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ECONOMICAL CRISIS AND THE EUROPEAN UNION'S COHESION POLICY

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Abstract
The current global economic crisis is a major challenge for the European Union and requires a rapid response to counter the impact on the whole economy. One of the measures taken at the level of the European Union was the accelaration of the investment projects. With a financial aid of over €350 billion for the period 2007-2013, cohesion policy provides a considerable support for the public investments made in the EU's Member States and regions. The present paper aims to analyse the necessary measures necessary to speed up the implementation of European Union cohesion policy and to help states to tackle the challenge brought by the global economic crisis.

Keywords: economic crisis, cohesion policy, European Union.

1. Introduction

The unprecedented crisis has created major challenges for the EU, cohesion policy provides robust support for budgetary stability and public investment in the Member States and EU regions in times of heavy budgetary constraints. By supporting investment in infrastructure, business and jobs, it can help tackle the challenges brought on by the global economic crisis (Bran, 2009).

The aim of the cohesion policy of the European Union is promoting a high level of competitiveness and employment, providing help less developed regions and those who are faced with structural problems (European Commission, 2000). Cohesion policy in all its dimensions is regarded as an integral part of the Lisbon and Gothenburg. Policy of economic and social cohesion of the European Union for the period 2007-2013 has 3 major objectives; achieving objectives policy for economic and social cohesion is made through 3 instruments: European Regional Development Fund; European Social Fund; Cohesion Fund.

Third report on economic and social cohesion concludes that the Union presents unprecedented challenges in terms of competitiveness and internal cohesion (European Commission, 2008). Enlargement caused deep differences of economic development, a division of geographical disparities problem in east and a more difficult situation regarding the employment situation:

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- The difference in GDP from 10% of the population that lives in the most prosperous and the percentage living in the least developed regions is greater than twice the situation in the European Union with 15 Member States;
- The European Union with 27 Member States, 123 million people, representing 27% of the total population, live in regions with a GDP below 75% of the European Union, while the European Union with 15 Member States the number is 72 million, representing 19%.
- 4 million new jobs must be created so that the average level of unemployment in the 10 new Member States to reach the European average.

Convergence objective aims to Member States and less developed regions, under the Treaty are key priorities for cohesion policy. Treaty, in Article 158, proposes reduction of levels of development between different regions, the most favored regions, including rural areas. This objective concerns, first of all, those regions whose GDP is less than 75% of the community. Commission also can provide temporary support to those regions that have a GDP per capita less than 75% of EU 15 member states (so-called statistical effect of enlargement).

Regional competitiveness and employment objective (15% funded in the budget for structural funds and cohesion) - aims to regions not eligible under the Convergence objective.

For cohesion policy outside the Member States and less developed regions, the Commission proposes an approach on two levels: First, through programs funded by the European Regional Development Fund, Cohesion Policy supports the regional to anticipate and promote economic change in industrial and rural areas by strengthening their competitiveness and attractiveness. Under the new program financed by the European Regional Development Commission proposes strict intervention and focus on 3 priorities: innovation and knowledge based economy, environment and risk prevention, accessibility and services of public interest. The point of the allocation of resources is distinguished 2 groups of regions:

- Regions eligible for the first objective, without to accomplish criteria for convergence, even in the absence of statistical effect of enlargement, such regions will receive transnational support ;
- All other areas not covered by the convergence objective or support mentioned above.

European territorial cooperation objective (financed with 5% of budget for structural funds and cohesion) - refers to:

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- Transnational cooperation;
- Cross-border cooperation;
- Interregional cooperation.

Actions financed by the European Regional Development and focuses on integrated programs are administered by one authority. All regions along the internal borders, as well as external boundaries are eligible for cross-border cooperation (Bran et al., 2009).

The objectives traces the lines of action of Structural Funds and are specific to each period of their appointment and shall be determined according to the priorities identified in order to reduce economic and social disparities in the Community. Thus, they appear as the priority objectives and sent directly to the sector that needs structural intervention.

Since October 2008, the Commission has proposed a series of measures to speed up the implementation of European cohesion policy programmes for the 2007-2013 period to ensure that all cohesion policy resources are fully mobilized to support Member State and regional recovery efforts.

These measures are based on recommendations to Member States and specific legislative an non-legislative measures designed to accelerate investment and simplify the implementation of European cohesion policy programmes. The idea is to introduce greater flexibility, give regions a head start and target cohesion policy programmes on smart investment.

The existing cohesion policy programmes already have a strong strategic focus on jobs, business, infrastructure and energy, and research and innovation. These will continue to be priority areas of investment for cohesion policy programmes.

