

## AN ANALYSIS OF USING STRUCTURAL FUNDS AND THE COHESION FUND FOR THE YEARS 2004-2006

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### Abstract

*EU's structural policy is based on shared responsibility divided between member states on the one hand, and the European Commission on the other. While member states bear responsibility for managing structural funds on the national and regional level, the European Commission takes an ultimate responsibility for executing the budget and managing funds in the right way.*

*Structural funds and Cohesion Fund constitute a particularly significant instrument of the European Union's economic policy. The goal of economic and social cohesion of the member states is to be attained in a series of activities aimed at accelerating the process of diminishing discrepancies between individual regions of the Community.*

*The key issue for the Polish economy in the period of 2004-2006 is continuing the development of such elements of transport infrastructure which lead to an increased competitiveness of the economy. Modernized transport infrastructure will contribute to an increased competitiveness of goods and services, of entire sectors, regions, as well as of the whole economy through growth in investment activities, in excessively crowded areas, via broader access to and penetration of new markets, thanks to facilitating co-operation in production, especially in high-tech sectors, improving logistic systems and enhancing quality of goods and services.*

*Financing activities with money from structural funds is becoming more and more popular. Motor Transport Institute is active in applications. Experience gained while planning, managing and monitoring works co-financed by the EU budget has a real-life, measurable value. If we think how to improve competitiveness of our unit, then the very investment in modernity and personnel seems to be an action allowing to look optimistically into the future. The ability of effectively using structural funds should guarantee long-term, high level functioning of the unit.*

**Keywords:** transport, structural funds, Cohesion Fund,

### 1. Introduction

In today's world factors decisive in estimating the level of economy are modernity, innovation, and the extent to which advanced technologies are implemented. Faced with such challenges member states of the European Union chose as their priority or strategic goal increased level of innovation.

Structural funds and Cohesion Fund constitute a particularly significant instrument of the European Union's economic policy. The goal of economic and social cohesion of the member states is to be attained in a series of activities aimed at accelerating the process of diminishing discrepancies between individual regions of the Community. One of the methods enabling the achievement of EU's structural policy goals is direct financial assistance aimed at restructuring and modernizing economic mechanisms of underdeveloped regions.

Obtaining structural funds constitutes a new challenge for enterprises, SMEs included, scientific and research institutions, and other establishments striving to further develop their activities.

### 2. Structural funds and the cohesion funds

Structural Funds and Cohesion Fund are constitute fundamental instruments of the EU Structural Policy.

Structural policy is being implemented jointly by the European Union and those governments of member states which participate in financing of the policy. Allocation of resources under structural funds among member states is based on three Goals, i.e.:

- goal 1 has territorial character and is aimed at supporting developmental and structural adjustments of underdeveloped and sparsely populated regions - in the years 2000-2006 such regions were allocated 69.7% of the global resources available under structural funds (127.5 billion euros),
- goal 2 has territorial character and is aimed at supporting, as well as economic and social adjusting of regions facing structural problems and undergoing changes - in the years 2000-2006 such regions were allocated 11.5% of the global amount under all structural funds (19.7 billion euros),
- goal 3 has horizontal character and is aimed at providing assistance for adaptation and modernization of the education policy systems, vocational training and employment. in the years 2000-2006 it has received 12.3% of the total amount available under structural funds (24 billion euros).

### **3. Allocation of structural funds and structural assistance for Poland**

As a result of negotiations a general pool of funds was agreed on. Such funds shall be spent on financing Poland's obligations under structural funds and under the Cohesion Fund. In the period from 2004 until 2006 Poland will receive 7.635,3 mln euros in funds to cover obligations under structural funds and 3.733,3 mln euros in funds to cover obligations under the Cohesion Fund. An estimated share of EU funds spent on achieving structural policy goals in Poland (amounting to 11368.6 mln euros) divided into individual funds for the period 2004-2006 will be as follows:

Structural funds - total: 67.2% (7635.3 mln euros) including:

- The European Regional Development Fund - 60.9% (4652.8 mln Euros),
- The European Social Fund - 22.9% (1748.9 mln euros),
- The Cohesion Fund - 32.8% (3733.3 mln euros).

