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THE ANALYSIS OF THE EUROPEAN STRUCTURAL INSTRUMENTS

1. Characteristics and principles of Structural Funds' implementation
2. Evolutions and tendencies of the Structural Financial Instruments
3. European Structural Instruments during 2000-2006
4. The perspective of Structural Instruments during 2007-2013

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Abstract

The necessity of decreasing impact of the economic integration on labour, industries and financial equilibrium in E.U. brought about the implementation of a European regional policy, As a result, ERDF was initiated in 1975.

The successive enlargements of the E.U. determined the growth of the regional socio-economic disparities. In order to implement the social-economic cohesion policy, the European Commission created the Structural and Cohesion Funds. These funds have to support national and regional financial efforts in order to achieve a steady development for all Member States.

After the latest two enlargements, the process of adapting regional policies instruments is supported by the following: ERDF, European Social Fund and European Cohesion Fund.

Key words: Structural Funds, economic integration, ERDF, ESF, ECF.
JEL Classification: R11, R58

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1. The European Regional Policy is a European solidarity policy using specific instruments which support less developed regions and their inhabitants.

The original version of the Rome Treaty (1958) hadn't any explicit specification about the Structural Funds or any common regional policy.

The first proposals for a regional development policy came after the first E.U. enlargement and economic crisis in '70.

The Structural Funds experienced different reforms which allowed them to occupy the most important position in E.U.'s activities. The Structural Funds are financial instruments used by the E.U. in order to eliminate regional socio-economic disparities and to realise socio-economic cohesion.

The first Structural Instrument of the European regional policy was implemented in 1958 as the European Social Fund. It had to improve labour market mechanisms in the Member States and to reintegrate unemployment on labour market too.

In 1962, the European Fund for Orientation and Agricultural Guaranty was established in order to finance the Common Agricultural Policy.

In 1975, the European Regional Development Fund (ERDF) was implemented to support innovation and infrastructure development in order to correct existing disparities across the E.U.

Since 1988, these three funds became Structural Funds with a new management system. These new funds began to operate under structural programs connected with priority domains and objectives of the regional policy.

In 1994, the Financial Instrument for Fishing Orientation was implemented. The individual objectives of the Structural Funds were continuously modified and transformed in order to adapt them to the developing necessities of every programming period (Ionescu R., Marchis G., 2006).

The historical evolution of the Structural Funds can be divided into three important periods: 1994-1999, 2000-2006 and 2007-2013, with specific objectives as the following:

- economic adjustment of less developed regions and promoting of structural development and adjustment for those regions which had a low density of inhabitants (Objectives number 1 and 6 during 1994-1999, which became Objective number 1 during 2000-2013);
- economic reconversion of declining industrial areas and supporting structural development and adjustment in rural areas of

lower socio-economic development, low density of population and high depopulation (Objectives number 2 and 5b during 1994-1999, which became Objective number 2 during 2000-2013);

- elimination of long term unemployment and supporting of young and exclusion labour integration on labour market; equal opportunities of work for women and men (Objective number 3 during 1994-2013).

Structural Funds' implementation represents a complex process which deals with achieving specific needs from programmatic documents and which implies passing on some steps, beginning with programming and finishing with monitoring and evaluation. The mechanisms of implementation are different for every Member State, as a result of decentralization decisional process, administrative system characteristics, political, economic, cultural and legislative context.

2. The socio-economic and political evolution implied a continuous process of modification and transformation for the Structural Funds. During 1994-1999, the objectives of the Structural Funds were the following:

- O_1 – economic adjustment for less development regions, using a specific percentage from E.U.'s average GDP;
- O_2 – economic reconversion for decline industrial areas, which means areas with high unemployment and industrial labour;
- O_3 – decrease of long term unemployment and supporting for young and discriminating persons to integrate on the labour market;
- O_4 – facilities for labour adaptation to changes from industry and in production systems;
- O_5 – rural development promotion using two sub objectives: agricultural structures adjustment acceleration under the Common Agricultural Policy and promoting modernization and structural adjustment in fishing; rural development and structural adjustment facilities.
- O_6 – developing and structural adjustment for those regions which have low density of population, especially from the North of Europe.

