
The Role of European Structural Funds for the Regional Development

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Abstract

Due to the fact that in European Union still can be observed, economic and social disparities among state countries in their 271 regions - European Structural Funds have a crucial role for regional development in European Union. The paper measures and outlines impact and results of cohesion policy in Europe in cooperation with the key objectives such as Convergence, Regional Competitiveness, Employment and European Territorial Cooperation. To sum up the role of the European Structural Funds for the regional development it is worth to indicate that in the period 2007-2013, cohesion policy will benefit from 35.7% of the total EU budget. Poland, which is one of the major recipient, is the best example to show the results of European Structural Funds.

Keywords: structural funds, regional policy

JEL Classification : R58

1. Definition of Regionalism

The issue of regionalism have been developed since the end of cold war. Interesting of regionalism is justified for two ways. “First is the rapid proliferation in the number of groupings referred to as regional trade arrangements. This includes longer-established institutions such as the EU, but also NAFTA and the Asia-Pacific Economic Co-operation forum among many others.”(...)”The second reason for the growth in interest in regionalism complements the first, and is primarily theoretical in its origins”[Economides and Wilson, 2001, p. 161]. Numerous debates about the impact of the regionalism and regional groupings on the development and international system caused arising EEC in the 1950s and 1960s (European Economic Community) which is continued since nowadays. During that time there was created many definitions of regionalism. For example Paul Taylor determine regionalism as a “ single space which has been judged suitable for the attainment of a range of tasks intermediate level of competence – that is at a level between the state and the global system” [Taylor,1993, p. 7]. However Andrew Walter describe regionalism as “the design and implementation of a set of preferential policies within a regional groupin of countries aimed at the encouragement of the exchange of goods and/or factors between members of the group” [Walter, p. 78]

2. Historical background of structural funds

“The Structural Funds contribute to the realization of the European policy of economic and social cohesion. Structural Fund resources are used to reduce the gaps in development between the regions of the Union and to reduce disparities in the standards of living for their inhabitants. The milestones of economic and social cohesion policy correspond to the major stages of European integration” [<http://www.ec.europa.eu>].

The idea of structural funds encouraging regional development especially deprived regions has been developed in the early 1970s, but the first step was establishing the European Social Fund (ESF) in 1958. Creation of that fund led to establishing in 1975 new fund called European Regional Development Fund (ERDF). Subsequently the idea of structural funding grew immensely. Accession of poorer countries like Greece, Spain and Portugal in the 1980s, caused regional funding became a key means of bringing these countries wealth up to the European average. In 1994 regional assistance was taken further step. It was creation of the Cohesion Fund, which has a task to support economic convergence in the lead-up to Economic and Monetary Union (EMU).

Accepted model of regional development aid was evolved in 1999 against program of preparing eastern European countries for the entry into the EU in 2004. Upon joining the EU, new members had only restricted access to structural funds, however during the pass of the 2007-13 budget, these countries negotiated intensively to get a better deal.

3. Key objectives of regional policy

The Regional policy of the European Union (EU) is a policy which aim is to reducing of economic and social disparities between regions. “The European Union through their policy is encouraging governments and parliaments to involving the indirect stage to political action. In this way decisions are righter, more effective solutions and citizen directly in their region are perceiving consequences of the action of the European Union” [Tomaszewski, (2007), p. 38]. Another words “European regional policy is a policy promoting solidarity. It allocates more than a third of the budget of the European Union to the reduction of the gaps in development among the regions and disparities among the citizens in terms of well-being. The Union seeks to use the policy to help lagging regions to catch up, restructure declining industrial regions, diversify the economies of rural areas with declining agriculture and revitalize declining neighborhoods in the cities. It sets job creation as its primary concern” [Working for the regions, (2004) p. 3].

The most considerable magnification of the European Union took place in May 2004 with ten new member states. Most of them are from eastern and central Europe. In January 2007 EU enlarged about two new members Bulgaria and Romania. Most of these countries are developed less than the existing members. It caused that the EU's average GDP per capita has been reduced. Consequence of that was changing the rules for qualifying for extra financial help and cut it off for countries from earlier EU-15. On the other hand as it was mentioned above new members are poorer than countries EU-15, so most regions do qualify for financial help. As a confirmation of importance of regional policy is fact that “the situation in the regional development in the European Union is a subject of reports drawn up systematically with the frequency time on three years”.

Regions which are needing support with the regional policy are divided for two objectives objective one and objective two status. Objective three regions cover all regions of the EU which do not have objective one or two status.

Objective one regions are (NUTS:2) regions need of the regional aid the most. To qualify for objective one regions must have:

- status of GDP per capita for the region must be below 75% of the EU average,
- areas with very low populations like in Sweden or Finland.

Qualifying to Objective One status is frequently the subject of much political debate. The actual areas were recognized in 1999 for the period up until 2006. Some regions in the pre-2004 member states had their objective one status withdrawn in 2006. Regions with objective one status include almost all the regions of the new member states, and as well most older members in: Southern Italy, East Germany, most of Greece, Portugal, and lot of Spain and some of the Republic of Ireland. In the United Kingdom, Cornwall, Merseyside, South Yorkshire and much of Wales qualify under objective one. Scotland's objective one regions are due to be phased out. Exception is Northern Ireland which, although having a GDP per capita above the qualification threshold, benefits from objective one status because of the peace process.

