

The absorption of european funds for environmental protection during the period 2007-2013

Anca Simina POPESCU¹, Alina Georgiana HOLT²

^{1,2}Ph.D. student, University of Craiova, Faculty of Economics and Business Administration
simina_popescu@yahoo.com

Abstract. *Political realities of the European Union regarding the environment protection segment formed the basis of a specific reorientation of cohesion policy, the including this area as one of the main priorities for obtaining grants. In other words, due to long-term challenges such as climate change, energy security, scarcity of resources (raw materials, water), biodiversity loss, environment protection has become one of the strategic priorities of the European Union. These challenges are coupled with short-term threats like increasing public debt of States Members, in particular as a result of loans contracted by these to eliminate or counteract the financial crisis effects and the the dimensioning of fiscal discipline, both internally and at Community level.*

Keywords: cohesion policy, environmental protection, absorption rate, economic crisis, operational programs, environmental investments

JEL classification: JEL: F15, F18, F36, G01, G18, Q5

1. Introduction

European Union funding instruments have a critical role to determine examples of excellence and innovation. In this context, the policy of the European Union is well placed to provide the highest EU added value especially if it is oriented towards the vision regarding the need for an environmental aspect of development. This entail promoting effective solutions to ensure a high degree of environment quality through balanced investment strategy tailored to the Member State, as to meet the regional needs and unlocking the regional potential. Most EU funds, through the programs developed, bring some financial contributions needed to finance environmental objectives in one form or another. However, in most cases, total amounts involved are relatively small compared with the the financial needs of the European Union environment, both regarding to the interested sides to access such environment funds and also on regards to levels of government (from European Union on national and local level). In other words, the Structural Funds and the Cohesion Fund, in conjunction, are the main environmental funding source in the EU budget.

Over the period 2007-2013, the concepts of "environment" and "sustainable development" have been articulated as "horizontal principles" of the Multiannual Financial Framework 2007 - 2013 and the environmental authorities have been encouraged to participate actively in cycle of a new regional programs policy.

Impact of cohesion policy on the environment has been the focus of European Community Organizations and in terms of absolute integration of sustainable development concept (the three pillars), they felt that an important aspect of achieving this integration relies on the cooperation between all environment protection stakeholders in all stages of planning and implementation of cohesion policy in accordance with the partnership principle from Regulation (EC) No 1083/2006 of the European Council. Regarding the influence that European Union funds can have on the environment in the Member States, these are a very important financial resource of which benefits in particular the new Member States and the poorer regions of European community.

2. The EU funds for environmental protection

The EU funds have an important leverage effect for attracting additional public and private funding and, in this sense, they play a crucial role determining ways of developing many European regions. For this purpose, interventions EU funds could support the structural changes of these regions economies in terms of improving the economy's resilience to climate change and energy security as the Europe 2020 strategy requires. The intervention of the Structural Funds to develop the economy and the environment can be achieved by:

- direct environmental investments, such as investments in natural capital, environmental infrastructure ("green infrastructure"), the conservation and restoration of biodiversity, ecosystems and their services. Cohesion policy can help some regions to obtain better environmental performance to provide various ecosystem services (the very important clean water for cities) to reduce the economic costs (eg reducing economic risks generated by climate change impacts or the inefficient use of resources) and to implement European directives in the field of environmental protection;

- indirect environmental investment. Cohesion policy can help "green" energy production systems, transport and thus contribute to innovation, competitiveness, development of new markets and niches business, employment and ensuring a high degree of life quality. Such investments may also contribute to the decarbonisation of traditional economic sectors such as energy and transport, in accordance with the commitments of the European Union after 2020.

Although there has been some success in integrating environmental considerations into cohesion policy, however there were a number of factors which, in one way or another, have prevented the full integration of it into traditional considerations of sustainable development, namely the economic growth and social inclusion. Some of the most frequent factors are considered to be the lack of familiarity with the concept of sustainable development and how it might be implemented. Therefore, one of the critical points often highlighted in the ex-post evaluation is that there hasn't been put too much emphasis on the medium environmental pillar of sustainable development, nor on an integrated approach that reflects the three-dimensional nature of sustainable development.

