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Lóránt Zsombor Kocsis[1]

Support Funds of the European Union and their Eastern Central European Comparison

Recent events have posed significant challenges for the world economy, including the European Union. There were problems at several levels, with the memory of the 2008 crisis and its aftermath still present in society, an energy crisis, and the very damaging effects of the pandemic on the economy and, finally, the outbreak of war on the continent. Even before that, the EU had a number of problems to address, such as improving competitiveness and the issue of migration, but these events had exacerbated them. The EU's cohesion policy plays an important role in addressing or at least mitigating these challenges by providing a well-planned support structure to intervene and offer solutions. How are the funds structured? What are the main funding priorities, which in turn also highlight the most pressing problems? How have the funds changed compared to the previous budgetary period, and how do the particularly vulnerable Eastern Central European countries stand to benefit from these? The present study aims to analyse and answer these questions.

Keywords: cohesion, European Union, economic development, support, competitiveness

Introduction

There are significant differences in development between regions across the European Union, which are understandable due to a number of factors, such as the resources available or even historical and geographical conditions. However, it is clear that it would be unacceptable for its population to live under widely disparate conditions across different regions in the long term. Full harmonisation is clearly impossible, but promoting cohesion and reducing disparities in development between regions is crucial for integration. The application of free market principles is essential, but this alone is not sufficient for regional convergence, as appropriate measures and significant interventions are needed, which we know as the EU's cohesion policy. These involve the disbursement of aid from earmarked funds, the primary aim of which is to support productive activities, increase efficiency and competitiveness and attract external investment. It is important to stress,

[1] PhD student, Ludovika University of Public Service, e-mail: kocsis.lorant@yahoo.com

however, that support for the less developed regions is not simply a transfer of wealth, but is intended to promote the proper exploitation of development potential. This is the purpose of EU-level regional policies, which provide funding opportunities to achieve cohesion.[2] A number of funding priorities are still in place in the current budgetary period and are detailed in the study.

The EU support scheme is managed and controlled by the European Commission at EU level, while a dedicated ministry is usually appointed to carry out these tasks in each member country.

The support funds are diverse and complex, but each of them has specific guidelines that indicate the main funding priorities. Every Member State is required to draw up so-called operational programmes in well-defined areas where the aid can be directed. Operational programmes are, in fact, detailed plans that show the manner in which the aid is to be used, with priority axes and specific objectives through which the aid can be accessed by prospective beneficiaries, which can be businesses, public bodies or NGOs.

Support schemes have a well-defined structure and logic; yet in my view, many beneficiaries (ranging from governmental and non-governmental bodies to businesses) are not properly aware of them, which has a clear impact on the absorption rate. In order to overcome this issue, the paper has attempted to offer a transparent and intelligible review of the grant funds, but also, in terms of the indicators presented later in the paper, to explore differences between countries and the correlations between their respective indicators.

As a first step, we must analyse the EU support funds available for the 2021–2027 period, the guidelines they follow, the priority areas for support as well as the financial envelope available. In the first part, the support funds are introduced with budget and objectives, and in the second part, the most important goals are introduced and the budget and funds are presented according to these goals.

The European Commission classifies the support funds as follows:

- the cohesion policy in the current (2021–2027) budgetary period includes:[3]
  - the European Regional Development Fund (ERDF)
  - the European Social Fund Plus (ESF+)
  - the Cohesion Fund
  - the Just Transition Fund
  - Interreg
- other funds, including:
  - Asylum, Migration and Integration Fund
  - Border Management and Visa Instrument
  - Internal Security Fund
  - European Maritime, Fisheries and Aquaculture Fund

In addition, the Next Generation EU support instrument and the Rural Development Fund are also relevant to the EU's support policy.

2 Kengyel 2020.
3 See: https://cohesiondata.ec.europa.eu/funds/21-27

Pursuant to the decision of the European Union, a temporary support instrument called Next Generation EU was created with the primary goal of providing an adequate response to the economic and social challenges caused by the Covid pandemic. This support instrument is to be managed separately from the EU's usual multi-year (currently 2021–2027) budget. To ensure successful implementation, each EU Member State has created a National Recovery and Resilience Plan outlining its investment priorities. Key priorities featured in the instrument include: implementing the green transition, digitisation, healthcare, a strong Europe and equality.[4]

The objectives of the Rural Development Fund include support for farm development, support for young farmers, installation and development of irrigation facilities, support for storage and processing operations, livestock farming, development of rural areas, fruit and vegetable production, support for beekeeping, wineries as well as support for action aimed at protecting the environment and climate.[5]

This study mainly deals with the European Regional Development Fund (ERDF), the European Social Fund plus (ESF+), the Cohesion Fund (CF), (starting from this period) the Just Transition Fund (JTF) and Interreg cooperation programme.

However, the practical implementation of these improvements requires a thorough understanding of the structure, guidelines, design and operation of each of the funds. These are described below.

The structure of the European support funds

The paper outlines the funds for the current budgetary period; however, preceding this, it also examines some of the particularities of the 2014–2020 period, and then goes on to explain the differences between the two periods. In the previous budgetary period (2014–2020), the EU budget allocated approximately €350 billion to cohesion policy, representing 0.3% of the EU's GDP. Even then, one of the objectives of the budgetary period was that the regions most in need should receive support. Accordingly, the first category was the so-called less developed/developing regions with a GDP per capita of less than 75% of the EU average, the second category was the so-called transition regions, reaching a GDP per capita of between 75% and 90% of the EU average, and the third category was the most developed regions, with a GDP per capita of over 90% of the EU average. By definition, the most disadvantaged regions received the most support from the European Regional Development Fund (ERDF) and the European Social Fund (ESF), while the Cohesion Fund (CF) was specifically allocated to countries with a Gross National Income (GNI) below 90% of the EU average. It is important to underline that contribution from the Member States was a condition of the investments made using EU funds; the ERDF and ESF funds provided support for investments ranging from 50% to 85%, while the CF contributed up to 85%, with the remaining portion funded by national contributions. The most supported areas under the ERDF were research

[4] See: https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html?lang=en and https://next-generation-eu.europa.eu/index_en

[5] Fonduri-Structurale 2023.

and development (R&D), innovation, IT, increasing the competitiveness of SMEs and low carbon emissions; under the ESF – education, training, promoting workforce development and mobility, combating poverty; while the main areas under the CF were environment and transport infrastructure improvements.[6]

As mentioned above, the Union and its member states will have to deal with a number of socio-economic issues in the coming period. The most pressing problems that require urgent solutions, or at least mitigation, can be very well traced through the policy objectives of the funds. These are the main priorities that determine the items that can be earmarked for support from the relevant fund. The following section provides an overview of the funds, with an emphasis on the policy objectives and the financial envelope for the current budgetary period.

The two questions formulated in the abstract, namely, "how are the aid funds structured?" and "what are the main funding priorities?", will be answered in the following.

