STRUCTURAL FUNDS – STRATEGIES, OBJECTVES AND FINANCING

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Abstract: The policy of regional development is one of the most important and complex policies of the European Union, a statute that derives from the fact, that through it's objective of reducing the economic and social disparities existing between different regions of Europe, act on significant domains for developing like economical growth, small and medium business (SMB), transport, agriculture, urban development, environmental protection, education, gender equality and so on.

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Defined as a policy of European solidarity, the regional policy is based primarily on financial solidarity, mainly by redistributing a part of the communitarian budget established by the contribution of state members towards regions and social groups less prosperous. (for the period 2000 – 2006, the sum has represented almost a third of the EU budget[160]).

The principles of the regional policy have been discussed since 1957, with the signing of the Roma Treaty when the six signing states (Belgium, France, Germany, Italy, Luxembourg and Holland) have agreed on reducing the differences between regions and supporting the less prosper, with the aim of achieving a communitarian economy, solid and unitary.

This need was reiterated in 1958, with the birth of FSE, Social European Fund as a primary instrument of this policy, having as an objective the improvement of labor market in different European countries and reintegration the unemployed. In 1962 the European Fund for Orientation and Agricultural Guaranty (FEOGA) was setup in order to support the common agricultural policy and the rural regions. In 1975 a third fund was establish – the European Fund for Regional Development (FEDR), with the purpose of redistributing part of the contribution of the member states towards the poorest regions of the EU, in order to support their economic development. Thus FEDR redistributes the community budget in productive investments and infrastructure.

An important moment in the development of the regional policy was the adoption of the European Single Act in 1986[161] which introduces the concept of economic cohesion, eliminating the existent economic differences between regions and creates the premises of a an economic and social cohesion policy self sustained and which aimed at facilitating the inclusion to the single European market of the states from the southern European.

In 1994 takes shape a new structural fund, the fourth – the Financial Instrument for Fishing Orientation (IFOP), created by all communitarian structures that were involved in fishing decision makings. IFOP was created due to the enlargement to the north of the EU with the joining of Sweden and Finland in 1995. In the same year becomes active the Regional Committee, a consultative organism established by the Maastricht Treaty having a supportive and consultative role for the European Council in their regional activities.

[160] It is ablut 35% of the EU budget (http://europa.eu.int/comm/regional_policy)

[161] Single European Act, voted in 1987

Communitarian initiatives

Communitarian initiatives are represented by four programs especially created for ensuring a success of the projects and financing from the structural funds. Each program is financed through a single fund, and together the account for 5.35% of the entire budget allocated to the Structural funds. Initially for the period 1994 – 1999 there were 13 communitarian initiatives, which were reduced through the reform from 1999, to only 4, in order to increase the efficiency of the Structural Funds:

- **Interred III** – financed by FEDR, promotes cross border and interregional cooperation;
- **Equal** – financed by ESF and sustains the development of new ways to fight against discrimination and inequalities regarding access to the labor:
- **Leader+** - financed by FEOGA – the orientation section that also promotes rural development by supporting the initiatives of local action groups (sustained development):
- **Urban II** – financed by FEDR, encourages innovative strategies for regenerating economies and social factor of cities and urban areas in decline.

Financing the Communitarian Initiative implicates a co-financing from the Member States, between 25% in the objectiv1 domain and 50% in the others.

Innovative actions

Innovative actions are a set of measures financed from the budget of structural funds and which have as an objective experimenting the newest ideas that might contribute to the diversification and improvement of the regional development strategies. The structural funds that finance or plan to finance innovative actions are: FEDR, FSE and IFOP. In what regards the budget allocated for Structural Funds, in March 1999, at the Berlin Summit, the European Council has agreed that the resources available for Structural Funds, including assistance for transition, Communitarian initiatives and Innovative actions totalize 195 billion Euros, by objective the spilt this looks like this:

- for objective 1: 69.7% or 135.9 billions Euros for the poorest regions of the EU, including 4.3% for supporting transition in regions that are not eligible for the objective 1 according to the new reglementations;
- for objective 2: 11,5% or 22,5 billions Euros will be allocated for economic and social recon version (including 1,4% for supporting transition);
- for objective 3: 12,3% or 24,05 billions Euros for supporting and modernizing policies linked with education, training and employment outside the regions of objective:
- 0.5% or 1.1 billion Euros of the total Structural Funds is allocated to the Financial Instrument for Fishing Orientation (IFOP) for supporting the fishing policies that are not covered by objective 1;
- 5.35% of the Structural Funds are allocated for Communitarian Initiative (Interreg III, Urban II, Leader + şi Equal);
- 0.65% of the Structural Funds are allocated for innovative actions and technical assistance.