Financial programs of the EU Cohesion Policy provides a stable framework for large fiscal transfers from developed EU Member States to countries and regions poorly developed or developing ones. Cohesion Fund and the Structural Funds aimed at public and private investment in physical and human capital and are designed to enhance economic and social cohesion between Member States, improving and accelerating growth for the less developed Member States.

To ensure the realization of these aspirations, for the programming period 2007 - 2013 there has been allocated to Structural and Cohesion Funds a budget of 336.5 billion euros, representing more than a third of the EU budget. This budget was distributed as follows:

- ✓ New Member States received 173,9 billion euros;
- ✓ Spain, Greece and Portugal have received 76 billion;
- ✓ Germany (Eastern Länder) and Italy (Mezzogiorno) have been allocated 26 billion;
- ✓ 161.58 billion euros were allocated to regions of other European Union member states (including other parts of Germany and Italy).

In table no. 1 is presented the allocation of funds that was determined per Member State and for each year of the multiannual financial framework.

According to figures estimated by the European Commission in its Communication (CEC 2008f), to environmental measures have been distributed about 105 billion euros for the financial period 2007-2013, amount that represents approximately 30% of the EU structural funds and two times more than the environment allocations granted during the financial period 2000-2006. Most of these funds are aimed to finance direct investments in

infrastructure related to water and waste treatment, renewal contaminated sites, pollution reduction and support for nature protection and risk prevention.

In the same financial framework 2007 - 2013, approximately 2.7 billion have been allocated to finance direct investment in biodiversity and nature protection measures and another 2.5 billion euros to promote rational use of natural resources and natural heritage, some of which can be directly linked to biodiversity.

Table no.1. Funds allocation for environmental protection in the European Union
(million euro)

Country	2007	2008	2009	2010	2011	2012	2013	Total
Bulgaria	491	713	967	1.019	1.090	1.161	1.233	6.674
Cipru	164	135	106	75	43	44	45	612
Republica Cehă	3.011	3.684	3.587	3.754	3.921	4.088	4.258	26.303
Germania	1.751	1.760	1.769	1.777	1.785	1.792	1.799	12.434
Estonia	370	403	439	479	522	570	621	3.403
Spania	6.222	5.680	5.113	4.634	4.363	4.337	4.308	34.658
Grecia	3.058	2.999	2.937	2.871	2.801	2.783	2.763	20.210
Ungaria	2.985	3.177	3.384	3.570	3.728	3.933	4.145	24.921
Italia	1.879	1.909	1.940	170	2.002	2.034	2.066	13.800
Lituania	753	819	887	960	1.036	1.119	1.202	6.775
Letonia	496	542	591	643	696	752	810	4.530
Malta	112	115	118	120	123	125	127	840
Polonia	8.033	8.566	9.113	9.337	9.650	9.962	10.561	65.222
Portugalia	2.959	2.992	3.025	3.059	3.092	3.126	3.159	21.412
România	1.275	1.854	2.513	3.027	3.264	3.512	3.768	19.213
Slovenia	541	555	570	585	601	617	633	4.101
Slovacia	1.270	1.376	1.495	1.630	1.752	1.873	1.966	11.361
Total	43.914	45.936	47.108	48.028	48.945	50.409	52.152	336.490

Source: europa.eu/environmentalfunds

Nordregio¹ grouped Member States beneficiary of Community financial nonrefundable funds into six groups, this structure being build on examining the strategic priorities set by Member States and also on the examination of the budgets of regional policy programs specific for each Beneficiary State Community of financial funds. This group of states provides a complementary method to investigate how each beneficiary Member State is using financial funds programs to ensure sustainable development, according to Table no. 2.

