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European Union Values in the Cohesion Policy

Abstract

The European Union (EU) has been facing multiple crises recently, e.g. migratory crisis, structural crisis etc. Thus, the process of European integration is at a crossroads. In such turbulent times the questions of common values, standards and their place in the policies have arisen. In the paper, the main focus is put on the analysis of the place of EU values in the Cohesion Policy and impact of current socio-economic challenges on its future shape. The paper is of analytical character and it is based on secondary data, legislation and track of the integration process based on press-releases complemented by author's participation in the process of implementation of the policy in Poland (advisory role to the executive bodies, expertise etc.). Therefore, this article may be treated as a policy-debate paper.

Key words: Cohesion policy, European Union, EU values, socio-economic situation, regions.

Introduction

Values of the European Union are defined in the Article 2 of the Treaty on European Union and they comprise: respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the member states in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.

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The European Union defends its values and promotes peace and the wellbeing of its citizens. What is more, the responsibility to achieve these goals is shared with the Member States. The European Parliament underlines also that the European Union works for social equality, develops social security and seeks to prevent social exclusion and discrimination (European Parliament 2017a). The Parliament together with the Commission ensure that these values are present in the European and national law and are not being breached (European Parliament 2017b).

The Cohesion Policy of the European Union is one of the most important areas of development of the EU and aims to reduce existing disparities in the levels of development of the regions and the backwardness of the least favoured regions. Thus, it promotes economic, social and territorial cohesion in the EU (Article 174 of the Treaty of the Functioning of the European Union). Both the member states and the EU are obliged to conduct their economic policies in a way that leads the fulfillment of the aims of the Cohesion Policy. The policy, being one of the major expenditure parts of the EU budget (351.8 bn EUR for 2014–2020), expresses the value of solidarity among the member states who contribute to the budget and agree on such redistribution that leads to the achievement of the objectives of the policy that are aligned with the development priorities of the European Union. The policy is based on a set of principles reflecting the letter of the treaties that will be discussed in the paper. The issue of values in the Cohesion Policy is an under-researched topic, therefore the literature pertaining to it is not very abundant, especially in contrast to the literature on the policy itself or the values of the EU. Thus, the main research questions formulated in this paper are: which EU values are at the core of the Cohesion Policy? How are they ensured in the objectives and principles of the policy? Are there any breaches of values identified?

Then, the possible impact of current socio-economic challenges on the shape of the policy is briefly discussed. The structure of the paper follows the above-mentioned order of the research questions and after the introductory part follow the chapters on the objectives of the Cohesion Policy (1), its principles (2) and the socio-economic challenges that have an impact on the future of the policy (3). The paper ends with brief conclusions.

1. Objectives of the Cohesion Policy 2014–2020

The number of objectives of the Cohesion Policy has been changing since its big reform in the late 80^s of the 20th century. The objectives of the 2014–2020 Cohesion Policy were reduced to two and are the following:

- Investment for growth and jobs (objective 1);
- European territorial cooperation (objective 2).

In the years 2014–2020 both objectives are formulated in a more inclusive way in the sense that all EU regions at the level of NUTS 2 (subnational units classified under the Nomenclature of Territorial Units for Statistics, further NUTS) are eligible to obtain the aid granted from the budget in the form of EU structural funds (European Regional Development Fund – ERDF, European Social Fund – ESF) under the objective 1, and all NUTS 3 regions are eligible for aid under the objective 2. However, when we analyze the share of the aid allocated to the richest regions (which means that their GDP per capita is above 90% of the EU average for all EU regions) we see that this share accounts for ca. 16% of the Cohesion Policy budget (Table 1). Thus, the regions that are less developed and in transition phase are beneficiaries of the vast majority of the budget (Table 1) which is an expression of solidarity.

