

## PAPER DETAILS

TITLE: Regional Policy of The European Union

AUTHORS: Selcen ÖNER

PAGES: 99-115

ORIGINAL PDF URL: <https://dergipark.org.tr/tr/download/article-file/7252>

İstanbul Üniversitesi  
İktisat Fakültesi  
Maliye Araştırma Merkezi Konferansları  
45. Seri / Yıl 2004

# **REGIONAL POLICY OF THE EUROPEAN UNION**

**Araş. Gör. Selcen ÖNER**  
İstanbul Üniversitesi  
İktisat Fakültesi  
İktisat Bölümü  
İktisat Sosyolojisi Anabilim Dalı

The member states have carried out active interventionist regional policies since the 1920's.<sup>1</sup> When the EC was established, its founders did not need to develop regional policy. Because mostly it was believed that, all areas of the Community will benefit over time from the setting up of the common market. In the late 1950's, the main regions in decline were backward agricultural areas. The **European Investment Bank** and the **European Social Fund** provided a small amount of regional aid. But mostly, granting of aid was within the control of the member states.<sup>2</sup>

There are different reasons for the emergence of regional policy. The economic reason is that intervention is necessary to overcome the negative effects of market integration on disadvantaged regions. Especially since the mid-1980's, the internal market has tended to extend the differences between the rich and poor regions.<sup>3</sup> So economically, the aim of the regional policy is to permit all regions to compete in the internal market, by providing them the requisite infrastructure and skills.<sup>4</sup> From a political aspect, for successful integration all states and regions have to be benefited from the EU.

On the other hand, there is an argument on whether the EU's policies for cohesion are contrary to the philosophy underlying the Treaty of Rome. The question is that, **redistributive** and **interventionist** policies are contrary to free market and free competition?<sup>5</sup> But these policies are seen necessary to establish social and economic cohesion among its members and to have continuing support of different regions to the integration process.

Regional policy does not only help beneficiary countries, but also those which are **net contributors** to the Community budget. Because their enterprises profit in return from major investment opportunities and also from economic and technological know-how transfers, particularly in regions where various types of economic activity have not yet really taken off. So regional policy try to make the EU more competitive.<sup>6</sup>

The aims of European regional policy, were not much different from that of the national regional policies. The main aim is to reduce disparities among member states and regions of Europe.<sup>7</sup> In order to reach this aim, it invests in the backward regions and encourages future growth in these areas.

---

<sup>1</sup> Ian Barnes & Pamela M. Barnes, *The Enlarged European Union*, London: Longman Pub., 1995, p.266.

<sup>2</sup> Alain Guyomarch, Howard Machin & Ella Ritchie, *France in The EU*, New York : St. Martin's Press, 1998, pp.195-196.

<sup>3</sup> *Ibid.*, p.203.

<sup>4</sup> Michael Keating, "Europeanism and Regionalism", in Barry Jones & M. Keating(eds.), *The European Union and The Regions*, Oxford: Clarendon Press, 1995, p.18.

<sup>5</sup> Clive Archer, & Fiona Butler, *The European Community: Structure and Process*, London: Pinter Pub., 1992, p.105.

<sup>6</sup> *Europa: Regional Policy- Inforegio*, "How Does it Work?", [http://europa.eu.int/comm/regional\\_policy/intro/regions4\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions4_en.htm).

<sup>7</sup> John Loughlin, "Europe of the Regions and the Federalization of Europe", *Publius*, Vol. 26, Issue 4, Philadelphia, Fall 1996, p.149.

### A-Evolution Process of EU Regional Policy

In the first phase of regional policy, which was between 1957 and 1972 uncertain objectives were stated and there was little coordination of the policy at the EU level. At the end of the 1950's, it was thought that, the process of integration which accompany the completion of the market, would automatically close the gap between the richest and poorest regions.<sup>8</sup> However at the beginning of the 1970's, the EC started to see that, the integration process does not automatically provide equal development of all the regions. So more interventionist regional policy is needed to overcome unequal effects of the integration process. Because structural regional economic imbalances could negatively affect the ongoing integration process.

On the other hand, it is widely accepted that the British government tried to find ways to recompense its contributions to the EC budget, during accession negotiations. This is one of the other factors which was effective on the emergence of regional policy. After the first enlargement in the 1970's, it was decided to create the **European Regional Development Fund (ERDF)** at the Paris Summit in late 1974. Also a **Regional Policy Committee** was set up to bring together national and Community representatives to examine national regional policy programmes. In addition to these, a new **Directorate-General(DG XVI)** was created within the Commission.<sup>9</sup>

Generally regional policy has developed in three ways: the coordination of national regional policy measures to ensure their conformity with the treaties, the development of Community funds for regional development and a gradually move towards a Community regional policy. At the beginning, the Commission was dependent on national databases, nationally defined regions and national policy instruments. But this situation has changed slowly.<sup>10</sup>

In the early phase of the EC regional policy, the EC did not try to identify 'regions' or 'priority regions'. It did not identify socio-economic characteristics of the recipient units, which were benefited from the funds. The identification of the beneficiary units was the competence of national governments. There was not a definite criteria for "what are the main characteristics of a region?", it differed from one member state to another. Some regions were defined by political and legal autonomy such as the German lander and others were defined on administrative basis or etc.<sup>11</sup>

Initially, regional policy strengthened the position of the member states, especially by the use of the **quota system** for the distribution of grants. In this system, member states received a proportion of the budget and then decided how this should be

<sup>8</sup> I. Barnes & P. M. Barnes, *The Enlarged European Union*, p.271.

