

Regional Policy - Major Part in the European Union

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Abstract

European Union Member States and regions are not identical in terms of their level of development. Moreover, there are differences in the development level even within each country. Disparities among regions and countries are not only historical, but also natural. Unequal developments are obstacles to the integration process, the free movement of capital is impeded, which means reducing the possibility of eliminating existing differences. Therefore, regional policy primarily aims at reducing economic and social disparities among the different regions of Europe, starting from the heterogeneity of components.

Key words: regional policy, regional disparities, economic and social cohesion, economic crisis.

J.E.L. classification: F15

1. Introduction

Regional policy has played a major part in the enlarged European Union, as proven by its outstanding achievements during previous years.

Strengthening the economic, social and territorial cohesion by reducing the development disparities among its regions and countries is a fundamental objective of the European Union.

Regional disparities widened in 2008-2013 because the economic crisis affected regions differently. Some regions were severely affected, others almost not at all. Although the European Union's regional policy is conceived as a long-term structural policy, it was necessary to adapt to radical changes in the economic environment and to adopt steps to address unpredicted challenges.

However, regional policy has led in recent years to creating millions of jobs, has led to building thousands of kilometers of strategic links in the fields of transport, energy and broadband, has invested in research and innovation, small businesses and entrepreneurship, has supported innovative projects in areas such as renewable energy and energy efficiency, protection of cultural heritage and natural areas of outstanding beauty, has stimulated economic growth in sparsely populated and outermost regions of the European Union (European Commission, General Directorate for Communication, 2014, *Regional Policy. Let Us Understand European Union Policies*, p.15).

2. EU Regional Policy in 2007-2013

Whereas for the period 2000-2006 regional policy was allocated a budget of 235 billion Euros, for the years 2007 to 2013, the amount rose considerably to 347 billion Euros (Niță, I., Ciochină, I., Dumitrescu, S., 2010, *European Construction – EU*, 4th Edition, Independența Economică Publisher, Pitești, p. 99), of which 25% was allocated to research and innovation, and 30 % to environmental infrastructure and steps to combat climate changes.

The community initiatives in 2000-2006 gave way to a new architecture (Table no. 1) that simplified the system.

Table no. 1

Regional Policy Architecture	
2007 - 2013	
Objectives	Financial instruments
Convergence	FEDR FSE FC
Competitiveness and employment	FEDR FSE
European territorial cooperation	FEDR

Source: <http://www.fonduri-structurale.ro/detaliu.aspx?eID=10115&t=fs2014-2020> [Accessed 7 January 2016]

The **convergence objective** has aimed at boosting growth and employment in less developed regions. It has put particular emphasis on innovation and knowledge society, on the adaptability to economic and social changes, and on the quality of environment and administrative efficiency. It has been funded by the European Regional Development Fund (FEDER) and the European Social Fund (FSE), along with the Cohesion Fund (FC).

The **regional competitiveness and employment objective** has covered all areas of the European Union which were not eligible for the convergence objective. It has been meant to contribute in strengthening the competitiveness and attractiveness of regions, as well as of employment by anticipating economic and social changes. It has been funded by the European Regional Development Fund (FEDER) and the European Social Fund (FSE).

The **European territorial cooperation objective** has aimed at strengthening cooperation at cross-border, transnational and inter-regional levels. It has acted as a complement to the other two objectives, as the eligible regions are the same as for the convergence or regional competitiveness and employment objectives. It has been funded by the European Regional Development Fund (FEDER). It has aimed at promoting joint solutions for the authorities of different countries in the fields of urban, rural and coastal development, development of economic relations, and interrelatedness of small and medium enterprises. The cooperation has been focused on research, development, information society, environment, risk prevention and integrated water management (<http://eufinantare.info/politica-coeziune.html>).