The aim of the ERDF (European Regional Development Fund) is to strengthen cohesion within the European Union in the economic and social sphere by correcting regional imbalances. In the current 2021–2027 budgetary period, the initial budget for the entire Union is €215 billion, and the total budget approved so far – which includes both EU subsidies and national contributions – is €308,840,007,124 (approximately €308.8 billion), of which EU support amounts to €211,951,886,280 (approximately €211.9 billion), while national contributions amount to €96,888,120,844 (approximately €96.8 billion). With regard to investments, the following main guidelines and funding priorities (policy objectives) have been formulated:[7]

- *A more competitive and smarter Europe*: support for small and medium-sized enterprises (SMEs), with an emphasis on innovation and digitisation
- *Greener Europe:* lower carbon dioxide emissions, implementation of the Paris Agreement, use of renewable energy sources, mitigation of climate change
- *Connected Europe:* through the development and deployment of strategic transport and digital networks
- *A more social Europe*: efficient and inclusive employment, ensuring equal access to education and healthcare, but also supporting sustainable tourism and culture
- *A Europe closer to its citizens*: support for local strategic developments and sustainable urban developments

The most important guidelines of the support fund are a more competitive and smarter Europe (first policy objective – policy objective, hereinafter PO1) and the transition to a greener and low-carbon Europe (second policy objective – policy objective, hereinafter PO2). All regions and member states focus at least 30% of the allocated amount on PO2. The most developed member states and regions allocate 85% of the subsidies to PO1 and PO2. The so-called transit regions (transition between the least developed and the most developed) allocate at least 40% of the subsidies to PO1. Poorly developed regions must allocate at least 25% of the subsidies to PO1.

6 Crucitti et al. 2023.
7 Regulation (EU) 2021/1058; Agenția de Dezvoltare Centru 2022.

All Member States and regions are required to allocate at least 8% of their funding to urban development through various local development cooperation schemes. It is expected that the ERDF will contribute 30% of the total budget allocated to climate objectives.

For *a more competitive and smarter Europe* (PO1), the total value of the envelope (including the national contribution) is €112,954,136,101. Its specific objectives include innovation, research and the introduction of new advanced technologies; reaping the benefits of digitisation for citizens, businesses and public administrations; promoting the growth and competitiveness of small and medium-sized enterprises (SMEs), including productive activities and job creation; developing skills to foster smart specialisation, industrialisation and entrepreneurship; and improving digital connections.

In the case of PO1, support can be used for the following: support for the acquisition of assets (including intangible assets or e-capital) by small and medium-sized enterprises (SMEs) carrying out research and innovative activities; technology transfer and cooperation between businesses, higher education institutions and research centres; training programmes, capacity building and skills development and entrepreneurship for industrial transition and support for inventions; development of commercial infrastructure for SMEs (including industrial parks and sites); commercial development and internationalisation of SMEs; support for innovation clusters and trade networks for SMEs, support for incubation activities, startup and spin-off (research and development) companies; promoting and facilitating the digitisation of SMEs; telecommunications, IT services, e-health.

In the case of *Greener Europe* (PO2), the total value of the envelope (including the national contribution) is €102,907,757,622. In general, it supports all activities related to the reduction of carbon dioxide emissions, climate protection and pollution reduction.

Its concrete (specific) objectives are: promoting the use of renewable energies, promoting energy efficiency, reducing greenhouse gas emissions, developing smart energy systems and grids (other than TEN-E), promoting good water management, access to water, adapting to climate change, preventing disaster risks, developing resilience, helping the transition to a circular economy (eco-design of products with a focus on durability, repairability, recycling), developing green infrastructure (including urban areas) and implementing sustainable multimodal urban transport (smart transport system).

The activities that can be supported by PO2 are:

- activities that increase the energy efficiency of public buildings and residential buildings
- activities promoting the efficiency of centralised heating systems
- use of renewable energy sources: solar energy, wind energy, biomass, geothermal energy
- support for intelligent electricity distribution systems
- support for adaptation to climate change, disaster resilience, risk prevention strategies (landslides, droughts, floods, earthquakes)
- support for sustainable water management
- supporting the transition to a circular economy

- ensuring biodiversity, building urban green infrastructure, reducing pollution, disinfecting polluted industrial sites
- development of urban transport, especially in less developed regions, such as light rail, metro and tram lines, as well as the development of cycling infrastructure

In the case of *a connected Europe* (PO3), the total value of the envelope (including the national contribution) is €29,760,985,025. It aims to support the development of the trans-European transport network (TEN-T), its climate resilience, safety and intermodality, while also prioritising the development of regional and local networks and their connection to the TEN-T, the promotion of cross-border mobility and the improvement of digital connectivity.

Activities supported by PO3:

- construction, reconstruction and renovation of highways, national, regional and local road networks
- construction of secondary road network connections with the TEN-T road networks and junctions
- construction, reconstruction and renovation of railway lines
- the deployment of the European Rail Traffic Management System (ERTMS) and the acquisition of mobile railway equipment
- non-urban multimodal transport support
- harbours
- providing infrastructure for access to alternative fuels and for cycling
- digitisation of transport

In the case of a *more social Europe* (PO4), the total value of the envelope (including the national contribution) is €28,578,510,843. It mainly focuses on improving social infrastructure, taking into account the importance of innovation to facilitate access to quality jobs. At the same time, it places a strong emphasis on education, learning and the development of all infrastructures that facilitate access to these. It also promotes the socio-economic integration of marginalised groups and immigrants, including housing, health and other social services, and aims to strengthen culture and sustainable tourism.

PO4 provides support in the following cases:

- support for infrastructural investments for the implementation and development of preschool education, primary, secondary, higher education and adult education (both in person and online)
- assisting migrants and refugees (mainly, but also other persons seeking international protection) by providing housing, temporary accommodation and social care
- support for health infrastructures, medical devices, mobile health devices and the digitisation of healthcare
- support for disadvantaged groups (unemployed, young people, Roma, people living in poverty) in accessing employment

- support for independent activities, social enterprises and startups
- support for measures that help access to healthcare systems and increase their efficiency
- support for the improvement of family and social care services
- increasing the role of culture and tourism in economic development, social inclusion and innovation

In the case of *Europe closer to its citizens* (PO5), the total value of the envelope (including the national contribution) is €26,551,101,927. It supports the promotion of integrated and inclusive development in the social, economic and environmental fields, taking into account the development of cultural and natural heritage, sustainable tourism and the security of urban and non-urban areas.[8]

PO5 supports the following activities:

- the development, promotion and protection of public tourist assets and related tourist services
- development, promotion and protection of cultural heritage and related cultural services
- development, promotion and protection of ecotourism and natural heritage
- renovating and securing public spaces

As shown above, the ERDF fund is made up of five policy objectives (POs), each with precise and clear guidelines for the objective in question and a precise definition of the set of activities for which support can be drawn from the EU fund in question.

Figure 1 shows the emphasis placed on each of the POs at the EU level under the ERDF for the current budgetary period (EU and national contributions combined, PO TA refers to technical assistance).

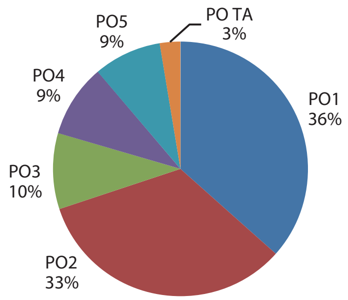

Figure 1: Total budget of the ERDF by policy objectives (PO), expressed in percentages

Source: Compiled by the author based on https://cohesiondata.ec.europa.eu/funds/erdf/21-27

[8] See: https://cohesiondata.ec.europa.eu/funds/erdf/21-27 Note: data from 10 February 2023.