<sup>9</sup> C. Archer, & F. Butler, *The European Community: Structure and Process*, p.94.

<sup>10</sup> M. Keating, "Europeanism and Regionalism", pp.17-18.

<sup>11</sup> C. Archer, & F. Butler, *The European Community: Structure and Process*, p.95.

used within their territory.<sup>12</sup> Before the enlargement in the 1980's, the UK, Ireland, France and Italy were the major beneficiaries, because they had the highest quotas.<sup>13</sup>

On the other hand, initially, the ERDF accounted for 5% of the Community budget. It was firstly arranged for a three-year period of operation. During this period, some problems about the implementation of policy occurred and Commission proposed some changes in 1977. It was formally revised in 1979, the most important change was in the composition of the ERDF. With this revision, ERDF were not totally divided to national quotas, 5% of the ERDF was started to be labelled as '**non-quota**'. With the 'non-quota' section of the fund, the EC was given more powers to identify projects that are in need of ERDF assistance. Even it could identify projects which are important for the Community, without looking at its national importance.<sup>14</sup> This reform accelerated other reforms.

The regional policy had to be rearranged to provide a more effective solution to the regional imbalances, especially with the effects of the accession of Greece and there was a negotiation process with Spain and Portugal. With the 1984 Regulation, the aims of regional policy were clarified which were stated as to promote the "structural adjustment of regions whose development is lagging behind" and in the "conversion of declining industrial regions". So the socio-economic differences and inequalities were recognized more definitely, mostly on the basis of a North-South divide, which was increased with the southern enlargement. Also the role of the Community was strengthened with this regulation. In addition to these, the need for the coordination of different EC policies was emphasized, because they affect in varying degrees upon regional conditions and also the need for complementarity between EC and national policies was emphasized. One of the most important aspects of this regulation was the abolition of the quota-based system, a new approach to funding was introduced. In this new system, ERDF funds were distributed according to a minimum and maximum ranges for each member state. These ranges were applied for three-year periods, at the end of this period, they were reconsidered at the Regional Policy Committee and Directorate General XVI. So with this reform, the share of the ERDF, divided to each member state was no longer a rigid, non-negotiable quantity, it became a more flexible arrangement which also depends on the particular regional problems in each member state. But with the removal of the quota system and introducing of the min.-max. ranges to ERDF spending, stricter control was needed. In addition to these, with this regulation the 'non-quota' section of the ERDF, which was previously 5%, increased to a ceiling of 20% of ERDF.<sup>15</sup> So with this new arrangement, the part of regional funds which was determined by Community has increased in importance which increased the effectiveness of this policy and also public awareness to the policy.

---

<sup>12</sup> J. Loughlin, "Europe of the Regions and the Federalization of Europe", p.149.

<sup>13</sup> C. Archer, & F. Butler, *The European Community: Structure and Process*, pp.94-95.

<sup>14</sup> *Ibid.*, pp.94-96.

<sup>15</sup> *Ibid.*, pp.96-97.

So the **Commission** was given a more important role in the allocation of funds; instead of being given definite quotas, member states were given **upper and lower 'margins'** for aid. To qualify for maximum funding, they had to reach criteria set by the Commission.<sup>16</sup> The Commission, also had the responsibility of deciding, if the criteria was met.

On the other hand, the type of applications that are eligible for assistance, according to EC-determined criteria fall in these categories:

-regions which are facing similar problems in more than one member state

VALOREN can be given as an example, it was funded by the EC and it was about the development and strengthening of local energy resources. Other projects focussed on the problems faced by regions which have declining heavy or primary industry, such as RESIDER for steel industries and RECHAR for the conversion of the coal sector.

-‘National Programmes of Community Interest’, which are submitted by national governments. National governments put forward applications, which were thought to be accepted.<sup>17</sup>

In spite of these reforms in 1984, accession of Spain and Portugal in 1986 decreased the effectiveness of these funds and new arrangements were needed. With the **Single European Act** which was signed in 1986, Title V was added to the EEC Treaty. It was about the recognition of the need for ‘social and economic cohesion’ by the Community and the necessary action required to strengthen cohesion. The emphasis on ‘**cohesion**’ was the result of the Commission’s and Parliament’s considerations that, the completion of the internal market could marginalize poorer regions much more and also in some fields, large parts of the EC lack adequate socio-economic and infrastructural capacities. Article 130b of Title V, emphasizes the need for close cooperation of national economic policies to facilitate closer economic integration, in spite of the regional disparities. In this article it was also stated that, the other EC policies need to take into account the objectives of regional, social and economic cohesion. In the Article 130c it was stated that, the ERDF was to “help redress the principal regional economic imbalances in the community , through participating in the development and structural adjustment of regions, whose development is lagging behind and in the conversion of declining industrial regions.”<sup>18</sup> So with the Single European Act , regional policy was recognised , as one of the most important means for strengthening the Community’s economic and social cohesion.

