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Regional Policy of the European Union Versus Sustainable Development

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Abstract

The authors begin with the statement that Western Europe, as in the USA, commenced activities aimed at overcoming financial and economic crisis with the bailing out of financial and banking institutions while neglecting stimulation of real economic policy. Nonetheless, the strategic plan of the European Union called 'Europe 2020' points out that ensuring lasting economic growth and social development are prerequisite. In the subsequent parts of the article the authors present an evaluation of the importance of regional policy for economic stimulation of the EU. To this end the authors analyze the EU budgetary expenditures on cohesion policy and the impact those expenditures make on sustainable development; they also present some methods of transforming the European economy into a low emission (green) model.

Introduction

The economic and financial crisis which erupted in 2007–2008 in the USA and quickly spread over Western Europe exerted a negative impact on the growth of GDP, both throughout the EU as a whole, as well as in its member states. We will refrain from the discussion of the reasons for the crisis, pointing merely to the summary of the criticism of the market model of an economy subjected to capitalism derived from Paul H. Dembinski's thesis on financiation (financialisation) of contemporary capitalism, i.e. domination of the financial sphere over the real economy world (Dembinski 2011). The countermeasures taken in 2008–2010 were primarily focused on bailing out financial and banking institutions, particularly within the euro zone. A group of countries, viz. Greece, Spain, Italy, Ireland, and Portugal were obliged to take a series of steps to enforce budgetary savings, protecting other countries — Greece in particular — against bankruptcy. Following the June EU summit of 2012 a decision was taken to relax the condition for countries applying for the European Financial Stability Facility. Some measures were also taken to elaborate a strategic framework of support for the real economy in the EU so that it became more competitive, in particular within the area of technological progress and work efficiency, and more immune to future financial downturns.

Having scrutinized the decisions of consecutive European summits it might be ascertained that the measures aimed at bailing out the financial sector have much higher priority than those targeting stimulation of the real economy. Consequently, the adopted savings packages slow economic growth, which is particularly detrimental to small and medium companies as they have less access to credit facilities and lesser opportunity to engage in investment projects of high innovative and scientific potential. Nonetheless, the premises of the EU strategic program *Europe 2020* indicate the necessity of long term development within three areas, viz. intelligent economic growth, sustained economic growth and socially friendly economic growth. In addition it is worth mentioning the issue of preparation of the EU budget for 2014–2020. All the above mentioned elements of stimulating the EU economy and those of its member states are inseparably connected with the

EU cohesion policy, the crucial role of regional development, and sustainable and sustained social and economic development. It is worth mentioning that in the Polish language the term Sustainable Development has been rather translated in the government documents as "well-balanced development." However, some economists maintain that "lasting or sustained development" (see more in Górka 2010) is a more appropriate term. That is why we agreed to use the term "sustainable and sustained growth" throughout this article.

This paper is aimed at the evaluation of the significance of current regional policy for stimulating the EU economy and its connection with shaping sustainable and sustained development as a prerequisite for providing a green or low emission economy. That issue is related to current work on the EU budget (i.e., the financial perspective for 2014–2020) following the strategic premises of the *Europe 2020* plan in terms of priorities and relevant programs targeting various types of investment. On the one hand, the adopted documents prove engagement in the implementation of the designated targets through regional development and pro-ecological investment projects. On the other hand, the savings enforced in individual member states limit the scope and potential for fostering green economic development. That problem also pertains to Poland even though it is well known that the government should eliminate the budgetary deficit and radically drive down public debt in the next few years to come.

1 The EU regional policy

Regional policy is aimed at boosting competitiveness of the EU regions. Its roots are related to Great Britain which conditioned its accession on the means with which it would be provided (Wajda-Lichy 2007). Great Britain is not as much an agricultural country as France which would mean it would contribute to the common budget more than it would receive (at that time 3/4 of the budget were earmarked for the implementation of agricultural policy). Hence the regional policy was launched to give support to various regions of Great Britain. It was officially sanctioned in 1975 through the establishment of the European Regional Development Fund, and then the introduction of a wider regional policy, including the cohesion policy, in the European Uniform Act (enforced on 1 July 1987). Since that time the role of cohesion policy has been continually growing, which finds proof in the volume of earmarked resources in the successive financial perspectives (tab. 1)[1]. The six most affluent European states tried to enforce a reduction of the EU budget, hence also the resources earmarked for the implementation of regional policy, before the acceptance of the 2007–2013 perspective. Jose Manuel Barroso, the president of the European Commission was against such a proposal. He supported his standpoint raising the issue of the extension of the EU by new member states, and the resultant expenditures necessary to level off the disparities in economic development.

