EU REGIONAL POLICY AND THE STRUCTURAL FUNDS

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*The Lisbon and Gothenburg European Councils defined a broad strategy to increase the competitiveness of the Union and achieve sustainable growth. Accordingly, during the 2000-2006 programming period, the various cohesion policy instruments - primarily the Structural Funds - contributed, directly or indirectly, to the Lisbon strategy. They had a major impact on the competitiveness of the regions and helped achieve substantial improvements in the living conditions of their populations. At the March 2005 European Council, the Lisbon Strategy was renewed with the adoption of the partnership for growth and jobs. In line with this strategy, cohesion policy must be focused on promoting sustainable growth, competitiveness and jobs. On the basis of these priorities, the **Strategic Guidelines for 2007-2013** aim to: make Europe and its regions more attractive places to invest and work; improve knowledge and innovation; create more and better jobs; and take account of the territorial dimension of cohesion policy.*

Key words: regional policy, structural funds, competitiveness, sustainable growth

EU regional policy really makes a difference to the development of European regions which have a key role to play in the new partnership for jobs and growth. In the present economic context, improving regional and local competitiveness is a vital objective for the European Union to meet the following challenges: greater socio-economic disparities after enlargement[209], asymmetric effects and restructuring provoked by globalization, the technological revolution, the expansion of an economy and a society based on knowledge, the ageing of Europe's population and increased immigration.

To meet the expectations of its citizens, the Lisbon and Gothenburg European Councils defined a broad strategy to increase the competitiveness of the Union and achieve sustainable growth. Accordingly, during the 2000-2006 programming period, the various cohesion policy instruments - primarily the Structural Funds - contributed, directly or indirectly, to the Lisbon strategy. They had a major impact on the competitiveness of the regions and helped achieve substantial improvements in the living conditions of their populations.

In this context, European regional policy is a unique tool for converting political priorities at the EU level into real results on the ground. A key asset is the broad network of regional and local actors mobilized to implement this policy. This partnership contributes to better economic governance and to ownership of the Lisbon agenda for growth and jobs.

At the March 2005 European Council, the **Lisbon Strategy** was renewed with the adoption of the partnership for growth and jobs. In line with this strategy, cohesion policy must be focused on promoting sustainable growth, competitiveness and jobs.

The strategic guidelines identify those areas in which cohesion policy can contribute to the achievement of other Community priorities, including those deriving from the Lisbon strategy. They are also in line with the integrated guidelines for growth and jobs. The strategic guidelines are focused on three priorities:

- improving the attractiveness of regions and cities in the Member States;
- encouraging innovation, entrepreneurship and growth in the knowledge economy; and
- creating more and better jobs.

On the 17th December 2005 the European Council reached an agreement on the Union's financial framework for 2007-2013. The ten new Member States will get around EUR 157 billion over the seven years, of the overall EUR 307.6 billion spending; EUR 251 billion is earmarked for convergence (including EUR 61.5 billion for the Cohesion Fund) and EUR 48.7 billion for regional competitiveness and employment; territorial cooperation will get EUR 7.5 billion.

[209] in the enlarged EU, the economic gap between regions has doubled

The strategic guidelines for cohesion policy after 2007 have **two objectives**:

- to strengthen the strategic dimension of cohesion policy with a view to ensuring that Community priorities are better integrated into the national and regional development programmes; and
- to ensure greater ownership of cohesion policy on the ground, as reflected in a reinforced dialogue in the partnerships between the Commission, the Member States and the regions and the creation of a clearer division of responsibilities between the Commission, Member States and the Parliament.

On the basis of these priorities, the Strategic Guidelines for 2007-2013 aim to:

- make Europe and its regions more attractive places to invest and work;
- improve knowledge and innovation;
- create more and better jobs; and
- take account of the territorial dimension of cohesion policy.

Investment and jobs

The Communication lists **three groups of measures** for making Europe and its regions a more attractive place to invest and work.

First, **transport infrastructures** must be expanded and improved. With this in mind, the Member States must give priority to the 30 projects of European interest by investing in secondary connections. In addition, better access to rail infrastructure and improved connectivity of landlocked territories to the Trans-European network (TEN-T) must be encouraged. The same applies to the environmental dimension of transport networks and the development of short-sea shipping.

Secondly, the **synergies between environmental protection and growth** must be strengthened so as to guarantee the sustainability of economic growth, innovation and job creation. With this in mind, the Commission recommends investing in infrastructures, creating attractive conditions for businesses and their staff and putting in place risk prevention measures. In addition, the EU's Kyoto commitments must be taken into account.

