REGIONAL DEVELOPMENT POLICY INSTRUMENTS

Sorin DINULESCU*

Abstract: Regional development policy is one of the most important and complex policies pursued at the level of the European Union, the main aim of which is to reduce the economic and social disparities between the regions of the community. It acts in the direction of economic development and growth and includes the sum of the tools and processes developed and applied to increase the economic and social cohesion of the community as a whole, being conceived as a policy of solidarity, especially in the financial field. Structural and investment instruments are the financial instruments by which the European Union implements its development policies. They represent the financial contribution of all Member States, in proportion to their level of economic development, then redistributed to those economically and socially less developed countries and regions of the EU. In the present study, the author makes an insight into the system of structural and investment funds, the main working tool of cohesion policy in the community space.

Keywords: structural instruments, development policies, investments, economic cohesion, community space.

In the European Union economy, a complex system dependent of good functioning at all its levels, policies, strategies, plans and development programs, regional development policies directly influence the management of financial resources at both Community and national level. At the same time, medium – and long-term macroeconomic effects are generated. Regional policy, conceived as a policy of solidarity at Community level, relies heavily on financial solidarity. In this sense, there is a redistribution of a part of the Community budget, made by the contribution of the Member States, to the less developed regions or social groups, which makes us affirm that the regional development policy has a strong instrumental character. The Solidarity Funds – the Cohesion Fund, the Structural Funds, the Solidarity Fund – make a financial contribution to the development of other sectoral policies (agricultural, social or environmental policy).

The EU Solidarity and Cohesion Policy is implemented through solidarity instruments or funds. These are addressed to the EU member states mainly and to the regions in particular. At the same time, neither the acceding countries are

* PhD candidate, University of Craiova, Faculty of Economics and Business Administration; Email: sorin.dinulescu@yahoo.ro.

excluded. Special instruments and funds have been created for them. The main pillar of this policy is the Structural Funds, together with two special funds: the Social Cohesion Fund and the European Solidarity Fund. These are also called Structural Instruments.

At the same time, the regional development policy is closely linked to the policy of expanding the community space[1]. For the acceding countries, there are three pre-accession funds, prefiguring structural instruments and expressing the principle of solidarity: PHARE (Economic Development Assistance Fund), ISPA (Instrument for Structural Policies for Pre-Accession) and SAPARD (Special Accesssion Programme for Agriculture and Rural Development). These funds support the transition of candidate countries to Union standards and organizational structures.

The functioning of the solidarity instruments at regional level is in line with the Nomenclature of Territorial Units for Statistics (NUTS) of the European Union, last amended in May 2003. NUTS levels are geographical areas used for the collection of harmonized data at EU level. They have been used in the Structural Funds since 1988 and have a very important role in the allocation of funds. Thus, the EU regions are divided, according to their population, into three NUTS categories:

– NUTS 1 (with a population between 3,000,000 and 7,000,000 inhabitants) includes smaller member states such as Denmark, Ireland, Slovenia, the German Länder and other larger regions.

– NUTS 2 (with a population of between 800,000 and 3,000,000 inhabitants) includes the Autonomous Regions of Spain, the regions of France, the French overseas territories (DOM), the Polish voivodeships etc.

– NUTS 3 (with a population of between 150,000 and 800,000 inhabitants) includes Nomoi (Greece), Maakunnat (Finland), Län (Sweden) etc.

The level at which regional development policy is implemented in the Member States of the European Union is NUTS 2[2].

In their evolution, the financial instruments of the community space have seen some very important moments, as follows:

– In 1957, the European Social Fund (ESF) was created as the main financial instrument of the European Union. It is the oldest structural fund and is dedicated to improving social cohesion and economic welfare in the regions of the Community. As a particular objective, the ESF supports the improvement of the functioning of the labor market in different countries and the reintegration of the unemployed into the labor market;

– The European Agricultural Guidance and Guarantee Fund (EAGGF) was established in 1962 with the aim of financing the common agricultural policy and

[1] Mihaela Bărbieru, *With or Without Regionalization? Realities, Challenges and Prospects in a European Union of the Regions*, in “Revista de Ştiinţe Politice”, no. 47/2015, p. 73.