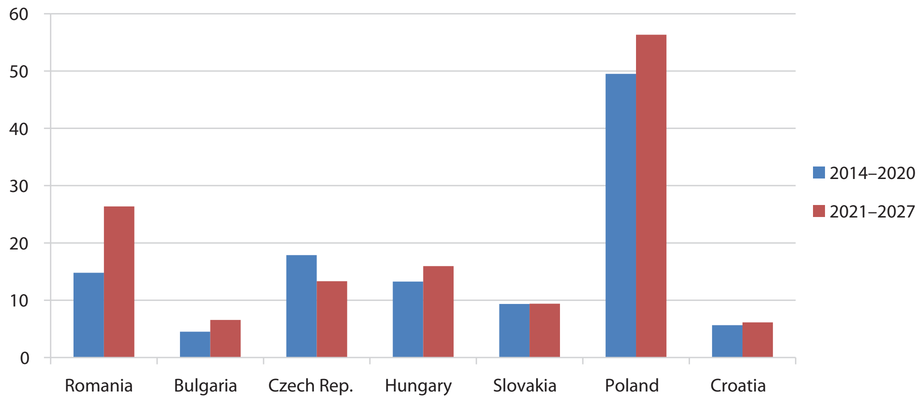

Figure 2: Total budget of the ERDF by country, EUR billion

Source: compiled by author based on https://cohesiondata.ec.europa.eu/funds/erdf/21-27 https://cohesiondata.ec.europa.eu/funds/erdf/14-20

Note: for the current budgetary period 2021–2027, the chart above shows the amounts approved until 10 February 2023.

As the largest and most significant EU fund, the ERDF's funding in the Eastern Central European region for the last (2014–2020) and the current (2021–2027) budgetary period can be compared in the following chart (Figure 2).

It can be observed that in all Eastern Central European countries, with the exception of the Czech Republic, the financial envelope provided by the ERDF increased in the current budgetary period when compared to the last one. The smallest increases can be observed in the case of Bulgaria and Croatia, with a budget of €4.5-6.5 billion, while the largest are in the case of Poland and Romania, for this period the former has more than €56 billion and the latter more than €26 billion.[9]

For the previous 2014–2020 budgetary period, the ERDF's main priorities (policy objectives) were: research and development; competitiveness; low carbon emissions; crisis management and resilience; network infrastructures in transport and energy supply; environmental protection; social inclusion; information and communication technologies; educational and professional training; adapting to climate change and risk prevention; sustainable and quality employment; efficient public administration; support for sparsely populated areas; and technical assistance.[10]

Comparing the two (previous and current) budget periods, it can be observed that the policy objectives are more consolidated in the current one, but there are clear overlaps regarding the support policy of both periods. Today PO1, a more competitive and smarter Europe clearly includes the importance of research and development (R&D),

9 See: https://cohesiondata.ec.europa.eu/funds/erdf/14-20; https://cohesiondata.ec.europa.eu/funds/erdf/21-27

10 See: https://cohesiondata.ec.europa.eu/funds/erdf/14-20

PO2, Greener Europe includes low carbon emissions and climate protection, PO3, Connected Europe includes the construction of network infrastructures, and the objective of A more social Europe (PO4) includes education, professional training and employment. As an answer to the second research question (you can find in the abstract), all of this serves to highlight Europe's most pressing problems and challenges, since these are the ones the grants are focused on solving. Consequently, competitiveness, connectivity, climate change and education appear as the most important factors. But why are these factors so important, and why do European aid policies place so much emphasis on them?

Research and development (R&D) (PO1) is clearly linked to innovation, and the level of innovation is an indisputable determinant of technological development, which in turn has an impact on productivity, efficiency and hence, competitiveness. In terms of level of development, world-systems theory divides countries into the centre (most developed) and periphery (less developed) regions (the semi-periphery, containing Eastern Central Europe, occupies an intermediate position between the two).

The result of this is the so-called axial division of labour, which results in the gap that leads to innovation taking place in the core, while production is carried out in the periphery, usually employing capital from the center.[11] Thanks to globalisation, in the present, innovation in the centre is almost continuous and, after the introduction of new technologies, is spreading towards lower wage regions, thus consolidating this arrangement and leading to the periphery becoming locked into their[12] roles as producers. The main objective of the European Union is for its countries to enter the centre, and to achieve this, research and development must be made a priority to ensure that the Community improves its competitiveness, which in recent decades has been lagging behind its main competitors (USA, Japan and China). All this follows from the theory of the centre-periphery relationship developed by Immanuel Wallerstein, but the present paper does not deal with this in detail.

Another element generating development in our current socio-economic system is the achievement of interconnectivity (PO3). This ensures the movement of production factors, goods, data, labour and capital, but also integration into supply chains, all of which is essential for economic development. Connectivity is embodied in highways, railways, airports, bridges, internet cables, wires, electricity grids. This is the best investment at the moment; for instance, historically, the United States has seen revenues in this field twice[13] the amount of the initial investment. Research and development, innovation and even the appropriate implementation of interconnectivity are linked to knowledge and talent. In the present, and even more so in the future, knowledge becomes the most powerful engine of economic growth and development. This factor has become more important than capital, since it is knowledge – and trustworthiness, which is linked to moral standards – that attracts capital, whether it be financial or real capital. The reign of aristocracy has long ended, and the dominance of political parties that once defined

11 Wallerstein 2010.
12 Artner 2014.
13 Khanna 2017.

much of Eastern Central Europe, as well as the influence of the capitalist class, is now giving way to a new era where knowledge and talent[14] hold sway. But all this will become irrelevant if the planet on which we live becomes uninhabitable because of our irresponsible and unnatural activities. Climate change (PO2) is a natural process that can last for millennia, but the effects of human activities have accelerated it significantly over the past 150 years, causing what is known as global warming. The primary causes of global warming include greenhouse gas emissions (carbon dioxide, water vapour, methane, nitrous oxide, and tropospheric ozone), deforestation, excessive agricultural activity, livestock farming and fertiliser use. The consequences can be frightening for all living creatures on Earth, including humans. The dwindling of freshwater supplies, desertification, rising sea levels, storms and floods are to be expected if no change is made to mitigate them. Reducing the threat of climate change requires international cooperation and action aimed primarily at reducing greenhouse gas emissions and adapting to global warming. Using renewable energy sources instead of fossil fuels, reorganising agricultural activities, reducing deforestation as well as carrying out reforestation[15] are the solutions. This is why the EU's aid policy pays considerable attention to mitigating the threats of climate change.

The *European Social Fund Plus (ESF+)* is the next fund under the European Union's cohesion policy. The initial budget for the 2021–2027 budgetary period under this fund is almost €99 billion, and the total budget approved so far – including both EU grants and national contributions – is €134.482,915,323 (approximately €134.5 billion) of which EU grants amount to €89,046,016,566 (approximately €89.04 billion) and national contributions total of €45,436,898,757 (approximately €45.4 billion).

ESF+ is the most important EU instrument for investing in people. Under the policy objective (PO4) "a more social and inclusive Europe" it offers assistance in establishing businesses and accessing employment; it supports disadvantaged groups, but also aims to improve education and public services. Furthermore, it integrates priorities supported in the 2014–2020 budgetary period under the Youth Employment Initiative (YEI) and the European Fund for the Most Deprived (FEAD). Additionally, the Fund will be a key instrument for the EU's socio-economic recovery from the situation caused by the coronavirus pandemic. The negative effects of the pandemic have included increased inequalities between social groups, posing an immense challenge to healthcare and education systems and disrupting the healthy functioning of the labour market. One of the main objectives of the ESF+ is to help Member States to address these issues effectively. Furthermore, as an instrument of cohesion policy, the main missions of this Fund include achieving economic, social and territorial cohesion and, as a result, reducing disparities between Member States and regions.

In the current budgetary period (2021–2027), the ESF+ combines four funds that were separate funding instruments in the previous period (2014–2020): the most well-known is the European Social Fund (ESF), and it also includes the European Fund for the

[14] Kopátsy 2021.
[15] Pénzcentrum 2023.

