

Regional Policy of the European Union

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Abstract

The article presents the main elements of the European Union's regional development policy - its evolution since the establishment of the Community ensemble, the objectives pursued, the specific operational instruments, the results recorded at the end of the 2007-13 budget year, the last for which there are official data. Through all these elements, the regional development policy of the community ensemble has proved its dynamism and the ability to realistically adapt to all changes made on a global, continental and regional scale in economic, social, scientific and technological, ecological terms, providing an example of establishment on the basis of rational and solid principles of a policy that ensures the increasing integration of member countries through the continuous reduction of regional disparities.

Keywords: *regional development; regional policy; specific instruments.*

JEL Classification JEL: *R11*

Introduction

The European Union may be considered as a world-scale example in setting and implementing regional development policies, as it starts from the essential idea that the increased regional disparities hamper the deepening of the member countries' integration. As a result, the European Union's overall strategy, to which regional policy is a component, is focusing on increasing the economic and social cohesion of member countries, which implies, in the context of the Single Market, that all regions to benefit equally from the benefits of eliminating all barriers.

As a result, the Union's regional policy is one of investment targeting regions and communities in the Community's perimeter, and aiming to sustain their economic growth and significantly improve the quality of citizens' lives, thus expressing solidarity by directing support to the least developed regions.

Short History

Since its establishment in 1957, the Treaty of Rome, which endorsed this historic act, stipulated: "Strengthening the unity of national economies and ensuring their harmonious development by reducing existing disparities between regions and supporting less-favored regions." One year later, the European Social Fund (ESF) has been endorsed.

In 1975, the European Regional Development Fund (ERDF) was established.

In 1986 the legal basis for regional policy was ensured through the Single European Act, the first to introduce deep constitutional reforms after the Treaty of Rome, sets out measures for the completion of the internal market, institutional changes, and provides the legal form for European Political Cooperation (European Political Cooperation - EPC).

In 1993, the Maastricht Treaty establishes the Cohesion Fund and the Committee of the Regions, and adopts the principle of subsidiarity, according to which decisions must be made at the least centralized / strongest at the local level, capable of addressing the problems most appropriately.

Between 1994 and 1999, regional funds accounted for about one third of the Union budget, reflecting the particular concern of the Community authorities for regional development.

Between 2000 and 2004, pre-accession instruments for the Union are set up for the countries involved in the process of joining the Union, through which development finance and access to know how becomes available to those countries.

In the 2007-2013 period, around 55% of the Union budget has been directed to R & D and innovation, environmental protection and climate change mitigation, including at regional level.

In the 2014-2020 period, Community investment targeted at four priorities - R&D and Innovation, SME support, the Digital Agenda and the low carbon economy, energy efficiency and renewable energies.

The synthesis of the main moments that have marked the regional policy of the European Union highlights the defining characteristics of its evolution, namely:

- gradual widening of the range of funding instruments;
- maintaining the center of gravity of financing regional projects for investment in tangible assets (primarily infrastructure) and, in the main, in intangible (education and R & D, innovation and assistance);
- gradual crystallization of the principles underpinning regional policy: focusing on common objectives; the coherence of projects, which must correspond to a long-term strategy; of the partnership, which means the involvement and participation of all stakeholders at national, regional and local levels; of subsidiarity, placing the responsibilities of actions as close as possible to the level of concrete actions; of additionality, according to which community support is added to the financial efforts of the regions; the co-financing of projects and programs by Community funds and by central and local authorities; of continuous evaluation during the development of projects and programs and intervention when needed with corrective measures.

Objectives

Throughout the European Union's existence, its regional policy objectives have broadly remained the same, with some inherent variations from one period to the next.

For example, between 1994 and 1999, the objectives were six: promoting structural adjustment and the development of regions lagging behind; supporting regions or areas in regions affected by industrial decline; combating long-term unemployment and facilitating integration into the labor market; supporting labor adaptation to industrial change; adjusting agriculture and fisheries, and developing rural areas; the development of regions with population density below the average of the community space.

Between 2000 and 2004, there was an "increased concentration" of regional policy objectives, which meant narrowing their range to three: promoting the development and structural adjustment of regions lagging behind in economic and social development; economic support and social conversion of areas faced with structural adjustment difficulties; supporting the adaptation and modernization of national and regional education, training and employment systems.

In 2007-2013 period, cohesion policy focuses on economic growth and job creation, with the aim of: simplifying rules and structures; increasing transparency and communication, key elements of the reform becoming growth and job creation; directing most investment towards R&D and innovation (25%); development of green infrastructure and supporting measures to combat climate change (30%).