The financial resources have amounted to 347 billion Euros distributed as follows:

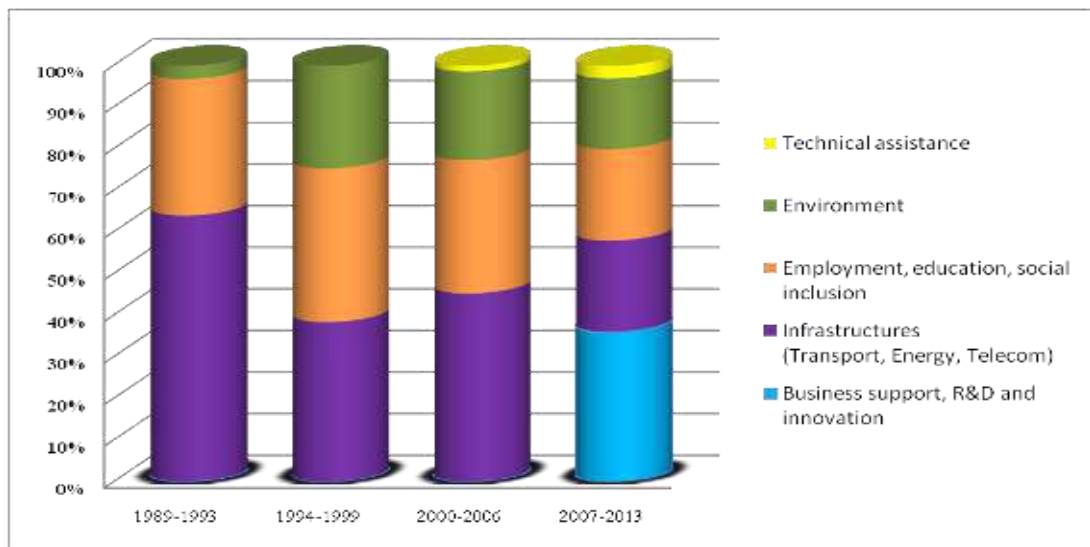
- 81,5% for the convergence objective;
- 16% for the regional competitiveness and employment objective;
- 2,5% for the European cross-border cooperation objective.

Most financial resources have been concentrated, just as today, on the poorest Member States and regions, focusing on the new Member States (Prisecaru, P. et al, 2004, *EU's common policies*, Economica Publisher, București, p. 108).

The European Commission has conducted annual indicative divisions by Member State, mainly based on the following criteria: *eligible population, regional and national prosperity, and the unemployment rate* (<http://eufinantare.info/politica-coeziune.html>).

After 1989, within the regional policy, there has been a shift of investment from infrastructure to support for SME's, innovation and social policies, and employment. This shift has been possible due to infrastructure development in Member States which used to receive support under this policy in previous periods. Along with the creation of the Cohesion Fund (FC) in the 1990's, environmental investments have become increasingly relevant, supporting Member States and regions in order to comply with the directives and regulations of the European Union in this area. Investments in the manufacturing sector and in particular SME's have remained relatively stable (Figure no. 1).

Figure no. 1. Composition of Cohesion Policy Investments in Less Developed Regions, 1989-2013



Source: European Commission (2014), *Investment for Employment and Growth. Promoting Development and Good Governance in EU Regions and Cities*, 6th Report of Economic, Social and Territorial Cohesion, p. xix, Available at: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion6/light_6cr_ro.pdf [Accessed 7 January 2016]

3. Positive Outcomes of Regional Policy

Regional policy had **positive outcomes**, namely between 2007 and 2013 it helped the EU countries (http://europa.eu/pol/reg/index_ro.htm):

- create 769,000 jobs;
- invest in 225,000 small enterprises;
- finance 72,000 research projects;
- provide broadband coverage for another 5 million citizens of the European Union;
- improve the quality of life in cities through 11,000 different projects;
- build 1,208 km of roads and 1,495 km of railways to facilitate the creation of an efficient trans-European transport network;
- improve the quality of life of citizens in urban areas through sustainable transport and modern water supply systems, benefiting 3.2 million citizens (European Commission, General Directorate for Communication, 2014, *Regional Policy. Let Us Understand European Union Policies*, p. 4).

Regional policy aims at reducing the difference among the development levels of various regions, and along with the integration of ten countries in 2004, then of Bulgaria and Romania in 2007, and Croatia in 2013, this effort has had to be reinforced. When Romania and Bulgaria joined the European Union in 2007, they were the least developed countries in the Union, with a GDP per capita below 40% of the EU average and an infrastructure far below the rest of the European Union. In 2013, Croatia joined the European Union with a GDP per capita of 61% of the EU average and an unemployment rate of 16%, much higher than the average of 10% (European Commission, 2014, *Investment for Jobs and Growth. Promoting Development and Good Governance in EU Regions and Cities*, 6th Report of Economic, Social and Territorial Cohesion, p. 196).