Objective two {NUTS:3} regions are at a smaller level than those with objective one status. Objective two status is given to regions which are less in need of help than regions with objective one status. To qualify for objective two status areas must fulfil the following requirements: unemployment must be higher than the EU average, higher percentage of jobs in the sector than the EU average and the employment must be declining. Areas will be qualify for objective two status as well if the area has a low population density (less than 100 people per km²) or if the employment rate for example in rural area is double that of the EU-average. Areas dependent on the industry which is losing meaning in that area will also qualify for objective two status. Another example are Urban areas. They will qualify if unemployment is above the EU-average but the crime rate is high, level of education is low, and there is recognised a high level of poverty in the area. The areas with objective two status as well as objective one status are empowered to financial aid from a fund contributed to by both the ECC and the national government of that area. Areas with objective two status includes much of Northern England and parts of Devon, most of the areas in Spain not covered under objective one, much of central France and central Italy, parts of Austria, southern Finland and most of Cyprus. Objective two status has a goal to support the modernisation of education, training and employment policies and systems. Funds to achieve this objective are available to all EU regions except those eligible for Objective one funding. “Regional politics of European Union in period 2007-2013 will be more subordinated to Lisbon Strategy compared to period 2000-2006. It means that significantly less will be concern on redistributing from rich areas for these poorer, but will be concern more on the problem of competitiveness of the regions” [Kola, 2007, p. 215]

4. Principles of using structural funds

Receiving of structural funds is connected with a fulfillment by regions one of three objectives set by the EU. These are:

- help of under-developed regions (with a GDP less than 75% of the EU average)
- significant rise in unemployment,
- special educational or employment needs.

The EU also helps for rural areas and the Instrument for Pre-Accession Assistance (IPA) which giving support for countries before joining to the EU. The EU Commission sets its own priorities for how the money are distributed with a particular emphasis placed on programmes that can help more than one region.

On 1 May 2004 when the Poland joined to EU, all Polish regions were below the 75% of EU average threshold gross domestic product (GDP) per inhabitant. In 2004, Poland has got support €435 million, from the EU in structural funding. This amount increased to more than €3.1 billion in 2007. “It is estimated that with support from the EU funds, the GDP growth

rate in 2007 increased by 0.6–0.9 percentage points. The employment rate (persons aged 15–64) also increased from an average of 51% in 2003 to 57% in 2007. In the years 2004–07, nearly 85 000 projects worth a total of €22.5 billion were implemented in Poland” [European Cohesion Policy in Poland, 2009, p.1]. The greatest priority was improvement of infrastructure in the state. Over half of all projects concerned this field. In the transport sector, which for few years is the most important area the most prominent area by the end of 2007 were built or modernized, 3 700 km of roads and over 200 km of motorways and 350 km of railway tracks. In the same period, over 100 sewage were updated, 49 programmes was concern on separate collection, storage or recycling of waste and management of municipal waste and were implemented. In the period 2004–07 were implemented, over 15 000 projects focused on business support, especially on small and medium enterprises (SMEs) sector. Projects focused also on Micro-loan funds which are very often unique chance for progress of enterprises. Loans were granted to more than 8 800 enterprises, while credit guarantee funds issued guarantees to nearly 7 500 enterprises. The Cohesion Policy assisted also in developing researches and innovations in the Polish economy through funding or modernization of 78 research or specialist laboratories, 19 technology incubators, and support to 27 business parks and 17 research and technology parks. Research and specialist laboratories provided services to 1 120 enterprises. The enterprises which used the support introduced 17 new products or technologies on to the market. Almost 350 000 young people received aid directed on courses, trainings, opening up new employment opportunities as establishing a company, and careers advice. Projects were implemented and also had an impact in developing on tourism sector and health and educational facilities. Funds covered purchase costs of almost 4 000 items of medical equipment. Nearly 450 health-care enterprises received covered support.

5. Polish regional policy for 2007 – 2013

Poland in the 2007–13 period, has been allocated approximately €67 billion, what means that is the largest beneficiary of European Cohesion Policy for this period. A sum of €66.6 billion has been designated for the Convergence Objective two and €731 million for the European Territorial Cooperation Objective. Poland has divided all of strategic priorities on 21 programmes: five national and 16 regional programmes for all 16 Polish regions.

To national programs belong: “Infrastructure and Environment”, which is the largest national with budget almost, programme €28 billion from the European Regional Development Fund and Cohesion Fund. The next is the “Human Capital” programme. This is the second largest national programme with supporting almost €10 billion from the European Social Fund. The other national programmes, furthered by the ERDF, are: “Innovative Economy”, “Development of Eastern Poland” and “Technical Assistance”. Over €16.5 billion will be spent for the 16 regional programmes, giving the Polish regions a great opportunity to implement their regional development strategies in line with Community.