Thirdly, traditional energy dependency must be reduced through **improvements in energy efficiency and use of renewable energies.**

Knowledge and innovation

The aims of growth and job creation will require a structural shift in the economy towards knowledge-based activities. To achieve this, it will be necessary to:

- increase and improve investment in research and technological development (RTD), especially in the private sector (including through public-private partnerships (PPPs), small and medium-sized enterprises (SMEs) and cooperation among companies);
- facilitate innovation and encourage the creation of companies with the objective of promoting a climate which promotes the production, dissemination and use of new knowledge (entrepreneurship);
- promote the information society and the dissemination of information and communication technology (ICT) equipment to companies and households; and
- improve access to finance by creating financial engineering mechanisms, while supporting financial instruments other than subsidies.

Jobs

To create more and better jobs, cohesion policy must aim to address the challenges highlighted in the European employment strategy. In particular, more people must be attracted into and retained in employment through the modernisation of social protection systems.

In addition, worker adaptability and labour market flexibility must be increased by investing in human capital through improvements in education and skills. In line with these priorities, the administrative capacity of public administrations and services must be increased and a healthy labour force maintained.

Territorial cohesion and cooperation

Cohesion policy must be adapted to the particular needs and characteristics of individual regions in terms of the problems and opportunities which derive from their geographical situation. The territorial dimension includes the following themes:

- the contribution of cities (urban areas) to growth and jobs (in order to promote entrepreneurship, local employment and community development, for example);
- supporting the economic diversification of rural areas (e.g. the synergy between structural, employment and rural development policies); and
- cross-border, transnational and interregional cooperation focused on the aims of growth and job creation.

In 2007-2013 the financial resources will be channeled through the structural funds into investments in key elements of EU competitiveness – human capital and physical infrastructure, innovation, telecommunications and information technology, research and development.

The Structural Funds – comprising The European Fund for Regional Development (EFRD), the European Social Fund (ESF) and the Cohesion Fund – contribute to **three objectives:** Convergence, Regional Competitiveness and Employment, and European Territorial Cooperation in the following way:

Objectives, Structural Funds and instruments
2007-2013

Objectives	Structural Funds and instruments		
Convergence	ERDF	ESF	Cohesion Fund
Regional Competitiveness and Employment	ERDF	ESF	
European Territorial Cooperation	ERDF		

The rationale of the Convergence objective is to promote growth-enhancing conditions and factors leading to real convergence for the least-developed Member States and regions. In EU-27, this objective concerns – within 17 Member States – 84 regions with a total population of 154 million, and per capita GDP at less than 75 % of the Community average, and – on a “phasing-out” basis – another 16 regions with a total of 16.4 million inhabitants and a GDP only slightly above the threshold, due to the statistical effect of the larger EU. The amount available under the Convergence objective is EUR 282.8 billion, representing 81.5 % of the total. It is split as follows: EUR 199.3 billion for the Convergence regions, while EUR 14 billion are reserved for the “phasing-out” regions, and EUR 69.5 billion for the Cohesion Fund, the latter applying to 15 Member States

Outside the Convergence regions, the Regional Competitiveness and Employment objective aims at strengthening competitiveness and attractiveness, as well as employment, through a two-fold approach. First, development programmes will help regions to anticipate and promote economic change through innovation and the promotion of the knowledge society, entrepreneurship, the protection of the environment, and the improvement of their accessibility. Second, more and better jobs will be supported by adapting the workforce and by investing in human resources. In EU-27, a total of 168 regions will be eligible, representing 314 million inhabitants. Within these, 13 regions which are home to a total of 19 million inhabitants represent so-called “phasing-in” areas and are subject to special financial allocations due to their former status as "Objective 1" regions. The amount of EUR 55 billion – of which EUR 11.4 billion is for the "phasing-in" regions – represents just below 16% of the total allocation. Regions in 19 Member States are concerned with this objective.

The European Territorial Co-operation objective will strengthen cross-border co-operation through joint local and regional initiatives, trans-national co-operation aiming at integrated territorial development, and interregional co-operation and exchange of experience. The population living in cross-border areas amounts to 181.7 million (37.5 % of the total EU population), whereas all EU regions and citizens are covered by one of the existing 13 transnational co-operation areas. EUR 8.7 billion (2.5 % of the total) available for this objective is split as follows: EUR 6.44 billion for cross-border, EUR 1.83 billion for transnational and EUR 445 million for inter-regional co-operation.

The Structural Funds budget and the rules for its use are decided by the Council and the European Parliament on the basis of a proposal made by the European Commission, after having consulted closely with Member States over the **Community strategic guidelines on cohesion**. This is the pillar of the policy which gives it a strategic dimension. The guidelines guarantee that Member States adjust their programming in line with the priorities of the Union to encourage innovation and entrepreneurship, foster the growth of a knowledge-based economy and create more and better jobs.