On the other hand, the relationship between the EC’s regional policy and national regional policies is interdependent. For example as national expenditure had declined during the period because of political and economic concerns over levels of public

<sup>16</sup> A. Guyomarch, H. Machin & E. Ritchie, *France in The EU*, p.198.

<sup>17</sup> C. Archer, & F. Butler , *The European Community: Structure and Process*, pp.97-98.

<sup>18</sup> *Ibid.*, pp.98-99.

expenditure, the reforms of the ERDF concentrated on those regions which have the most serious problems(Objectives 1 and 2).<sup>19</sup>

The EU is not replacing the role of states about regional policy. The member states still spend greater funds than the EU. The EU tries to assist national regional policies and to stimulate economic growth by granting additional financial aid.<sup>20</sup> The responsibility of the Community is trying to improve economic conditions of regions that have endemic problems, rather than temporary. On the other hand, much depends on priorities and policies enacted by national governments. So the EU tries to coordinate and support national regional policies to overcome the inequalities and to accelerate the integration process by providing cohesion.

**Coordination initiatives**, are made to coordinate the regional policy activities of all of the parties involved. These initiatives take two forms; one of them is the coordination of different activities of the EU and the other one is the coordination of regional policy of the EU, with the regional policy of member states and regional authorities.<sup>21</sup>

With the 1985 and 1988 reforms, the regional policy was transformed and ERDF was combined with the **European Social Fund(ESF)** and the **European Agricultural Guarantee and Guidance Fund(EAGGF)**, to create what is known as '**Structural Action Policy**'.<sup>22</sup>

In 1988 Brussels Summit, the Community budget was reformed and it was agreed to double the proportion of the structural funds, which became the 25% of the EC budget by 1993.<sup>23</sup> In addition to this, more interventionist regional policy of the EU began. The effectiveness of regional policy, was increased by greater coordination between the funds. In addition to these, multiannual and integrated regional development plans were prepared with the partnership of regional authorities, national governments and the Commission. These reforms came into force on 1 January 1989.<sup>24</sup>

On the other hand, with the reform of 1988, the EU both decentralized the administration of the funds to member states and redefined the principles, that guide their administration. These principles were **programming, concentration** and **additionality**, also **partnership** with the public and private authorities, like local and regional governments. After this reform process, the national governments, still have the responsibility of making the final decisions on the allocation and monitoring of the

---

<sup>19</sup> *Ibid.*, pp.102-103.

<sup>20</sup> I. Barnes & P. M. Barnes, *The Enlarged European Union*, p.267.

<sup>21</sup> H. W. Armstrong, "The Role and Evolution of European Community Regional Policy", in Barry Jones & Michael Keating(eds.), *The European Union and The Regions*, Oxford: Clarendon Press, 1995, pp.60-61.

<sup>22</sup> J. Loughlin, "Europe of the Regions and Federalization of Europe", p.148.

<sup>23</sup> C. Archer, & F. Butler, *The European Community: Structure and Process*, p.99.

<sup>24</sup> I. Barnes & P. M. Barnes, *The Enlarged European Union*, p.282.

funds, but from now on, national authorities are in a partnership with regional authorities.<sup>25</sup>

Especially the principle of ‘**additionality**’ is a highly contested issue. From the beginning, the instruments of regional policy were not formed to replace national regional policy measures. Money which is received from the ERDF and the other funds have to be used to complement national measures, not to be used by national governments to cut back their own expenditure.<sup>26</sup> However they mostly used European funds, as a substitute to national ones.

It was stated in 1988, in Article 9 of Regulation No. 2052/88 that, the Commission and the member states must ensure that “... the increase in the appropriations for the Funds... has a genuine additional economic impact in the regions concerned and results in an equivalent increase in the volume of aid in the Member State concerned...”<sup>27</sup>

Introducing of ‘**partnership**’ principle was reflected in the establishment of the **Consultative Council of Local and Regional Authorities** in 1988. It has close ties with the Commission and its various Directorate-Generals. It had a consultative rights over the formulation and implementation of regional policies, also the regional implications of other Community policies.<sup>28</sup>

On the other hand, especially in the late 1990’s, the structural funds continued to grow as a proportion of the EU budget. It increased to 36% of the EU budget in 1999. Also in 1999, the Commission reviewed the structural funds, for the period 2000-2006. With this reform, the EU simplified their objectives and also targeted funds to central Europe.<sup>29</sup> So the main target of regional policy moved from southern Europe to central Europe. The enlargement of the EU towards **Central and Eastern Europe(CEE)** will create further problems and increase the importance of regional policy of the EU much more. Because the inclusion of CEE countries, will hugely increase disparities among regions of Europe.

## **B-Structural Funds**

The structural funds have played an important role in the ongoing integration process of Europe. They are the main instruments of the EU to achieve its objectives about regional policy. They are instruments of the EU;

- to develop infrastructure, such as transport and energy,
- to extend telecommunications services,

<sup>25</sup> Peter John, “The Europeanisation of Sub-national Governance”, *Urban Studies*, Vol. 37, Issue 5/6, Edinburgh, May 2000, p.880.

