

COHESION POLICY AND GREEN ECONOMY

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Abstract :

The international literature reveal numerous debates on sustainability of EU Cohesion Policy, among this debates another issues is reveal the absorption capacity of member state. According to the objectives of Cohesion Policy the financial programmes will contribute to economical growth, absorption of best available technology, create an attractive business environment and jobs. More than 30% of the regional policy budget for 2007-2013, €105 billion will be invested in the "green economy". The paper synthesis the main aspects of cohesion policy and analyses the investment in green economy.

Key words: cohesion policy, green economy, recycling, waste treatment, renewable energy, EU

JEL Classification: H41, Q18

INTRODUCTION

The national and international literature already study the impact of cohesion policy to economic growth (Kalliores, 2005; Zaman 2010; Matei, 2010; Bradley 2006, Ciupagea; 2007) possible economic effects of structural funds analyzed on econometric models, reveal different scenarios, some studies report a positive impact, others a non-significant one or even a negative one.

The sustainability of the Structural and Cohesion was also subject to many study (Wilkinson, 1997; [Berger,2004](#); Etkins, 2008) An recent study (Ecorys, 2009), funding has been questioned by NGOs who claim that EU funds have subsidized an energy-intensive type of development and the danger is that the same pattern will be repeated in the New Member States in the 2007-2013 period. According to them, EU funds could play a positive role in the fight against climate change if systematically directed towards energy efficiency, renewable energy and low-emission transport, which, it is claimed, is not happening.

According to the study, only 1% of funds are allocated to energy efficiency and renewable energy, respectively in the draft Operational Programmes.

While most of the New Member States are not having problems with reaching their Kyoto target, investments in emission-intensive infrastructure may lock in the countries on unsustainable pathways and limit the potential to contribute to the large-scale emission reductions necessary post-2012.

Poland, which is highlighted as a case in point, in its own EU SDS reporting mentions the growth in emissions that is catalyzed, by the resources of the Cohesion Fund and Structural Funds of the EU.

CONTEXT

Damages to the environment have been growing in recent decades. Every year, some 2 billion tones of waste are produced in the Member States and this figure is rising by 10% annually, while CO₂ emissions from our homes and vehicles are increasing, as is our consumption of polluting energy. As the effects of global warming confirmed the international scientific consensus, the new sectors of the green economy accelerated their growth worldwide.

Technological innovation is needed to shift from fossil fuels to renewable energy, recycling and redesign industrial processes. One of the major tasks of the Union is to ensuring sustainable development, to maintaining a high level of environmental protection, furthermore environmental

protection requirements must be integrated into the definition and implementation of community policies.

The cohesion policy is currently the second largest issue in terms of budget, following the common agricultural policy, and has grown consistently over time. The overall ambitions of the regional policy is to increase cohesion and to "reduce disparities between the levels of development of various regions", enhancing economic development, increasing levels of employment, improving environment and eliminating inequalities. Cohesion policy in all its dimensions is regarded as an integral part of the Lisbon and Gothenburg. Furthermore, EU SDS promotes the integration of climate change and energy objectives in the cohesion and structural funding.

COHESION POLICY OBJECTIVES

Cohesion policy has 3 major objectives, as follows:

Convergence objective concerns, first of all, those regions whose GDP is less than 75% of the community. Within this objective it is envisaged the economic growth for the least-developed regions, through investments in the development of long term competitiveness, employment, sustainable development and also development of institutional capacity and public administration efficiency.

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

European territorial cooperation objective (financed with 5% of budget for structural funds and cohesion) - refers to: transnational cooperation; cross-border cooperation; interregional cooperation.

The programming budget is supported by structural instruments (European Regional Development Fund, European Social Fund and Cohesion Fund) and two complementary actions (European Fund for Agriculture and Rural Development and the European Fisheries Fund). 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. One of the major objectives of European Economic Recovery Plan together with Cohesion Policy targets investments that strengthen the EU long-term competitiveness is green technology and energy efficiency.

As a response to the economic crisis, the cohesion policy foresees that all EU Member States and regions would be able to get EU regional development funding for energy-efficiency and renewable energy investments in housing.

Cohesion policy can facilitate transition to a smarter and greener economy across Europe. By mobilizing territorial potential and complementing EU policies, cohesion policy can contribute to maximize the impact of other EU priorities.

FINANCIAL SUPPORT FOR "GREEN ECONOMY"

With a financial envelope of over €350 billion for the period 2007-2013, cohesion policy provides considerable support to public investment by the EU's Member States and regions. The €105 billion dedicated to green projects and jobs is almost three times greater than the sum allocated in the 2000-2006 budgetary period.

A large part of the envelope €54 billion is designed to comply with EU environmental legislation.

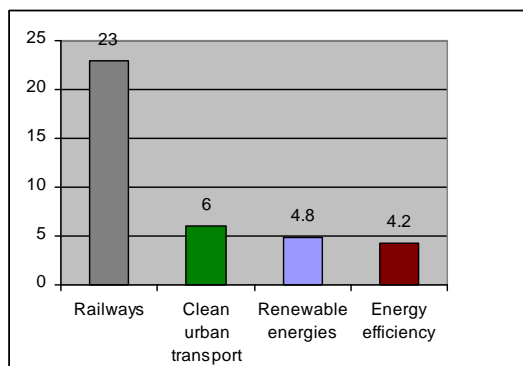


Figure no. 1. Investment for a low carbon economy, bln. Euros

Source: European Commission (2009)

Improvement of water and waste management alone accounts for €28 billion of the total. €48 billion of the funding has been earmarked for measures aimed at achieving EU climate objectives and creating a low carbon economy (fig.nr.1).