In addition, 18 billions Euros are allocated to the Cohesion Fund and approximately 7 billions Euros are dedicated to the enlargement process for the candidate states. For each of the Objectives, the Commission has created a split of the funds for Member States. The total amount received by each member state as assistance given by structural funds must not higher then 4% of its national GDP.

Economic and social cohesion is one of the must important objectives of the EU. As defined in the article 158 of the European Communities Treaty, cohesion is needed for promoting “general harmonious development” of the community and ask for “a reduction of the disparities between different regions, especially rural ones”. According to article 159, the community acts through structural changes, the cohesion fund and other financial instruments for supporting the achievement of general objectives, defined by the Parliament, or the Commission.

The European Union Solidarity Fund (EUSF)[162] was created in response to the extraordinary flooding disaster that hit central Europe during the summer of 2002. In the aftermath of this disaster it became

[162] Also known as *European Solidarity Fund;*

apparent that a solidarity-based response of the European Union going beyond the maximum use of existing Community instruments was required.

On proposal of the European Commission, the Council adopted on 11 November 2002 the Regulation 2012/2002 establishing the European Union Solidarity Fund (hereinafter "the Regulation). It entered into force on 15 November. According to the Regulation the Fund may be mainly mobilised when a major natural disaster with serious repercussions on living conditions, the natural environment or the economy occurs. A major disaster is deemed to have occurred if the estimated cost of total direct damage exceeds € 3 billion in 2002 prices (i.e. € 3.118381 billion in 2005) or 0.6% of the gross national income of the State in question, whichever is the lower.

In exceptional cases, the Fund can be mobilised for regional disasters that do not reach this threshold, if very specific criteria are met: an extraordinary disaster affecting the majority of the population of a region and having serious and lasting effects on its economic stability and living conditions. The EUSF aims to supplement public expenditure by the individual Member States for essential emergency operations.

The instruments of solidarity for regional development are done according to the NUTS[163] System (the nomenclature for territorial units for statistics) which represents an ierarhic classification on 5 levels (three regional and two local) of the administrative structures that exist in the member states. The nomenclature was created by EUROSTAT in order to place the diverse administrative structures that exist in the member states in one coherent structure. NUTS have no legal power, it is formed on an agreement between the member states and it is not the process of uniformization started at European level in 1988. In 2003, the nomenclature was reformed though a set of rules in order to respond to the changes brought by the enlargement. Thus the NUTS for EU 25 contain:

- 89 NUTS level 1 (while there were 78 in UE 15) – with a population between 3000000 - 7000000 inhabitants; example: German regions (lands) , Belgian regions, Wales, Scotland, autonomous communities in Spain like Catalunia, regions in France and Italy are also classified in this category;
- 1.254 NUTS level 2 (while there were 210 in UE 15) – with a population between 800000 - 3000000 inhabitants; examples: French departments, subdivision of German regions, Austrian regions;
- 1.214 NUTS level 3 (while there were 1093 in UE 15) – with a population between 150000 – 800000 inhabitants; example: germane circles, Spanish and Italian provinces;
- NUTS level 4 and 5 are called Local Administrative Units and represent in fact districts and cities.

At functional level, not like the Solidarity Fund or the Cohesion Fund which function on a project base, the Structural Funds due to their magnitude function on a program based, this being structured according to domains, objectives and regional policies objectives.The principles that stay at the core of the operations regarding structural funds, in the new variant presented in Agenda 2000 are:

a) the principle of programming: in the first stage, the member states will send the European Commission national plans for development and conversion based on their national and regional interest that will contain:

- A detailed description of the current situation in the region/ state taken into account,
- A description of the strategy most suitable to accomplish this objectives;
- Indicating the form and the usage of the structural funds.