Tab 1: Funds for Poland in billion € 2007–13

Objective	Fund	EU	National Public	National Private	Total
Convergence	CF	22	6	1,5	29,5
	ERDF	33	6	1,5	40,5
	ESF	10	2		12
Total convergence		65			
Total European Territorial Cooperation*	ERDF	0,7	-	-	0,7
TOTAL		66**	14	3	83

Figures have been rounded up

* *Each Territorial Cooperation programme includes a minimum of 15% co-financing from each participating Member State.*

** *In addition, 3% i.e. €1.3 billion is kept as a performance reserve to be allocated to the most successful programmes before 2011.*

Source: <http://www.ec.europa.eu>

One of the most important priorities of regional policy in Poland is investing in safe and clean transport infrastructure. The Community contribution is over €25 billion, which is equivalent to 38% of its allocations. Poland expecting in period 2007 – 2013 more than doubled length of motorways, from 550 km to almost 1 200 km, and as well doubled length of railways with possibility speeds of at least 160 km/h, from 540 km to approximately 1 250 km. Second main priority is investing in environment (amount €17.8 billion), which is 27% of the total Community contribution. It's predicting that the investments should increase access to waste water facilities in rural areas from 20% to 30%. Polish investment in 2007 – 2013 includes also supporting innovation. This amounts €14 billion, or 22% of Fund contributions. There is expectation that research and development reach level 1.5% of Polish GDP, in comparison to 0.57% in 2005. Numerous e-government services will be supported, to improve a better service to the business sector and the population. The "Human Capital" programme aspires to disseminating of e-skills and promotes training modules in schools, enterprises and public administration. The overall contribution to these sectors amounts to €3.7 billion. €3.6 billion will be invested in promotion of entrepreneurship. Polish policy will focus also on financial instruments including programme JEREMIE (Joint European Resources for Micro to Medium Enterprises). These instruments are embracing combine loans and grants. Polish government will invest also funds over €2.2 or 3.4% of total fund allocations billion in energy efficiency as a horizontal principle in all programmes. The key task of the 'Human Capital' programme is on focusing on increase employment, with a target to grow the employment rate of people aged 15–64 from 54.5% to 60%. The aim of regions is permanent sustainable development in city areas. Programme JESSICA (Joint European Support for Sustainable Investment in City Areas) is the programme which is helpful to eliminate barriers between urban areas. One region – Wielkopolska has decided to intend some 50% of the allocation in priority axis "regeneration of disadvantaged areas" (approximately €35 million) for this initiative. Twelve Polish regions are still considering about using it.

6. Regional policy in the practice

- Incubator Technology Centre Funding, total cost: €56 million, including €4.2 million from the ERDF, duration of project: October 2004–September 2007. The Incubator Technology Centre was built in the Lower Silesia region between the strong scientific potential and low level of innovative enterprises with advanced technologies in the region. The project was managed by Wrocław Technology Park. The Incubator Technology Centre has simplified the commercialization of R&D projects by several of the Park's companies, rectified the conditions for innovation-oriented businesses; created new technological enterprises and developed existing, created new job places, and, increased potential scientific research. The aim of the incubator was also to create a network between innovative companies to simplify exchange of information and initiate common activities. Another important issue is that technology park is in cooperation with universities what facility companies recognizing a new technologies and research projects.
- Modernization of Warsaw – Łódź railway line (stage I: Skierniewice – Łódź Widzew) section Total costs: €215million, EU funding: €16million. Infrastructure in Poland is one of the most important priorities for EU support. The aim of this project is to improve the connection between the two polish biggest cities Warsaw and Łódź and make rail transport more competitive. This is a key task in the overall development strategies for the Łódzkie and Mazowieckie regions. Project set up shifting significant passenger numbers and cargo transport activities from road to rail what will help to reduce traffic on the roads, car accidents, will have a good impact on environment. The modernization of railway by the using new technologies will considerably decline the level of noise. The second stage of upgrading of the Warsaw-Łódź line: the Warszawa Zachodnia-Skierniewice section is going to be implemented in 2009–12 and will be financed by the Cohesion Policy “Infrastructure and Environment” programme. After modernization in 2012, the planned time of journey between these two cities will be a maximum of 65 minutes, compared to the 88 minutes taken today (after completion of stage I) and the 128 minutes in 2006.
- Occupational therapy workshops in Wapno (Wielkopolskie region) – avenue for integration and mobilization for persons with disabilities. Total amount of the project is €241 500 financed by ERDF €181 000. From 1950–65, the name Wapno in the Wągrowiec district was associated with a salt mine which has the biggest at that time output of this mineral in Poland. In 1977, as a result flooding the mine, many buildings were destroyed. Only former labour hostel survived, located in a large site in the town centre. For years, the hostel was used to therapy workshops for disabled people. This project, part funded by the EU and its concerned on the redesign into a modern centre supplying services for disabled persons. Activities in the new centre include gardening and arts, computing and printing, craft tailoring and carpentry

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