According to the EC, in a difficult financial year, the investments will be an important instrument in the long-run employment and revitalization of local economies and the enforcement of the EU commitment to fighting climatic changes. Through the EUR 48 billion bound for the achievement of objectives established by the EU in the limitation of the effects of climatic changes and promotion of a less polluting economy, the cohesion policy has a substantial contribution to the objective of reduction by 20% the emission of greenhouse gas until 2020, compared to the levels of 1990.

Romania and Bulgaria are investing the highest proportion of Cohesion Policy funds on environment-related projects, at 45% and 42% of their allocation respectively. These investments include environmental major projects, which also contribute to protecting and creating jobs in the EU. Environment allocations comprise these categories:

- Eco-innovation in small and medium enterprises
- Railways
- Promotion of clean urban transport
- Renewable energy
- Energy efficiency, co-generation, energy management
- Waste management
- Water management
- Promotion of biodiversity and nature protection
- Integrated projects for urban and rural regeneration
- Other

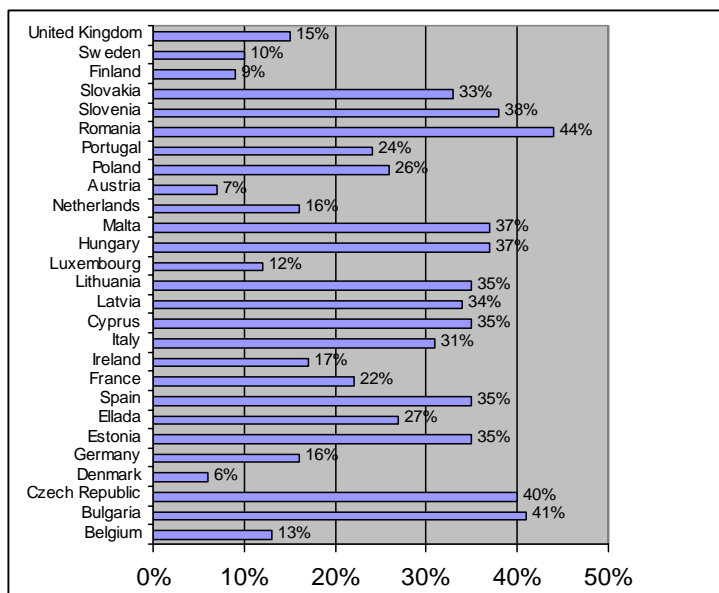


Figure no. 2. Investments in Environment Comparing to Their Total Indicative Budget Allocations for 2007-2013

Source: http://www.energy-cities.eu/IMG/doc/MS_investments_in_environment_green_economy_plan.doc

For Romania the higher investment are for water management: 2.776.532.160 Euros and railways: 1.718.455.590 Euros.

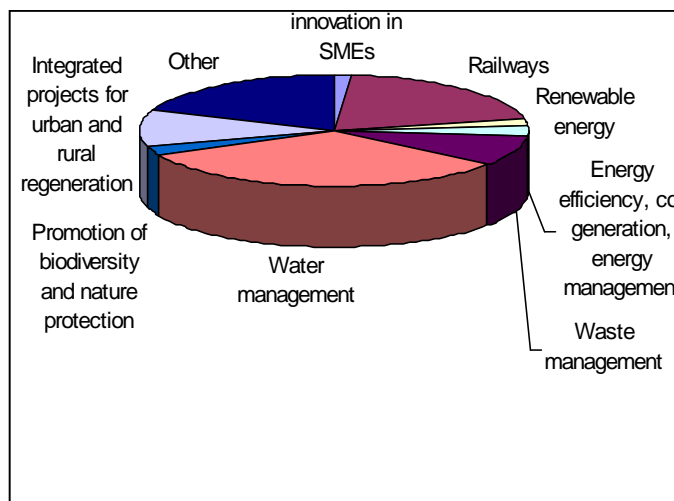


Figure no. 3. Cohesion policy investment in environment, Romania 2007-2013, in Euros

Source: European Commission (2009)

The Cohesion Policy is also helping to create new market openings for local economies by enabling them to seize the opportunities created by the need to tackle climate change as new potential sources of growth.

Nearly half of the Member States (Austria, Bulgaria, the Czech Republic, France, Germany, Hungary, Italy, Poland, Portugal, Romania, Slovakia, Slovenia and the UK) have integrated indicators for the reduction of greenhouse gas emissions into their Cohesion Policy programmes. France, for example, has developed a unique carbon evaluation tool to monitor CO2 emissions produced by all projects funded with EU support. Romania included integrated indicators of reducing greenhouse gas in national programs due to the European cohesion policy.

Promoting eco-innovation and new green jobs, especially in small and medium enterprises, ranks high in the priorities for support for the regions. The Cohesion Policy is contributing €3 billion to the promotion of environmentally-friendly products and production processes in SMEs.

One of the clear aims of funding for research and innovation is to boost overall investment in green technologies.

CONCLUSION

Cohesion policy has a key role to play in smoothing transition to a low-carbon economy and enhancing environmental quality. Through Cohesion Policy's objective to deliver sustainable growth, jobs and competitiveness is support green economy and the environment.

Even the cohesion policy offer opportunities for development of green economy, the success to achieves the cohesion policy objectives is represented by capacity to absorb funds in an effective manner. Unfortunately, for Romania Romania's capacity to absorb European Funds, has proved to be reduced, and the comparison with other Member States at a similar moment, draw a warning, regarding the modest place occupied by Romania, in comparison with other European countries. Thus, in the first year of accession, according to analysis made by the Romanian National Bank, the rate of absorption was only 21,7%, while other admitted countries in 2004, like the Czech Republic, Poland, Slovakia, Hungary, recorded a nearly double, around 42% in the year in question. One of the major issue identified by European Commission is incapacity to ensure co-financing for project.

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