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## Article

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**The use of Structural Funds and European Investments (ESI) in order to develop the Member States. Examples of good practice in the use of ESI funds**

**Gabriela Bologna<sup>1</sup>, Casian Butaci<sup>2</sup>**

**Abstract**

Multiannual financial framework of the European Union (EU) for the period 2014-2020 enables implementation of the new generation of EU spending programs since 1 January 2014. EU Member States provide, through the Structural Funds and European Investment Funds or ESI, financial resources to support them in order to develop continuously. This paper discusses disclosure of such funds and a number of issues that need to be known by potential beneficiaries in the Member States.

**Keywords:** beneficiary, funding program, expenditures, funds

**Introduction**

Regulation (EU) no. 1303/2013 establishes common rules applicable to the European Regional Development Fund (FEDR), European Social Fund (FSE), The Cohesion Fund (CF), European Agricultural Fund for Rural Development (FEADR) and the European Maritime Fund (FEPAM). These funds operating under a common framework, known as structural funds and European investment funds or ESI. It also defines the provisions necessary to ensure the effectiveness of ESI Funds and coordination among themselves and with other EU instruments.<sup>3</sup>

**ESI General Funds**

ESI Funds are managed jointly by the Commission and Member States in accordance with the subsidiarity principle. According to this principle, action at EU level is justified only if it proves to be more effective than action taken at national, regional or local level. To qualify for funding, they were introduced a number of eligibility criteria:<sup>4</sup>

- Time: there are limits on the period during which operations can be performed and expenses
- Scope: imposed restrictions on the types of activities that can be funded
- The categories of costs: certain categories of costs are excluded
- Geographical location: operations: only certain areas are eligible
- Durability of operations: investment must be maintained for a minimum period after the operation încherii

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<sup>3</sup> Guide for beneficiaries structural funds and European investment of EU instruments and annexes

- Types of beneficiaries: only certain businesses, organizations and economic actors are eligible for assistance

According to the guideline for the beneficiaries of structural funds and European investment instruments and related EU Member States should develop strategic plans that include investment priorities for the five funds ESI. These are called partnership agreements (AP). Details of the objectives they intend to achieve with the resources available are in the operational programs (PO) national and/or regional rural development programs (PDR) for the FEADR.

Operational programs are designed to meet the challenges of socio-economic and environmental country or region concerned. Member States must allocate funds to areas with the most pressing needs and do not have the opportunity to use all themes and funding models available under regulations.<sup>5</sup>

Managing national designated by each Member State are responsible for managing programs effectively. Along with the monitoring committees, which are responsible for:

- Develop and implement procedures for the selection and eligibility criteria
- Providing information to potential beneficiaries, such as minimum size of the project and financing plan period
- Ensuring enrollment projects within the scope of those funds
- Financial management and control programs

Applications must be submitted to national or regional management authority responsible for managing the program in question. Before you apply for a grant, the potential beneficiaries must verify the investment priorities, eligibility criteria and procedure for submission of applications within their region and country programs.<sup>6</sup>

## **The scope of the ESI funds<sup>7</sup>**

Negotiations between Member States and European Commission are crucial in the financing of the ESI funds. Priorities are set within national or regional multiannual programs. Basically, Member States may choose to focus on different activities in different EU regions; therefore, eligibility depends on the scope of the program in each region or country.

To reduce the development gap between countries, financing from the Cohesion Policy is targeted to the poorest regions and Member States.

## **European Regional Development Fund (FEDR)<sup>8</sup>**

FEDR aims to strengthen economic and social cohesion in the EU by correcting imbalances between its regions.

ERDF will contribute to all 11 thematic objectives. However, most of its resources will be directed to:

- C&D: EUR 39.9 billion;
- SMEs: EUR 32.8 billion;
- Economy with low carbon: EUR 30.1 billion;
- Transportation and Energy: EUR 25.6 billion;

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<sup>5</sup> <http://www.fonduri-structurale.ro/fondurile-esi-pe-scurt>

<sup>6</sup> <http://www.fonduri-structurale.ro/>

<sup>7</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/guides/synergy/synergies\\_beneficiaries\\_ro.pdf](http://ec.europa.eu/regional_policy/sources/docgener/guides/synergy/synergies_beneficiaries_ro.pdf)

<sup>8</sup> <http://fondurile-euro.ro/fedr/fedr.php>

FEDR will also support cross-border cooperation transnational and interregional cooperation within the European Territorial Cooperation objective.

## **Cohesion Fund (FC)**

The Cohesion Fund is intended for Member States whose national income (VNB) per capita is less than 90% of the EU average. It aims to reduce economic and social disparities and promote sustainable development.

The Cohesion Fund will support only four objectives 4, 5, 6 and 7. The funding structure envisaged is as follows:

- The transport infrastructure and energy: 33 billion;
- Environment: EUR 17.2 billion;
- Economy with low carbon: EUR 7 billion;

## **European Social Fund (FSE)<sup>9</sup>**

FSE is the main instrument through which Europe supports the creation of jobs, help people get better jobs and ensure more equitable job opportunities for all EU citizens.

FSE will focus on a limited number of priorities, to have a real impact in terms of solving the key challenges facing Member States, namely:

- Employment: 30 billion;
- Education: 26 billion;
- Social Inclusion: EUR 21.3 billion;
- Institutional capacity: EUR 3.6 billion;

Therefore, taking into account the special allocation for the initiative on employment among young people, amounting to EUR 3.2 billion, over 86 billion will be invested in Europe's population in the next seven years.

## **European Agricultural Fund for Rural Development (FEADR)<sup>10</sup>**

EU rural development policy supports the EU's rural areas to meet a wide range of challenges and opportunities they face in the twenty-first century: economic, social and environmental.