Most Deprived (FEAD) and the Youth Employment Initiative (YEI), as mentioned above, and the European Employment and Social Innovation Programme (EaSI).

To sum up, the ESF+ supports the principle of the European Pillar of Social Rights (20 principles in the fields of education, equal opportunities, employment, health, child protection, etc.) through its actions in the fields of employment, education, skills development and inclusion. In doing so, the fund contributes to reducing unemployment, improving the quality of training, social inclusion, gender equality, respect for fundamental rights and non-discrimination.

As a key promoter of a just and inclusive recovery, the Fund aims at:

- social inclusion: focuses on the socio-economic integration of marginalised groups, and prioritises social protection, equal access to quality services and the fight against poverty
- education and skills: support for improving training and education systems and ensuring equal access to them, while at the same time stressing the importance of retraining, upskilling and lifelong learning
- employment: ensuring quality and accessible employment for all without exception, including young people, while also placing emphasis on modernising labour market institutions and services, including gender-balanced labour market participation, and to adapt the active part of society – such as workers, entrepreneurs, businesses – to changes and new situations[16]

The ESF funding envelope for the Eastern Central European region for the last and current budgetary period can be seen in the following chart (Figure 3, data from 10/02/2023):

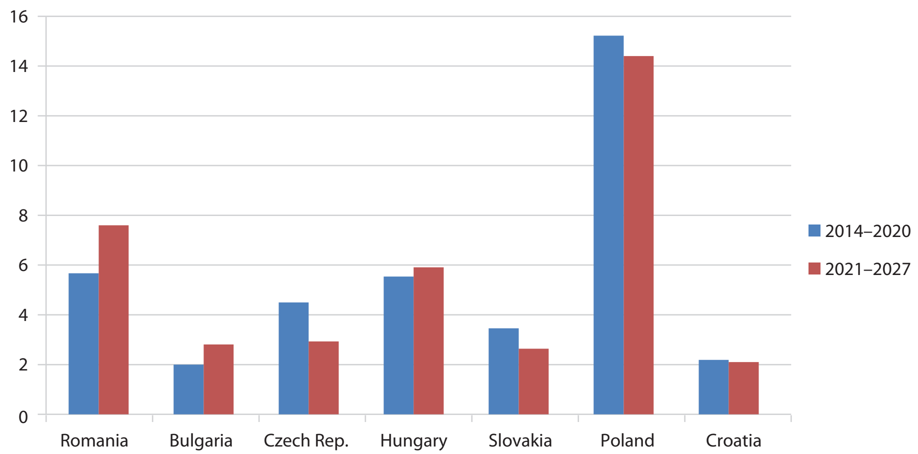

Figure 3: Total budget of the ESF by country, € billion

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/funds/esf_plus/21-7 and https://cohesiondata.ec.europa.eu/funds/esf/14-20

[16] See: https://cohesiondata.ec.europa.eu/funds/esf_plus/21-27

The most spectacular increases are in Romania and Bulgaria, with Hungary also showing a minimal increase and the other countries showing a slight decrease by 10 February 2023.

The Cohesion Fund (CF), the third fund of the European Union's cohesion policy, provides assistance to Member States whose Gross National Income (GNI) per capita is less than 90% of the EU27 average, thus contributing to strengthening their economic, social and territorial cohesion. These Member States are Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Poland, Slovakia and Bulgaria. The initial amount earmarked (for all 15 Member States together) was €36.6 billion. The current budget €49,032,940,921 (approximately €49.03 billion), which includes both EU grants and national contributions. Broken down, EU grants amount to €38,922,371,618 (approximately €38.92 billion), while national contributions €10,110,569,303 (approximately €10.11 billion). The Fund will focus on the Greener Europe (PO2) and Connected Europe (CEE) policy objectives (PO3), thus ensuring support for the environment and the Trans-European Transport Networks (TEN-T). It is expected that 37% of the CF will be used for climate change objectives.[17]

The evolution of the budget of the CF per country in the Eastern Central European region, in the last and current periods, is illustrated in the following chart (Figure 4, showing the amounts adopted for the current period until 10 February 2023).

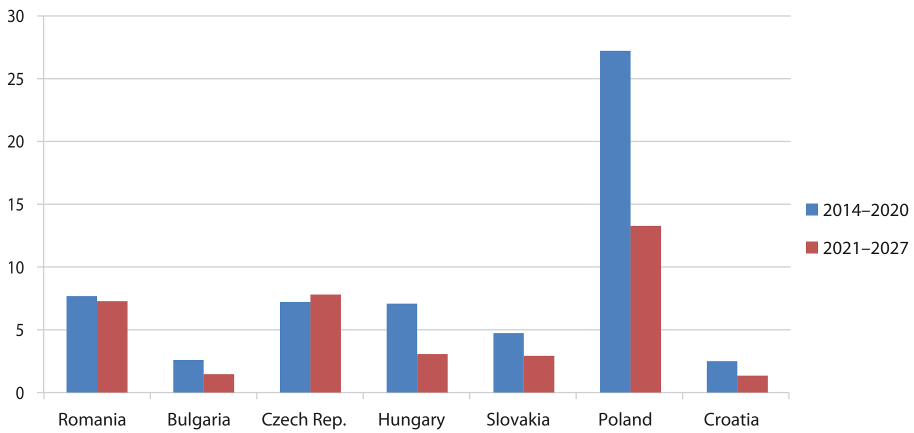

Figure 4: Total budget of the CF by country, € billion

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/funds/cf/21-27 and https://cohesiondata.ec.europa.eu/funds/cf/14-20

[17] See: https://cohesiondata.ec.europa.eu/funds/cf/21-27

The fourth pillar of cohesion policy is the *Just Transition Fund (JTF),* a new funding instrument for the 2021–2027 budgetary period, with an initial allocation of €19.2 billion for all Member States. So far, €25,439,881,502 (approximately €25.44 billion) have been approved, of which EU grants total €18,206,565,271 (approximately €18.2 billion) and national contributions total €7,233,316,231 (approximately €7.23 billion).

The Just Transition Fund is the first pillar of the Just Transition Mechanism under the European Green Deal, with the primary objective of achieving climate neutrality in the European Union by 2050. The main objective of the Fund is, therefore, to facilitate the transition to climate neutrality in the areas most in need. In particular, it is intended to help regions with a high dependence on solid fossil fuels (coal, peat, oil shale) and/or carbon-intensive industries (steel, cement, chemicals) to mitigate their socio-economic impacts during the transition. At the same time, the aid is important to avoid increasing regional disparities. A so-called Just Transition Platform has been set up by the Commission to provide Member States with the support offered by the Just Transition Mechanism. The platform ensures that all stakeholders and interested parties have access to and are equipped with the knowledge, information and guidance to ensure Europe's just transition to a climate-neutral and sustainable economy. It is also a place where interested parties can get technical assistance and advice, as well as a helpdesk. Events are also organised and financial actors, social partners, business, youth organisations, working groups and transition experts have the opportunity to exchange experiences and discuss current challenges. The above-mentioned European Green Deal (EGD) has as its main objective to help tackle the challenges posed by climate change by transforming the European Union into a modern, competitive and resource-efficient economy, ensuring:

- eliminate net greenhouse gas emissions by 2050
- ensuring economic growth independent of resource use
- no one (person, territory, region) should be left behind

However, the EGD is also seen as a lifeline in recovering from the downturn caused by the coronavirus pandemic. A third of the €1.8 trillion in investment from the EU's 2021–2027 spending plan and the Next Generation EU recovery plan will fund the EGD.[18]

The approved budget of the JTF for the current budgetary period (10 February 2023) so far supports the Eastern Central European countries to the extent shown in the following figure (Figure 5, in € billions).

