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European Union Cohesion Policy: The Role of Infrastructure in Regional Development. The Case of "Ionia Odos" in Greece[1]

Abstract

In this article, certain aspects of the European Union's (EU) approach to funding regional development projects are discussed. The purpose of each EU fund and the projects EU is financing as well as the criteria for countries to apply for a fund are also mentioned? It focuses on the EU regional policy, plan of EU for and equality among EU member states and the willingness for the strategic and effective development of less developed EU member states. More specifically the Cohesion Policy (CP) is discussed, together with its role in the EU, including its objectives, philosophy, criteria, and projects. CP is funding projects to promote environmentally sustainable and infrastructure projects. According to CP the development infrastructure boosts socioeconomic cohesion, which is key in the establishment of a control mechanisms and tackling operational weaknesses. Finally, the case study of "Ionia Odos" (or Greece A5 motorway) is analysed, as a typical example of infrastructure investment under the CP.

Key words: cohesion policy, EU, infrastructure, EU Funds, regional development, Ionia Odos.

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Introduction

In 2018, the Cohesion Policy (CP) of the European Union (EU) celebrates its 30th anniversary. Cohesion policy has been entrenched in the evolution of the European Union and nowadays it remains at the very core EU's development. The economic and social cohesion among EU countries plays a dominant role in the integration process of the EU. However, concerns about the regional development and regional disparities led to an extreme increase of the CP budget (Casellas & Galley 1999). In this context, the purpose of this article is to discuss the European Union (EU) Funding Policies and their functions. The purpose of each EU fund and the projects that the EU funds as well as the characteristics of the country members that can be supported are also discussed. The theoretical background focuses on the EU regional policies and the plan of EU for equality among EU member states as well as the willingness for a strategic and effective development of less developed EU member states. More specifically in this article we discuss the Cohesion Policy (CP) of the EU in a more analytical way. We examine the role of Cohesion Policy in the EU and its objectives. The criteria that countries have to fulfill in order to benefit from the Cohesion Policy and projects that are being funded are also discussed. The philosophy behind the Cohesion Policy is to provide support for a harmonic development and interconnection among EU countries and to facilitate social integration. Cohesion Policy funds projects to promote environmentally sustainable and infrastructure initiatives. According to this specific policy the development of infrastructure boosts socioeconomic cohesion. The EU through Cohesion Policy finances up to 85% of each project and the remaining funding comes from public and private industry cooperation. For these reasons and because the projects that are funded by the EU classify as -medium and long-term projects we explain why the establishment of a control mechanism for the cohesion policy is necessary to remove an operational weaknesses. However, the objective of infrastructure building is really important for the development of multiple EU regions. In Part, 2 the case study of "Ionia Odos" (or Greece A5 motorway) is presented as a very typical example of infrastructure investment under the Cohesion Funding Policy.

1. European Union Funding Policies

The European Union, in order to create a sustainable, healthy and the steadily growing economic environment in the Euro area through the investment in job creation, established European Union Funds. The European Union provides a very broad range of funds for various projects and investments such as regional and urban development. We focus more on the specific projects relating to employment, and social comprehension agriculture, & rural development, maritime & fisheries policies, research & innovation and humanitarian aid (europa.eu). The management of these funds is entails very strict rules and controls in order to ensure that the money, coming from these funds is used properly. The overall political responsibilities related to the control of EU funds lie in the hands of the European Commission. The majority of the EU budget is managed in cooperation with national governments through a "shared management" system the "5 big funds" (europa.eu).

More than half of the EU funding is under the "5 big funds". The European Structural and Investment Funds (ESIF) is the "umbrella" term which includes the "5 big funds". The five major areas that ESIF focuses on are: research and innovation, digital technologies, supporting the low-carbon economy, sustainable management of natural resources, and small businesses.

To elaborate on it, the European structural and development funds are under the European Regional Development Fund (ERDF) which is the largest financial instrument for the support of cohesion. The goal of ERDF is to reduce the inequalities among various regions of the EU by funding projects for a more balanced development of different EU regions through the promotion of public and private investments. The European Social Fund (ESF) supports projects related to increasing employment opportunities and contributing to the improvement of standards of living, in other words, it is invests in Europe's human capital in order to seek a boost to young people's situation and to increase employment by creating jobs and assisting in training. Cohesion Funds (CF), based on Cohesion Policy, provide assistance to European Union countries where their Gross Domestic Product (GDP) per capita is lower than 90% of the EU average. The European Agricultural Fund for Rural Development (EAFRD) is seeking challenges and resolving issues in EU's rural areas. The last of the "big funds" of the ERDF is the European Maritime and Fisheries Fund (EMFF). The goal of this fund is to help anglers to promote more sustainable fishing practices for the development of coastal regions of the EU. As a result, it facilitates the improvement of the European coasts economies and their citizens' quality of life (ec.europa.eu) (Nello 2012).