Within Sectoral Operational Programmes (SOP) the resources under structural funds (amounting to 7320.7 mln euros) were allocated as follows:

1. SOP Increasing competitiveness of the economy - 17.8% of the total amount of funds (1300 mln euros),
2. SOP Human resources - 17.3% of the total amount of funds (1270.4 mln euros),
3. SOP Transport - 8.6% of the total amount of funds (627.2 mln euros),
4. The Integrated Regional Operational Programme - 39.2% of the total amount of funds (2869.5 mln euros),
- other: - 1253.6 mln euros constituting 17.1% of the total amount of funds.

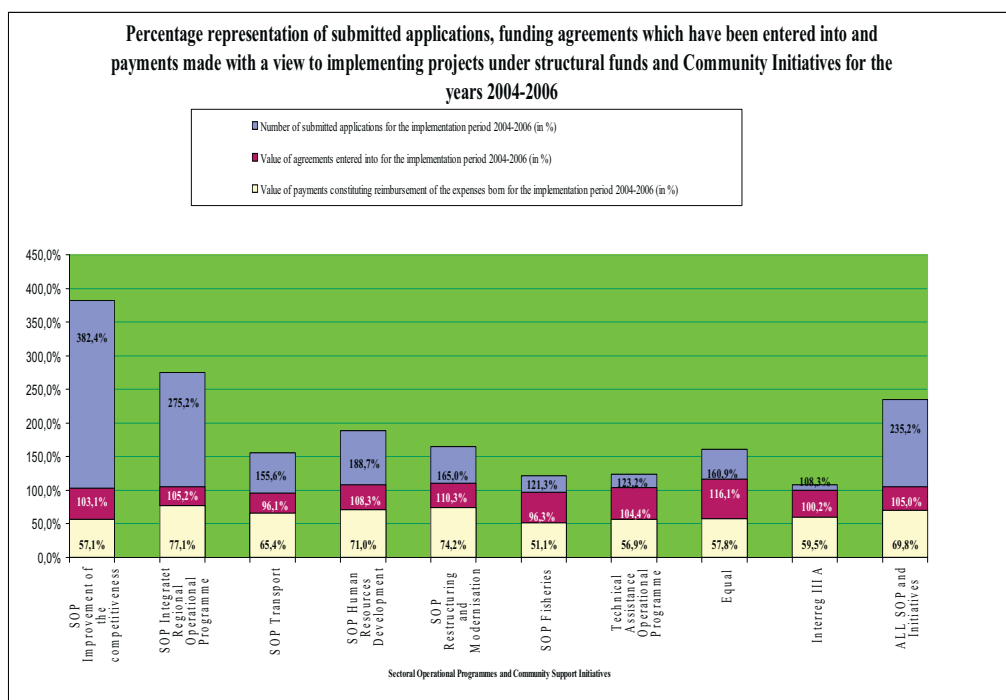
### **4. Stage of using resources obtained under structural funds and under community initiatives in Poland in the years 2004-2006 - comparative analysis**

The last quarter of 2007 clearly saw intensified activities undertaken by beneficiaries trying to complete their projects, and hence an increase in cash flows carried out by the institution in charge of structural funds which constituted reimbursement of the expenses born. By the end of 2007 beneficiaries received funds constituting 69.8% of the allocation foreseen for Poland for the years

2004-2006 under all operational programmes and of two Community Initiatives. The European Commission transferred, in indirect payments, an amount constituting 52.2% of the allocations.

