

THE MAIN FINANCING SOURCES FOR REGIONAL POLICY  
IMPLEMENTATION IN THE EUROPEAN UNION

1. Regional development concept across the E.U.
2. Principles and objectives of the European regional policy
3. Structural funds
4. Accessing of European Funds in Romania

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**Abstract**

*The paper deals with regional development across the E.U. in order to make disparities evident between the Member States and the influence of the Structural Instruments upon these states.*

*The main structural instrument is ERDF. As a result, the second part of the paper is concerned with the principles of this fund and its specific objectives during specific programming periods.*

*The last part of the paper analyses the impact of European Funds on Romanian economy. So, we can conclude that the Structural Instruments are important for the economy of every Member State, including Romania.*

**Key words:** regional development, regional policy, Structural funds.  
**JEL Classification:** R11, R12

1. The Member States of the E.U. haven't the same level of development. As a result, there are disparities connected with the GDP per capita which is greater in the West of E.U. comparing it to the South of the E.U. These disparities are greater if we analyse the latest Member States from the Centre and East of Europe.

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There are development disparities inside Member States and between regions and areas, too. Lands of the former Democratic Republic of Germany, for example, concerning development, lag behind other areas of the country, if we mean socio-economic development and efficiency level.

Regional disparities prevent those countries from joining the E.U. and the free movement of capital, at the same time, bringing about a scarce rate of possibilities of existing differences both across that country and across the whole of the E.U. (between the North and the South of Italy for instance, between Corsica and continental France on the other hand, or between Flenish and Wallonian regions of Belgium, too).

As a general point of view, regional problems of a country represent regional disparities connected with revenues, output and labour rates of growth and economic inequity. These problems come from unequal rates of growth of economic activities. Regions with high revenues are in and around metropolis, government and advanced industry areas.

Regional disparities prevent integration, free movement of capital bringing about the decrease of the possibilities to eliminate existing differences across a country or across the whole of the E.U.

Regional policy is one of the latest common policies. It is based on cohesion idea which was defined in 1957 by the Rome Treaty. That Treaty established the necessity to decrease regional disparities and to support development of the regions developed less than others.

The first elements of the regional policy appeared in 1960 under the implementation of the European Social Fund. This fund supports labour and labour mobility across the E.U.

A new stimulus for a regional development policy appeared at the first enlargement of the Community in 1973. As a result, the British Commissary George Thomson received the role to monitor the regional policy of the European Community.

But an active regional policy was observed only after the European Regional Development Fund implementation in 1975.

ERDF represents the pylon of the European regional policy. It supports less developed regions and those regions which have structural and economic reconverting problems.

The European Single Act introduced socio-economic cohesion in its article no. 130A in 1987. As a result, there appeared an institutional framework for a solid regional development policy. The Community supports disparities decrease between different regions and development

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of the less developed regions too, including rural areas. (European Commission, 1997).

It was the moment when regional development policy was officially adopted as one of the instruments for a better socio-economic cohesion of the E.U.

Moreover, other funds were also implemented as mentioned below:

- European Fund for Orientation and Agricultural Guaranty, which supports development and structural adjustment of those rural areas of a lower rate of development using improvement of production and sales structures for agricultural and forest goods;

- Financial Instrument for Fishing Orientation, which supports development of the fishing activities.

In 1993, there was implemented the European Cohesion Fund, which finances transport and environment infrastructures in those Member States which have a GDP per capita lower than 90% as compared to the European average.

Nowadays, regional policy represents all measures engaged by the central governmental authorities in order to realise a socio-economic development on a regional level (Ianasi L., 2003). This policy is applied in Member States and in E.U. and it improves regional disparities in order to ensure a equilibrate distribution of the inhabitants and economic activities in territory.

The main aspects of a coherent and efficient regional policy can be analysed using three territorial levels:

- the general level (the E.U. level), which establishes the principles and objectives of a supranational regional development policy in order to create a better socio-economic cohesion between the Member States;

- a particular approach for every Member State;

- particular regional approach which uses typical objectives according to regional needs and potential.

A common regional policy should be based on the common efforts on European, regional and local levels in order to obtain a coherent action on a longer term is able to realise cohesion on all levels (Dumitrescu S., 2005).

The common regional policy intensifies the integration rhythm across the E.U. and supports the qualitative growth of this process using local initiatives.

The Regional Committee plays an important part being a kind of Counselor for circumstances of making decisions on the regional development level.

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The Common Regional Policy benefits by the second financial support after the Common Agricultural Policy. It covered, for example, 235 billion Euros during 2000-2006.