In the 2014-2020 period, regional policy objectives have been set to support the achievement of the goals of the Europe 2020 strategy for smart, sustainable and inclusive growth in the European Union. These regional policy objectives or priorities mentioned above are:

1. Supporting the R & D and innovation activities (3% of EU global GDP investment in these activities, for basic and applied research, and cooperation between all stakeholders in innovative clusters where Member States aim to remain internationally competitive);
2. Supporting the digital economy, and ICT, as an essential condition for increasing productivity, competitiveness, income and employment (developing ICT infrastructure for access to high-speed connections in all regions, especially in remote, rural and the least developed areas, facilitating the change to the innovative use of ICT-specific services - eLearning, eBusiness, eSkills, digital literacy, eHealth, eGovernment);
3. Increasing the SMEs competitiveness (supporting business creation, facilitating SME access to new financing instruments - microfinance, venture capital, loans), to stimulate the leverage effect of EU investment by increasing private sector investment;
4. Supporting the shift towards a "low-carbon economy", which means: expanding the use of renewable energy, increasing energy efficiency - including in households and public buildings and investing in intelligent energy distribution networks; reducing transport emissions by investing in research of new transport technologies and promoting sustainable public transport.

At the same time, the regional policy set for this last period aims at:

- o extending urban localities in the Union's perimeter, the share of citizens living in these localities will increase to 80% by 2020 (59% of Union citizens live in the metropolitan regions, 62% of all jobs are covered by these regions, and they generate 67% of Community GDP);

- supporting macro-regional strategies to tackle common problems for groups of countries located in a geographical area (such strategies are already being implemented in Baltic and Danube regions).

For the 2021-2027 Community budget, the European Commission proposes to modernize the Cohesion Policy in the following directions:

1. Focusing on investment priorities, most of the European Regional Development Fund and the Cohesion Fund being allocated to R & D and Innovation activities, supporting SMEs, expanding digital technologies, industrial upgrading, spreading green economy and cyclical economy, fighting the effects of climate change;
2. Cohesion policy for all regions, with a more tailored approach to the real needs of the regions, by: investing in all regions, those in Southeast Europe to be beneficiaries of consistent support; an approach better suited to the three types of regions - less developed, in transition, developed - , the main criterion for delimiting them being GDP per capita, plus youth unemployment, education, climate change, reception and integration of immigrants; leadership at the local level by setting development strategies at this level;
3. Fewer, clearer and more synthetic rules and a more flexible framework, which is expected to: simplify access to funds; use a single rule book; adapt to needs;
4. The stronger link with the European Semester to improve the investment climate in Europe - creating an environment focused on growth and business-friendly, so that community and national investment can assert its full potential.

Instruments

In implementing its regional development policy, the European Union uses a range of regional funds, each of which is earmarked to resolving specific issues ¹. The following tools represent, through specific investments, the materialization of the two sides of the Community regional policy, namely:

- the economic and social cohesion of the regions, by supporting a rise in competitiveness level, increasing green economy and regional economies, providing more job opportunities, better services and better living conditions;
- territorial cohesion, through strengthening the links between regions so that, on the basis of collaboration and cooperation, their strengths can be turned to account, in particular through the development, expansion and consolidation of innovative structures (technological and scientific parks, clusters of innovative enterprises, etc.), capable of solving successful joint regional issues.

The European Regional Development Fund (ERDF) finances investments in growing sectors to improve their competitiveness and support job creation. The actions of this fund aim at supporting economic, social and environmental changes in the regions, especially sustainable urban development (in this context, more than 50% of the Fund was allocated to the development of urban areas in the 2014-2020 budget exercise). Allocation of funding from this source is based on the specific territorial characteristics of the regions such as, for example, naturally disadvantaged areas - mountain relief, remote areas, low population density areas.

At the same time, the ERDF finances and stimulates cross-border, transnational and intra-regional cooperation (European Territorial Cooperation), covering common transport

¹ See European Commission. Regional Policy. Making Europe's regions and cities more competitive, fostering growth and creating jobs, Online: <http://europa.eu/lby34KD>

infrastructure, innovation and communication networks, cross-border trade, joint management of natural resources, urban and rural connections.

The European Social Fund (ESF), set up one year after the creation of the European Community, seeks to provide assistance to job-seekers and provides access to training programs to facilitate their employment, as well as supporting existing employees to retrain, acquire new professional skills and adapt more easily to changes in professional situations (implementation of new production technologies, new methods of organizing production and labor, etc.). Every year, the ESF co-finances projects with around 15 million people as beneficiaries.