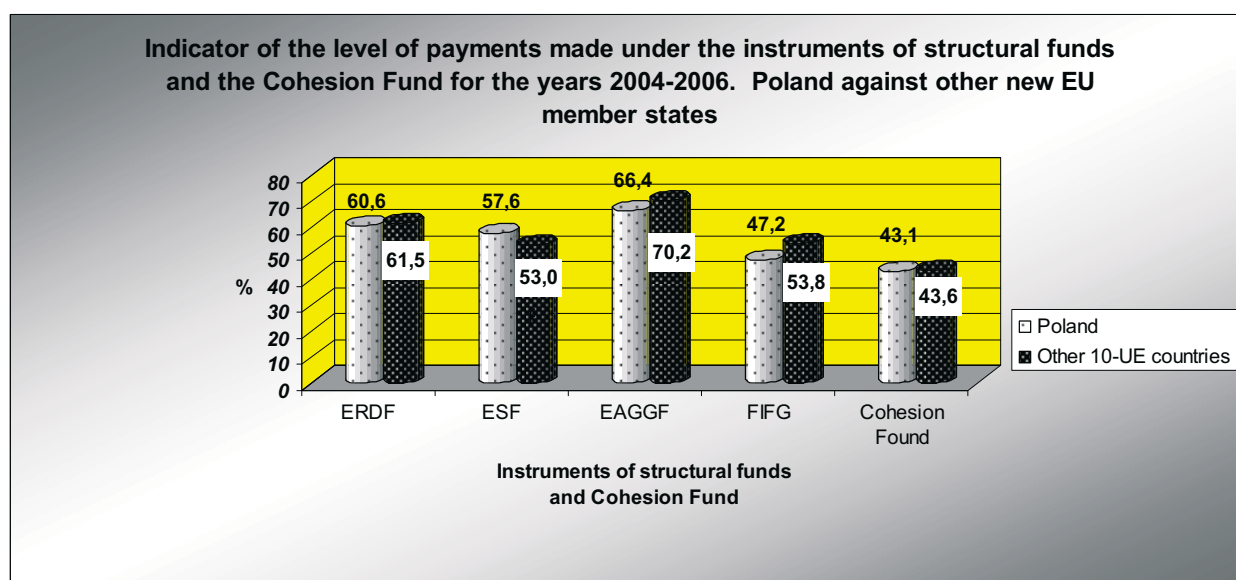
Chart 1 shows a percentage representation of submitted applications, funding agreements which have been entered into and payments made with a view to implementing projects under structural funds and Community Initiatives for the years 2004-2006.

Chart 1



The stage of using individual funds, which constitute fundamental instruments of UE structural assistance for the 10 new member states, is differentiated and results from the complex nature of the financed projects. Chart 2 shows the level of payments as of the end of October 2007 under the above-mentioned instruments as well as a comparative analysis against other new EU member states.

