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EVOLUTION OF THE REGIONAL POLICY AND ITS INSTRUMENTS IN THE EUROPEAN UNION

The evolution of regional policy concepts in the EU is studied by examining conditions and circumstances that led to changes in priorities of regional policy in compliance with the requirements of time and evolution of the main instruments for its implementation, which are EU structural funds. It is grounded that reforms of Structural Funds radically revised EU regional policy, introducing new principles that allowed to move from random, uncoordinated actions to comprehensive structural activities, which purpose was to increase effectiveness and efficiency of regional aid in order to increase the cohesion of member countries. However, experience of regional policy in the EU shows that by itself it is not capable to ensure accelerated economic growth and increase revenues in depressive regions.

Key words: regional policy, European Union, cohesion policy, structural funds

The documents of the EU interpret the term «regional policy» as a system of measures aimed at strengthening the unity of the national economies of the Member States and ensure their harmonious development and leveling of differences between the regions and the elimination of backwardness of the least developed of them. Thus, often instead of the term «regional policy» the notion of «cohesion policy», which involves simultaneous proceedings horizontally (between regions - Regional Policy) and vertically (between sectors of society - social policy), so there is a change in the conceptual apparatus about connection of regional and social policies, when they are no longer considered separately.

The aim of this article is to study evolution of regional policy in the EU through its instruments and priorities' development.

Regional policy as a part of national policy in the field of economic and social development in Western Europe began to emerge during the Great Depression of 1929-1933. The longest history of regional policy - over 70 years - has the UK. In most Western European countries, this policy began to be implemented after the Second World War. Emergence of regional policy in Italy started in 1950, when «South cashier» was created; in Germany - in 1951, in the Netherlands - 1951-1952, in Ireland - in 1952, in France - mid 50's XX century, in Belgium - 1959.

Regional policy in Western Europe was aimed at creating new jobs in regions with surplus labor in 50-60-es of XX century. This primarily concerned agricultural and old industrial regions.

Treaty of Rome (1957) declared desire of member states to ensure the full development of their economies by reducing the gap between different regions. The main purpose of the Treaty of Rome was the provision of socio-economic conditions that contributed most to the development of competition. To achieve this goal it was decided to ban any assistance from the central and regional authorities. The only common institution aimed at regional development and defined in the Treaty of Rome, was the European Investment Bank, which for nearly 20 years was the only source of investment financing regional development.

The 60-es of the XX century were associated with a report, submitted by the European Parliament and the European Commission, which pointed the need for joint action towards strengthening and harmonization of regional development. Including:

- The Mott report (May 9, 1960) - proposed establishment of a consultation committee for regional issues and started a program of European regional policy.

- The Birkelbah report (December 17, 1963) - insisted on the transfer to the European Commission's special disposition of funds intended for financing of regional policy and a central office documentation and dissemination of European contacts with local authorities.

- The Rossi report (October 9, 1964) - pointed to the need to rethink the role and place of regional

policy in the Community and emphasized the need to prepare the European Regional Development Plan¹.

Proposals have been made in the above reports, as well as initiated by the European Commission at this time coincided with a deep political crisis within the Community on the statements in favor of expanding the powers of the European Parliament and the European Commission. And as national political issues forming the EU dominated the regional, offered proposals for reform of European regional policy postponed indefinitely.

Despite the slow and contradictory political decision-making process regarding regional policy Community in 1968 was created Directorate General for Regional Policy, making it possible to start setting up coordinating national activities in the field of regional policy in particular as regards the provision of national regional aid.

In terms of accumulation of structural problems, including low productivity, low level of professional education and training of manpower, poor infrastructure, lack of basic capital and so it became clear that the policy of stimulating competition is not capable of ensuring uniform development of the Community and necessary regional aid that least distort be free market. Therefore, in the early 70-es of the XX century the purpose of European regional policy was the elimination of the backlog and leveling the chances of regional development.

In 1973 Thomson first time in reports published results of a comparative analysis of the nine regions of the Member States, under which was defined two types of regions in need of regional support - problems with agricultural regions and regions with industrial problems.

For the purpose of comparison and harmonization of different national systems of regional aid was necessary to introduce a common statistical nomenclature of European Regions (NUTS). In the beginning was separated three levels of statistical units in each country - members of the community, and in 1996, this nomenclature has been expanded by two new lower levels.

In 70-esof the XX century EU determined the three main areas of European regional policy:

- 1) regional focus of other Community policies agricultural, energy, industrial, etc.;
- 2) coordination of regional policies of the Member States;
- 3) financial support to troubled regions².