During 2000-2006, the same objectives turned into:

- O_1 – development and structural adjustment of lower developed regions which have less than 75% from E.U.'s average GDP;
- O_2 – socio-economic conversion of those areas which have structural difficulties (areas under economic changes, rural decline areas, fishing areas and urban areas facing structural problems);
- O_3 – modernization of skill labour systems and labour promotion.

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

- O_1 – promoting convergence, economic development and new jobs in the less developed Member States;
- O_2 – promoting regional efficiency and employment by training labour in order to participate and to survive to the market's changes;
- O_3 – promoting territorial cooperation across Europe.

The evolution of the objectives of the Structural Funds is presented in figure number 1. We can observe that the present financial framework finances three main objectives. The firsts two have a territorial characteristic and the third has a thematic one (Figure no.1).

The budget framework 2007-2013 was described by the European Commission in COM (2004)101- Building our common future: policy and budgetary means of the enlarged Union, 2007–2013.

The European Financial Instruments are reviewed and their action mode is modified in order to answer the objective socio-economic cohesion.

3. Structural Funds represent the most important financial instruments of the E.U. which support European regional policy implementation.

During 2000-2006, 213 billion Euros were spent for regional policy (1/3 from E.U.'s total budget). The Structural Funds received 195 billion Euros and Cohesion Fund received 18 billion Euros. These funds worked using programs which had to cover some specific objectives, like in Table no. 1.

Payments were covered according to the objectives. The Objective 1 was financed by 75% of the total eligible costs or at least 50% of the public eligible expenditures.

A Member State which is considered under the Cohesion Fund assistance receives 80-85% of the total eligible costs.

The funds' contribution in investments for enterprises is limited by assistance percentage and by the mix of public financial contributions. If this assistance implied financial investments which generated revenues (bridges, taxable roads, for example), funds' contribution was estimated using future revenues:

- less than 40% of the eligible sum (plus 10% from the Member States which are eligible for the Cohesion Fund) for infrastructure investments which generate great revenues. This percentage can be majored with 10% using other financing forms but not direct financing;
- less than 35% of the eligible sum (50% for far away regions and Greek islands from Aegean Sea) from business investments. This

percentage can grow to 45% for investments in SMEs using direct financing;

Less than 50% of the total eligible costs and at least 25% from public eligible expenditures are covered for all measures under Objective 2.

The investments in enterprises were limited by the percentage of assistance and by the mix of public contributions too. If this assistance implied financial investments which generated revenues (bridges, taxable roads, for example), funds' contribution was estimated using future revenues:

- less than 25% of the total eligible sum for infrastructure investments which generate great revenues. This percentage can be increased by 10% using other financing forms but not direct financing;
- less than 15% of the eligible sum from business investments, percentage which can grow to 25% for investments in SMEs using direct financing;
- between 50%-75% of the total costs connected to informational programs.

The percentages connected to Objective 2 are greater than those connected to Objective 3 because only the European Social Fund supports the financing of Objective 3.

The European Social Fund represents the main instrument of the European Social Policy. Its main mission is to improve the labour market's mechanisms in different countries and to reintegrate unemployment on this market. Particularly, the European Social Fund represents the implementation instrument of the European Employment Strategy and it finances three actions: professional training, professional reconversion and measures which lead to creation of new jobs.

During 2000-2006, the thematic priorities were stipulated into European Parliament's regulation number 1784/1999 and were divided into two categories as the following ones:

- adaptation to the new economy according to the social dialogue. This social dialogue represents one of the key elements of the European social model and it is a consulting procedure on the European level in which different social partners and the European Commission are presented in order to find common solutions for social policies' development. The social partners are the European Trade Union Confederation, the European Employers Union or the European Centre for Public Enterprises. The main objectives which have to be achieved are: prediction of socio-economic changes, using of informatics during social dialogue, new approaches connected to corporative social responsibilities, new management of work and continoues learning promotion;

- promoting local strategies for labour and innovation. The main objectives which have to be achieved being: analysis of employment on the local level, development of local partnerships with relevant organisms from different sectors, elaboration of studies and researches connected to the local employment strategies, development and implementation of local strategies and development of networks for information's dissemination.