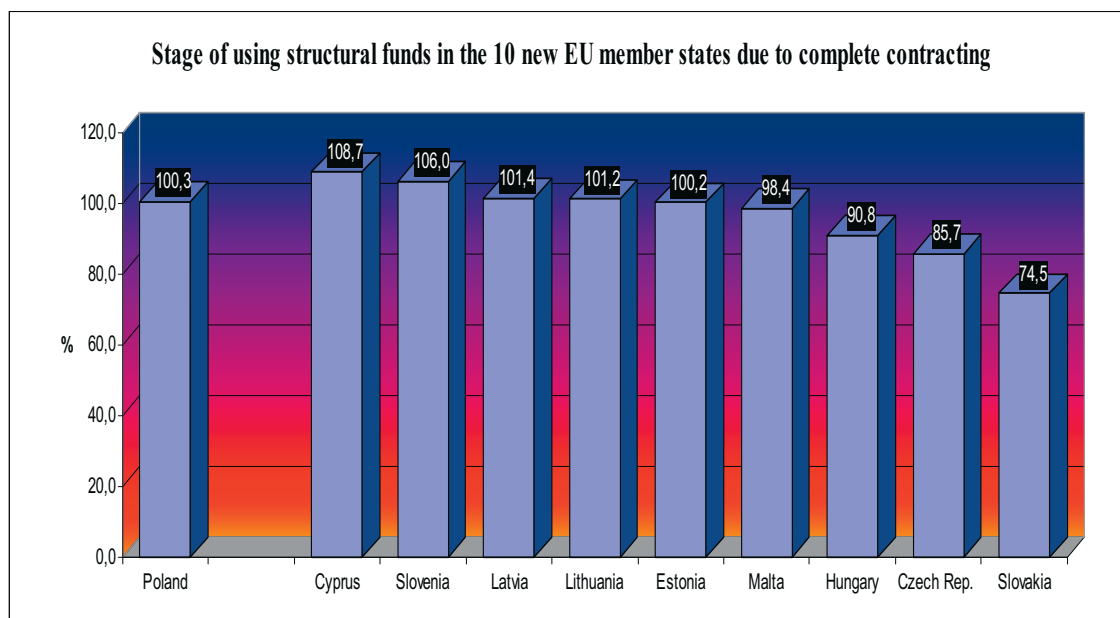
Chart 2



The use of European funds by Poland as of the end of 2007 ranks Poland in the middle of the list including 10 states which accessed the EU on 1 May 2004.

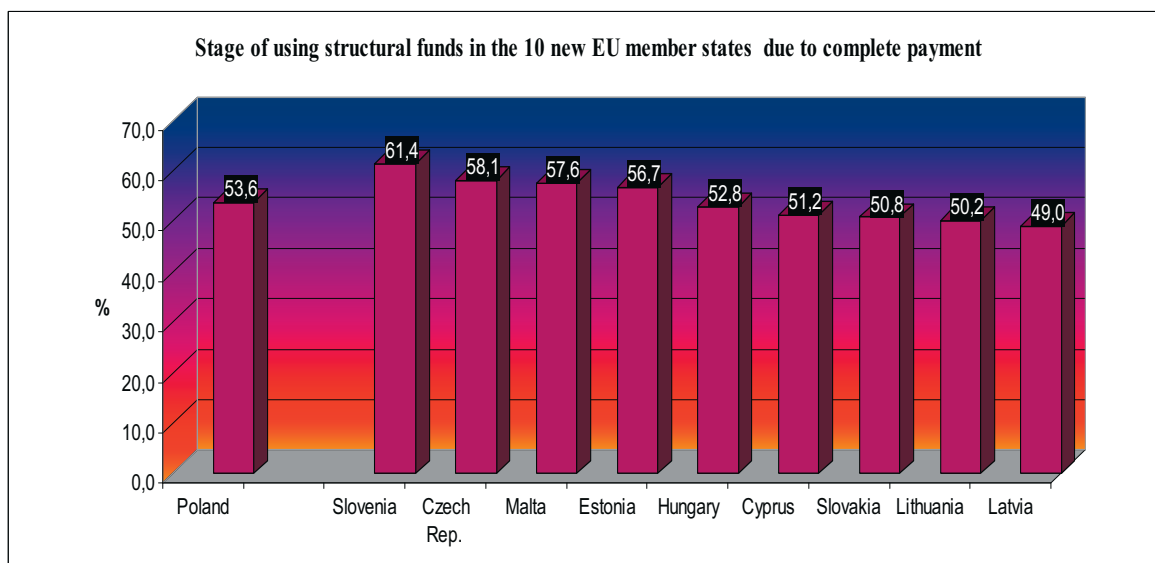
When it comes to the current stage and number of contracts entered into with a view to implementing projects financed under structural funds, Poland is placed 8<sup>th</sup> - as of the end of October 2007 (Chart 3).