Table 1: Eligibility of NUTS 2 regions under the objective 1 of Cohesion Policy

Regions (NUTS 2)	Level of GDP per capita as % of EU average	Allocation in bn of EUR % of budget of cohesion policy ^a mln of population	Maximum level of co-financing from EU funds	Earmarking – share of funds for types of investment in the regions
Less developed	<75%	182.2 bn EUR 52.54% of the budget 119.2 mln population	75–85%	44% of ERDF allocation for competitiveness of enterprises and research and development 6% of ERDF allocation for renewable energy 25% of ESF allocation for human capital

Regions (NUTS 2)	Level of GDP per capita as % of EU average	Allocation in bn of EUR % of budget of cohesion policy ^a mln of population	Maximum level of co-financing from EU funds	Earmarking – share of funds for types of investment in the regions
Transition	75%–90%	35.4 bn EUR 10.24% of the budget 72.4 mln population	60%	60% of ERDF allocation for competitiveness of enterprises and research and development 20% of ERDF allocation for renewable energy 40% of ESF allocation for human capital
More developed	>90%	54.35 bn EUR 15.67% of the budget 307.1 mln population	50%	60% of ERDF allocation for competitiveness of enterprises and research and development 20% of ERDF allocation for renewable energy 52% of ESF allocation for human capital

^a Additional 1.55 bn EUR was allocated for peripheral/ outermost and sparsely populated areas. The allocation in 2013 prices.

Source: Adapted from Musialkowska, 2016, 76; L 347/320 of December 20th 2013 and DG REGIO website http://ec.europa.eu/regional_policy/en/funding/available-budget/ accessed on May 13th 2017.

According to the solidarity principle, also the poorest EU countries (whose level of GNI is below 90% of EU average) are eligible for additional funding from the Cohesion Fund that supports the creation of trans-European infrastructure and environment protection in the EU. The amount of 66.39 bn EUR was allocated for the years 2014–2020 under the Cohesion Fund.

The Cohesion Policy is one of the “tools” used in order to implement the “Europe 2020” strategy that focuses on smart, sustainable and inclusive growth. The thematic objectives allowing for alignment of the strategy and the policy were defined in the regulation No. 1303/2013 and these are the following (Article 9, L 347/320):

1. strengthening research, technological development and innovation;
2. enhancing access to, use and quality of Information and communication technologies (ICT);

3. enhancing the competitiveness of SMEs, of the agricultural sector and of the fishery and aquaculture sector¹;
4. supporting the shift towards a low-carbon economy in all sectors;
5. promoting climate change adaptation, risk prevention and management;
6. preserving and protecting the environment and promoting resource efficiency;
7. promoting sustainable transport and removing bottlenecks in key network infrastructures ;
8. promoting sustainable and quality employment and supporting labour mobility;
9. promoting social inclusion, combating poverty and any discrimination;
10. investing in education, training and vocational training for skills and lifelong learning;
11. enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

The priorities reflect the EU goal which is to promote wellbeing of the citizens and to combat social exclusion. According to the EU regulations on eligibility of the types of interventions and costs, some investments can be co-financed from ERDF, while others – from ESF (European Commission, Directorate-General for Regional and Urban Policy 2015).

The second objective of the Cohesion Policy - European territorial cooperation (ETC) – reflects both the priorities of the abovementioned strategy and underlines the role of partnership principle and international cooperation of the regions of the EU even more. By partnership principle and decentralized cooperation the democratization processes and actions might be strengthened, with regard to designing the regional development. The amount of 9.25 bn of EUR was allocated for ETC for the years 2014–2020 and is being spent via ERDF.

2. Principles of Cohesion Policy and Its Interventions versus the Values

The Cohesion Policy is based on the principles partly referred to in the previous chapters of the paper. These principles have been evolving since the very beginning of EU Cohesion Policy's introduction, but two of them are basic and overarching: the

¹ The regulation covers all EU funds, including the instruments that co-finance other EU policies, namely: the Common Agriculture Policy and the Common Fisheries policy.

principles of subsidiarity and proportionality. These principles stress that Member States and their regions play a major role in pursuing the regional policy while the EU's role is subsidiary.