[18] See: https://cohesiondata.ec.europa.eu/funds/jtf/21-27

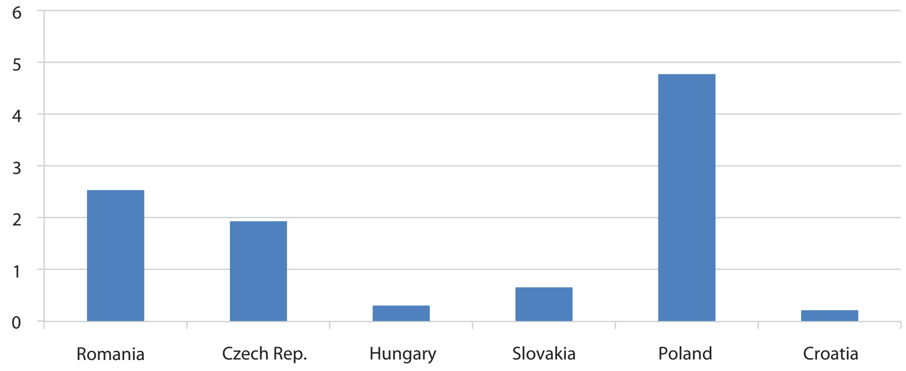

Figure 5: Total budget of the JTF by country, € billion

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/funds/jtf/21-27
Note: for Bulgaria, official data are not yet published.

Last but not least, and by no means least mentioned in this study, *Interreg* is the instrument that promotes the European Union's cohesion policy. This European Territorial Cooperation covers three EU funds for the 2021–2027 budgetary period, as follows:[19]

- a part of the ERDF (the European Regional Development Fund analysed above), which targets territorial cooperation and supports cross-border, transnational, interregional and cooperation programmes with a budget of around €9 billion
- support for cooperation under the Instrument for Pre-Accession (IPA) with a budget of €401 million
- supporting cooperation under the Neighbourhood, Development and International Cooperation Instrument (NDICI) with a budget of €611 million

One of the main objectives of the European Union as a community is to promote cooperation between the regions within its territory, thus contributing to their socio-economic development, while at the same time achieving the interoperability of borders. This is, in fact, made possible by the European territorial cooperation (Interreg), which is a multifaceted support instrument with the following cooperation components: cross-border (Interreg A), transnational (Interreg B), interregional (Interreg C) cooperation between the outermost regions (Interreg D).

For the current budgetary period, Interreg has seven cohesion policy priorities, five of which are the policy objectives (PO1–PO5) described in detail above, but also two new specific objectives:

- Interreg specific objective (ISO) 1: better governance for cooperation (capacity building of public administrations, legal and administrative accessibility, development of sustainable democracy, etc.)
- Interreg Specific Objective (ISO) 2: A safer and more secure Europe (border management, social inclusion, mobility, migration, employment, equal opportunities, etc.)

[19] See: https://cohesiondata.ec.europa.eu/funds/interreg/21-27

We should take into account the principle of embedding cooperation, which states that there should be more synergies between Interreg programmes, other cooperation platforms and other EU support programmes, as cooperation is at the heart of the European Union. However, this principle also means that any programme supported by the ERDF should also support cooperation activities.[20]

Allocated resources by objectives

In the previous part of the study, the funding funds and instruments established for the EU budgetary period 2021–2027 have been presented separately, highlighting the guidelines and policy objectives in each case. However, the European Commission has also adopted a different approach to these funds, grouping them from a different angle and presenting the initial budget allocations in each case. Importantly, these figures represent the initial EU allocations before the funds are transferred. The total initial budget allocated to the implementation of the EU's cohesion policy in the current budgetary period is €392 billion, all in all.

The Commission uses the following grouping of aid funds:

- Investment for jobs and growth goal (IJG) category, which includes the following funds:
  - European Regional Development Fund
  - European Social Fund +
  - Cohesion Fund
  - Just Transition Fund, the new fund for the current period
- Interreg: European Territorial Cooperation
- Commission managed EU instruments and Technical Assistance

The IJG breakdown is specific to the current (2021–2027) budgetary period and includes the above-mentioned funds, with the addition of the Next Generation and Rural Development funds (the latter two are not covered in the current study, but only mentioned). In the previous budgetary period (2014–2020), these were the so-called ESIF funds (European Structural and Investment Funds), which included the ERDF, ESF, CF, EAFRD, EAFRD, EMFF. The so-called "Cohesion Policy" included ERDF, ESF, CF, YEI (Youth Employment Initiative).

Of the total amount for the current budgetary period, €11.3 billion is earmarked for the Connecting Europe Facility and €2.5 billion for instruments managed by the Commission and technical assistance. This leaves a total (EU-wide) allocation of €378.2 billion to support IJG and Interreg[21] objectives.

[20] See: https://cohesiondata.ec.europa.eu/funds/interreg/21-27

[21] See: https://cohesiondata.ec.europa.eu/stories/s/2021-2027-EU-allocations-available-for-programming/2w8s-ci3y

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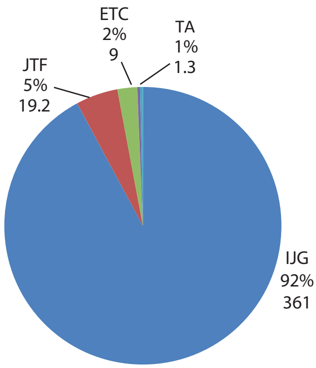

Figure 6: Breakdown of the EU budget, expressed as a percentage and in € billions

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/stories/s/2021–2027-EU-allocations-available-for-programming/2w8s-ci3y

Note: less than 1% for EUi (EU instruments) (not shown in Figure 6).

In Figure 6, you can see how much is earmarked for each category in this grouping (expressed as a percentage) for the current budgetary period 2021–2027. It should be noted that, although the JTF fund falls under the IJG category, it is still shown separately in the statement used by the Commission, probably indicating its paramount importance and that it is in fact a completely new funding instrument for the current budgetary period.

Figure 6 is covering the total initial EU envelope, expressed in € billions at current prices.

Note that the Commission's statement does not include TA and EU funds broken down by country, as these are specifically used by the EU body in order to ensure the proper functioning of the aid scheme.

In the Commission's breakdown, as already mentioned above, the IJG grouping includes the combination of the European Regional Development Fund / European Social Fund+, the Cohesion Fund, and the Just Transition Fund, totalling €369 billion.

It is important to note that, under Commission Implementing Decision (EU) 2021/1131, the initial statements are presented both as ERDF/ESF+ combined allocations by region and category of region, and as separate ERDF and separate ESF+ allocations.

For the 2021–2027 budgetary period, the legislation allows for transfers between EU funds and regional categories. These transfers can be made when Member States' partnership agreements and national or regional programmes are amended and approved.

At EU level, the IJG includes the following proportions (expressed as a percentage) for the allocation of funds (see Figure 7).