<sup>26</sup> C. Archer, & F. Butler, *The European Community: Structure and Process*, p.95.

<sup>27</sup> I. Barnes & P. M. Barnes, *The Enlarged European Union*, p. 278.

<sup>28</sup> M. Keating, “Europeanism and Regionalism”, pp.15-16.

<sup>29</sup> P. John, “The Europeanisation of Sub-national Governance”, p.880.

- to help firms and provide training workers,
- to disseminate the tools and know-how of the information society<sup>30</sup>

The Structural Funds include:

**a)The European Regional Development Fund (ERDF)** : It was established in 1975. It finances infrastructure , job-creating investments, local development projects and aid for small firms.

**b)The European Social Fund(ESF)** : It was established in 1957. It promotes the return of the unemployed and disadvantaged groups to the work force, mainly by financing training measures and systems of recruitment aid.

**c)The Guidance Section of the European Agricultural Guarantee and Guidance Fund(EAGGF):** It was established in 1957. It finances rural development measures and aid for farmers, mainly in regions lagging in development.

**d)The Financial Instrument for Fisheries Guidance (FIFG):** It was established in 1993. It helps to adapt and modernise the fishing industry.<sup>31</sup>

In addition to these , the **Cohesion Fund** was established in 1992, which is a specially directed fund for the four poorest states of the EU, which are Spain, Portugal, Ireland and Greece. Another financial instrument of the EU about its regional policy is, the **European Investment Bank(EIB)**, whose primary objective is to assist the less prosperous regions of the EU. Moreover monitoring of national regional policies and the coordination of the efforts of the ERDF, ESF and EAGGF by the Commission are also part of the Regional Policy.<sup>32</sup>

When we summarize the beneficiaries of Regional Policy;

#### **1- Less-favoured regions**

a)Regions whose development is lagging behind.(**Objective 1**)

All these regions have a number of economic indicators:

- low investment levels
- a higher than average unemployment rate
- lack of services for people and businesses
- poor basic infrastructure

b)Regions undergoing conversion(**Objective 2**)

The difficulties which are faced in these regions are:

- industrial or service sectors subject to restructuring

<sup>30</sup> Europa: Regional Policy- Inforegio, "What are we talking about?"  
[http://europa.eu.int/comm/regional\\_policy/intro/regions2\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions2_en.htm)

<sup>31</sup> Europa: Regional Policy- Inforegio, "The Instruments of Solidarity"  
[http://europa.eu.int/comm/regional\\_policy/intro/regions4\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions4_en.htm)

<sup>32</sup> I. Barnes &P. M. Barnes, The Enlarged European Union, p.266.

- loss of traditional activities in rural areas
  - declining urban areas
  - difficulties in the fisheries sectors
- (All regions in Spain, Greece, Portugal and Ireland)

## **2- Areas with specific handicaps:**

- Border areas(Interreg III A)
- Declining urban areas (Urban II)
- Rural areas (EAGGF-Guarantee Section and Leader+)
- Fisheries areas (FIFG)

## **3-Vulnerable groups in society**

- People facing difficulties in the labour market (Objective 3)
- People suffering discrimination and inequalities in the labour market (Equal)

## **4-Local and regional authorities**

- Transnational and interregional cooperation (Interreg IIIB and C)

## **5-Applicant Countries** <sup>33</sup>

On the other hand, five objective priority regions were identified:

**Objective 1:** is concerned with the “ development and structural adjustment of regions whose development is lagging behind.” 70% of the funding goes to Objective 1 regions. The main criteria is per capita GDP is at least 25% below the EU average. The programmes covered 5 years. 22% of the population of the EU is included in the Objective 1 regions. It covers whole of Greece, Portugal and Ireland and some areas of Italy and Spain, also Northern Ireland and French overseas departments.

Those regions qualifying under Objective 1 status face the most serious problems of restructuring during accommodation to the single market and application of EMU convergence policies.

**Objective 2:** is concerned with the regions or parts of regions, which are seriously affected by industrial decline. 11.5% of the funds goes to Objective 2 regions. Main criteria is levels of structural unemployment. The programmes covered 3 years. 18% of the population of the EU is included in the Objective 2 regions. It covers northern EC member state regions and some parts of Italy and Spain.

---

<sup>33</sup> Europa: Regional Policy- Inforegio, “Who is it for?”,  
[http://europa.eu.int/comm/regional\\_policy/intro/regions8\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions8_en.htm)

**Objective 3:** is concerned with combating long-term unemployment (above the age of 25, unemployed for more than 1 year). It includes basic and life-long training, equal opportunities, helping workers to become flexible and adaptable. Also promoting the modernisation of training systems and the creation of employment outside the Objective 1 regions. 12.3% of the funds goes to *Objective 3* regions.

**Objective 4:** Assistance for projects about the young unemployed (below the age of 25, unemployed for more than 1 year) It aims to encourage the integration of young people into the local economy.