Moreover, the following principles have to be addressed by all entities involved in the implementation of the policy (European Commission, Directorate-General for Regional and Urban Policy 2017):

1. Principle of concentration that can be subdivided into three types:
 - a. Concentration of resources – which means that the majority of the Cohesion Policy budget has to be spent in the less developed (and transition) regions and poorer countries which is a clear expression of solidarity. The principle has been followed in 2014–2020 (Table 1).
 - b. Concentration of efforts based on the priorities defined in the „Europe 2020” strategy. Four areas already enumerated in Chapter 1 are described as the crucial “growth priorities” that contribute to wellbeing, and they refer to research and innovation, access to ICT, enhancing the competitiveness of SMEs and supporting the shift towards a low-carbon economy. Other thematic objectives (5–11, see Chapter 1) contribute not only to broadly defined wellbeing but also underline the importance of social inclusion and equality, supported by good governance.
 - c. Concentration of spending – which means that total and annual funding of the operational programmes (which are main documents allowing for spending EU funds) should follow certain technical rules concerning spending of allocated amounts in a particular time period (e.g. n+2 rule). This type of concentration supports the concentration of efforts.
2. Principle of programming says that the Cohesion Policy supports complex multi-annual national programmes aligned with the EU objectives and priorities that, again, contribute to wellbeing. The acceptance of the programmes allows for the further implementation of individual projects that all together should bring the estimated results of a programme.
3. Principle of partnership assumes participation of the authorities of different/multi levels (national, regional and local) and the social partners in the whole cycle of the policy that reflect democracy in the decision-making process and should ensure that the needs of local societies and economy are fulfilled through proper priority-setting in the operational programmes, and that the choice of the best individual projects responding to the needs is guaranteed. In the years 2014–2020 the European code of conduct in partnership was adopted underlying the

importance of this principle (see also European Commission, Directorate-General for Regional and Urban Policy 2015).

4. Principle of additionality stresses that EU funds may not replace national spending by a member state and should lead to production of European value added.

Moreover, in the current multiannual financial framework 2014–2020, effectiveness, sound financial management and reduction of the administrative burden on beneficiaries have been added to the general principles of i.e. the Cohesion Policy (European Commission, Directorate-General for Regional and Urban Policy 2015, 15).

Principles of Intervention

When we are analysing the rules imposed on individual interventions that are embedded in the operational programmes we may observe the appearance of the following principles that obviously are linked to the principles of the Cohesion Policy (European Commission, Directorate-General for Regional and Urban Policy 2015, 15):

- a) complementarity and consistency;
- b) shared-management and coordination;
- c) principles of partnership, proportionality and subsidiarity that echo the policy rules;
- d) compliance with Union and the national law relating to its application that is a clear reference to the general value of the rule of law;
- e) equality between men and women;
- f) non-discrimination;
- g) sustainable development.

Non-compliance with the above-mentioned principles has a negative effect on the notification of the operational programme and the system of implementation and control of the programmes (principles 1–7) as well as the acceptance of a particular project (especially with regard to principles 4–7). Proper spending and use of EU funds under the Cohesion Policy requires education and capacity building at institutional level, especially in the light of reported breaches of the values, e.g. human rights' violation in the projects related to minorities or women discrimination in the projects aiming at job creation. European Ombudsman calls to implement projects that underline community-based living and also to create the register of abuses and

violations of the EU Charter of Fundamental Rights, including these detected in the area of the Cohesion Policy (Euractiv 2015).

3. Selected Socio-economic and Political Challenges for the Cohesion Policy and Its Values

Despite much criticism raised against the efficiency of the policy, the recent reports provide evidence on a quite positive impact of the Cohesion Policy on development of the member states, especially when the impact on macroeconomic data is concerned, e.g. impact on GDP, GDP *per capita*, the level of employment, productivity or corporate investment. The impact on changes of economic structure and competitiveness can be assessed as positive as well, due to the increase of productivity factor, investment in technology and improvement of business conditions. The biggest positive impact of interventions made in the years 2007–2013 has been noticed in Hungary, Latvia, Poland, Greece, Portugal and Spain, which also benefited from the Cohesion Fund (Monfort, Piculescu, Rillaers, Stryczynski et Varga 2017). Nevertheless, one of the crucial economic and social problems are the disparities in terms of income of citizens living in the urban agglomerations and big cities (Monfort et al. 2017; Eurostat 2017) and a relatively low level of innovativeness of many of the so-called peripheral regions (Eurostat 2017).