Chart 3



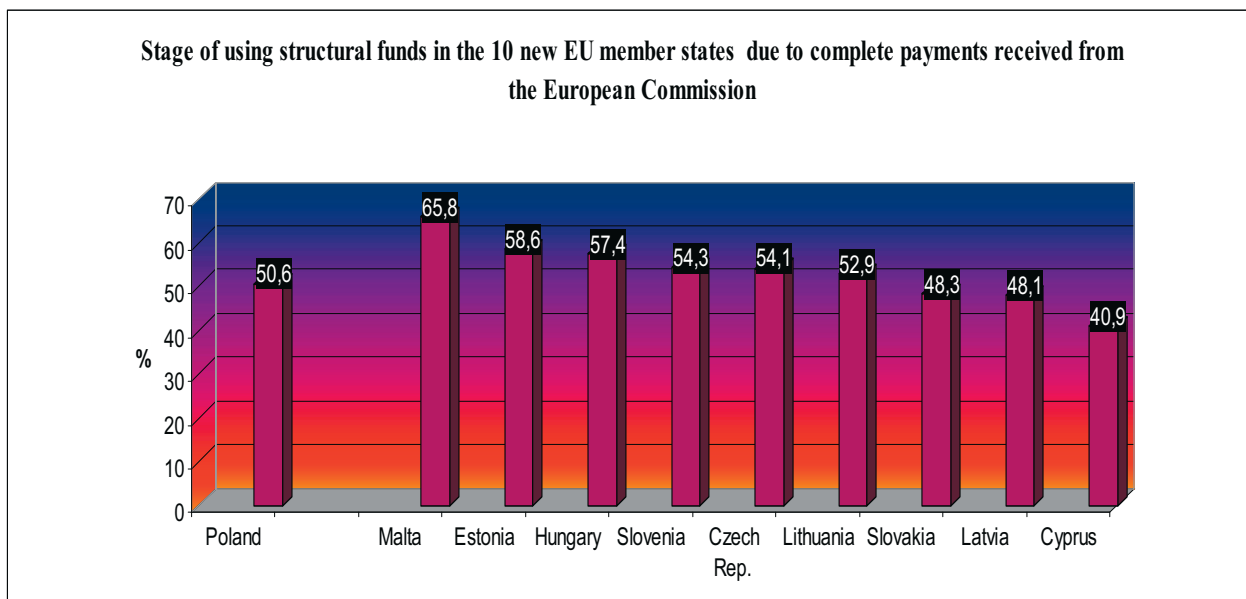
With reference to payments made by institutions responsible for transferring funds with a view to implementing projects financed under structural funds, Poland ranks 5<sup>th</sup> - as of the end of October 2007(Chart 4).

Chart 4



With reference to payments made by the European Commission for the benefit of institutions responsible for transferring funds to domestic beneficiaries with a view to implementing projects financed under structural funds, Poland ranks 5<sup>th</sup> - as of the end of October 2007. (Chart 5).