**Objective 5(a):** It is to reform the structure of the agricultural sector,

**Objective 5(b):** It aims to promote rural areas.<sup>34</sup>

Following the enlargement of the EU in 1995, a new **Objective 6** was added. The criteria that is used to decide which areas receive this support, was based on a low population density, of below 8 inhabitants Per square kilometer.<sup>35</sup>

The Treaty of Rome, established the **ESF** to deal with the employment consequences of industrial change. In 1972, it was reformed to provide more the needs of sectoral and industrial restructuring.<sup>36</sup>

On the other hand, the resources of the **ERDF** are allocated to certain disadvantaged regions, especially to **Objective 1** and **2** regions. Financial assistance with the ERDF is mainly targeted at; supporting small and medium-sized enterprises, promoting productive investment, improving infrastructure and furthering local development.<sup>37</sup> Since its creation, the ERDF has seen an important increase of its budget. Simultaneously, effective reforms were made about the ERDF, for adaptation to the evolving structure of the EU.

The **Cohesion Fund** was established at the Edinburgh Summit in December 1992. It provides money for environmental and trans-European transport network projects in the member states, whose GDP is less than 90% of the EU average. In addition to these, it is intended to strengthen economic and social cohesion by helping the least developed states to participate in economic and monetary union. This fund has enabled Spain, Portugal, Ireland and Greece to meet the convergence criteria for economic and monetary union and continues to invest in infrastructure. The four beneficiary countries from this fund are these countries in 2000-2006, as before in 1993-1999 period. Although these countries have made progress, their GDP still falls short of the Community average.<sup>38</sup>

---

<sup>34</sup> C. Archer, & F. Butler, *The European Community: Structure and Process*, p. 99.

<sup>35</sup> I. Barnes & P. M. Barnes, *The Enlarged European Union*, p.282.

<sup>36</sup> M. Keating, "The Continental Meso: Regions in the European Community", in L.J. Sharpe (ed.), *The Rise of Meso Government in Europe*, Modern Politics Series, Vol. 32, London :SAGE Pub., 1993, p.299.

<sup>37</sup> Website of the EU, "What is the ERDF for?", [http://europa.eu.int/comm/regional\\_policy/activity/erdf/erdf1\\_en.htm](http://europa.eu.int/comm/regional_policy/activity/erdf/erdf1_en.htm)

<sup>38</sup> Website of the EU, "What is the Cohesion Fund for?", [http://europa.eu.int/comm/regional\\_policy/activity/funds/fund1\\_en.htm](http://europa.eu.int/comm/regional_policy/activity/funds/fund1_en.htm)

On the other hand, fisheries and aquaculture is a sector which has been undergoing through restructuring. The **Financial Instrument for Fisheries Guidance (FIFG)** is used to:

- create a sustainable balance between marine resources and their use
- make firms more competitive
- improve the supply and development of fishery and aquaculture products
- help revitalise areas dependent on fisheries.

This fund is mostly used in Objective 1 regions and in others as required. 0.5% of the budget of the structural funds is used for FIFG.<sup>39</sup>

In addition to these funds, there are other instruments about regional policy. The **Community initiatives** are measures proposed by the Commission, to help resolving problems, that are within the special EU interests. They are about 5.35% of the total structural funds. The initiatives are proposed by the Commission but have to be approved by the Council. Also, the European Parliament has started some initiatives like the KONVER, to help areas which are affected by the rundown of the defense industry. There are also pilot projects, which took up about 1% of the budget. These projects are also approved by national governments, because they often supply the match funding.<sup>40</sup>

The Community Initiatives are used to find common solutions to specific problems. 5.35% of the structural funds are spent for them These initiatives are:

- cross-border, transnational and interregional cooperation( **Interreg III**)
- sustainable development of cities and declining urban areas (**Urban II**)
- rural development through local initiatives (**Leader+**)
- combating inequalities and discrimination in access to the labour market (**Equal**)<sup>41</sup>

On the other hand, to improve the quality of regional development strategies, innovative actions are supported by the Commission. 0.5% of the budget of the structural funds is used for innovative actions. They are expected to provide regions with the scope for experimentation to meet the challenges of the information society and to make their economies more competitive. The innovative actions programmes finance the experimental phase of projects. If the initial stage proves satisfactory, projects may be included in the strategies under the different Objectives. The Commission has laid down three working topics for ERDF innovative actions in 2000-2006:

- regional economies based on knowledge and technological innovation
- e-EuropeRegio: the information society at the service of regional development
- regional identity and sustainable development.

<sup>39</sup> Europa: Regional Policy- Inforegio, "How does it Work?- The Instruments of Solidarity"  
[http://europa.eu.int/comm/regional\\_policy/intro/regions5\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions5_en.htm)

<sup>40</sup> P. John, "The Europeanisation of Sub-national Governance", p.880.