Because of the ongoing economic crisis, the Commission is working with the Member States to see if these programmes require any changes to: meet the new challenges being faced by Europe's regions, simplify delivery of the programmes, speed up implementation of the programmes, closing the 2000-2006 programmes

The Commission has extended the final date of eligibility for the 2000-2006 operational programmes to ensure the maximum use of all cohesion policy resources from the 2000- 2006 period. Greater flexibility has also been introduced in the calculation of the final EU contribution.

On the other hand was proposed several measures to simplify the financial management of the cohesion policy programmes to reduce the administrative burden. These measures include:

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- Introduce lump sum or flat-rate payments for reimbursement
- To further facilitate contracting with the European Investment Bank (EIB) and the European Investment Fund (EIF), direct contracts can be awarded to the EIB or EIF
- To simplify the management of certain projects generating revenue: those co-fi- nanced by the ESF or co-financed by the ERDF or Cohesion Fund where the total cost is less than €1 000 000

With an increasing of the advance payments to the 2007-2013 is providing an immediate cash injection of €6.25 billion in 2009 for investment, within the financial envelope agreed for each Member State for the 2007-2013 period (Romania's Government, 2006).

This change would bring the total of advance payments to €11.25 billion in 2009, bringing a much needed boost to public investment.

Help with major projects To help Member States accelerate the development of major projects (where total costs exceed €50 million, €25 million in the case of environmental projects) , the Commission has proposed the following:

Increase the resources available to JASPERS (Joint Assistance in Supporting Projects in European Regions) by 25%, to help Member States prepare and implement major projects more speedly from 2009 onwards

Accelerate intermediate payments for major projects to provide them with adequate financial liquidity Simplify state aid rules The Commission is currently negotiating with the Member States to simplify the rules governing state aid schemes which are co- financed by cohesion policy. In practice, under certain conditions, this would mean that advances to state aid schemes' beneficiaries could be eligible up to100%.

In addition, the Commission has put in place a temporary framework under the State aid rules for Member States to tackle the effects of the credit squeeze on the real economy until 2010.

This temporary framework provides the following, under certain conditions:

- A lump sum of aid up to €500 000 per company for the next two years, to relieve them from current difficulties;
- State guarantees for loans at a reduced premium;

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- Subsidised loans, in particular for the production of green products (meeting environmental protection standards ear-ly or going beyond such standards);
- Risk capital aid up to €2.5 million per SME per year (instead of the current €1.5 million) in cases where at least 30% (instead of the current 50%) of the investment cost comes from private investors.

Investing in areas of high growth potential is also nessesary, for example, investing in energy efficiency, clean technologies, environmental services, infrastructure and interconnections, broadband networks, forecasting and matching skills with future labour market needs or opening up new finance for SMEs (i.e. research-intensive and innovative SMEs).

In order to ensure that cohesion policy resources are fully mobilised to support Member State is necessary maintain high levels of public investment

More energy-efficiency investments The Commission is negotiating with Member States to include more energy efficiency improvements and renewable energy schemes in housing in all Member States. For Member States who joined in or after 2004, the possibility to invest in the housing sector already exists.

Promote entrepreneurship and enhance cooperation with the European Investment Bank (EIB) and European Investment Funds (EIF)

Commission encourages and helps Member States and regions get the most out of the JEREMIE (Joint European Resources for Micro to Medium Enterprises) initiative for SMEs, including guarantee, debt and equity instruments, and improving the business environment for micro-credit.

The new JASMINE initiative (Joint Action to support Microfinance Institutions in Europe) will channel various forms of technical and financial support to non-bank micro-credit providers to promote the availability of micro- credit for businesses across the EU.

Moreover, to help state tackle the challenge brought by the global economic crisis the Commission will explore with the Member States the following measures:

- the European Investment Bank Group put together an overall package of €30bn for loans to small and medium-sized enterprises in Europe granted via commercial banks. This constitutes a substantial increase over its usual lending in this sector but has to be implemented with urgency;
- Working closely with the Commission, the EIB could accelerate its work of financing climate change, energy security and infrastructure projects, in particular those of a crossborder

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nature. There may be a need to reinforce the capital base of the EIB by for example advancing the date of its next capital increase currently scheduled in the course of 2010;

- Finding innovative funding for a wide range of infrastructure projects, including transport, energy and high technology networks, for example through a better use of public private partnerships;
- Boosting energy efficiency and green technology, for example in buildings and in clean cars, which would provide new opportunities for the economy, including for SMEs, while at the same time helping the EU to meet its climate change aims;
- Increasing demand for energy efficient goods and services through reduced taxation and other targeted fiscal measures;
- Maintaining and creating new export opportunities for EU business, including SMEs, through a pro active market opening agenda, including pursuing trade agreements and our market access strategy;
- Using national and EU competition, as well as consumer, policies to make markets work better, bringing down prices for consumers and taking full advantage of the Single Market.

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