2. The principles of the European Regional Policy are as follows:

- funds' concentration around priority objectives;
- programming: multiyear programs established under a process decisions adopted by agreements;
- partnership: there is a strong cooperation between the European Commission and the specific authorities on national, regional and local levels in order to pave the way and to carry out the decisions adopted;
- additionally: every Member State has to support programs on their own financial contribution;
- subsidiary: the superior instances haven't to assume activities below their range of competence.

During 1994-1999, such regional policy objectives were:

- regional development and structural modification for less developed European regions;
- conversion of those regions and areas strongly affected by industrial decline;
- long term unemployment decreasing and a better integration of the youth on the labour market;
- support for structural changes;
- structural adjustment acceleration for agriculture and fishing; development and structural adjustment of rural areas;
- support for those regions of lower density of inhabitants (Northern regions) (Ionescu V.R., Marchis G., 2006).

During 2000-2006, the objectives of the regional policy decreased to three:

- promoting development and structural adjustment for less developed regions using the European Regional Development Fund, the European Social Fund, the European Fund for Orientation and Agricultural Guaranty and the Financial Instrument for Fishing Orientation;
- support for socio-economic conversion of those regions having encountered with structural problems using the European Regional Development Fund, the European Social Fund and the Financial Instrument for Fishing Orientation;

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- support for adaptation and modernization of educational policies and systems, training systems and labour access on specific markets using the European Social Fund and national funds, as well (Iuhas V., 2004).

During 2007-2013, the objectives of the Structural Funds were turned into the following:

- promoting convergence, economic development and new jobs in the less developed Member States;
- promoting regional efficiency and employment by training labour in order to participate and to outlive to the market's changes;
- promoting territorial cooperation across Europe.

By decreasing number of objectives, the efficiency of the European funds started to grow. Moreover, the European Union simplified the procedures, increased autonomy of the Member States and improved the rate cost/efficiency (Ionescu V.R., Marchis G., 2006).

3. Structural Instruments represent the main instrument of the E.U. in order to implement its regional policy. These funds consist of import taxes on agricultural goods, custom taxes, VAT and financial contributions of the Member States according to their development level.

Funds are redistributed in according to a complex procedure, to those European countries and regions which are less socio-economically developed.

The Treaty of the European Union establishes common objectives for socio-economic cohesion in article number 158/ past article number 130A (Tudoroiu T., 1997). As a result, the European Union supports actions in order to promote socio-economic cohesion relying on decreasing regional development disparities and promoting development for disfavoured regions rural areas included.

The instruments of achieving common objectives are the following:

- implementation of economic policies by the Member States joining in order to achieve forecast objectives together;
- formulating and implementing community's policies and actions and enhancing their success, on the one hand, and implementation, on the other, of a single market according to forecast objectives;
- actions under the European Structural Funds using the European Investments Bank and other financial instruments.

The European Regional Development Fund is engaged in removing the main regional disparities rehying on structural development and adjustment of less developed regions and economic reconversion of those regions which present an industrial decline.

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In accordance with article number 162 of the Treaty, the decisions for ERDF implementation are adopted by the European Council after consulting the Economic and Social Committee and the Regional Committee.

Decisions of the European Fund for Orientation and Agricultural Guaranty application and the European Social Fund have to follow a special procedure under regulations of articles number 37 and 148 of the Treaty.

According to article number 161 of the Treaty, the European Council created the European Cohesion Fund in 1993, in order to finance projects connected with environment protection, trans-European networks and transport infrastructure.

Under the European Treaty, the European institutes adopted a set of internal ruling principles. These ruling principles establish concrete elements connected with the structural instruments. Nowadays, the most important ruling principles are:

- Regulation no. 4256/1998 of the European Council concerning the Orientation section of the European Fund for Orientation and Agricultural Guaranty;
- Regulation no. 1263/1999 of the European Council concerning the Financial Instrument for Fishing Orientation;
- Regulation no. 1783/1999 of the European Council and Parliament ruling concerning the European Regional Development Fund;
- Regulation no. 1783/1999 of the European Council and Parliament concerning the European Social Fund;
- General Regulation no. 1083/2006 of the European Council concerning ERDF, ESF and ECF;
- Regulation no. 1084/2006 of the European Council concerning the European Cohesion Fund.

Common Agricultural Policy is governed by articles 32-38 of the European Treaty. Article number 34 of the Treaty established law framework about creating specific orientation and agricultural proof.

As a result, the European Fund for Orientation and Agricultural Guaranty is divided into two distinct sections: orientation and guarantying. The orientation section acts under European Council's regulation number 1258/1999.

Another important European policy is the European Social Policy ruled by articles number 136-145 of the Treaty.

Article number 146 of the Treaty speaks is concerned with the necessity of a European Social Fund. This fund promotes facilities for

employments and for geographic mobility of labour. What is more, it promotes facilities in order to adapt labour to the industrial changes and new production systems using labour training and retraining.