<sup>41</sup> Europa: Regional Policy- Inforegio, "What are we Talking About?",  
[http://europa.eu.int/comm/regional\\_policy/intro/regions2\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions2_en.htm)

Other innovative actions are planned for employment and training which is financed by the ESF and in the fisheries sector, which is financed by the FIG. <sup>42</sup>

In addition to these instruments, there are also some funds for special assistance to applicant countries of Central and Eastern Europe. The oldest one is the **PHARE** programme. It began in 1989. It is intended to improve institutions and public bodies to ensure correct application of Community law and to assist new investments in the social and economic sectors, where they are most needed. In **Agenda 2000**, two pre-accession funds were created for the applicant countries of CEE. These funds are **ISPA** and **SAPARD**. They have been started to be implemented since 2000. SAPARD (Special Accession Programme for Agriculture and Rural Development), supports the efforts of the applicant countries to join the CAP. ISPA (Instrument for Structural Policies for Pre-Accession), is similar to the Cohesion Fund. It is used to finance the construction of large projects in environmental protection and transport. On the other hand, various partnership arrangements and specific pre-accession aid are also provided for Malta, Cyprus and Turkey. <sup>43</sup>

On the other hand, the purpose of the **EIB** is to contribute to integration, balanced development, economic and social cohesion within the Union. Its loans help to improve trans-European networks for transport and energy, make firms more dynamic, protect the environment, improve the quality of life in cities and expand knowledge and innovation. <sup>44</sup> So loans of the EIB can be also seen as an instrument of regional policy.

With the setting up of the ERDF, the Commission prepared a 'synthetic index' to evaluate regional disparities across the EC. It was prepared on the basis of unemployment rates, economic growth and standards of living. This index formed the basis for the aid allocation. <sup>45</sup>

Contemporarily, there is also a hierarchy of regional and local units and the EU arranges its regional policy, according to this hierarchy, which is generally referred to by the French acronym **NUTS** (nomenclature of territorial units for statistics). <sup>46</sup> The NUTS are national administrative units, which are used for the implementation of the regional policy. <sup>47</sup>

The purpose of preparing NUTS was the necessity to have a map of the regions of the member states to make regional comparative analysis on a common basis. NUTS is a regional classification from an economic perspective. According to this classification, NUTS is divided into three regional levels as **NUTS 1** (e.g. German

<sup>42</sup> Europa: Regional Policy- Inforegio, "How does it Work?- The Instruments of Solidarity" [http://europa.eu.int/comm/regional\\_policy/intro/regions5\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions5_en.htm)

<sup>43</sup> Europa: Regional Policy- Inforegio, "Special Assistance for the Applicant Countries", [http://europa.eu.int/comm/regional\\_policy/intro/regions6\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions6_en.htm)

<sup>44</sup> Europa: Regional Policy- Inforegio, "What does it do?" [http://europa.eu.int/comm/regional\\_policy/intro/regions9\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions9_en.htm)

<sup>45</sup> A. Guyomarch, H. Machin & E. Ritchie, *France in the EU*, p.196.

<sup>46</sup> M. Keating, "Europeanism and Regionalism", p.17.

<sup>47</sup> M. Keating, "Is There a Regional Level of Government in Europe?", p.19.

Lander), **NUTS 2** (eg. French regions), **NUTS 3** (eg. French departments); and two local levels as **NUTS 4** and **NUTS 5**. NUTS 1 level, includes cities and metropolitan areas (Hamburg, Bremen, Ile-de-France, Greater London etc.), NUTS 2 includes some countries (Luxembourg, Ireland), small islands (Voreio Aigaio, Ionia Nisia), remote territories (Guyane, small islands like Guadeloupe, La Reunion), huge rural regions (Calabria, Extremadura). This classification generally corresponds to the administrative borders already in existence in each member state. On the other hand, there are important area and population differences, within a same level of NUTS. For example, at NUTS 1 level, the largest region Sweden is 2.055 times bigger than the smallest one, Brussels. The member states who did not have three levels of territorial division have to create the absent levels. Because of this, some relatively meaningless regions have emerged for statistical purposes. NUTS is very heterogeneous, even within the same level. Because small islands, cities, large rural regions and countries are considered to be comparable similar units for analysis.<sup>48</sup>

The map of eligible areas, is negotiated between member states and the Commission, which was formalised in 1993. Member states make pressure to include areas, which are outside the eligibility criteria. **Community Support Frameworks**, are nationally based and negotiated bilaterally with the Commission. With the 1993 changes, it was made possible for member states to submit a single document, which includes their overall development plan and applications for assistance. On the other hand, the states which do not have regional tiers, have been obliged to create them or at least a substitute for them in order to be eligible for funds.<sup>49</sup>

The regional authorities, have no direct influence on the distribution of structural fund resources. But together with the member states, the regional authorities have a direct influence on the use of resources through program planning.<sup>50</sup>

Regional governments are increasingly interested in the regional policy of the EU. One of the main reason for this is the opportunities for development, which has been derived from Structural Funds. These funds have mobilized regions into political action to benefit more from the economic opportunities.<sup>51</sup> Accessing and benefiting from these funds is a difficult process, which requires a considerable level of knowledge, technical expertise and to lobby effectively at the appropriate moment and in appropriate way. So stronger and more organized regions are more effective in attracting funds. Poorer regions often face much more difficulties, especially in providing matching funding. Generally, governments are unwilling or unable to provide **matching funds** for EU projects. The EU provides 75% of funding for Objective 1

<sup>48</sup> A. Casellas & C. C. Galley, "Regional Definitions in the European Union: A Question of Disparities?", *Regional Studies*, Vol. 33, Issue:6, Cambridge, Aug. 1999, p.552.