The financing from the European Social Fund covered three horizontal aspects of the European policy: promoting of local initiatives for employment, social dimension and employment inside informational society and equal opportunities for men and women. In order to achieve these objectives, specific measures will be implemented such as the following:

- professional reintegration for long term unemployment;
- professional integration for young unemployment and those persons which were excluded from the labour market;
- a better access of women on the labour market;
- development of educational and training systems;
- concentration of human potential on R&D activities.

Another important European Fund is the European Regional Development Fund (ERDF), which has as a principal mission decreasing of the interregional disparities across the European Union. The main directions of action under ERDF are stipulated by the European Parliament regulation number 1783/1999 and they are as follow:

- infrastructure investments: support structural development and adjustment for lower developed regions and economic reconversion. They support development of those regions which present structural problems and of fishing regions, too;
- investments in new sustainable jobs;
- investments in information technology and business environment for SMEs: support services for enterprises development and technologic transfer;
- local development ideas: promote local development infrastructure and new financial instruments and offer assistance to those structures which deal with services in neighbourhood;
- investments in education and health (only under Objective 1).

All these measures were focused on: informational society development, R&D promotion, development of a better business environment, environment protection, trans-border and interregional cooperation.

During 2000-2006, ERDF financed specific programs as the following:

- Objective 1: support for the less developed regions;
- Objective 2: Regional convergence for those regions which faced developing difficulties;
- Interreg III: Interregional cooperation;
- Urban II: Sustainable development for urban areas;
- Innovative Actions: Development of innovative strategies in order to grow regional efficiency;
- Transport development and environment protection in Member States.

ERDF financial support in Member States is represented in Table number 2. Romania wasn't able to obtain financing under ERDF. The only exception was INTERREG IIIA for Hungary and Romania and for Hungary and Serbia and Montenegro. This program benefited by a European financing of 39 million Euros from the whole budget of 47 million Euros. The general objective of the Hungary-Romania program was to close people, communities and economic actors from border regions in order to establish a powerful basis which is able to support a steady economic and social development as a guaranty of an optimal development for both countries. The priorities of this program are:

- 1st priority: a stronger spatial, physical and infrastructure integrity in trans-border area;
- 2nd: promoting of cooperation ideas in order to support exchange markets integration and cohesion between local communities.

The strong points of this region are the following:

- a network of trans-border points between both countries, even though there is a lower developed infrastructure too;
- a good natural environment which is able to support tourism development;
- a good agricultural land in the plains;
- the same economic characteristics of the border areas and a good structure of labour;
- an important industrial and agricultural tradition.

The weak points of the same region are:

- absence of a regional transport network and connections with motorway;

- a lower developed network of urban infrastructure, especially that of worn out waters;
- a great industrial pollution and absence of the systems for floods forestalling;
- lower financial capitals and lower efficiency for SMEs;
- lower trans-border entrepreneurship cooperation as a result of an insufficient informational flow;
- lower development of trade infrastructure;
- lower agricultural efficiency;
- limited access to Internet in rural areas;
- a relative high unemployment rate.

The repartition of financial funds under INTERREG IIIA program for Hungary-Romania and Hungary-Serbia and Montenegro are presented in two tables (number 3 and 4).

The European Fund for Orientation and the Agricultural Guaranty is presented in the European Commission's regulation no. 25/1962, modified and completed by regulations no. 728/1970 and 1258/1999. This fund is structured on two sections:

- guaranteeing: which finances expenditures with market agricultural organisations and rural development which accompanied the measures that weren't under Objective 1;
- orientation: this section operates as a real structural fund and finances schemes of rationalisation, modernization and structural adjustment for agriculture in rural areas.

The Financial Instrument for Fishing Orientation became a distinct element of the structural policy under Regulation no. 1263/1999. Its objectives are the following:

- a long-term equilibrium between specific resources and their exploitation;
- growing enterprises' efficiency and a viable development of business in fishing;
- revitalization of those areas which depend on fishing and aquaculture.

Another important fund is the European Cohesion Fund created in 1992, during Maastricht Treaty. This fund finances projects about environment and transport infrastructures development in those Member States which have a GDP/capita less than 90% of the European average.

The latest 12 Member States, Greece, Portugal and Spain may benefit by financing under the European Cohesion Fund. Ireland received the same financing ever since 2003. During 2004-2006, 1/3 of the European

Cohesion Fund was directed to the latest Member States, as in figure number 3.