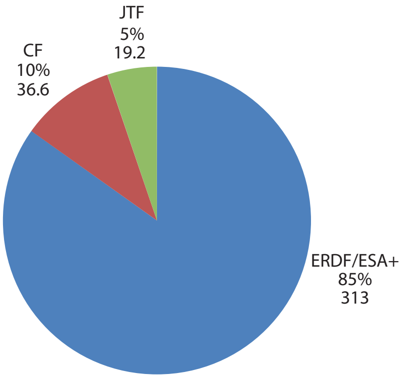

Figure 7: Breakdown of IJG, expressed as a percentage and in € billions

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/stories/s/2021–2027-EU-allocations-available-for-programming/2w8s-ci3y

It should be noted that the European Union classifies the regions of the Member States (NUTS 2 regions) into the following three categories according to their level of development:

- less developed category: GDP/capita at less than 75% of the EU27 average
- transition regions: GDP per capita in the range 75%–100% of the EU27 average
- more developed regions: GDP per capita is higher than the EU27 average

In this grouping, the European Territorial Cooperation, so far referred to as Interreg funds in the study, is the next category.

The ETC is made up of the following grant funds:[22]

- the part of the European Regional Development Fund (ERDF-ERDF) earmarked for this purpose (territorial cooperation – ERDF Interreg), representing an initial allocation of €9 billion at EU level, following the breakdown (already described in detail):
  - Cross Border Cooperation (ETC CBC)
  - Transnational Cooperation (ETC TC)
  - Interregional Cooperation (ETC IC)
  - Outermost Regions Programme (ETC O)
- Instrument for Pre-Accession (IPA) with a budget of €401 million for the current budgetary period
- Neighbourhood Development and International Cooperation Instrument (NDICI) with a budget of €611 million for the current budgetary period

The following chart (Figure 8) shows the distribution of the ERDF funds at EU level (i.e. IPA and NDICI funds are not included in the following statement).

22 See: https://cohesiondata.ec.europa.eu/funds/interreg/21-27

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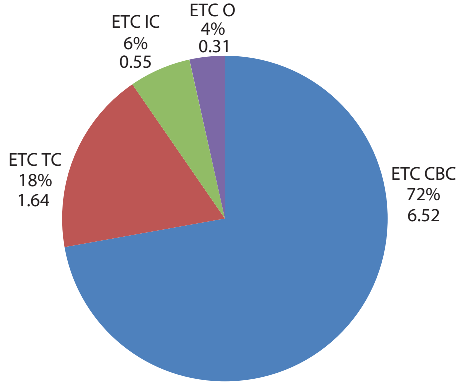


Figure 8: Allocation of territorial cooperation funds, expressed as a percentage and in € billions

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/stories/s/2021–2027-EU-allocations-available-for-programming/2w8s-ci3y

In addition to these, there is a so-called EU Initiatives instrument with a budget of €1.2 billion at EU level, which includes the following three instruments managed by the Commission:[23]

- Interregional Innovation Investments with a budget of €563,522,929 (47% of the three)
- European Urban Initiative with a budget of €450,818,341 (37%)
- ESF Transnational Cooperation with a budget of €197,233,025 (16%)

The differences between the previous and the current budgetary period are given below, while the first half of the third question asked in the abstract is answered, namely: "How have the funds changed compared to the previous budgetary period?"

2014–2020 budget period. ESIF funds: ERDF, ESF, CF, European Agricultural and Rural Development Fund, European Maritime and Fisheries Fund; *Cohesion policies:* ERDF, ESF, CF, YEI (Youth Employment Initiative); *Policy objectives:* research and development, competitiveness, low carbon emissions, crisis management and resilience, network infrastructures in transport and energy supply, environmental protection, social inclusion, information and communication technologies, education and professional training, adaptation to climate change and risk prevention, sustainable and quality employment, efficient public administration, support for sparsely populated areas, technical assistance.

2021-2027 budget period. IJG funds: ERDF, ESF+, CF, JTF (Just Transition Fund, new for the current period). It can be observed that Rural Development is to be treated as a separate fund here; *Cohesion policies:* ERDF, ESF+, CF, JTF, Interreg. In order to get a complete picture, it is necessary to mention the so-called "other funds", as well as

[23] See: https://cohesiondata.ec.europa.eu/funds/interreg/21-27

the Next Generation and Rural Development funds (this study deals with these only at the mention level); *Policy objectives:* A more competitive and intelligent Europe, A greener Europe, A connected Europe, A more social Europe, A Europe closer to its citizens.

Overlaps that show which are Europe's most pressing problems (these are the most supported): competitiveness, connectivity, climate change, education.

Eastern Central European comparison

So far, the aid funds and instruments for the 2021–2027 budgetary period are presented in aggregate at EU level. The comparison is made between Romania, Bulgaria, Hungary, Slovakia, the Czech Republic, Poland and Croatia, taking into account the total aid envelope over a seven-year period, the aid amounts per capita, the GDP per capita and infrastructure development (measured in kilometres of motorways).

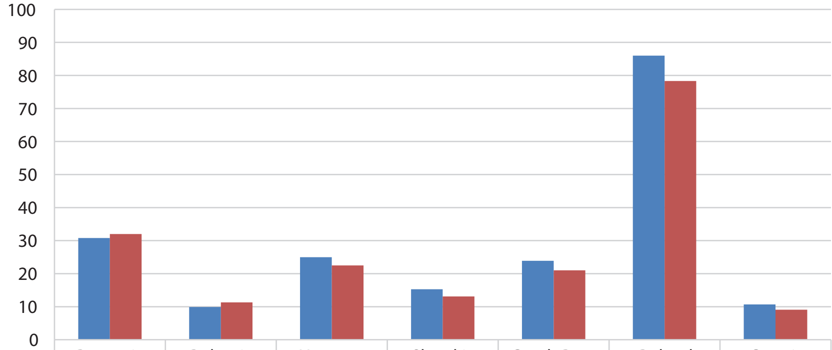
The aid per capita indicator was chosen because it offers a realistic overview of the level of EU aid, as there are significant differences between the countries compared in terms of territorial coverage and population. A realistic comparison of the aid levels in the countries identified in the paper is one of the main objectives of the study. I have chosen GDP per capita and wages because I believe that they are an indication of the level of development and the living standards of a country's population, and comparing them with aid levels can provide valuable conclusions that can be used to develop further research. Finally, transport infrastructure makes a major contribution to a country's level of development by ensuring the rapid and safe flow of capital, labour and goods, by facilitating interconnectivity with international supply chains and, not least, by attracting foreign capital investment.

In the following, we will answer the second part of the third question formulated in the abstract, namely, how have the countries of Central and Eastern Europe benefited (and are benefiting at the time of writing) from the funds? At the same time, a comparison between the countries identified (in terms of the indicators selected) will be presented.

The objective of the comparison is to provide a comprehensive assessment of the developmental status and the extent of European aid received by the former communist countries of Central and Eastern Europe. The Central and Eastern European region includes Poland, the Czech Republic, Slovakia and Hungary, but also Romania and Croatia.[24] However, the study also includes Bulgaria in the comparison, as it joined the European Union at the same time as Romania, and I have always found it interesting to compare the performance of the two countries.

A comparison of the seven countries analysed for the two full budgetary periods (2014–2020, 2021–2027), specifically for the IJG-ESIF (it was mentioned at the beginning of the study that the analysis focuses on these funds, this includes ERDF, ESF+, CF and JTF, but excludes Rural Development, Reconstruction and Resilience [Next Generation] etc. funds), is presented in the following chart (Figure 9, in € billions).