Table no. 2. European Union Member States group according to strategic priorities for funding

Group	Development paths and the essential characteristics	States included in each group
1	Innovation, Research - developing entrepreneurship: specific to small states with regional disparities with a GDP / capita above average	The Netherlands, Luxembourg, Denmark, Ireland
2	Regional Challenges: specific to states with internal viable programs and with a GDP / capita above average	Belgium, Finland, Austria, Germany, Sweden

¹Nordregio (Nordregio is a leading international research institute), Potential regional policy instruments - 2007-2013, to contribute to economic growth, employment and sustainable development, 2009

3	Synergy economy - environment: specific to developed countries with substantial domestic programs with a GDP / capita close to the average	France, UK, Italy, Spain
4	Economic Growth and employment: specific to developed countries with developed regions and small discrepancies between them and with a GDP / capita of less than average	Hungary, Czech Republic, Cyprus, Malta, Slovenia, Portugal, Greece
5	Human and institutional capacity: specific to emerging states with a GDP / capita below average	Lithuania, Latvia, Estonia
6	Territorial cohesion: specific to states with a GDP / capita below the average and that uses financial funds in particular to eliminate regional disparities	Poland, Romania, Bulgaria, Slovakia

Source: Institute for European Environmental Policy, Cohesion Policy and Sustainable Development, Final Synthesis Report, 2011, pag. 41

Table. no. 2 shows that Romania fits in group six of countries targeting territorial cohesion specific to states with a GDP / capita below the average and that uses financial funds in particular to eliminate regional disparities.

Depending on the volume distribution of financial funds to activities closely linked to the environment, this group of states can be depicted in figure no.1.

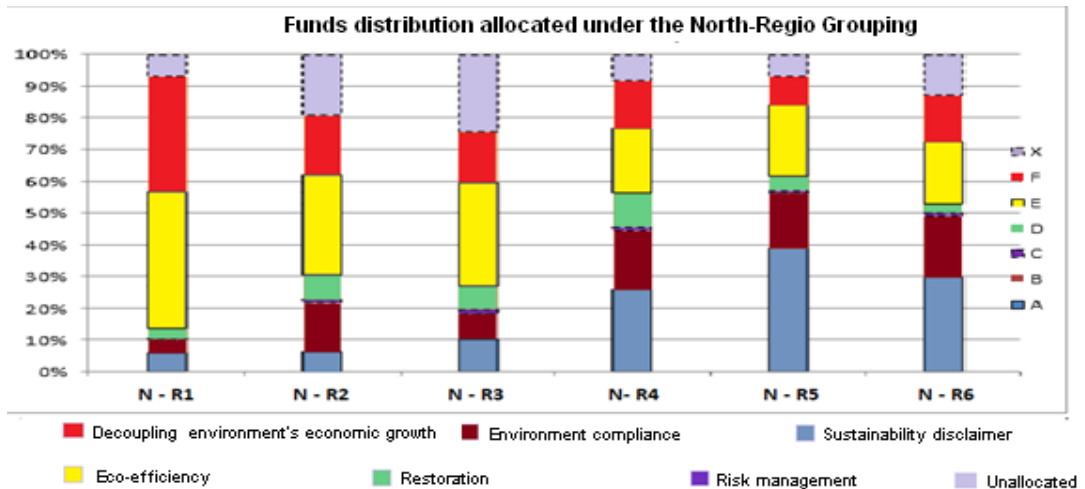


Figure no. 1. Distribution of funds from the E.U., according Nordregio grouping

Source: Institute for European Environmental Policy, Cohesion Policy and Sustainable Development, Final Synthesis Report, 2011, pag. 42

"Declining sustainability" refers to interventions that lead to the obvious loss of natural capital (eg, building highways, habitat fragmentation, use of conventional energy systems)."Environmental Compliance" refers to interventions that help complete compliance with environmental legislation (there are noticed the regulations and standards designed to reduce the impact of social and economic activities on the environment).