The Cohesion Fund doesn't operate by using programs. It offers financial support to projects. The percentage of this financial support is about 80-85% of the total eligible costs. The projects have to watch the European policies, especially those connected to environment, transport, trans-European networks and competition.

The financial support for different groups of countries is presented in figure number 4. This support is connected to: environment protection and environment quality improvement, health inhabitant, protection, better utilisation of natural resources. As a result, the eligible projects are those which are connected to: water stock, solid offals, forests, and nature preservation.

During 2007-2013, the European Commission will devote 336.1 billion Euros for the Cohesion Policy, as we can see in figure no.4. The poorest Member States will receive 264 billion Euros (79%), supporting competition and labour will receive 57.9 billion Euros (17%) and interregional cooperation improvement will benefit by 13.2 billion Euros (4%).

4. The latest enlargements from E.U.'s history represent a big challenge in order to achieve regional policy's objectives and to demonstrate structural instruments' efficiency. Nowadays, E.U. faces new challenges connected to efficiency, sustainability and socio-economic restructuration of less developed regions.

On the other hand, some regions become non-eligible under Objective 1 as a result of statistical effect of GDP/capita on average. These regions have to be supported to continue the process of convergence, too.

Moreover, the socio-economic cohesion across E.U. and financial instruments' reform are very important elements for the next programming period.

As a result, NUTS II regions with a GDP/capita less than 75% of the European average in the latest three years will be covered by Objective 1. These regions will benefit by 67.34% of the whole budget of Objective 1.

The European Commission will establish a transitory period for those regions which become non-eligible under Objective 1 as a result of statistical effect of GDP/capita average. During this transitory period, regions will receive 21.1 billion Euros (8.38% of the whole sum allocated).

The structure of the Structural Funds during 2007-2013 is presented in figure number 5 (Ionescu R., 2008).

During 2007-2013, the European Social Fund (ESF) will promote the following measures:

- improvement of quality and reaction capacity of labour administrations, learning systems, training systems and social and health services;
- more investments in human capital using high training and an equal access on the labour market;
- adaptation of public administration to the restructuration process using extension of administrative capacities.

During the same period, ERDF will support:

- modernisation and diversification of the Member States and priority regions' economic structure using: modernization and diversification of the Member States' economic structure; environment protection; transports, communications, energy, environment and water infrastructure modernization; enlargement of institutional capacities of public administration.

During 2007-2013, the legislative packet about the European Financial Instruments doesn't include the European Fund for Orientation and Agricultural Guarantee. It means that the European Fund for Orientation and Agricultural Guarantee will end its action during present programming period.

The Cohesion Fund will finance those European regions which have a GDP/capita less than 90% of the European average and which are programmed to achieve economic convergence criteria in Article no.104 of the Treaty. It is about 63 billion Euros (23.86% from whole budget for Objective 1).

The peripheral regions (Guadeloupe, French Guyana, Martinique, Reunion, Azores, Madeira and Canary) will be supported by ERDF in order to integrate on the Common Market using 1.1 billion Euros (0.42% of the whole budget for Objective 1).

Those NUTS I and NUTS II regions which are not under Objective 1, will be harmonized with Objective 2 of the European regional policy and will receive financing from ERDF and the European Social Fund. The list of these regions was established by every Member State in accordance with the European Commission and it is available during 1st of January 2007- 31st of December 2013. The financing for this objective is about 57.9 billion Euros (83.44% for financing eligible regions according to established criteria and 16.56% for these regions in transition).

The third objective covers NUTS III border regions which are placed not more than 150 kilometres away from the borders and some trans-national areas. This objective has 13.2 billion Euros (35.61% from the total sum under Objective 1). All financings connected to these three objectives are presented in figure number 6.

In order to implement cooperation and promoting networks of good practices, the whole E.U. is eligible to receive financing from ERDF (4.54%).

The trans-national cooperation between the Member States will receive 6.3 billion Euros (47.73%) and the European neighbourhood policy and its specific pre-adhering instrument will receive 1.6 billion Euros (12.12%).