To give an example, Poland earmarked the 67 billion EUR it was allocated on the basis of the 2007–2013 perspective for the purposes of cohesion policy implementation as follows:[2]

- 25 b. EUR to transport infrastructure
- 17.8 b. EUR to environmental protection
- 14 b. EUR innovations
- 3.6 b. EUR corporate support
- 3.2 b. EUR power efficiency

Looking at the above, it is worth noting almost 22.4 b. EUR were earmarked for environmental protection and the limitation of pollution caused by economic activity by increasing energy efficiency.

Regional policy has been identified with investment policy by the European Commission poised to support job generation, competitiveness, economic growth, improvement of the quality of life as

1. [In the journal (in both Polish and English texts) European practice of number notation is followed that is, 36 333,33 (European style) = 36 333.33 (Canadian style) = 36,333.33 (US and British style). Furthermore in the International System of Units (SI units), fixed spaces rather than commas are used to mark off groups of three digits, both to the left and to the right of the decimal point.]

2. See *European Cohesion Policy in Poland.* [@:] http://ec.europa.eu/regional_policy/sources/docgener/informat/country2009/pl_en.pdf (accessed 2012.10.03).

Tab. 1. The funds earmarked for the implementation of the cohesion policy in the successive EU budgets in billions of euros

Financial perspective	Cohesion policy	Growth rate in % (current prices)
1994–1999 (Delors package)	208,0	“
2000–2006 (Agenda 2000)	213,0	2,4
2007–2013	348,4	63,6
2014–2012 (proposed)	376,0	7,9

Source: Authors’ own on the basis of *Financial Framework 2007-2013*, [@:] http://ec.europa.eu/budget/figures/fin_fwk0713/fwk0713_en.cfm
Note: Number notation in European style (see footnote 1 on page 8)

well as sustainable and sustained development.[3] In its proposals for financing cohesion policy, the European Commission highlights the necessity to invest in the following areas:
- energy efficiency and renewable energy sources
- support to small and medium companies
- inter-regional co-operation
- transportation
- research, innovativeness and training

At the same time, correlation of the adopted investment directions with the objectives listed in the *Europe 2020* document is advocated. It is particularly significant to develop regional policy with the application of programs supporting (i.e., sustainable and sustained social and economic development). This can be attained with the use of:
- transformation to a low emission economy
- promotion of ecosystems
- support to eco-innovativeness
- application of public tenders to stimulate a ‘green’ economy
- promotion of projects aimed at attaining full the useful life of products (“Regional Policy…” 2011)

In light of *Europe 2020*, the development of sustainable and sustained growth is poised to propagate an economy that would be more competitive, greener and more efficient in terms of the use of resources (“Europe 2020. A Strategy…” 2010, 14–15). This stands for the growth of the so-called pro-ecology or green technologies identified as more efficient in terms of the use of natural resources, fighting climate change by lowering emissions, and employment of the potential of technologies aimed at improving coal burning technologies and the development of power generation from renewable resources.

The EU allocated almost 105 b. EUR to the implementation of the regional policy including sustainable growth objectives within the 2002–2013 period. This budget included financing adaptation to the conditions resulting from climate change, eco-innovation in small and medium companies, sustainable transportation (energy-efficient, low emission and convenient), as well as modernization of energy generation (Michałowski 2007).

2 Sustainable and sustained growth in the European Union

EUROSTAT releases a report presenting developments in the implementation of sustainable and sustained economic and social growth based on 11 key indicators every second year (tab. 2). The report published in 2011 shows that some regions noted a decrease in the number of people threatened with poverty or social exclusion as well as lower emission of greenhouse gases while increasing the use of renewable resources for energy generation. No notable improvements were noted in other regions, in areas such as saving natural resources, employment of elder citizens, or combating the relationship between energy consumption by transport and economic growth. Consequently, the authors stress the fact that it is premature to state that the European Union has embarked on the path to “sustainable and sustained growth” (Bolla, Lock, and Popova 2011).

3. *EU Regional policy.* [@:] http://ec.europa.eu/regional_policy/what/index_en.cfm (accessed 2012.10.03).

Tab. 2. The issues of Sustainable and Sustained Development Strategy and the Corresponding Indicators

Strategic issues	Indicators
Social and economic development	Real GDP/capita
Sustainable consumption and production	Resources efficiency
Social exclusion	Risk of poverty or exclusion
Demographic changes	Percentage of employment of seniors
Public health	Quality and the length of life
Climatic changes and power	Greenhouse gases emission level Consumption of renewable resources
Sustainable transport	Power consumption relative GDP
Natural resources	Abundance of common fowl Protection of fisheries
Global partnership	Official support to economic growth
Good governance	Absence of indicator

Source: Bolla, Lock, and Popova (2011)

The issues of sustainable and sustained growth gained special importance in the result of the adoption of the EU Sustainable Development Strategy.[4] The strategy highlighted the following directions, related to the future implementation of development policy: climate change, transportation, public health and natural resources ("Presidency Conclusions…" 2001; Tendera-Właszczuk 2009). Since that time there have been increased efforts towards protection of the natural environment and improving the quality of life. A number of programs, initiatives and projects have been established to this end.