Activity in the first two areas started earlier, the third trend began in the late 70's, and led to the creation in 1975 European Regional Development Fund (ERDF). This event launched an active regional policy in the EU. Financing of this institution was carried out in the mode of quotas for each of the member states.

Evaluating this period, we note that despite the modifications, European regional policy is not consistent with its principles, as in many European countries costs ERDF considered only as compensation payments to the EU budget. This led to a series of reforms ERDF and its reorientation to attract investment to less developed regions to increase endogenous potential of regions and mobilizing local resources.

Since then focus on the use of endogenous potential, encouraging local entrepreneurship and stimulating innovation became the dominant philosophy of European regional policy.

Despite some success of integration potential of a common regional policy in the 80's and early, in the 90-es of the XX century gradual progress and regional development failed. It needed a stimulus, which could only provide a major change or historic agreement. This incentive was the simultaneous enlargement of the EU through the accession of Greece, Spain and Portugal and further deepening of European integration through the adoption of the Single European Act (reform of the structural funds) and the Delors Package I³.

The reform of the structural funds in 1988 had both political and economic consequences for the principles of partnership and concentration gave the European Commission the opportunity to work closely with regional authorities, often bypassing national governments. Commission this right to act as lifting lever in traditionally lesser-known regions and contribute to the euro region beyond national boundaries. Thus, the formation and implementation of cohesion policy increasingly strengthen regionalism in Europe and ensure the creation of multi-level governance in the EU. This also contributed to the inclusion of the Maastricht Treaty provisions on the establishment of the Committee of the Regions, an advisory body of the EU which started in 1994.

¹ Reports and Policy. *Official site of European Union*. <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/160014_en.htm#AMENDINGACT>.

² Шамборовський, Г.О. (2011). *Регіональна політика Європейського Союзу*. Київ: Знання.

³ Шамборовський, Г.О. (2011). *Регіональна політика Європейського Союзу*. Київ: Знання.

The foundation of all regional policy at 90-es of the XX century was founded back in 1988, when the Council adopted three regulatory order:

- A framework that establishes new challenges for the Structural Funds;
- Horizontal containing the coordination of the funds between themselves and their relations with the European Investment Bank;
- Implementation framework order concerning ERDF, describing the mechanism of implementation toolkit¹.

In the Maastricht Treaty (1992) to national regional management initiatives were added to special initiatives in the area of cohesion. One of the goals of the EU was found to promote economic and social progress, which would be balanced and sustainable, in particular through the establishment of domestic without borders by strengthening economic and social cohesion and the creation of economic and monetary union.

In the period from 1994 to 1999 the Structural Funds priorities included:

1. Promoting and updating the structure of backward regions.
2. Conversion of regions, border regions or parts of regions affected by industrial decline.
3. Combating long-term unemployment and improve youth employment and people eliminated from the labor market, equal employment opportunities for men and women.
4. Creating favorable conditions for the adaptation of workers to industrial changes and changes in production systems.
5. Promotion of rural development.
6. The development and restructuring of regions with extremely low population density².

The first goal was dominant, as more than two thirds of the total appropriation allocated through the Structural Funds, managed through the various types of assistance to backward regions. Thanks to such measures in the period from 1986 to 1996 GDP per capita in purchasing power parity ten poorest regions in the EU grew from 41% to 50% of the average in the EU.

In 1997 the European Commission prepared an information document «Agenda 2000», which was presented draft program of action to strengthen the European Union, offers a series of reforms to modernize regional policy. In 1999, at the Berlin summit was reached political agreement on the whole package of issues, according to which the main priorities of regional policy for 2000-2006. Determined:

1. Promoting and altered patterns of backward regions.
2. Support for economic and social transformation (conversion) areas that are faced with problems of a structural nature.
3. Promoting adaptation and modernization of policies and systems of education, training, employment³.

Overall support for all three new priorities in 2000-2006 covered 40% of the EU population.

At all stages of programming, monitoring, and control the execution of programs and projects was expanded partnership between EU institutions, national, regional and local governments, non-governmental organizations, especially those working in the field of environmental protection, equal rights for men and women.

Assessing the whole entire package of changes adopted by the EU Council and the European Commission during this period, we can conclude that most of them were aimed at further improving the efficiency of the Structural Funds, simplifying management, ensuring greater transparency and flexibility in the financial instruments EU, improving cost control and decentralization in the implementation of programs.