The European Commission's proposal COM 373 about the necessity of a specific instrument for neighbourhood policy until 2007 was approved by the European Council in June 2004 as The European Neighbourhood & Partnership Instrument (E.N.P.I.). This instrument has to be a supplement for the actual instruments TACIS (for former-soviet countries) and MEDA (for East-Mediterranean countries) and it will be focused on trans-national cooperation promotion among Member States and their neighbours. All countries which are under ENPI will receive financial assistance in order to facilitate political, economic, cultural and security cooperation between E.U. and other countries. ENPI supports sustainable development, economic growth and poverty decreasing in neighbour countries. More, ENPI offer financial assistance for progressive economic integration, political cooperation, legislative harmonization, common infrastructure development. So, it operates as actual twinning instruments and TAIEX.

The Pre-Accession Instrument (I.P.A.) is focused on the candidate states (Turkey and Croatia) and on potential candidate states from the West Balkans, too. This instrument replaces pre-adhering instruments (PHARE, ISPA, SAPARD, CARDS) and pre-adhering regulation for Turkey. It is focused on institutional building, regional development, interregional and trans-border cooperation, human resources development and rural development.

Actual financial perspective tries to ensure financial discipline and to use efficient financing resources. It is an important financial assistance, as E.U. assigned 336.1 billion Euros for Structural and Cohesion Funds during 2007-2013.

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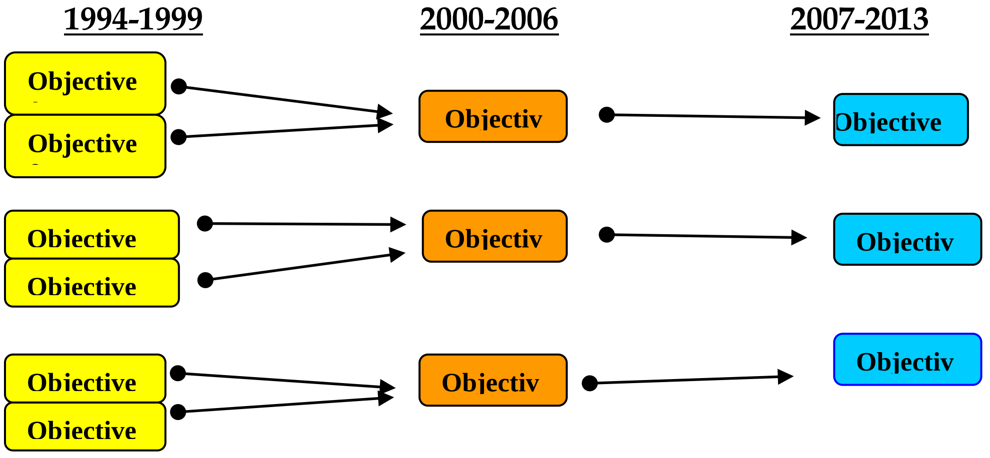