In the end of the programming period, the European Union was very different from the one in early period, in 2007. At the time, the European Union enjoyed sustained economic growth. Income levels would increase, as well as employment and public investment rates, poverty and social exclusion would tend to decline, and regional disparities would mitigate. However, despite positive trends, numerous types of disparities among regions have continued to exist. The crisis has changed all that. Since 2008, public debt has increased significantly, the incomes of many citizens

in the European Union have fallen, employment rates have decreased in most countries, unemployment has reached its highest level in the last 20 years, while poverty and social exclusion have become widespread. Moreover, regional disparities in employment and unemployment rates have widened, as well as related to the GDP per capita, which have increased in many countries, while in others they have ceased to be reduced (http://ec.europa.eu/regional_policy/ro/information/publications/reports/2014/6th-report-on-economic-social-and-territorial-cohesion).

“The crisis has hit a Union that is in full construction, a Union with many hotspots” (Radu, L., 2012, *The economic crisis in the European Union. A communicational perspective*, Comunicare.ro Publisher, București, p. 51).

At the level of the entire European Union, public investment has fallen by 20% in real terms between 2008 and 2013. Without regional policy, investments in the Member States most affected by the crisis would have declined by another 50%. In these countries, the cohesion funds mean over 60% of the investment budget.

“The economic crisis has reversed a long-term trend marked by the convergence of the GDP and unemployment rate in the EU, particularly affecting the regions of southern Europe. The crisis has also led to increased poverty and social exclusion, which has made it difficult to achieve several objectives of the Europe 2020 Strategy” (European Commission, 2014, *Investment for jobs and growth. Promoting development and good governance in EU regions and cities*, Sixth Report on economic, social and territorial cohesion, Brussels, p. 11).

In this context, this policy has contributed in numerous achievements that have allowed the improvement of EU economies’ structures, also promoting an inclusive and sustainable development model throughout the European Union. Assessing the impact of regional policy is not an easy task.

Even if assessing indicates that regional policy has allowed obtaining good results, there is room for improvement, too.

They are largely the objectives that have motivated the reform applied to programmes in the period 2014-2020.

In the funding period 2014-2020, the fifth of its kind since 1989, the European Union with its Member States develop investment strategies designed to ensure that every Euro spent will have maximum multiplying effects throughout the Union (European Commission, General Directorate for Communication, 2014, *Regional Policy. Let Us Understand European Union Policies*, p.15).

The funds allocated to regional policy for the period 2014-2020 amount to 351.8 billion Euros - about a third of the total European Union budget.

The overall impact of these funds, if one also takes into account Member States’ national contribution, along with the leverage of financial instruments, is likely to reach about 500 billion Euros. Regional policy has become the main investment policy of the EU and is closely aligned with the objectives of the Europe 2020 Strategy.

Most of the funds available to regional policy are oriented to European countries and regions that are lagging behind, in order to support them so that to recover and reduce the economic, social and territorial gaps still existing in the European Union. Thus, in 2014-2020, the less developed regions will receive more than 182 billion Euros (European Commission, 2014, *Introduction to EU cohesion policy 2014-2020*, p. 7), whereas the transition regions will be able to access funds of 35.4 billion Euros, and more developed regions - 54.3 billion Euros (European Commission, General Directorate for Communication, 2014, *Regional Policy. Let Us Understand European Union Policies*, p.3).

4. Conclusions

Regional policy addresses all regions and cities in the European Union, supporting job creation, enterprise competitiveness, economic growth, sustainable development and improved quality of life.

Regional policy significantly contributes in the growth of the GDP and employment, especially in Member States benefiting from the most important financial support (European Commission,

2014, *Investment for Jobs and Growth. Promoting Development and Good Governance in EU Regions and Cities*, 6th Report of Economic, Social and Territorial Cohesion, p. 234).

5. References

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