

## REGIONAL POLICY OF THE EUROPEAN UNION

Marina KESNER-ŠKREB, MSc  
Institute of Public Finance, Zagreb

Glossary\*

Regional policy is an instrument of financial solidarity and cohesion in the European Union, the objective of it being to reduce differences in development among the regions of the member states. Regional policy is directed on the one hand to the improving of the living and working conditions of citizens of the least developed parts of the Union and on the other to the reduction of differences in wealth among the individual regions.

There are great differences in prosperity among the regions and countries of the EU member states. According to GDP per capita, the most developed regions are in the urban parts of London, Brussels and Hamburg. The richest country, Luxembourg, is about seven times wealthier than the poorest countries, Romania and Bulgaria. The objective of regional policy is to reduce these differences. The example of Ireland best shows that this is possible. When Ireland became an EU member in 1973, its GDP was 64% lower than the EU average; today, it is one of the highest in the Union.

One of the priorities of today's regional policy in the EU is to bring the standard of living of the countries that became members after 2004 up to the level of the EU average.

There are many causes of regional inequality. They can derive from geographical distance, social and economic changes, or combinations of such factors. The result of these drawbacks is to be seen in social impoverishment, poor school quality, a high degree of unemployment and inadequate infrastructure. In the case of some EU countries, lack of development is the consequence of the work of the former centrally planned economic systems.

The entry of the former centrally planned countries into the EU in 2003 was an occasion for a change in regional policy. Apart from Cyprus and Slovenia, all the new members of the EU had a per capita income lower than Greece, then the poorest member of the EU-15. Thus about 75 million new inhabitants became potential users of EU regional resources. The new regional

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policy was incorporated into the new budget of the Union for the 2007-2013 period. In that period, 36% of the budget of the EU will be spent on regional objectives, which over a seven-year period comes to about 350 billion euros. The twelve countries that joined the EU after 2004 will receive 51% of all the resources meant for regional development in the seven-year period, although they contain less than a quarter of the population of the Union.

Regional development funding is allocated via three funds:

The *European Regional Development Fund* or ERDF contains programmes to support the development of general infrastructure as well as innovation and investment for the purpose of creating new jobs. These resources are available to the poorest EU regions. Founded in 1975, this is the largest of the three existing funds.

The *European Social Fund*, ESF, is directed towards projects of professional and vocational training and to support for employment and the creation of new jobs. The resources are meant for all EU countries. It was founded in 1958.

The *Cohesion Fund* is used for financing ecological and transport infrastructure as well as for the development of renewable sources of energy. Resources from this fund are meant for all countries the GDP of which is lower than the 90% EU average. This relates to the 12 new members, to Portugal and Greece. Spain can no longer benefit from the resources of this Fund. It was founded in 1994 to speed up the economic, social and territorial convergence of Union member states.

The European Regional Development Fund and the European Social Fund are also referred to as the structural funds.

The efforts of regional policy are oriented to the achievement of three goals: convergence, competition and cooperation.

*Convergence.* The objective is by supporting economic growth and employment to speed up the convergence of the least developed member states of the EU and of their regions. This objective is financed with the resources of the ERDF, the ESF and the Cohesion Fund, and it takes 81.5% of all their resources.

*Competitiveness.* The objective here is the development of economic and social changes, the encouragement of innovation, enterprise, environmental protection and development of the labour market in regions not covered within the framework of the convergence objective. The funding is carried about by the ERDF and the ESF, and it accounts for 16% of their resources.

*Cooperation.* The objective is to strengthen cooperation at the cross-border, trans-national and inter-regional levels in the domain of urban, rural and coastal development, and the acceleration of the development of economic relations between small and medium-sized firms. Funding is carried out via the ERDF and accounts for 2.5% of all its resources.

Most of the funds meant for regional development are spent in regions the GDP of which comes to below the 75% average of the Union, the aim being to improve their infrastructures and the development of their economic and human potentials. It relates to regions in 17 of the 27 countries of the EU. On the other hand, all the 27 countries are able to make use of resources meant for innovation and development, sustainable growth and job training. A smaller amount of the resources are meant for cross-border and inter-regional cooperation projects.

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