"Risk management" is the activity aiming at interventions for risk reduction and risk management (we can debate on the adaptation to climate change, promote the rational use of resources and changing the behavior of producers and consumers of electricity, by amplifying the positive effects of the use of renewable energy sources). "Eco-efficiency" - refers to interventions for improving resource efficiency simultaneously with the development of economic activities - social.

Decoupling environment's economic growth- aims thepotential to separate the activity economic from pressures on the environment/natural capital (eg, new activities /

technologies (long-debated renewable energy) applied to production processes to reduce environmental impact reorientation consumption patterns of natural resources).

"Restoration" - refers to the interventions needed to eliminate any harmful effects of pollution and contamination from previous activities.

As figure no. 1 shows, in group 1 most of the funds are distributed to the segment "Eco - efficiency" and "Decoupling economic growth the environment", which confirms that these countries use, as paths to ensure sustainable development, especially investment in innovation, research and development, practical viability of both segments being possible by funding these investments. As it can be seen, the European Union member states which are part of groups 4, 5 and 6 attach great importance to the segment "Disclaimer sustainability" and in the alternative segments "Eco - efficiency" and "Environmental Compliance".

This allocation of funds may be transcribed in real terms by analyzing states embedded in these groups. First, the two countries in Group 6, Romania and Bulgaria, and the others countries using financial funds in particular to ensure the compatibility of national environmental's legislation with the community's one, but also to ensure concomitant compliance of specific environmental national policies with frequent changes occurring in environmental community policy.

Also, the targets required by EU directives on environmental indicators, lead to increased need for financial resources to meet these targets. From fig. no.1 can see that financial resources allocated to the "Eco-efficiency" shows a linear trend, each group of states approaching eco-efficiency as a secondary attribute of financial allocating funds by objectives.

By grouping states according to the ways of ensuring development and as shown above, it can be said that the election of investment programs and priority segments are strongly influenced by the stage of economic development of each country.

Stage of development also influences the level of financial resources distributed on objectives and actions; less developed Member States have a restricted ability to finance projects and options with a financial impact higher, even if these prove sometimes to be more beneficial to the environment (eg, the choice between carbon-based energy to renewable energy systems) and can be more effective in the long term.

Exactly this deficiency faced by those countries less developed economically may become essential variable in the transformation of cohesion policy into a powerful tool, tool that can be decisive in financial support of Member States, in the selection of more expensive options, but more environmentally friendly and to finance innovation to ensure future economic benefits, but at a lower cost for the environment.

A comprehensive strategy to improve the integration of environmental performance in the specific cohesion policy and, ultimately, to match the cohesion policy to sustainable development will require the achievement of a mix of strategic, procedural and organizational instruments, to be applied each cycle stage specific for cohesion policy. Such tools are shown in the table. no.3.

Table no.3. Specific instruments of European Cohesion Policy

Category	Instruments
Strategics	Alignment with EU strategic documents, including the EU 2020 and other relevant documents for the cohesion policy; Alignment with the national / regional development; Applying the concept of sustainable development as a horizontal principle; Applying the principles underlying EU environmental policy; Specifying environmental objectives and priorities; The categories of eligible costs; The engagement of financial resources to finance environmental

Category	Instruments
	objectives; Compliance with environmental acquis; Benchmark environment.
Procedurals	Strategic Environmental Assessment (SEA); Ex - ante evaluation and SWOT analysis; Environmental Impact Assessment (EIA); Cost-benefit analysis (CBA); The imposition of selection criteria for environmental projects; Elaboration of indicators and environmental monitoring; Ex - post evaluation and regular reporting of progress; Rewarding performance; Technical assistance; Financial Engineering; Instruments for checking.
Organizational	Partnership for Environmental Action; Establishment of monitoring committees; Computerization network environment; Participation and consulting the public.

Source: *Institute for European Environmental Policy, Cohesion Policy and Sustainable Development, Final Synthesis Report, 2011, pag. 44*

It should be noted that these tools have different functions and scope and different capacity to facilitate environmental sustainability. I believe that these tools can't be ruled out, but should be used complementary. Optimal results for environmental sustainability depends crucially on the different combinations of instruments specific to various political and administrative contexts and on the level of governance and territorial features.