FEADR funding mechanism of the common agricultural policy (PAC) which has a budget of 95.57 billion euros. Rural development policy focuses on three objectives multidisciplinary, which aligns the Europe 2020 strategy and the overall objectives of the PAC:

- The competitiveness of agriculture;
- Sustainable management of natural resources and climate action;
- Balanced territorial development of rural areas.

In order to manage effectively the rural development policy through rural development programs (RDP), these three objectives are supported by six key priorities:

- Knowledge transfer and innovation in agriculture, forestry and rural areas;
- Increase the competitiveness of all types of agriculture and enhancing farm viability;
- Promoting food chain organization and risk management in agriculture;
- Restoring, preserving and enhancing ecosystems that are dependent on agriculture and forestry;
- Promoting resource efficiency and supporting the shift towards a low-carbon and climate resilient economy in agriculture, food and forestry sectors;

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<sup>9</sup> <http://www.fse-romania.ro/>

<sup>10</sup> [https://ec.europa.eu/agriculture/rural-development-2014-2020\\_ro](https://ec.europa.eu/agriculture/rural-development-2014-2020_ro)

- Promoting social inclusion, poverty reduction and economic development in rural areas.

## **European Fund for Fisheries and Maritime Affairs (FEPAM)<sup>11</sup>**

With a budget of EUR 5.7 billion, FEPAM stimulates sustainable fisheries and sustainable aquaculture. This will improve data collection and control and the implementation of regulations in fishery. The Fund will help create jobs and diversification in communities dependent on fisheries and promote the implementation of the Integrated Maritime Policy.

## **Financial management of funds ESI**

It is important to note that the ESI funds represent over one third of the EU budget, so that the management and control systems established by Member State authorities aim to prevent, identify and correct rules that are not respected - including fraud. These authorities will monitor fraud risks associated with ESI funds. The risk of damaging the reputation of a person associated with fraud and corruption is considered extremely seriously at all levels.

## **Examples of good practice in the use of ESI funds<sup>12</sup>**

Example 1. „ Fifteen Cornwall " restaurant in Cornwall, UK, owned by celebrity chef Jamie Oliver, has successfully used both FEDR and ESF funds to start its program for entrepreneurship and training for apprentices. The restaurant has used funding to provide disadvantaged young people aged between 16 and 24 years the chance to form as cooks in an apprenticeship program recognized nationally. Renowned restaurant was built, in turn, with financial support from the FEDR. Since 2006, Fifteen Cornwall program had over 140 apprentices enrolled, of which 70% are cook and present. The program also invests 1 million GBP annually into the local economy through a policy to use local resources in proportion of 70%. A decisive aspect is to create through this program to 80 jobs, in addition to the 86 already internship ends.

Example 2. A mix of innovative financing care for older people in rural areas of Germany. In the Land Mecklenburg Vorpommern, the local action group (LAG), a leader in the region, was asked to help obtain financing for the construction of a specialized treatment for people with dementia. The aim was to provide patients the chance to live with a mate in a safe and comforting area. A former textile factory was transformed into the seat of Malchow Island caring for people with dementia and the investments made through this project contributed to the preservation of this building with heritage rural value. The community approach was that of developing a project and Multidisciplinary combined three different sources of EU financing: FEADR, FSE and FEDR.

## **ESI Funds and Romania**

Romania receives in 2014-2020 a financial allocation of 30.84 billion EUR in funds ESI adding and national contribution of 5.63 billion euro, Romania has a total budget of EUR 36.47 billion for investment in various fields. ESI funds are allocated as follows:

- 10.73 billion EURO using FEDR
- 8.13 billion EURO using FEADR

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<sup>11</sup> [https://ec.europa.eu/fisheries/cfp/emff\\_ro](https://ec.europa.eu/fisheries/cfp/emff_ro)

<sup>12</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/guides/synergy/synergies\\_beneficiaries\\_ro.pdf](http://ec.europa.eu/regional_policy/sources/docgener/guides/synergy/synergies_beneficiaries_ro.pdf)

- 6.93 billion FEADR using FC
- 4.77 billion EUR using FSE
- 168 million EUR using FEAPM
- 106 million EUR using YEI

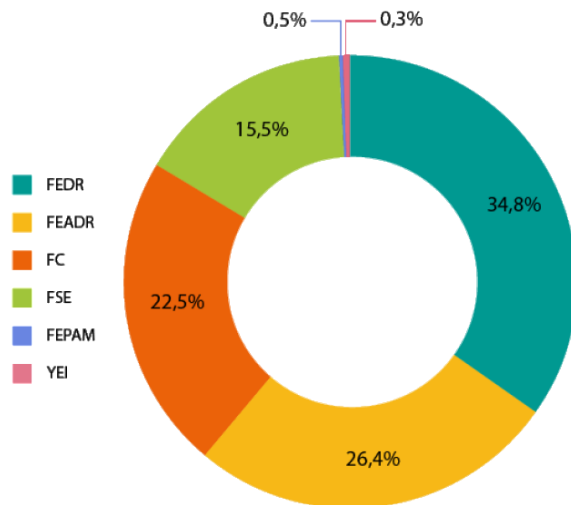


Fig. 1. The distribution of ESI funds in Romania

Source: <http://www.fonduri-structurale.ro/fondurile-esi-pe-scurt>

## Conclusion

Every ESI fund potential recipient must know that these funds are used to support financial instruments that contribute to the implementation of financially investment. Financial instruments are aiming to increase the leverage of EU investments by attracting additional resources from public and private investors. It is also important to realize that can be used, according to the legislation in force, several funds of funds category ESI, and this can be a real help for local economies. In fact, there are a number of projects that have successfully used various forms of investment and creativity in the various programs funded ESI.

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