The Community Strategic Guidelines contain the principles and priorities of cohesion policy and suggest ways the European regions can take full advantage of the € 308 billion that has been made available for national and regional aid programmes over the next seven years. National authorities will use the guidelines as the basis for drafting their national strategic priorities and planning for 2007-2013, the so called National Strategic Reference Frameworks (NSRFs). According to the guidelines and in line with the renewed Lisbon strategy, programmes co-financed through the cohesion policy should seek to target resources on the following three priorities:

- improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
- encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies; and
- creating more and better jobs by attracting more people into employment entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

The Guidelines seek to provide a balance between the twin objectives of the growth and jobs agenda and territorial cohesion. Thus, it is recognized that there can be no question of a "one size fits all" approach to the new programmes.

These strategic guidelines should also recognize that the successful implementation of cohesion policy depends on macroeconomic stability and structural reforms at national level together with a range of other conditions which favour investment, including effective implementation of the internal market, administrative reforms, good governance, a business-friendly climate, and the availability of a highly skilled workforce.

In accordance with the Strategic Guidelines, Each Member State prepares a **National Strategic Reference Framework** (NSRF), over the course of an ongoing dialogue with the Commission. The rules outline that, after the adoption of the strategic guidelines, a Member State has five months to send its NSRF to the Commission. That document defines the strategy chosen by the Member State and proposes a list of operational programmes that it hopes to implement. The Commission has three months after receipt of the NSRF to make any comments and to request any additional information from the Member State.

The Commission validates certain parts of the NSRF that require a decision, as well as each **operational programme (OP)**. The OPs present the priorities of the Member State (and/or regions) as well as the way in which it will lead its programming. An obligation exists however for the countries and the regions concerned by the convergence objective: 60% of expenditure must be allocated to the priorities arising from the Union's strategy for growth and jobs (the Lisbon strategy). For countries and regions concerned by the competitiveness and employment objective the percentage is 75%. After the Commission has taken a decision on the operational programmes, the Member States and its regions then have the task of **implementing the programmes**, i.e. selecting **the thousands of projects**, monitoring and assessing them.

All this work takes place through what are known as management authorities in each country and/or each region.

Further on, the Commission **commits the expenditure** to allow the Member State to start the programmes, then **pays the certified expenditure** per Member State. The Commission **monitors each operational programme** alongside the Member State. **Strategic reports** are in addition submitted by the Commission and by the Member States throughout the 2007-2013 programming period.

Geographical coverage and eligibility criteria

The whole European Union is covered by one or several objectives of the cohesion policy. To determine geographic eligibility, the Commission bases its decision on statistical data. Europe is divided into various groups of regions corresponding to the classification known by the acronym NUTS (common nomenclature of territorial units for statistics)

Phase-out assistance systems have been set up for regions which benefited from much financial assistance before the enlargement, in order to avoid drastic changes between two programming periods.

Cohesion Fund – Member States whose GNI (Gross National Income) is lower than 90% of the EU average can benefit from cohesion fund, that is all the regions of the following countries: Bulgaria, Czech Republic, Estonia, Greece, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia, and Slovakia

A phasing-out system is granted to Member States which would have been eligible for the Cohesion Fund if the threshold had stayed at 90% of the GNI average of the EU **at 15** and not **at 25**. This only concerns Spain.

Regions with a per capita Gross Domestic Product (GDP) less than 75% of the EU-25 average will qualify for the ERDF and ESF support under the convergence objective; temporary support will also be made available to those regions where a per-capita GDP would have been below 75% of the EU-15 average (the so-called statistical effect of enlargement). All remaining regions will be eligible for support through the competitiveness and employment objective. All regions will also be eligible for the territorial co-operation objective.

The ERDF aims to reduce disparities between the levels of development of the various regions and the backwardness of the least favoured regions including rural areas. Its resources are mainly used to co-finance infrastructure, productive investment leading to the creation or maintenance of jobs, as well as local development initiatives and the business activities of small and medium-sized enterprises.

The ESF will provide significant support to achieve progress towards full employment, to improve quality and productivity at work, and to promote social inclusion and cohesion. It promotes investment in people, equal opportunities, and boosts human potential in the field of research and development.

The Cohesion Fund assists the eligible Member States to catch up with Europe's wealthier regions by contributing to the improvement of transport, energy and environmental infrastructure.

The implementation of regional policy in Romania falls under the Convergence objective all throughout the 8 development regions. To this aim, Romania has adopted seven Operational Programmes to be implemented over the period 2007-2013.

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