Figure no. 1: Evolution of the main objectives of the Structural Funds

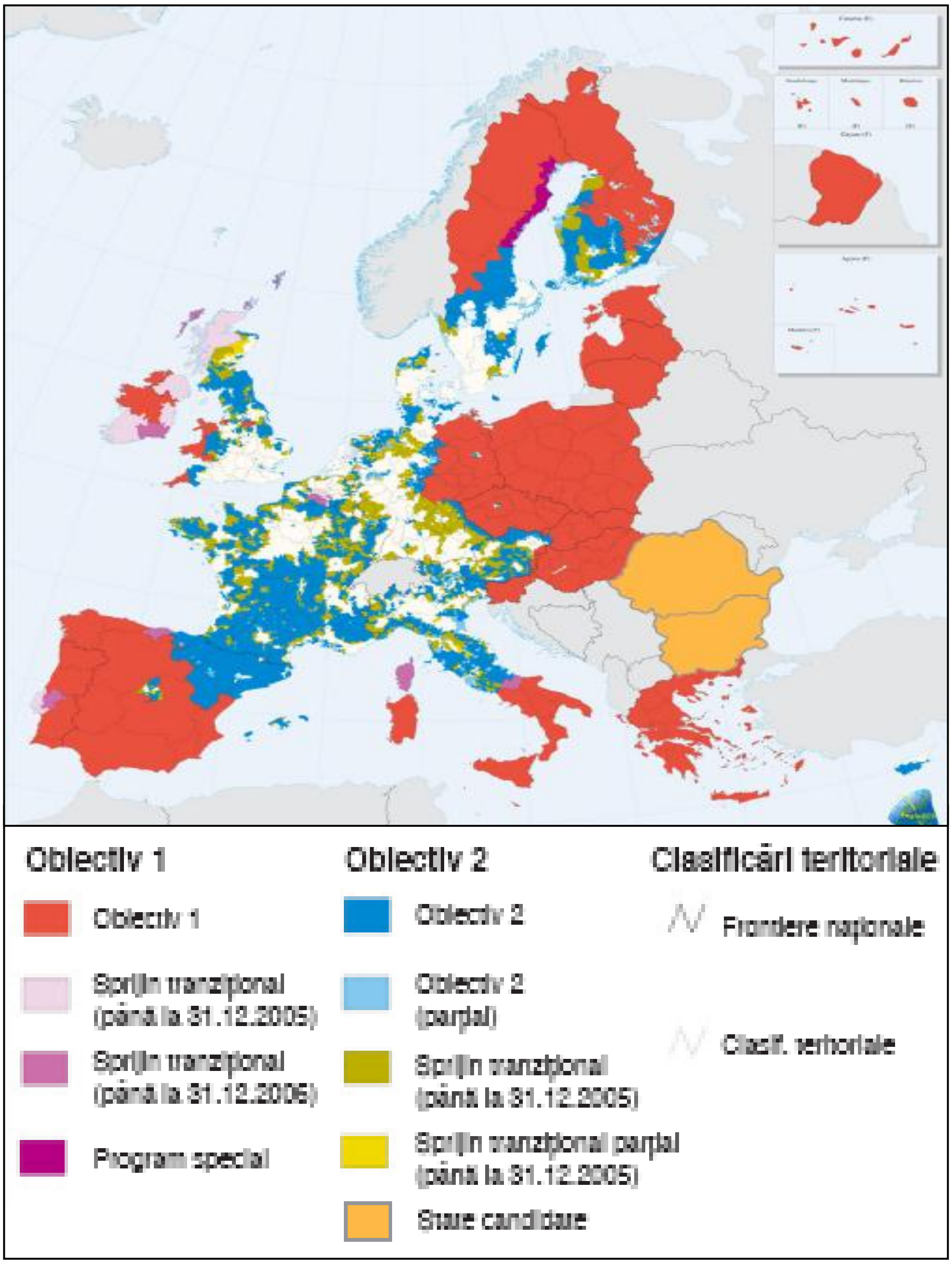


Figure no.2: E.U.25 Structural Funds during 2004-2006 (Eligible zones under Objectives number 1 and 2)

Table no.1: European objectives financed by the Structural Funds during 2000-2006

Objective 1	Objective 2	Objective 3
European Social Fund	European Social Fund	European Social Fund
European Regional Development Fund	European Regional Development Fund	
European Fund for Orientation and Agricultural Guaranty		
Financial Instrument for Fishing Orientation		

Table no. 2: ERDF financial programs

Country		Region	Date	European document
	Germany	New German Länder and East Berlin	19/06/2000	1999 DE 16 1 CC 001
	Greece	Whole country	28/11/2000	1999 GR 16 1 CC 001
	Ireland	Whole country	28/07/2000	1999 IE 16 1 CC 001
	Italy	Mezzogiorno	01/08/2000	1999 IT 16 1 CC 001
	Portugal	Whole country	31/03/2000	1999 PT 16 1 CC 001
	Spain	Regions under Objective 1	19/10/2000	1999 ES 16 1 CC 001
	U.K.	Northern Ireland	18/12/2000	1999 GB 16 1 CC 001
	Poland	Whole country	31/03/2000	2003 PL 16 1 CC 001
	Czech Rep.	Regions under Objective 1		2003 PL 16 1 CC 001
	Slovakia	Whole country		2003 PL 16 1 CC 001
	Hungary	Whole country		2003 HU 16 1 CC 001

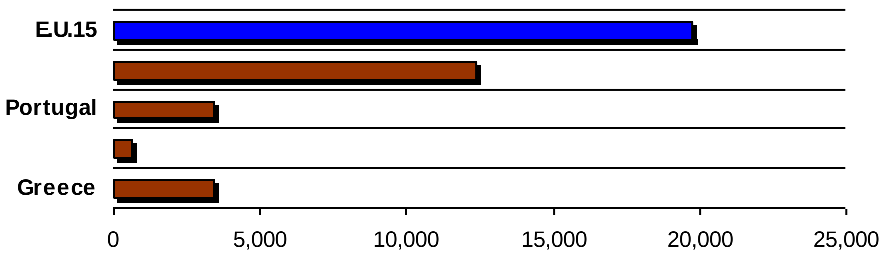
Table no. 3: Financial funds connected with the priority areas (Euros)