<sup>49</sup> M. Keating & L. Hooghe, "By-passing the Nation-State? Regions and the EU Policy Process", in Jeremy Richardson(ed.), *European Union- Power and Policy Making*, London: Routledge Press, 1996, pp.224-225.

<sup>50</sup> F. Wiehler & T. Stumm, "The Powers of Regional and Local Authorities and Their Role in The European Union", *European Planning Studies*, Vol. 3, Issue2, Jun 95, p.231.

<sup>51</sup> A. Guyomarch, H. Machin & Ella Ritchie, *France in the EU*, p.190.

projects and 50% of funding for Objective 2 and 5(b).<sup>52</sup> So all the regions throughout Europe benefit from these funds at various levels.

On the other hand, structural funds and cohesion fund come from taxes paid by EU citizens. Because of this, the Commission has laid down a number of obligations in agreement with the member states to ensure that, distributing these funds are transparent, so citizens have a chance to know how their money has been used.<sup>53</sup>

When we looked at how effective the EU has been in reducing the disparities between the regions; recent reports on the socio-economic situation and development of the EU regions show that structural funds have contributed substantially reducing regional disparities. In the poorest regions, in which 10% of the EU population lives, Per capita GDP rose from 54.2% of the Community average in 1987 to 61.1% in 1997. Convergence is mostly seen in the least prosperous countries of the EU (Greece, Portugal, Ireland, Spain), with average Per capita GDP rising from 67.6% in 1988 to 78.8% in 1998.<sup>54</sup> However "... statistical data indicate that overall progress over time has been far from satisfactory...regional disparities in the Community remain wider than those within most unitary states or federal systems."<sup>55</sup> Especially in the worst effected regions , the unemployment rate rose from 20% in 1987 to 24% in 1997. Although substantial progress has been made in basic infrastructure, other imbalances still remain, such as in the fields of research and technological development, access to information society, opportunities for education and on-going training and the quality of environment. So the increasing importance of the regional policy and the increase in the structural funds have not been enough to reduce disparities within the EU. On the other hand, the achievements of regional policy can not be summed up in statistical terms. The attention paid to the equal opportunities and environment, exchange of experiences, new approaches to development, partnership among the various parties help regions to use their potential better and move forward.<sup>56</sup>

On the other hand, other Community policies also contribute to the success of regional policy. The **Common Agricultural Policy(CAP)** also finances rural development. Measures for rural areas and agriculture carried out with the support of the structural funds must be compatible with the CAP. Community policy on research and development can accelerate wealth creation in the least prosperous regions. The construction of modern trans-European networks for transport, energy and telecommunications is important for regions, where development is lagging behind. Also improvement of information technologies promotes growth, competitiveness, employment and social cohesion. **"e-Europe"** initiative tries to ensure that all regions

<sup>52</sup> *Ibid.*, p.205.

<sup>53</sup> Europa: Regional Policy- Inforegio, "Your Right to Know", [http://europa.eu.int/comm/regional\\_policy/intro/regions11\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions11_en.htm)

<sup>54</sup> Europa: Regional Policy- Inforegio, "What is Being Achieved?", [http://europa.eu.int/comm/regional\\_policy/intro/regions10\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions10_en.htm)

<sup>55</sup> I. Barnes & P. M. Barnes, *The Enlarged European Union*, p.288.

<sup>56</sup> Europa: Regional Policy- Inforegio, "What is Being Achieved?", [http://europa.eu.int/comm/regional\\_policy/intro/regions10\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions10_en.htm)

of the EU enjoy the benefits of the information society. On the other hand, the Community's regional and competition policies try to concentrate assistance in its less favoured areas.<sup>57</sup>

## CONCLUSION

There has been an ongoing struggle for the control of the regional policy instruments among regional, national and European actors. But mostly the power remains at the member states. In the early years of the EC, the funds were mostly given to the member states to distribute to the regions chosen by them, according to their own criteria. Today the eligible regions are determined according to single Community map. But the eligibility criteria, can still be affected by political manipulation and bargaining processes.<sup>58</sup>

The Commission, has tried to use the structural funds as an instrument of Community building, by strengthening solidarity among the regions and showing the benefits of membership to marginal regions. It has tried to gain control over these funds. It has been also supported by regions. Generally it seems that, the debate will probably continue among the Commission, member states and regions on controlling of these funds.<sup>59</sup>

Today the EU has a greater control over its regional policy, than when the policy was introduced in 1975. But the size of the EC regional policy budget, still remains inadequate for the tasks, which it has to deal with.<sup>60</sup> Disparity between income levels in the EC is twice the disparities in the USA.<sup>61</sup> In spite of this, the regional policy now has the second largest budget of all EU policies after the CAP.<sup>62</sup> For 2000-2006 period, all the regional policy instruments account for one third of the Community budget.<sup>63</sup> But as we can see, there is a need for a more active regional policy, which would have more effective instruments especially to come over the challenges caused by the ongoing enlargement process towards CEE.