The instruments that are classified as "strategic" on no. 3 table are those that apply to all government's levels. However, their strategic nature is reflected in the fact that the development of these principles or tasks are performed to the highest level, which, in most cases, are reflected in the documents produced in the EU institutions and then they are reflected in all relevant documents, to lower administrative levels. Here are enframed the principles underlying EU environmental policy are mentioned explicitly, in the union, and then they are integrated into the national and regional documentation of Member States. In turn, these principles should be considered into projects's selection, implementation and monitoring. Organizational tools refers to the relationship between the various organizations , both within cohesion policy, but also in external third parties interested to collaboration to extend cohesion policy. In this sense, the organizational tools establish the necessary relationships to integrate environmental considerations into cohesion policy. Finally, the instruments classified as " procedural " are those which the organizations, under cohesion policy, use them to ensure that the programs and the projects are consistent with the strategic tools

Strategic tools provide environmental objectives inclusion under cohesion policy and under regulatory programs, they ensure consistency with other strategies and general policies, they provide an appropriate environmental objective "weight" opposite to economic and social ones. These tools communicate goals, strategies, and dissemination of best practices in environmental protection, and they are carried in the toward efforts to the prevalent integration of environmental issues under cohesion policy, leaving Member States develop concrete ways to operationalize them.

Procedural tools include a range of assessment, testing, monitoring and reporting tools. These tools have the potential to strengthen procedures and common practices to develop policies and funding programs, those having the greatest potential for innovation in integrating the environment under cohesion policy. These tools often face to the greatest

political resistance and relatively high administrative costs. Therefore, the formalization and the institutionalization in the policy will be insufficient if the skills and knowledges are not used to ensure their effective implementation in practice.

Organizational tools relate to broader changes in optical governance, that involving changes in institutional structures by applying the partnership and consultation principle. These tools potential is strengthening the position of environmental actors possibility, providing an incentive for ecological networks to collaborate and engage in common organic optical implementation with interested third parties.

In the specific objectives of the Structural Funds and the Cohesion scheduled for the Multiannual Financial Framework 2007 – 2013, it's highlighted the importance given to environmental policies and improving resource efficiency, with national and regional competitiveness objectives and convergence objectives. This fact was proved by increasing the financial resources value allocated by the Structural Funds and Cohesion on elimination pressure on environmental consequences of economic development.

In my opinion, the field's importance of environmental protection at Community level, included into practice with its great volume value of funds, it was due to strengthening makers public opinion about the fact that without major investment for decoupling economic growth from natural resource use, these pressures may jeopardize sustainable economic development community. Also, the various studies carried out under the auspices of the European Environment Agency have argued the need to introduce production and consumption methods more efficient and less polluting, especially if it is intended that the specific elements of competitiveness and convergence of economic and social policies to be sustainable.

At individual areas of activity level, there are specific areas that contribute to the regional development strategic objectives. The environmental investments volume to finance the five priority areas of environmental protection, which will be financed by the Structural Funds is determined by the need to promote regional convergence and competitiveness by:

- environmental compliance to European Union (EU environmental acquis), and
- compliance with environmental problems (eg climate change and managing natural hazards).