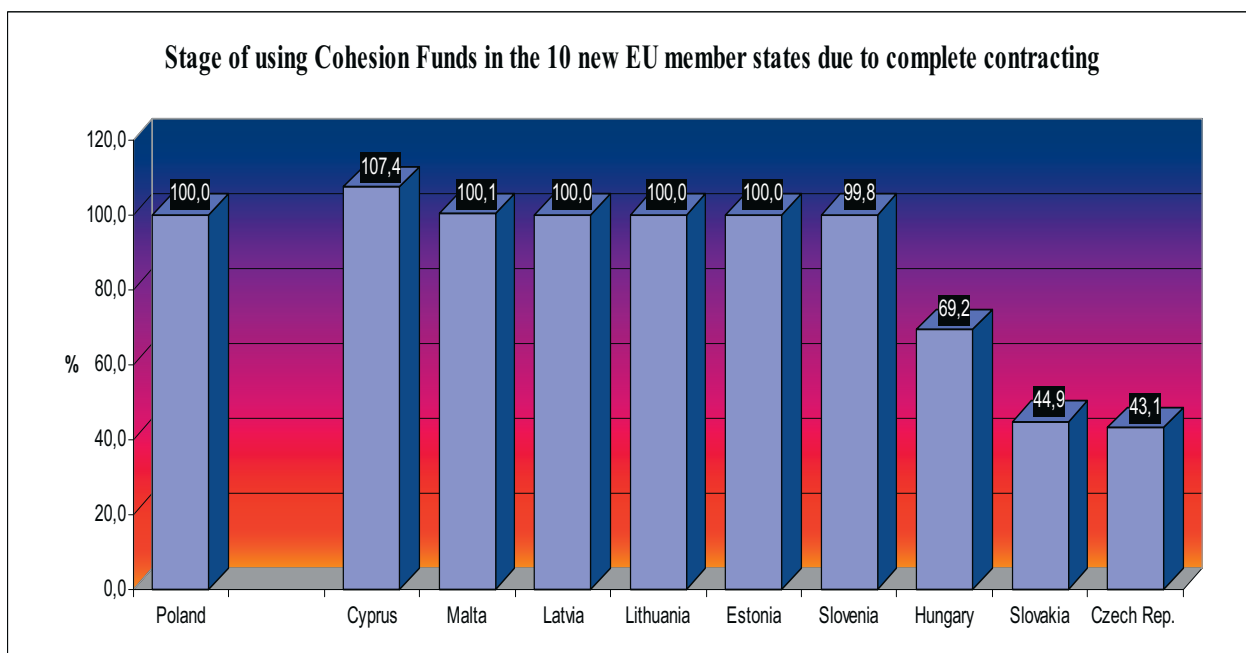
Chart 5



The Cohesion Fund was established with a view to bridging gaps in the economic and social development of the EU countries and regions. The Fund aims at strengthening economic and social cohesion among EU member states, and by doing so, at increasing productivity and competitiveness of the economy. The Cohesion Fund co-finances expenses on infrastructure in the area of transport and environment protection.

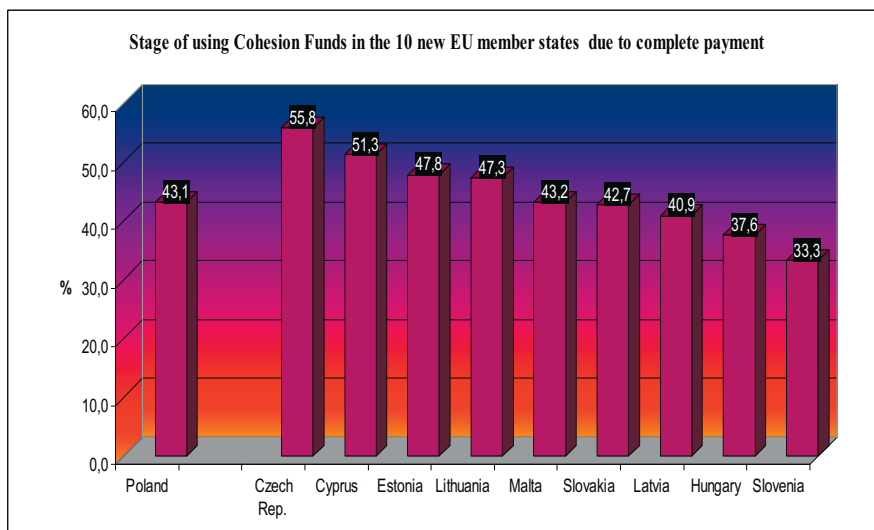
As regards the stage and number of contracts entered into with a view to implementing projects financed under the Cohesion Fund, Poland ranks 3<sup>rd</sup> - as of the end of October 2007. (Chart 6).

Chart 6



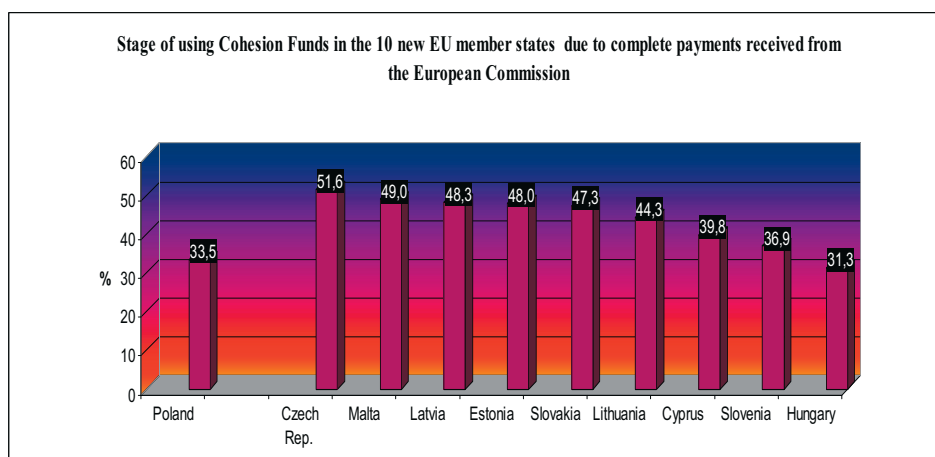
With reference to the stage of payments made by institutions responsible for transferring funds with a view to implementing projects financed under the Cohesion Fund, Poland occupies the 6th position - as of the end of October 2007 (Chart 7).