Other purposes of ESF-funded investments are: combating all forms of social discrimination; supporting the integration of marginalized communities into society; increasing the efficiency of regional and local public administrations and public education, labor and social services.

The ERDF and the ESF are *Structural Funds*, whose main purpose is to support the economic and social restructuring of all regions of the Community, so as to reduce development gaps between them, particularly on infrastructure and on the use of labor. These two funds, together with *the European Agricultural Fund for Rural Development (EAFDR)* and *the European Maritime and Fisheries Fund (FEMP)*, form *the European Structural and Investment Fund (ESIF)*, for which common rules on accessibility, financing, monitoring and evaluation of the effects of their application are established.

The Cohesion Fund - CF has as object of its investments transport networks and environmental protection, promoting "green economy" growth, improving regional connectivity and accessibility to reduce disparities between regions. The Fund supports: the development of the trans-European transport network, which is essential for the effective functioning of the Single European Market and for the free movement of goods and people in the Community area; funding of major transport networks and other categories within the Connecting European Facility (CEF), as for broadband infrastructure in telecommunications, public online services, road, rail, electricity and gas transport infrastructure; adaptation to climate change; water resource management, water transport and distribution activities; waste management; improving the urban environment; increasing energy efficiency; expanding the use of renewable energy in companies and public infrastructures

The EU Solidarity Fund - EUSF, has been created in 2002 to support regions and areas affected by floods, as an expression of community solidarity with regions hit by natural disasters (earthquakes, floods, landslides, etc.). The Fund allows for rapid and effective interventions in flexible ways to combat the effects of natural disasters - infrastructure rebuilding, cleaning operations, temporary accommodation in emergencies.

The range of instruments for transposing Community regional policy is broad enough to cover the regions' diverse requirements of economic and social development. The efficiency of the use of exposed tools, also assured by the efforts to continuously improve and simplify the rules and mechanisms for financing regional projects and to monitor their achievement, is convincingly highlighted by the results recorded in this respect.

Outcomes

For the 2007-2013 period, the last for which statistical data are available, the Synthesis report of the ex-post conclusions of the Cohesion Policy programs, financed by the ERDF and the FC, shows the remarkable results performed²:

² European Commission. Key achievements of Regional Policy. Commission staff working document. Ex-post evaluation of the ERDF and Cohesion Fund 2007-2013, SWD (2016) 318 final, Brussels, 2016

- a) Creating jobs and achieving economic growth
 - 1.3 million jobs were approximately created between 2007 and 2015,
 - in the least developed regions, GDP per capita has risen from 60.5% of the EU average in 2007 to 62.7% in 2010;
- b) Investing in people
 - about 2.4 million participants benefited from the ESF actions on finding a job in 6 months, between 2007 and 2010;
 - about 15 million people participate annually in projects co-funded by the ESF;
- c) Supporting businesses
 - 356,800 projects have been implemented by SMEs that received direct investment aid;
 - 141,145 business creations have been supported;
- d) Enhance R & D and innovation
 - 125,687 research projects and 43,371 cooperation projects have been supported;
 - 70,900 long-term research jobs have been created;
- e) Improving infrastructures;
 - 20.6 million citizens benefited from broadband connectivity;
- f) Improving the quality of the environment
 - 15 million citizens benefited from improved water supply systems;
 - more than 19.7 million citizens benefit from wastewater management projects; an area of 1650 km² was rehabilitated;
- g) Modernizing transport and energy production
 - 6700 km of roads were built, and 41,300 km. were rebuilt;
 - 475 km of railway were built, and 7500 km were reconstructed;
 - an additional electricity production capacity of 5,309 Mw was created.

Conclusions

The analysis of the evolution of the European Union's regional policy shows that it has experienced significant changes over time, but, at the same time, has consistently pursued the aims of reducing regional disparities in economic and social development, increasing the competitiveness of regional productive activities and the prosperity of its inhabitants.

The instruments for implementing this policy were marked by a neutral, horizontal approach to ensuring equal access for all regions to community funding to support their development. The most difficult issue in defining the priorities of the Union's regional policy is the allocation of intervention funds by regions, in the context of the widening of the Community space by the addition of new member countries and, hence, the deepening of the heterogeneity of these countries and of the component regions.

Despite this reality, the EU's regional policy has convincingly demonstrated, through the effects of the last budget exercise, its effectiveness and its indispensable role in the accelerated development of regions lagging behind and, as a result, in reducing regional disparities.

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