Priority area	Total cost	E.U.'s support	Public support
1. Strong spatial, physical and structural integrity of trans-border area	22026889	16520166	22026889
2. Supporting for cooperation ideas in order to facilitate exchange market integration and to improve cohesion between local communities	7661528	5746146	7661528
3. Technical assistance	2234612	1675959	2234612
Total	31923029	23942271	31923029

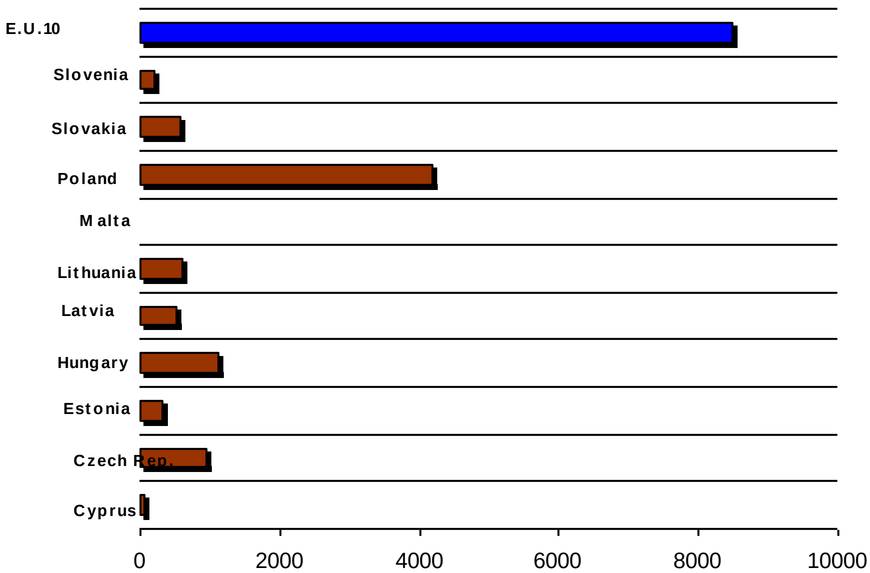
Table no. 4: Financial framework (Euros)

E.U.'s contribution	ERDF
Total : 23942271	23942271
100.00%	100.00%

Figure no.3. European Cohesion Fund during 2000-2006 (Billion of Euros)



	Greece	Ireland	Portugal	Spain	E.U.15
2000-2006	3,388	584	3388	12357	19717



	Cyprus	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Malta	Poland	Slovakia	Slovenia	E.U.10
2004-2006	53.94	936.1	309	1113	515.4	608.2	21.94	4179	570.5	188.7	8495

Figure no. 4: The Cohesion Fund – E.U.-15 & E. U.-10 (Million of Euros)