[2] Gabriela Drăgan, *Uniunea Europeană între federalism şi interguvernamentalism. Politici comune ale UE*, Bucharest, ASE Publishing, 2005, p. 245; See also Comisia Europeană (European Commission), Politica regională (Regional Policy), available at http://ec.europa.eu/regional_policy/ro/policy/what/glossary/n/nuts/.

supporting the development of rural areas and improving agricultural structures. It was subsequently replaced by the European Agricultural Fund for Rural Development (EAFRD);

– In 1975 the European Regional Development Fund (ERDF) was established, which redistributed part of the Member States' budget contributions to the less developed regions in order to support their economic development, thus reducing disparities between regions. The creation of this instrument has also defined regional policy at the Community level;

– The Brussels European Council of February 1988 extended the operation of solidarity funds, approving the increase of their allocations from the Community budget;

– In 1989 the PHARE (Poland and Hungary: Assistance for Restructuring their Economies) program appears to support Poland and Hungary in the effort to reconstruct their national economies;

– In 1993, with the ratification of the Maastricht Treaty, the Cohesion Fund was established, the main purpose of which is to support projects in the field of environmental protection and transport infrastructure in less developed Community states;

– A new structural fund was created in 1994, created by grouping all existing fishing gear at that time: the Financial Instrument for Fisheries Guidance (FIFG)[3]. This fund was created from the perspective of EU enlargement to the north, with the accession of Finland and Sweden. Subsequently, it was replaced by the European Fisheries Fund (EFF);

– In 1999 there was a need for a reform of the structural funds, which led to the setting up of two new pre-accession instruments complementing the PHARE program: ISPA (Instrument for Structural Policies for Pre-Accession) and SAPARD (Special Accesssion Programme for Agriculture and Rural Development);

– As a reaction to the floods in Central Europe in the summer of 2002, the European Union Solidarity Fund (EUSF) was set up to intervene in the face of major natural disasters and to show solidarity with the affected regions. It has been used in various disasters: floods, forest fires, earthquakes, storms and droughts[4].

The Structural Funds system is the main working tool of cohesion policy in the Community. The unification of the funds made in 1988 as part of the first reform of the EU's structural policy, which was called the "Delors I Package"[5], started from the idea of concentrating on a small number of priority objectives and coordinating the whole set of financial instruments used. The aim of this action was

---

[3] Comisia Europeană (European Commission), Pescuit (Fishing); for details, see https://ec.europa.eu/-fisheries/cfp/eff/fifg_ro.

[4] Idem, Politica regională (Regional Policy); for details, see http://ec.europa.eu/regional_policy/-ro/funding/solidarity-fund/.

[5] Gabriela Carmen Pascariu, *Politici europene*, Centrul de Studii Europene, p. 1, available at http://cse.uaic.ro/_fisiere/Documentare/Suporturi_curs/II_Politici%20europene.pdf; See also Roxana Cristina Radu, D*reptul Uniunii Europene privind relațiile de muncă*, Craiova, Aius Publishing, 2013, pp. 46-47.

to increase efficiency in achieving cohesion. In this respect, four basic concepts[6] have been defined in the use of funds:

– *focus on objectives* by eligible regions set by the Commission. The 2000 reform established the use of structural funds to achieve three objectives: the development and structural adjustment of the less developed regions (Ob.1), the economic and social conversion of the areas in structural difficulty (Ob.2) and the adaptation and modernization of policies and education, training and employment systems (Ob.3). Eligible areas are established following strict criteria such as unemployment rate, GDP per capita, educational and training levels and other criteria in line with Community rules. Thus, in an effort to ensure greater effectiveness of measures to mitigate regional disparities, structural funding is concentrated on these area[7]. As a result of the 2004 reform, the priority objectives of the economic and social cohesion policy for 2007-2013 are regulated by the *Council Regulation no. 1083/2006 of 11 July 2006*[8]. Thus, since 2007, they have embraced a new form[9].

– *programming* – ensured by setting up multi-annual action programs in the desire to have better project management, better coordination and facilitation of continuity in funding.

– *partnership* – coordination of cohesion efforts between different levels of decision and action: community, national, regional, local. Member States shall submit to the Commission the development plans developed in partnership with the regional authorities, including development axes, actions and intervention funds.