1.1. The Cohesion Policy

Cohesion Policy (CP) was introduced for the first time as part of the Maastricht Treaty (1992) package. The rational philosophy behind it is the establishment of a strategy, as mentioned above, to promote and support the overall harmonious development of each member state of the EU. It is providing financial assistance to those members of the EU that "fear that they will not be able to meet the additional competitive pressures resulting from the economic and monetary union" (Nello 2012). In other words, the idea of Cohesion Policy is also to promote a more balanced and more sustainable "territorial development". That makes it evident why Cohesion Policy fostered hundreds of thousands of projects and investments all over Europe, which were funded from the ERDF and ESF. According to the Cohesion Policy, to be eligible to receive a CP fund the interested EU member states need to have GDP per capita of less than 90% of the 27 EU member states (Croatia is not taken into account yet) (europa.eu/regionalpolicy).

For 2014–2020 budgetary period countries benefiting from Cohesion Policy are Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia (ec.europa.eu). These countries in order to receive the financial assistance are obligated to set specific economic policies for implementation. After this procedure, countries receive the financial aid for investments for environmental purposes, the development of the trans-European network in order to improve the transport infrastructure. Finally, the Cohesion Fund may cover up to 85% of the total cost of each project (Nello 2012). European Union goal through the Cohesion policy could be referred to as territorial cohesion. The territorial cohesion dimensions are: socioeconomic cohesion, the environmental run stability, territorial cooperation, and governance policentricity. The rationale behind this is the potential for the creation of wealth, retaining wealth and, distributing wealth in a certain territory (Medeiros 2014).

1.2. European Union Cohesion Policy Control Mechanism

Cohesion policy is problematic in multilevel governance systems. How to guarantee that policy outcomes are performing according to the expected objectives when there are irregularities in the information provision, capacity, resources, and potential differences in priorities at different levels. The operating public policy in a multi-level governance system needs to share common understanding and obey policy goals, as well as build trust and resource interdependence (Bachtler & Ferry 2015).

Since the European Union has established a control mechanism, and procedure in order to control if the money that comes from the Cohesion Fund is being spent properly. More specifically, the Cohesion Policy falls under the Directorate General (DGRegio), which is responsible for its evaluation at each stage. The stages are a prospective evaluation, implementation monitoring, and impact assessment. Only from 1989 to 2013, it is estimated that more than 800 billion Euros have been granted to projects funded from Cohesion Policy. However, "the need to assess the outputs (earlier stage results), the results and the impacts (medium/long term results) is of utmost importance for the effective and efficient use of the Community resources" (Medeiros 2014). Because of these challenges, the EU has funded the elaboration of many academic studies, which consolidate the newest and specific information based on various evaluation methods and techniques, in order to make the most of the evaluation process not only of Cohesion Policy projects, but also other EU policies, programs and projects. Therefore, there are systemic weaknesses in the design and application of these control mechanisms (Medeiros 2014). In the 2014–2020 financial period Member States have to develop a Partnership Agreement with the European Commission by concluding Partnership Contracts/Agreements encompassing multi-annual programming in order to allow for better coordination of economic policies of each Member State. In case of the Cohesion policy, it has "to achieve thematic objectives enshrined in the Partnership Agreement aims to strengthen solidarity towards less favored regions, for which purpose it has created a new category of regions, transition regions, to enable a differentiated financial allocation" (Vasilescu, Pupazan 2016).