The second major challenge for the European Union is the wave of migrants incoming to its territories in the recent years. The immigration at unprecedented level – a result of refugee and migration crises (see more Pachocka 2016) – and it has challenged the inclusiveness of the European Union societies, labour market and the local/urban development with regard to creation of living conditions, planning of cities' regeneration and community-based living (Ziebarth 2016). These aspects are a big part of both the Europe 2020 strategy and the Cohesion Policy interventions implying possible shifts in the future policy post-2020 towards social cohesion put in the centre (Bachtler, Oliveira Martins, Wostner, Zuber 2017). The shifts in the policy may affect also the amount and direction of allocations of EU funds attributed to the Cohesion Policy. The biggest beneficiaries, for example Poland, may lose a part of funding not only because of the increase of wealth of some of the regions and jump to the category of transition/more developed regions (Eurostat 2017) but also because of the refusal to accept the migrants' quotas that is treated as a breach of solidarity principle or any confirmed breach of EU treaties or provisions of the

regulations. Once the country undermines the basic EU values then the question of keeping solidarity in other areas may also be raised e.g. with regard to budgetary redistributions.

The next challenge is purely of political character and refers to the changes of the political systems introduced in some of the member states (so far in Hungary) that result in re-centralization of the policy-making in the country and bigger control over the local self-governments and non-governmental organisations that are one of the major beneficiaries of the Cohesion Policy (Kalman 2014). Such changes may promote a further decrease of democratization embedded in the policy (see previous chapters), and may weaken partnership in both designing the shape of the policy and the implementation of the policy (which might be against the aforementioned European code of conduct in partnership) and bring problems with the implementation of the principles of equality, non-discrimination at the level of operational programmes and individual projects. These unexpected changes have led the European policy-makers to formulate a proposal of introducing additional conditionality in the post-2020 budget that makes the payments from EU budget dependent on adherence to the standards of the rule of law (Euractiv 2017) or temporal sanctions on the Member States that do not respect the EU values. Their proposed form varies from systemic infringement procedure through biting intergovernmentalism by bringing the states that breach the treaties to the court. They could potentially face a temporary suspension of membership or the “exit card”, peer-review by the Member States or outsourcing monitoring and enforcement to non-EU institutions such as the Council of Europe, if the discussed proposals are accepted at EU level (Kochenov 2017, 18–27).

Conclusions

The Cohesion Policy is one of the most prominent policies of the European Union which is reflected by budgetary spending underlying the solidarity of the member states that contribute to the budget and then agree, via the Council participation in the budgetary procedure, on its redistribution (amounts and allocation of funding). It is clearly based on the European Union values that are present in its objectives, the eligibility of regions allowed to use its financial instruments, the principles of the policy as well as individual interventions. The most important and overarching principles are solidarity, subsidiarity and proportionality, then concentration, programming, partnership, additionality and sound financial management of the

policy. At the level of interventions crucial are non-discrimination, equality (in general, protection of human rights) and sustainable development. The breaches of the former were detected by the European Ombudsman and the ombudsmen of the member states. The policy contributes to the wellbeing of the citizens and achieving social, economic and territorial cohesion, together with other policies pursued by the member states. Current challenges refer mainly to keeping solidarity among the member states of the European Union, promoting community-based living and achieving social cohesion, which seems extremely important in the light of migration, refugee and institutional crises in Europe. Besides, political shifts in the member states have affected the democratization processes which are, by and large, supported by the Cohesion Policy itself.

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Footnotes

- Additional 1.55 bn EUR was allocated for peripheral/ outermost and sparsely populated areas. The allocation in 2013 prices.