Chart 7



As regards payments made by the European Commission for the benefit of institutions responsible for transferring funds to domestic beneficiaries with a view to implementing projects financed under the Cohesion Fund, Poland ranks 9<sup>th</sup> - as of the end of October 2007. (Chart 8).

Chart 8



## 5. Sectoral operational programme (sop transport)

The key issue for the Polish economy in the period of 2004-2006 is continuing the development of such elements of transport infrastructure which lead to an increased competitiveness of the economy. Modernized transport infrastructure will contribute to an increased competitiveness of goods and services, of entire sectors, regions, as well as of the whole economy through growth in investment activities, in excessively crowded areas, via broader access to and penetration of new markets, thanks to facilitating co-operation in production, especially in high-tech sectors, improving logistic systems and enhancing quality of goods and services.

The general aim of SOP Transport is increasing cohesiveness of the domestic transport and improving spatial access to the cities, areas and regions in Poland as part of the European Union.

### Priorities and activities under SOP Transport

In order to achieve the goal of SOP Transport one needs to: „increase domestic transport cohesiveness and improve spatial access to the cities, areas and regions in Poland as part of the European Union”. This shall take place via concentrating funds in three priority areas, including:

Priority 1. Sustainable development of different branches of transport

- modernization of railway lines connecting conurbations and those within conurbations as well as providing modern rolling stock to the carriers,
- improvement of access infrastructure to fundamental sea ports,
- development of inter-mode systems infrastructure.

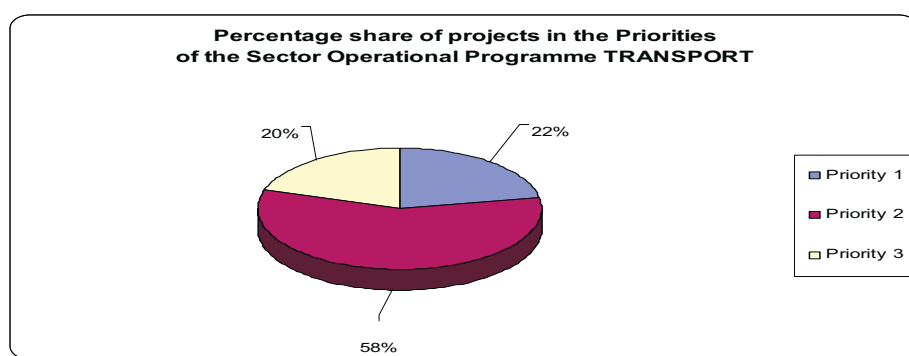
Priority 2. Safer road infrastructure

- constructing and restructuring domestic roads,
- facilitating drives through the city (constructing city ring roads),
- implementing and monitoring measures aimed at increasing safety (eliminating dangerous zones, putting up proper signs and providing proper information).

Priority 3. Technical support

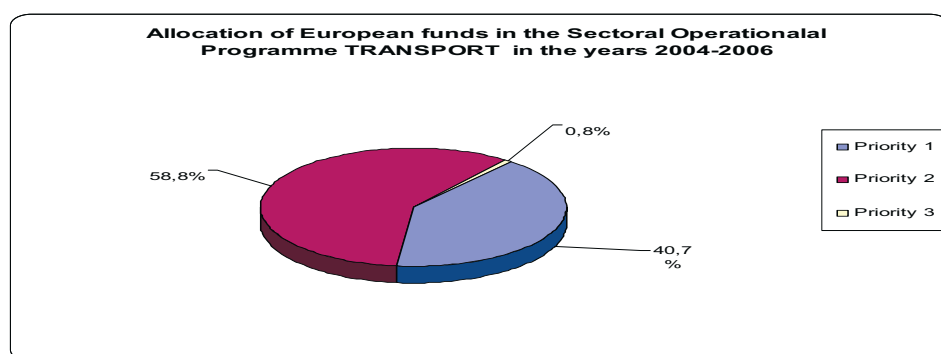
In accordance with programme guidelines the funds under SOP Transport were allocated, in percentage terms, based on three Priorities. Chart 9 depicts percentage share of projects in SOP Transport priorities.