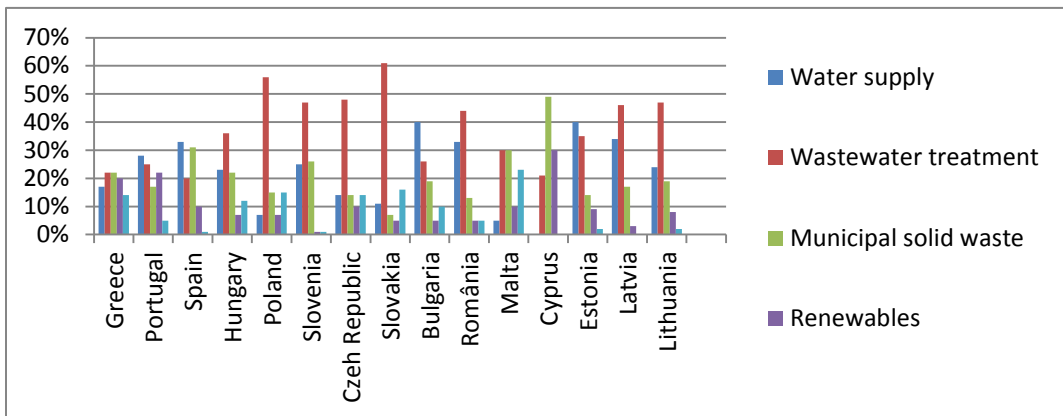


Figure no. 2. Share of priority investments for environmental protection in Member States of the European Union

Source: Own analysis based on data from „Strategic evaluation on environment and risk prevention under Structural and Cohesion Funds for the period 2007-2013”, DG Regional Policy

In case of compliance, environmental standards set out in the environmental acquis are those that are deemed necessary for a sustainable economy and therefore they should

be met for long-term regional development. If compliance with other policies, the rationale for using structural funds derived from the economic costs and benefits associated with climate changes, natural hazards and their effects on regional development. The evaluation results of environmental priority areas funding priorities are presented in fig no. 2, which shows investment share to finance the five environment priority areas of total funds planned for each Member State specific to Multiannual Financial Framework 2007-2013.

Figure no. 2 shows that in Slovakia, Poland, Slovenia and Romania the priority investments for environmental protection were directed to waste water treatment, and less towards renewable energy sources and natural risk management.

Current funding programs to target priority areas of "Environment" objective indicates that the main priority of Member States move to finance investments that contribute to ensuring compliance with EU environmental directives. Thus, 90% or more of the total environmental investments in the five priority areas are usually directed to the segment "expansion / modernization of existing infrastructure" inconsistent, compliance need being felt in all states to meet the legal requirements set out in the environmental acquis.

Tabel no.4. European Union's Member States Primary and secondary environmental prioritiesdescription

Field	Main priority	Secondary priority
The water supply	Bulgaria (40%) Estonia (40%) Spain (33%) Portugal (28%)	Latvia (34%) Romania (33%) Lithuania (24%) Hungary (23%)
Wastewater treatment	Slovakia (61%) Poland (56%) Czech Republic (48%) Lithuania (46%) Slovenia (47%) Latvia (46%) Romania (44%) Hungary (36%) Malta (30%) Greece (22%)	Estonia (35%) Bulgaria (26%) Portugal (25%)
Municipal solid waste	Cyprus (49%) Malta (30%)	Spain (31%) Slovenia (26%) Greece (22%) Poland (15%)
Renewables		Cyprus (30%)
Natural risk management		Slovakia (16%)

Source: Strategic evaluation on environment and risk prevention under Structural and Cohesion Funds for the period 2007-2013, DG European Union Regional Policy

From the data presented in Table no.4, we can draw the following conclusions about the top priorities for investment projects:

- first priority, felt in 10 Member States, refers to investments in wastewater treatment, priority funding of the analyzed states in this area ranging from 20% (in Spain) to 61% (in Slovakia);
- secondary, overall priority is given to water supply investments, representing the most important area in five Member States (Bulgaria, Estonia, Spain, Portugal and

Romania), investment priorities in this field having a fluctuation from 0% in Cyprus to 40% in Bulgaria and Estonia;

▪ the third priority is investment in municipal solid waste. In Cyprus (49%) the municipal solid waste field is the most important type of investment and the other five countries (Spain, Slovenia, Malta, Greece and Poland) this area forms the second largest investment priority.

In contrast, investments in renewable energy sources and natural risk management have a relatively low priority, reflecting the importance of acquiring the obligations in financing investment needs for.