The crisis of 2008–2010 necessitated reforms, especially structural ones, aimed at facilitating another economic upturn. It is remarkable that the European Economic Recovery Plan highlights the need to pursue the directions stipulated by the Lisbon Strategy. In addition attention was brought to support for ventures creating conditions for transforming the European economy that would observe low emissions and become green. Within that framework it is prerequisite to launch investment projects both in the traditional sectors of the economy to make them less noxious for the natural environment and at the same time more efficient in terms of energy consumption and the use of mineral resources, as well as in the new sectors, clearly pro-ecology, based on modern technologies that will ensure the competitiveness of the European economy. Hence, two initiatives were indicated in the *Europe 2020* program prioritizing sustained growth:

- Europe making efficient use of resources
- industrial policy in the era of globalization

The first initiative targets economic policy on increasing economic benefits while limiting the use of resources, identification and creation of new opportunities and innovations and increasing EU competitiveness, safeguarding supplies of prime raw materials, fighting against climate change and reducing environmental costs of mineral resource consumption ("A Resource-Efficient…" 2011, 3). In turn, the framework of Industrial Policy, apart from promoting the streamlining of legal procedures and improving loan access for small and medium companies, advocated more efficient transportation and energy infrastructure.

The last element seems to be significantly connected to regional policy. That is because attention should be brought to the projects pertaining to a uniform European transportation network, energy market and a great energy network combining various technological solutions based on renewable energy. In particular, it is crucial to reach three objectives in the latter area: limit carbon emissions, become independent from fossil fuels and ensure the safety of energy supplies and competition. The project would integrate wind farms located in the North Sea, water power stations in the Scandinavian countries, biomass-fuelled power plants and photovoltaic systems in Europe, as well as solar systems provided during the construction of solar power stations in the Sahara desert within the Desertec project (Becker 2012). Prerequisite for reaching that objective is

4. Göteborg, 2011.

the construction and furnishing of batteries to accumulate the surplus of generated energy. Those ventures necessitate the engagement of both public as well as commercial entities, regional and intraregional co-operation.

Employment of the foregoing factors should facilitate the implementation of *Europe 2020* strategic objectives, provide full opportunities for the development of those investment projects that ensure competition and efficiency of the European economy in the years to come. However, the costs to be borne by the EU to achieve the target of reducing gas emission levels by 80–95% relative the emission levels of the 1990s ("Energy Roadmap…" 2011) pose barriers. The issue of costs should be analyzed on the basis of resources that have been allocated to date to remedy the financial crisis (i.e., the aid from the European Financial Stabilization Fund) and the ability to grant 440 b. EUR loans earmarked for boosting the real economy through the investment process within the framework of regional policy making reference to sustainable and sustained social and economic growth.

The latter instance is quite dependent on the promotion of regional policy. Local governments quite often are the first to launch initiatives related to sustainable growth through physical (spatial) planning, public transport, local infrastructure, the system of education, health service, etc. Yet support for investment projects promoting new technologies and ensuring better integration of sustainable and sustained growth guidelines with the operating plans and launched initiatives are crucial. Cities currently play an important role within that area engaging in projects aimed at reducing carbon emissions and green municipal transportation networks, thermal insulation in housing, solar energy systems, etc. To give an example, an Austrian town of Gussing facilitated establishment of 50 companies giving employment to 1 000 people over 15 years by increasing the use of renewable energy sources, such as biomass. Currently that town is self-sufficient in terms of energy supply and heating ("Regional Policy…" 2011). There are more and more examples of this to be found in highly developed countries. Poland has started launching similar ventures, as yet not so complex (for example, in the town of Szczawnica).

The resources for the implementation of similar projects are allocated by the programs targeting the implementation of regional policy. As indicated by table 1, the resources are continually increasing. However, it is very important to prevent a crisis — especially in the euro zone — from hindering the efficiency of initiatives within the real economy.

Conclusions

Regional policy should be primarily understood as investment policy. In turn, investment projects constitute an important, if not a prerequisite condition for boosting the economy. As a result of the 2008–2010 crisis the EU took steps to set out investment directions and highlight the initiatives facilitating sustainable and sustained social and economic development. The role of transformation toward a green, i.e. low emission economy merits special attention. The success of similar initiatives depends on the one hand on the provision of appropriate financial resources as well as legal and administrative support for similar ventures. It is equally important to ensure that the financial crisis and the funds allocated to alleviate it do not limit the investment potential of both public as well as private companies.

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