[24] See: https://hu.wikipedia.org/wiki/Kelet-K%C3%B6z%C3%A9p-Eur%C3%B3pa



	Romania	Bulgaria	Hungary	Slovakia	Czech Rep.	Poland	Croatia
2014–2020	30.8	9.9	25	15.3	23.9	86	10.7
2021–2027	32	11.3	22.5	13.1	21	78.3	9.1

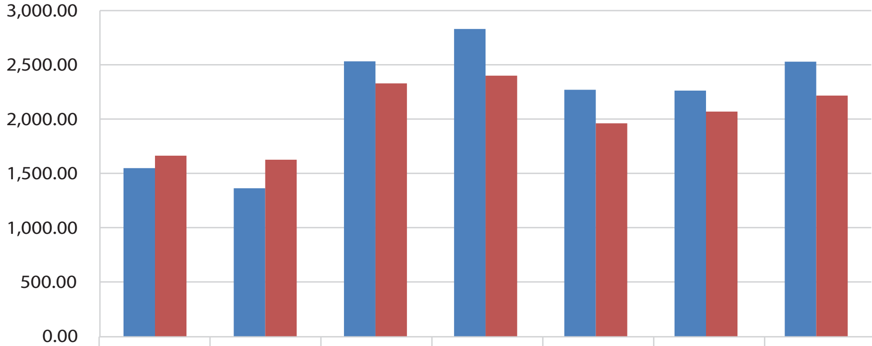
Figure 9: Total budget of the IJG-ESIF funds by country, in € billions

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/countries/14-20 and https://cohesiondata.ec.europa.eu/countries/21-27

The values in Figure 9 are from 10 April 2023, but it is important to point out that they are constantly being updated (these data are changing continuously). Furthermore, it is important to note that the figures in the table represent the approved budget for the period of 2014–2020, only reflecting the planned figures for the subsequent period of 2021–2027 (again, it should be stressed that we are using data from 10 April 2023).

As shown in Figure 9, there are significant differences between the countries analysed, and differences in values will also be observed for the other indicators analysed (aid/capita, GDP/capita, wages, infrastructure). These differences may be due to a number of factors, such as differences in development, political stability, effectiveness of foreign policy, differences in population and territory, differences in absorption rates and competitiveness. My study deals with the correlations between the indicators analysed, without addressing differences in the values of individual indicators; in-depth analysis and exploration of the factors causing their divergence could be the subject of a separate study, but are not within the scope of this paper.

The analysis shows that all countries except Romania and Bulgaria have seen a decrease in their allocations in the current period compared to the previous period (but only for traditional Structural and Investment/Cohesion Funds – IJG funds in the current period, this statement does not include Next Generation and Rural Development funds). However, it is also clear that there are huge differences between countries, which is not surprising given the territorial and population differences, and a realistic basis for comparison is the value of aid per capita (in €), as shown in the following chart (Figure 10).



	Romania	Bulgaria	Hungary	Slovakia	Czech Rep.	Poland	Croatia
2014–2020	1,548.00	1,363.00	2,532.00	2,830.00	2,270.00	2,262.00	2,529.00
2021–2027	1,663.40	1,626.26	2,329.11	2,399.42	1,960.97	2,068.88	2,216.66

Figure 10: Aid values per capita, in €

Source: compiled by the author based on https://www.worldometers.info/population/countries-in-europe-by-population/, https://cohesiondata.ec.europa.eu/countries/14-20 and https://cohesiondata.ec.europa.eu/countries/21-27

2020 population[25] figures are used for calculations. The data here are also from 10 April 2023.

The analysis shows that if we count the support per capita, although much smaller, there are still differences, if we rank the countries, Slovakia is definitely at the top of the list, followed by Hungary and Croatia, then Poland, the Czech Republic and at the very end, Romania and Bulgaria.

Aid is significantly higher in the current budgetary period if the Next Generation Instrument and the Rural Development Fund are taken into account, but this study only deals with the traditional Structural and Cohesion Funds (IJG).

Next, I will examine whether there is a correlation between the amount of aid per capita and real GDP per capita, the average wage (salary) and infrastructural development (I measured this in kilometres expressed as the length of motorways).

The annual GDP per capita per country is shown in the following chart (Figure 11, in €, latest available data for 2022).

[25] See: https://www.worldometers.info/population/countries-in-europe-by-population/

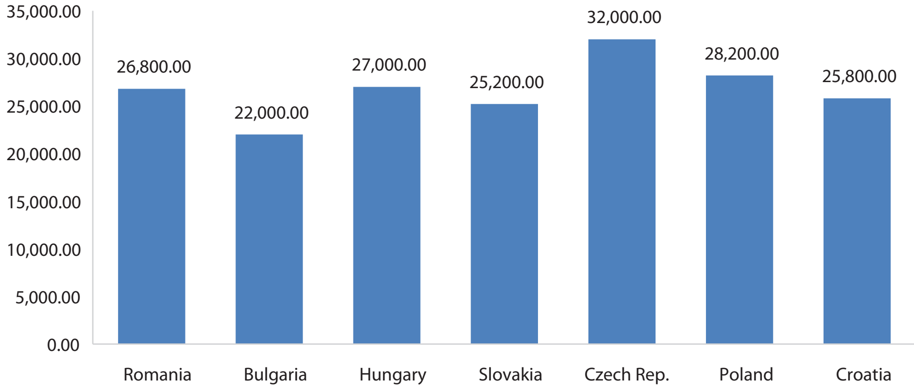


Figure 11: Purchasing power adjusted GDP per capita by country, in €

Source: compiled by the author based on https://ec.europa.eu/eurostat/databrowser/view/sdg_10_10/default/table?lang=en

The breakdown of average full-time adjusted earnings per employee by country is shown in Figure 12 (expressed in €, the latest available data for 2022).

In terms of transport infrastructure development, we have taken into account the length of motorways, which are the highest quality, safest and fastest infrastructure network for passenger car and land freight transport (apart from railways). The rationale for the inclusion of transport infrastructure is given earlier in this paper. The following figure (Figure 13) shows the length of motorways by the Eastern Central European countries compared in the study (based on the latest available 2022 data).

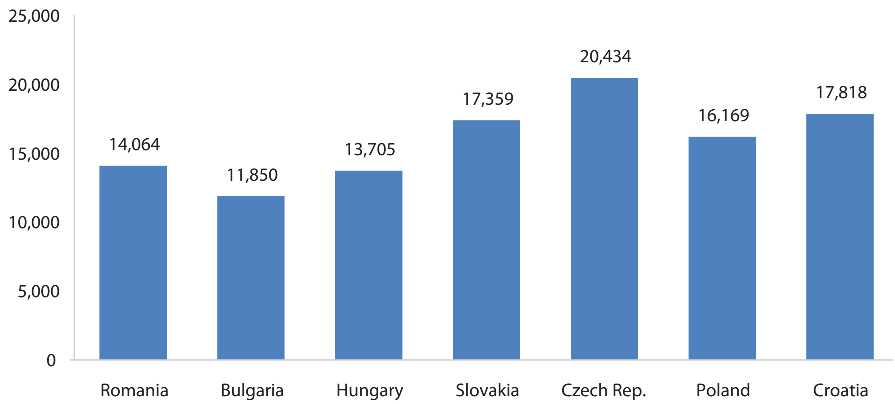


Figure 12: Average full time adjusted salary per employee by country, expressed in €

Source: compiled by the author based on https://ec.europa.eu/eurostat/databrowser/view/nama_10_fte/default/table?lang=en