The biggest overall priority is linked to wastewater treatment's investments. The priorities evaluated show that each one of Slovakia and Poland should allocate over half of total resources for this program area. In total, ten of Member States attach the highest priority to this area, which mainly reflects the high cost of compliance with EU directives imposed in this regard.

According to the classification of investment priorities for the five priority areas, funding priority in our country rests on waste water treatment, accounting for 44% of the funds allocated to the segment of medium and secondary priority is to invest in water supply (33 % of total allocation). The third priority is to finance a municipal solid wastefield, accounting for 13% of total funding, followed by the other two areas whose share of funded requirements remain at 5%.

By the end of 2012, nearly 36 billion - or 11% of total funds - were distributed in one thematic area to another to support the most pressing needs and to strengthen interventions. Main changes brought increases in borrowing innovation, research and development, business support, sustainable, cultural and social infrastructure, road infrastructure and the labor market. The cuts affected ICT services, environmental measures, rail, other transport, training and education and the strengthening of administrative capacity.

After six years of implementation according to the KPMG study, entitled EU Funds in Central and Eastern Europe - Progress report for the period 2007-2012, performed in 10 countries from Central and Eastern Europe, these have contracted totally 83% of the budget allocated for programming period of 7 years. As of the end of 2012 Bulgaria's, the Czech Republic's and the Baltic countries' National Strategic Reference Framework programmes showed the highest contracting ratios, ranging between 91% and 100%, which is also remarkable in proportion to time. The greatest progress was seen in Bulgaria, which was the bottom of the ranking last year. At the end of 2012, the countries with the lowest contracting rates are Romania, Hungary, Slovakia and Slovenia.

The same study found that the share of contracted projects and payments varies between Member States and showed significant progress, but since there are some delays in the repayment progress is underestimated. There is an increased risk in the countries which, if they don't ensure immediately available community mobilization funds, they will lose a significant funding amount originally planned and the objectives won't be achieved. Thus Council of the European Union adopted, on December 5, 2013 the Regulation on facilitating the use of structural and cohesion funds for the current programming period. The regulation aims to reduce the impact of the current economic crisis, and one measure is that Romania and Slovakia will have one year more time to use the commitments made in 2011 and 2012, meaning that these commitments can be used until the end of 2014 and 2015 respectively (n+3 rule). The purpose is to improve the absorption of the EU funds in Romania and Slovakia, as well as to reduce the risk of automatic de-commitment of funds from the current programming period.

In our country, according to data provided by the Management Authority that manages the financial resources for the OP Environment and Environment and Climate Change Ministry, on February 21, 2014 there were made 658 projects to access funding

through the Environment Sectoral Operational Programme, of which 469 were approved and 443 were contracted. The amount of payments was 7.5054 billion Ron.

3. Conclusion

The way Member States have managed to keep their priorities in terms of investment financing by priority axis was disrupted by negative shocks of the crisis, shocks that were not felt equally or simultaneously in the Member States, Community's regions and cities. Some programs have registered a decrease on the demand for long-term support and many programs face problems of co-financing capacity assumed by national governments. The support from the Cohesion Fund and European Regional Development Fund is equivalent to more than a third of annual capital expenditure in most EU-12 countries during programming period.

However, a large proportion of total funding available has not yet been paid to the Member States, financial aid that must be provided until the end being equivalent to about half or more of annual capital spending of 8 EU-12 and almost a third part in Germany and Portugal. These figures underline the critical importance of cohesion policy funding for development costs in many EU countries. To respond to these challenges, the Community institutions have quickly reacted by mobilizing all available tools and their adaptation to the financial needs of Member States.

The nonrefundable finance for environmental activities within the European Union is complex and varied, depending on greatly institutions (funds and financial instruments) which grants financial assistance, but also on the development of the countries that receive EU funding grants. I believe that European funding grant can not compensate for the absence of a national system of financing environmental policy, it can serve as a catalyst to establish and influence national mechanisms for funding environmental protection policy.

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