The European Commission administrates this fund rebyind on a committee consisting of representatives of the governments, union trades and employers.

The actual decisions connected with the European Social Fund are adopted by the European Council in the advice of the Economic and Social Committee and Regional Committee, as well.

Nowadays, the European Social Fund is governed by rule number 1081/2006 of the European Parliament and the European Council.

4. In Romania, the basic concept of regional development policy was developed on studies and analyses under PHARE program and it is described by thet Green Card of the Regional Development in Romania.

This new policy covers a real need of local and regional collectivises in Romania and it becomes a new approach for development based on development initiatives, plans and programs of local and regional collectivises.

The Romanian regional policy is based on planning decisions promoted by the local and central public administration authorities under partnership with different public and private actors in order to ensure a sustainable socio-economic development rebying on local and regional resources. The final objective is to achieve socio-economic cohesion.

As a result, Romania has had technical dialogues with the European Commission under 21<sup>st</sup> Chapter- Regional policy and structural instruments' coordination.

In 2004, they began elaboration of the National Development Plan 2007-2013 based on the idea that this document will be concerned especially with priorities and objectives consistent with action domains of the Structural and Cohesion Funds.

The National Development Plan 2007-2013 affects the general access to the Structural and Cohesion Funds in order to respect the European development priorities and to apply the respective decisions for the socio-economic sustainable development.

According to new *acquis communitaire*, the National Development Plan is replaced by the National Strategically Reference Framework which becomes the unique strategic document for the Structural and Cohesion Funds (Vass A., 2006).

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Similar documents for agriculture and fishing are the National Strategic Plan for Rural Development and the National Strategic Plan for Fishing and Aquaculture.

The National Strategic Plan was elaborated by the Public Finances Ministry, in April 2006, and it became the negotiations' basis between the former and the European Commission in order to devote financial funds for Romania during 2007-2013.

During 2007-2013, Romania is eligible for two objectives: convergence and European territorial cooperation.

Under objective convergence, the E.U. will finance Romania rebying on the following operational programs:

- economic efficiency: will receive 2240 million Euros from the European Regional Development Fund;
- transport infrastructure: will receive 4010 million Euros from the European Regional Development and the Cohesion Funds ;
- environment infrastructure: will receive 3960 million Euros from the European Regional Development and the Cohesion Funds ;
- regional development: will receive 3275 million Euros from the European Regional Development Fund;
- technical assistance: will receive 150 million Euros from the European Regional Development Fund;
- human resources: financed on 3050 million Euros from the European Social Fund;
- administrative capacity: financed on 185 million Euros from the European Social Fund.

Under objective European territorial cooperation, E.U. will finance Romania rebying on the operational program Trans-border, Transnational and Interregional Cooperation from the European Regional Development Fund, Financing Instrument of European Neighbouring Policy and Pre-adhering Instrument for Candidate and Associate Countries. The total financial support is about 394 million Euros.

Romania will benefit by the following European financings:

- the European Cohesion Fund will cover 80% of total costs of the projects;
- the Structural Funds will cover 75% of total costs of the projects.

Romanian budget has to co-finance these European funds by 4.55 billion Euros. The money will come from public sources (3.1 billion Euros) and private sources (1.45 billion Euros).



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Under CAP, Romania will receive 13646 million Euros during 2007-2013 from the European Agricultural Fund for Rural Development. This fund is divided into:

- market measures: 1066 million Euros;
- direct payments: 5471 million Euros;
- rural development: 7109 million Euros;
- European Fishing Fund: 209 million Euros.

We can conclude that all Member States have a specific regional development policy according to their particular conditions.

Some Member States like Spain and Greece promoted a policy of supporting great urban agglomerations.

Other countries (Finland and Sweden) applied regional development policies focused on unemployment decreasing and promoting some economic activities in every region in order to decrease the effect of population migration to urban centres.

Germany and Italy adopted a development policy based on equal financial assistance ensuring for all regions, in order to decrease regional disparities.

But regional policies were not able to support a harmonious development for all Member States. As a result, it was necessary to create a regional development policy able to finance development of those areas bearing problems on account of moving use of structural instruments.

On the other hand, we consider that is a great mistake to understand adhering negotiations only in connection with the Structural and Cohesion Funds. The main objective must be the manner in which these countries can, practically, apply the European rules and regulations.

The mission of negotiations is to demonstrate the necessity of funds' allocation in order to complete the internal resources for regional disparities decreasing and sustaining economic development.

Romania also applies a regional development policy according to the European policy but under particular socio-economic, cultural, historic and geographical conditions in our country.

But the Romanian economic development needs political and law stability and a greater implication of the local public administration authorities into the economic development process.

Above all these, competent authorities have to respect function cycle of financing under structural funds in order to delimitate geographical areas which present dysfunctions and major disparities in their economic development.

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