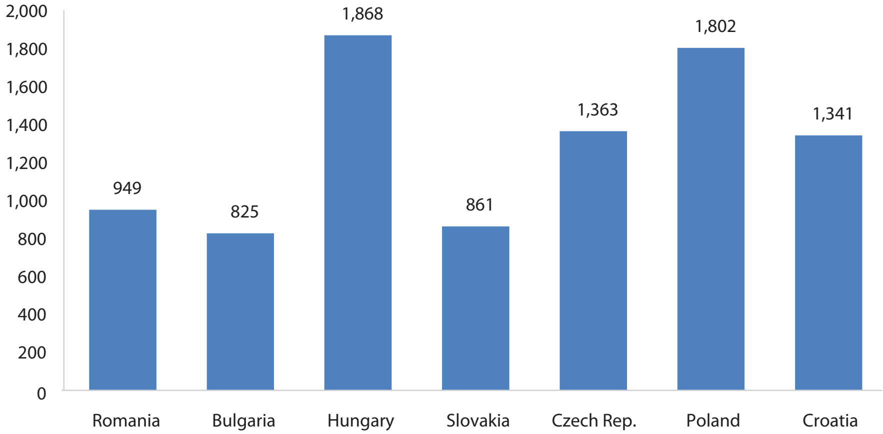


Figure 13: Length of motorways by country, expressed in kilometres

Source: compiled by the author based on UNECE 2021 and https://w3.unece.org/PXWeb/en/Table?IndicatorCode=50

A comparison of Figures 10, 11, 12 and 13 shows that Bulgaria is the worst performer in terms of overall data, but Hungary and Romania are also among the last performers in terms of wages. In terms of infrastructure (the length of motorways), Hungary, Poland and the Czech Republic are the best performers in this comparison. In terms of GDP per capita and wages, the Czech Republic is clearly in the lead; yet in terms of subsidies per capita it lingers at the bottom, ahead of only Romania and Bulgaria.

Figure 11 and 12 also show that GDP per capita and wages are moving in the same direction (with the exception of Hungary), demonstrating that economic development affects wage levels.

In terms of aid per capita (over the whole budgetary period), Bulgaria and Romania have the lowest values, but also the lowest economic performance, and Slovakia, Hungary and Croatia are the top performers. At the other end of the pole, the Czech Republic has the lowest aid relative to economic performance (explained by its high level of development), with the other countries analysed falling between the two poles. From these cases, a logical conclusion can be drawn (as a result, in my opinion) that the lower the performance of an economy (in terms of economic indicators), the higher the aid per capita (as it needs aid to develop), and vice versa, i.e., the higher the performance of an economy, the lower the aid per capita. However, this correlation is rendered invalid when it comes to Romania, Hungary and Slovakia, as for the former, a higher amount of aid per capita in proportion to its economic performance would be justified, while for the latter two, if this derivation is strictly applied, the aid should be (proportionally) lower. The continuation of my research is aimed at identifying and analysing these influencing factors and exploring the correlations between them.

Summary and results

The European Union's IJG funds for the current budgetary period (2021–2027) include the European Regional and Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund (CF), the Interreg instrument (which supports European territorial cooperation) and, new for the current period, the Just Transition Fund (JTF). Although not covered in the current study, the so-called Other Funds, the Next Generation Instrument and the Rural Development Fund are part of the funding scheme. The other funds include: Asylum, Migration and Integration Fund, Border Management and Visa, Internal Security Fund, European Maritime, Fisheries and Aquaculture Fund. Next Generation is a temporary support instrument designed to provide appropriate support to socio-economic areas affected by the pandemic.

Looking at the structure of the traditional Structural and Cohesion Funds (now the IJG Funds) in the current period, we can observe that there is an overlap in the main guidelines compared to the previous budgetary period. This demonstrates that Europe's main outstanding issues continue to be supported at the EU level. The policy objectives of the ERDF, the main pillar of the funding scheme, although sometimes reorganised or merged, continue to support the same main guidelines as in the previous period: a more competitive and smarter, greener, connected, more social Europe, closer to its citizens. The ERDF envelope has increased for all of the countries analysed in the study, with the exception of the Czech Republic, where it has decreased, and Slovakia, where there has been no change. The European Social Fund Plus (ESF+) focuses on the following funding objectives: social inclusion, education and skills support and employment. A notable development in the current period is the transformation of the fund into a significant catalyst for recuperating from the repercussions of the pandemic, particularly from a social standpoint. Compared to the countries of the Eastern Central European region, the Fund's allocations have increased for Romania, Bulgaria and Hungary in the current budgetary period, with Poland having the largest allocation in absolute terms. The CF has traditionally supported major infrastructure investments in this period, while also addressing environmental challenges. In an Eastern Central European comparison, countries receiving the most aid in the current period are Poland (which also shows the largest decrease in this period compared to the previous one), the Czech Republic and Romania, with a slight decrease for the remainder. A new feature of the current budgetary period is the Just Transition Fund (JTF), with the primary aim of supporting the transition to climate neutrality in the most vulnerable areas (carbon-intensive, fossil fuel-dependent). In the Eastern Central European region, the countries receiving the most support are Poland and Romania, while the least supported ones are Hungary and Croatia, no currently available data for Bulgaria (no data has been published until the date of the manuscript was written). European Territorial Cooperation is supported by the so-called Interreg, which is not a separate fund but rather a support instrument, as approximately 90% of its funding comes from the ERDF fund mentioned above (the remainder is provided by the IPA and NDICI funds mentioned in the Interreg section). It is important to underline that the figures shown in the study only refer to the traditional Structural and Investment/Cohesion Funds (Investment in Jobs and Growth – IJG funds in the current budgetary period, including ERDF, ESF+, CF and JTF, as well as the Interreg support instrument) and do not include the Next Generation and Rural Development funds.

Overall, Poland will receive the most aid in the current budgetary period, with almost €80 billion, followed by Romania with €32 billion, and Croatia the least, with just over €9 billion. The other countries' allocations are in the range of these amounts, ranging from approximately €11 billion to €22.5 billion. The values have changed somewhat, but the order of eligibility was the same in the previous budgetary period as in the current one. However, as there are significant variations in territory and population between countries, the aid per capita figures provide a more realistic overview. An examination of the subsidy/head values shows that the differences are much smaller and the values become more balanced. In this respect, Slovakia is the most supported country with a value of € 2,399.42 grant per capita (for the whole current budgetary period), followed closely by Hungary with €2,329.11 grant per capita. The lowest grant per capita is in Bulgaria with only €1,626.26. The other countries are mid-range with between €1,660 and €2,216 per capita.

The grants presented refer to the IJG funds (in the previous period they were structural and investment/cohesion funds), other funds are not covered in this study (only referred to).

In terms of GDP per capita, the Czech Republic is clearly the best performer with €32,000 (for 2022), followed by Poland with €28,200 and Bulgaria the worst performer with only €22,000. The other countries analysed have values between €25,800 and €27,000 per capita.

The average full time adjusted salary per employee, follows GDP per capita almost in parallel, demonstrating the correlation between economic performance and wage levels. In this respect, the Czech Republic is also in first place with a value of €20,434 (2022 data), Bulgaria is last with €11,850, and the other countries have values between €13,705 and €17,359. On the basis of these data, if we make an aggregate ranking, we can observe that on average the Czech Republic and Poland perform best, while Bulgaria and Romania perform worst, the other countries being in the middle (for the Eastern Central European countries analysed). If we measure infrastructure development in terms of the length of motorways, Hungary is the best performer, with 1,868 km, followed by Poland with 1,802 km, and Romania (949 km), Slovakia (861 km) and Bulgaria (825 km) are the worst performers.

The study suggests that the performance of the economy (in terms of macroeconomic indicators) is related to the level of EU subsidies (inversely proportional by logical deduction), but not exclusively. The foreign policy of Member States, their bargaining power, their absorption rates in previous periods and their corruption levels also play a significant part in the allocation of aid.

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