In the next stage the member state must petition the Commission with the so called programming documents, documents that can be of two types: DCSC or DUP, the difference being given by their magnitude not be their nature.

b) the principle of partnership means a tight collaboration between the Commission and national/ regional/ local authorities, economic and social partners and other competent organizations, especially by involving them in each stage of the structural funds, from elaborating and approving the development plans and monitoring. This principle highlights the degree of decentralization that characterizes the entire regional policy and the applicability of the subsidiary principle.

[163] www.ifcro.ro/finantare/finantari_postaderare.

c) the principle of addition has in light the component of adding to any structural funds national or local funds, thus this structural funds come in addition to the national ones

d) the principle of monitoring, the control and evaluating is the new element brought by the reform in 1999 in the structural fund domain. Thus according to the new reglementations the state members have administrative attribution and have he obligation to deputies a national authority according to the specifications of each program in which structural funds are used.

The objectives that indicate the actions in which the structural fund will be used are special to each project and are chosen regarding to the objective and priorities.. For the period 2000 – 2006 there the following priorities:

- Regional competivity,
- Social and economic cohesion,
- The development of urban and rural regions (including those dependent by fishing).

Thus, the objectives of 2000-2006 are:

- **Objective 1** (territorial): developing regions less developed(with a GDP per capita under 75% of the EU average, with high unemployment rate, lack of services, poor infrastructure);
- **Objective 2** (territorial): economic and social recon version of regions with structural difficulties (industrial or services regions that are subject to restructuring; the disappearance of traditional activities in rural areas, urban areas in decline or with fishing problems);
- **Objective 3** (thematic)[164]: de developing human resources through professional training programs and promoting them outside objective (Regions in which the GDP per capita is under 90% of the average GDP per capita of the EU).

Structural Instruments in Romania

The construction of the institutional framework regarding the cohesion policy and structural instruments in Romania is based on the *Government Decision no. 497/2004* **regarding establishing the institutional framework for coordinating, implementing and managing the structural instruments, which decrees**:

- Institutional framework at the level of Management Authorities, Payment Authorities and Intermarry Organizations;
- Main attributes of the Management Authorities for the Communitarian Support Framework for Operational Programs, Management Authorities for the Cohesion Fund and Payment Authorities, on communitarian basis;
- An obligation for all Management Authorities, Payment Authorities and Intermarry Organizations to establish audit teams and units;
- The obligation to respect the principle of adequate segregation of functions;
- Flexibility of the institutional framework regarding the cohesion policy and the future programming exercise.

The Government Decision n0. 497/2004 was modified and suffered completion through Government Decision *no. 1179/2004.*

Communitarian support framework Management Authority – The Public Finance Ministry	
Operational Program (PO)	Management Authority (AM)
1 Increase economic competitiveness (POS)	Economic and Commerce Ministry
2 Transport Infrastructure (POS)	Transport, Construction and Tourism Ministry
3 Environment Infrastructure(POS)	Environment and Water Management Ministry
4 Developing human resources (POS)	Work, Social Security and Family Ministry

164 Objective 3 is also called thematic

5 Agriculture, Rural Development and Fishing (POS)	Agriculture, Forest and Rural development Ministry
6 Regional Development (POR)	European Integration Ministry
7 PO Technical Assistance	Public Finance Ministry
Cohesion Funda Management Authority – The Public Finance Ministry	
Type of project	Intermediary Organization
Transport Infrastructure	Transport, Construction and Tourism Ministry
Environment Infrastructure	Environment and Water Management Ministry
Payment Authorities	
Public Finance Ministry	European Fund for Regional Development Social European Fund (FSE) Cohesion Fund (FC)
Agriculture, Forest and Rural development Ministry – Agency of Payments and Intervention for Agricultural, Food industry and Rural Development	European Fund for Orientation and Agricultural Guaranty – Orientation section Financial Instrument for Fishing Orientation

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