---

<sup>57</sup> Europa: Regional Policy- Inforegio, "The Other Community Policies at The Service of The Regions", [http://europa.eu.int/comm/regional\\_policy/intro/regions9\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions9_en.htm)

<sup>58</sup> M. Keating, "Europeanism and Regionalism", pp.19-20.

<sup>59</sup> *Ibid.*, pp.20-22.

<sup>60</sup> H. W. Armstrong, "The Role and Evolution of European Community Regional Policy", p.61.

<sup>61</sup> C. Archer, & F. Butler, *The European Community: Structure and Process*, p.101.

<sup>62</sup> J. Loughlin, "Representing Regions in Europe: The Committee of the Regions" in Charlie Jeffery(ed.), *The Regional Dimension of the European Union- Towards a Third Level in Europe?*, Frank Cass Pub., London, Portland, 1997, p.148.

<sup>63</sup> Europa: Regional Policy- Inforegio, "What are we Talking About?", [http://europa.eu.int/comm/regional\\_policy/intro/regions2\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions2_en.htm)

**REFERENCES:****Books:**

Archer, Clive & Butler, Fiona, **The European Community: Structure and Process**, London: Pinter Pub., 1992

Barnes, Ian & Barnes, Pamela M. **The Enlarged European Union**, London: Longman Pub., 1995

Guyomarch, Alain; Machin, Howard & Ritchie, Ella, **France in The EU**, New York : St. Martin's Press, 1998

**Articles:**

Armstrong, H. W., "The Role and Evolution of European Community Regional Policy", in Barry Jones & Michael Keating (eds.), **The European Union and The Regions**, Oxford: Clarendon Press, 1995

Casellas, A. & Galley, C. C., "**Regional Definitions in the European Union: A Question of Disparities?**", *Regional Studies*, Vol. 33, Issue:6, Cambridge, Aug. 1999

John, Peter, "**The Europeanisation of Sub-national Governance**", *Urban Studies*, Vol. 37, Issue 5/6, Edinburgh, May 2000

Keating, Michael & Hooghe, L. "**By-passing the Nation-State? Regions and the EU Policy Process**", in Jeremy Richardson(ed.), **European Union- Power and Policy Making**, London: Routledge Press, 1996

Keating, M., "**The Continental Meso: Regions in the European Community**", in L.J. Sharpe (ed.), **The Rise of Meso Government in Europe**, Modern Politics Series, Vol. 32, London :SAGE Pub., 1993

Keating, M., "**Europeanism and Regionalism**", in Barry Jones & M. Keating(eds.), **The European Union and The Regions**, Oxford: Clarendon Press, 1995

Krause, Axel, "**A Europe of Regions Becoming Reality**", *Europe*, Issue 335, April 94

Loughlin, John, "**Representing Regions in Europe: The Committee of the Regions**" in Charlie Jeffery(ed.), **The Regional Dimension of the European Union- Towards a Third Level in Europe?**, London: Frank Cass Pub., 1997

Loughlin, J., "**Europe of the Regions and the Federalization of Europe**", *Publius*, Vol. 26, Issue 4, Philadelphia, Fall 1996

Wiehler, F. & Stumm, T., "**The Powers of Regional and Local Authorities and Their Role in The European Union**", *European Planning Studies*, Vol. 3, Issue2, Jun 95

**Internet:**

Europa: Regional Policy- Inforegio, "How Does it Work?"  
[http://europa.eu.int/comm/regional\\_policy/intro/regions4\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions4_en.htm)

Europa: Regional Policy- Inforegio, "What are we talking about?"  
[http://europa.eu.int/comm/regional\\_policy/intro/regions2\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions2_en.htm)

Europa: Regional Policy- Inforegio, "Who is it for?"  
[http://europa.eu.int/comm/regional\\_policy/intro/regions8\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions8_en.htm)

Europa: Regional Policy- Inforegio, "Special Assistance for the Applicant Countries",  
[http://europa.eu.int/comm/regional\\_policy/intro/regions6\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions6_en.htm)

Europa: Regional Policy- Inforegio, "What does it do?"  
[http://europa.eu.int/comm/regional\\_policy/intro/regions9\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions9_en.htm)

Europa: Regional Policy- Inforegio, "Your Right to Know",  
[http://europa.eu.int/comm/regional\\_policy/intro/regions11\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions11_en.htm)

Europa: Regional Policy- Inforegio, "What is Being Achieved?",  
[http://europa.eu.int/comm/regional\\_policy/intro/regions10\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions10_en.htm)

Europa: Regional Policy- Inforegio, "The Other Community Policies at The Service of The Regions",  
[http://europa.eu.int/comm/regional\\_policy/intro/regions9\\_en.htm](http://europa.eu.int/comm/regional_policy/intro/regions9_en.htm)

Website of the EU, "What is the ERDF for?", [http://europa.eu.int/comm/regional\\_policy/activity/erdf/erdf1en.htm](http://europa.eu.int/comm/regional_policy/activity/erdf/erdf1en.htm)

Website of the EU, "What is the Cohesion Fund for?",  
[http://europa.eu.int/comm/regional\\_policy/activity/funds/fund1\\_en.htm](http://europa.eu.int/comm/regional_policy/activity/funds/fund1_en.htm)