---

[6] Gabriela Carmen Pascariu, *op. cit.*, p. 1.

[7] *Ibidem*.

[8] E. R. Roşca, *Dezvoltarea regională în contextul integrării UE*, Bucharest, Economic Publishing, 2006, p. 43.

[9] **Objective 1** – *Convergence* – intended to improve the conditions for economic growth and factors contributing to real convergence for Member States and less developed regions (for CF). The eligible regions are “NUTS 2” regions, according to Regulation (EC) 1059/2003, which have a gross domestic product per capita of less than 75% of the average GDP of the European Union. The Member States eligible for Cohesion Fund funding are those whose gross domestic income (GDI) is less than 90% of the EU average GDI.

Objective 2 – *Regional Competitiveness and Employment* – in addition to regions that are not eligible under the Convergence Objective, job creation and the development of labor markets (regional programs for ERDF and national programs for ESF) are targeted. The regions eligible for funding from the Structural Funds in the spirit of regional competitiveness and jobs number are those regions not included in the Convergence Objective.

Objective 3 – *European Territorial Cooperation* – aims to strengthen transnational cooperation through measures favoring integrated territorial development linked to Community priorities, cross-border cooperation through local and regional joint initiatives and interregional cooperation and exchange of experience at the appropriate territorial level (for ERDF). For details, see Gabriela Carmen Pascariu, *op. cit.* p. 5.

– *additionality* – this principle seeks to avoid the substitution by the Community aid of the national subsidy. The Structural Funds only cover part of the financing of the actions. This ensures that the various actors involved are made more responsible.

Until 2006, the Structural Funds system was made up of the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF) – Guidance Section and the Financial Instrument for Fisheries Guidance (FIFO). Subsequently, a regional policy reform was carried out, and the central intervention system for 2007-2013 was the ERDF, the ESF and the Cohesion Fund (CF), and the complementary action role met the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF).

For the 2014-2020 financial year, there is a single set of rules governing the five European Union structural and investment funds – the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (FEPAM). These rules come to establish a very clear link with the Europe 2020 strategy to stimulate smart, sustainable and inclusive growth in the EU, improve coordination, ensure consistency in implementation and greatly simplify access to these funds for the potential beneficiaries[10].

Equally, regional policy is also linked to the enlargement policy of the European Union. The correlation is represented by the creation of special pre-accession funds PHARE, ISPA and SAPARD. To these instruments have access the accession countries, and through them the transition of candidate countries to the standards and organizational structures of the European Union is supported.

Pre-accession funds: PHARE, ISPA, SAPARD

The European Union's regional development policy was not limited to the needs of the Member States. In line with the enlargement strategy of the Union, the accession countries were also considered. In this respect, specific financial instruments have been created to reduce the development gaps between them and the EU countries. At the same time, the states that were to join the EU were institutionally and managerially prepared before accession for joining the Structural Funds. The accession countries have been divided into two main categories: the Central and Eastern European countries (Poland, Czech Republic, Hungary, Slovenia, Slovakia, Bulgaria, Romania, Estonia, Latvia, Lithuania) and the Mediterranean countries (Cyprus, Malta, Turkey). Thus, alongside the Accession Partnerships, the necessary conditions have been created to meet the

[10] *Fondurile structurale și de investiții europene 2014-2020: texte oficiale și comentarii (Structural Funds and European Investment Funds 2014-2020: official texts and comments)*, Uniunea Europeană (European Union), 2016, p. 8, available at http://ec.europa.eu/regional_policy/sources/docgener/guides/-blue_book/blueguide_ro.pdf.

needs of these countries in various fields, such as infrastructure, industrial restructuring, services, the SME sector, agriculture and environmental protection.

In line with regional development policies, the most important are the pre-accession instruments that helped the Central and Eastern European countries (CEE) in their efforts to meet the eligibility criteria defined by the Copenhagen European Council in 1993, and completed by the Madrid European Council in 1995. Since 2000, all Community non-reimbursable assistance to prepare for the accession of these states is concentrated in three major funds: PHARE, ISPA and SAPARD.