For effective development of the regions of the EU in the future, the European Commission has identified new priorities of regional policy for the period 2007-2013.

First of all, the new policy significantly narrowed the scope of its goals, which will be directed major efforts:

1. Convergence - smoothing inequalities between countries and regions.

¹ Котова, Н.В., Павлова, П.Н. (2014). Структурные фонды ЕС как инструмент региональной политики. *ЭГО: Экономика. Государство. Общество*, 2(17). <<http://ego.uapa.ru/ru/issue/2014/02/07/>>.

² Reports and Policy. *Official site of European Union* <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/160014_en.htm#AMENDINGACT>.

³ Reports and Policy. *Official site of European Union* <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/160014_en.htm#AMENDINGACT>.

2. Increasing employment and competitiveness regions.
3. European territorial boundaries of cooperation (cross-border, transnational)¹.

These changes in regional politics led to differences in principles of EU structural funds, which are the main financial instruments of policy implementation. Instead of the five that were previously there were only three - the European Regional Development Fund, European Social Fund and the Cohesion Fund.

All available funds and programs now had to unite into one financial instrument in a certain direction and serve to achievement and realization of one of the three priorities set by regional policy development for the period.

Reforms of Structural Funds in 1988-2013 radically revised EU regional policy, introducing new principles that allowed to move from random, uncoordinated action to comprehensive structural activities, whose purpose was to increase the effectiveness and efficiency of regional aid in order to increase the cohesion of member countries².

The third wave of reform the EU structural funds was also closely associated with the new priorities of EU regional policy for 2014-2020 biennium, which was formulated in line with the development of the European Union «Europe 2020».

EU Regional Policy for the next period from 2014 to 2020 undergoes adaptive changes, caused mainly by the need of structural transformation of economically weaker EU countries and the global financial crisis. In order to receive the money the EU structural funds, future regions will have to prove not conservatism, and the ability to contribute to implementation of the strategy «Europe 2020». This is the essence of adaptive approach to regional policy imperatives of global development.

Such incentives should lead to more effective allocation of funds, despite the reduction in funding programs. This approach, in case of failure of government's administrations of specific regions in the coming years could further aggravate the problem of inequality regions, but the EU is trying to remedy this situation through a new system of division regions and accordingly changing the proportions of their funding.

Investment under the ESF covering all regions of the EU was over 80 billion. Euros are intended for investments in human capital additionally 3.2 billion in the period 2014-2020. Euros were allocated for youth employment initiatives.

In the period of 2014-2020 ESF activities will focus on four thematic objectives:

- promote employment and support labor mobility;
- promoting social inclusion and combating poverty;
- investment in education, skills and lifelong learning;
- increasing institutional capacity and efficient public administration.

For the period 2014-2020 this Fund allocated 74 billions euro³.

According to the budget for 2014-2020 cohesion policy will take 325 mlrd. euro in the prices of 2011 (366.8 billion at current prices). This Cohesion Fund budget received about 75 billion euros. They will be aimed at increasing economic growth and job creation, climate change, energy dependence and social problems. Investments will be directed to all regions of the EU, but with the level of development. In contrast to the previous programming period (2007-2013), countries recipients under this program were all countries where GDP per capita was less than 75% of the average in the EU-27 in the new period, the country is divided into three groups:

- the least developed (GDP less than 75% of the average)
- Transition (GDP between 75% and 90% of the average for the Union)
- developed (90% of GDP)⁴.

In general, the least developed countries in 2014-2020 will receive about 185.37 billion EUR, transitional countries about 36.16 billion EUR, developed - 55.52 billion EUR. In addition sparsely populated and remote areas allocated 1.56 billion EUR, interregional development - 10.23 billion EUR. All amounts are expressed in current prices and do not include internal division of the Cohesion Fund.

¹ Reports and Policy. *Official site of European Union*. <http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/160014_en.htm#AMENDINGACT>.

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⁴ Котова, Н.В., Павлова, П.Н. (2014). Структурные фонды ЕС как инструмент региональной политики. *ЭГО: Экономика. Государство. Общество*, 2(17). <<http://ego.uapa.ru/ru/issue/2014/02/07/>>.

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However, experience of regional policy in the EU shows that by itself it is not capable to ensure accelerated economic growth and increase revenues in depressive regions. To transfer the Structural Funds should be treated with caution, as independent experts suggest that we should not pay too much attention to internal regional disparities, and better focus on sustainable economic growth across countries.

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