the body implementing the financial instrument. In the situation where the amount of financing through the grant is lower than the amount of financing through the financial instrument, the rules regarding financial instruments are applicable. Therefore, by introducing the single operation, progress was registered compared to the 2014-2022 period, when the combination of funding sources required two distinct operations. Other rules related to financial instruments bring added value to the new regulations through aspects such as simplifying the rules regarding management costs and fees, streamlining payment requests, making available a single reporting system for all forms of financing, simplifying the system of assurance for financial instruments and grants and making ex-ante evaluation more integrated, guaranteeing a more strategic focus.

Conclusion

It can be observed that, at the level of the European Union, the need to coordinate, standardize and simplify the cohesion policy is an often discussed topic, with the constant aim of identifying new methods to make this policy more efficient. In this context, the new regulations establish tools to ease the life of the executing authorities and beneficiaries, such as, among others: clearer eligibility conditions, simplification of reporting and audit checks, reduction of administrative burdens, unification of rules.

Although the proposal for the new legislative framework and the amendments adopted, in first reading, by the European Parliament ensure a simplified, strategic and more focused approach to the economic, social and territorial cohesion policy of the European Union for 2021-2027, it is uncertain to estimate what will be its achievements for the mentioned interval, if the proposed legislation will be maintained in the same form, as well as if the simplified elements presented will contribute to ensuring the appropriate balance between regulation and implementation.

The decisions of the Member States will be fundamental in this area, both in terms of the final structure of both the regulation on common provisions and the regulations specific to the funds, as well as the motivation and ambition to design and implement the best projects, strategies and plans of action in order to maximize the results.

That is precisely why it is extremely important that each member state understands the need to simplify the cohesion policy and be willing to implement the measures proposed at the Union level, and adapted, as the case may be, to the specifics of the member states.

Beyond the figures that the future holds, one aspect is established with certainty: the economic, social and territorial cohesion policy of the European Union represents and will represent the main engine that permanently contributes to local, regional and national development in the states members and from the EU, trying and succeeding, for the most part, to overcome the imbalances and gaps between the different areas of the Union.

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