1.3. The Importance of Infrastructure in European Union Regions Based on Cohesion Policy

The impact of the Cohesion Policy on EU regions is generally good, according to the latest studies, which claim that there are positive effects or positive but mixed effects on the regions (Ferrara et al. 2017). A very important prerequisite to achieve high level of regional economic development is the regional accessibility. According to the Territorial agenda of the EU, mobility and accessibility are the keys for the economic development of all EU regions. In addition, transport infrastructure is the key that will boost and promote regional development (Ferrara et. al. 2017). As mentioned previously Cohesion Policy is dedicated to countries with GDP lower than 90% of the EU average. The countries with less economic development in the EU have the incentive for development and that is why they are adopting appropriate developmental policies. Moreover, this a big advantage for investing and funding infrastructure projects in these regions. Small regions have smaller urban centers and they are not large in numbers, while at the same time they are more specialized in terms of sectors, for example agricultural sector. That proves that the need for any kind of cohesion exists (Bachtler, Ferry 2015). In March 2005, the re-launch of the "Lisbon Strategy" took place and a very promising roadmap about how EU will become "the most competitive and dynamic in the world" by 2020 was announced. It is to be achieved through focusing on sustainable growth, employment, and social cohesion. Based on this the infrastructure will play a very important role in the potential EU growth. In addition, that is because a modern transport network is essential if the EU wants to compete globally in a high-level mobility networked economy (McCann, Ortega-Argiles 2015). A very important reason for the investment in transport infrastructure is that it will enable economic development in disadvantaged peripheral regions and their convergence towards the average levels of incomes and wellbeing in the EU. The effects of improving the connection between the central and peripheral regions are that firms can distribute their products much easier and safer in more central regions. In addition, in the same way, the tendency to link the big cities of each region through a modern high-level infrastructure will help to the decrease the inequality between these cities and peripheral regions (Vickerman, Spiekermann, Wegener 1999).

2. "Ionia Odos" (or Greek Motorway A5) Case Study

In August of 2017, the last section of "Ionia Odos" motorway was under construction. Finally it was completed and o put into operation. "Ionia Odos" is a typical and the most recent example of an infrastructure project within the framework of the EU Cohesion Policy. "Nea Odos" is the company that undertook the study, design, construction, operation, exploitation and maintenance of the "Ionia Odos" Concession Project. In the very beginning of this project, it was mentioned that Cohesion policy funds such investments and that similar investments are being co-funded by the EU and the governments of each member state. This specific project's funding comes from a combination of equity, bank loans, EU funds & Greek State funds. More precisely, it comprises of equity 200 m, bank loans 200 m, EU funds & Greek State funds 330 m. "The project budget exceeds EUR 1.1 billion and the full description of the financial model is included in the Concession Agreement (C.A.)" (neaodos.gr/financing).

"Ionia Odos" is approximately 196 km; it connects Antirio to Ioannina and is linked with "Egnatia Odos" motorway in Northern Greece. This motorway is extremely important due to numerous social and developmental reasons. This motorway actually connects central and regional cities like Arta, Ioannina, and Agrinio. In addition, there is a connection between the port of Patra and Igoumenitsa. For Western Greece is a very good opportunity to develop in many areas like tourism for all seasons and promote the Greek archeological heritage (neaodos.gr/description). These facts are connected both with the rationale behind the Cohesion Policy and the plans of EU for the harmonious development of all EU regions.

There are many benefits of the new motorway. First of all, the maximum safety measures were implemented in order to eliminate the risk of any kind of accident. The travel times in Western Greece have been cut tremendously. In reference to the Cohesion Policy control mechanisms mentioned previously the "Nea Odos" company during the construction had the obligation to submit an environmental report to "certify compliance with the Approved Environmental Terms of the concession agreement" (neaodos.gr/benefits). Last but not least, the potential for the development and growth of employment opportunities is greatly increased. In the previous part we analyzed the importance of the investment in infrastructure for regional development. Especially for Western Greece which has a long tradition in the production of milk and dairy and agricultural products, this new infrastructure of "Ionia Odos" creates the ideal transportation conditions which lead to an increase and boost of local trade. Also, when the project was under construction and in the concession period employment in the region increased slightly. This was due to the increased demand for human recourses that was filled by local residents (neaodos.gr/description).

Conclusions

To summarize the European Union in the nearest future want to be stronger and more competitive globally. The fact that EU has realized the importance of the regional development is very beneficial. Therefore, the EU by establishing the European regional development fund (ERDF) and the Cohesion Fund Policy as well as by investing in infrastructure projects, actually invests in the slow long-term but strong increase in the well-being across the EU. Cohesion Funding Policy aids this goal by applying specific criteria to the less developing regions and by developing specific economic policies at governmental level for the harmonious implementation of the policy. The long-term result of the infrastructure projects and the state's involvement in the operational and funding processes creates the necessity of a reliable control mechanism. Thus, the control mechanism is updated each year with significant help from academic institutions. Finally, the case of "Ionia Odos" is a good example providing evidence for the need for more EU integration and its many benefits.

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