Chart 9



Money allocated for the implementation of SOP TRANSPORT, transferred to Poland by the European Commission, amounting to 1 163.4 mln euros. The way of allocating European funds to the Sectoral Operational Programme TRANSPORT in the years 2004-2006 is illustrated on Chart 10.

Chart 10



As of the end of November 2007, 111 agreements on subsidizing projects were entered into as part of the implementation of all Priorities under SOP Transport. The majority of the agreements entered into accounts for 88.56% of the allocation made available for the years 2004 - 2006.<sup>2/</sup> One needs to stressed that the amount of subsidies will be increased after all projects have been considered, i.e. those which were waiting for entering into a funding agreement till the end of 2007.



Table 1. Stage of implementation of projects under SOP Transport as of the end of November 2007

	Priority I	Priority II	Priority III	SPO Transport total
Number of implemented projects	23	61	27	111
use of allocation in %	80.39%	94.20%	91.62%	88.56%
extent of expenses incurred /eligible/	62.66%	75.4%	74.84%	69.61%
Implementation of projects in relation to the amount of allocation	43.75%	56.42%	21.02%	46.50%

As of the end of December 2007 the value of funding agreements which were entered into under individual Priorities, further increased compared to the value recorded in November 2007 and amounted to 96.09% of the allocated funds. The table below juxtaposes the values of agreements and the extent of the allocation of funds provided for the implementation of SOP Transport.

Table 2. Juxtaposition of the value of agreements and extent of allocation

Priority	November 2007	December 2007
	allocation in %	
Priority 1	80.39%	98.59%
Priority 2	94.20%	94.56%
Priority 3	75.38%	79.27%
Total	88.56%	96.09%

As regards SOP Transport, 49 projects the total amount of which constitutes 13% of the value of allocation were completed until December 2007. Among these, 28 have been completely settled from the financial point of view. Currently 60 projects are underway, whereas 6, as mentioned before, are still waiting for signing of a funding agreement. Under Timetable for Implementation all approved projects will be completed in 2008.

Motor Transport Institute actively participates in the works aimed at obtaining European funds allowing for the implementation of projects co-financed under structural funds. To this date six applications have been submitted under two Sectoral Operational Programmes. These Programmes empowered ITS in its capacity as a beneficiary, to apply for co-financing of scientific and implementation programmes: SOP Development of Human Resources and SOP Increased Competitiveness of Enterprises.

## 6. Conclusion

Poland's membership of the EU results in the necessity of meeting high demands by research centres and, at the same time, it constitutes a chance of not merely acquiring a bigger share in the European research market but also creates a possibility of bridging gaps in financial and organizational potential which the majority of Polish scientific and research units have when compared to their European counterparts and competitors. High organizational, technical and financial expectations faced by Polish research centres result in the necessity of involvement in the coming years of considerable intellectual and financial potential. The role of scientific and research units operating on such market is not only submitted to the influence of competitive



factors but also to making use of co-operative opportunities allowing to enhance the level of the conducted research as well as the effect of the implemented innovations.

Motor Transport Institute is active in submitting applications, which proves that dealing with complex organizational, technical and financial issues does not constitute an obstacle when it comes to obtaining funds for research and development activities. Experience gained while planning, managing, making financial settlements and monitoring works co-financed by the EU budget has a real-life, measurable value. Selection of subsequent research projects, preparation of applications or drafting necessary attachments will be based on practical knowledge of issues and expectations of the Commissions responsible for awarding funds. If we think how to improve competitiveness of our unit, then the very investment in modernity and personnel seems to be an action allowing to look optimistically into the future. The ability of effectively using structural funds should guarantee long-term, high level functioning of the unit.

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