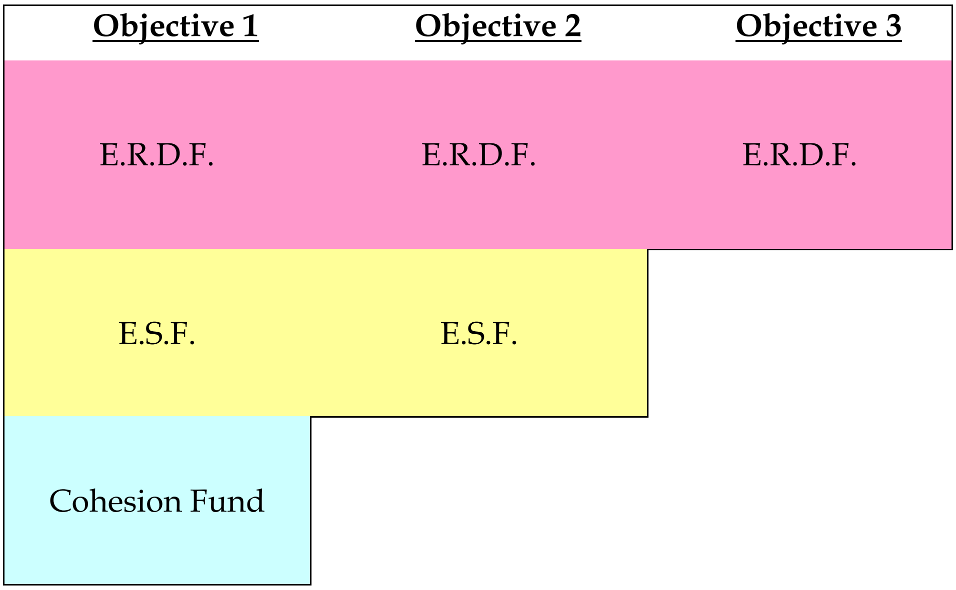


Figure no. 5: Structural Funds during 2007-2013

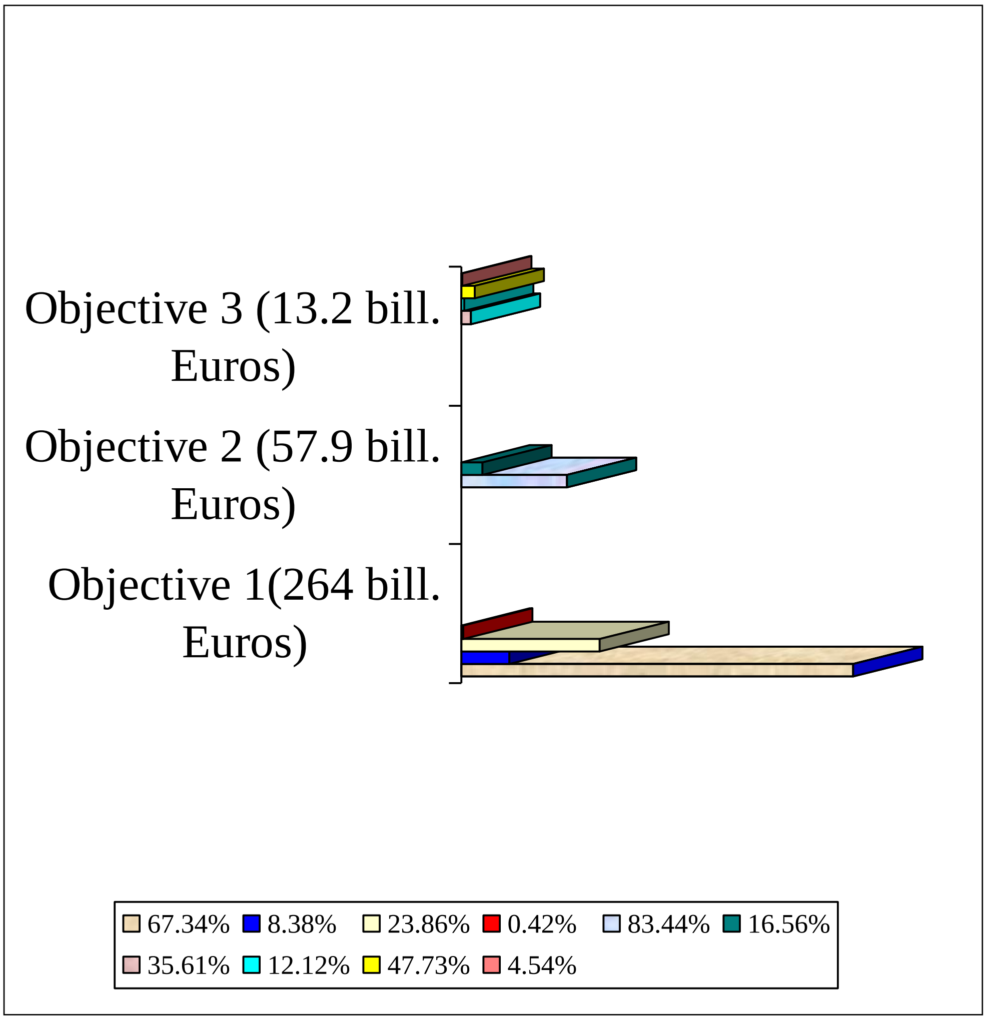


Figure no. 6: Objectives of the European Funds during 2007-2013