PHARE (Pologne et Hongrie – Aide à la Restructuration Economique), created in 1989 to contribute to the economic restructuring of Poland and Hungary, is the oldest technical and financial assistance program for CEE countries. It was extended to the other Central and Eastern European countries in 1990 and became the main pre-accession instrument for these countries[11]. The program covered 10 countries in 2001 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Romania and Bulgaria), but in 2004, eight of them became EU members. As a result, since 2003, the program has undergone major changes, being permanently adapted to the needs of the beneficiary countries.

The general objective of the PHARE Program is to help candidate countries to prepare for the accession to the EU. PHARE objectives have continually evolved over time and adapted to the needs as the European Union has expanded, proving permanent flexibility in the reform process. In 1996, 13 of the European states received Phare non-reimbursable funds: 10 candidate countries at that time (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) and 3 non-candidates states (Albania, Bosnia-Herzegovina and the former Yugoslav Republic of Macedonia)[12].

Since 1997, the Program has paid particular attention to the development of the legislative framework and administrative structures, development projects, infrastructure investments and cross-border cooperation.

Between 2000 and 2006 PHARE assistance focused on two major priorities:

– *institutional development* – to help candidate countries create the necessary institutional foundations for membership. PHARE has helped financing the institutional building in all sectors of activity, and financial assistance was to help candidate countries implement the acquis communautaire and prepare for participation in EU policies such as economic and social cohesion. This target was allocated approximately 30% of the Program resources for each candidate country, mainly used through twinning tools;

– *supporting investments* – to align with EU standards and rules. Investments in economic and social cohesion have been made through measures similar to those

[11] Karene Smith, *Politica externă a Uniunii Europe*, Trei Publishing, Bucharest, 2004, p. 127.

[12] Oana-Mariuca Petrescu, *Programul de finantare PHARE,* Bucharest, All Beck Publishing, 2004, p. 2.

applied in the Member States through the Structural Funds. About 70% of the program's resources were allocated to this objective.

At the same time, there have been changes in programming aspects, ranging from annual to multi-annual programming[13].

The ISPA (Instrument for Structural Policies for Pre-Accession), created in 1999 and operational since 2000, is the second non-reimbursable financial instrument designed to support candidate countries[14]. With a similar approach to the Cohesion Fund, it focused on financing infrastructure projects in the fields of environment and transport. Its main objectives are to support beneficiary countries in aligning their environmental standards with EU standards, expanding and connecting their own transport networks to trans-European transport networks, familiarizing themselves with the policies and procedures applied by the EU Structural and Cohesion Funds. *Regulation no. 1267 of 21 June 1999 on the establishment of a pre-accession structural fund* specifies the importance of technical assistance measures in terms of project quality both in terms of management and their impact[15].

SAPARD (Special Accession Program for Agriculture Rural Development), set up in 1999 and operational since 2000, was created to support sustainable rural development and agriculture in the candidate countries and to prepare them for gradual adaptation to the Common Agricultural Policy. This program finances the major agricultural and rural development projects, the processing and marketing activities of agricultural and fishery products are improved, measures are taken regarding the adjustment of agricultural production structures, food quality and consumer protection, rural development measures, environmental protection and technical assistance. Funding is based on the preparation of national plans by the competent authorities of the candidate countries, covering a period of up to 7 years and giving priority to measures to increase market efficiency, quality, health standards and the creation of new jobs in rural areas. Environmental protection is given special importance[16]. The legal basis for SAPARD is Council Regulation 1268/1999 (SAPARD Basic Regulation) for which there are two Commission Implementing Regulations (EC No 2759/1999 and EC No 2222/2000). Community law not being directly applicable in the candidate countries, there is a special instrument – Multi-Annual Financing Agreement concluded with each country.

[13] Karene Smith, *op. cit.*, p. 129.

[14] Ministerul Finanțelor Publice (Ministry of Public Finance), available at http://www.mfinante.gov.ro/-ispa_preaderare.html?pagina=ispa.

[15] Regulation no. 1267/1999 on the establishment of a pre-accession structural instrument, of 21 June 1999, available at https://lege5.ro/Gratuit/gi3tcnbugy/regulamentul-nr-1267-1999-privind-constituirea-unui-instrument-structural-de-pre-aderare.

[16] *Raport final privind implementarea programului SAPARD în România, versiune consolidată (Final report on the implementation of the SAPARD program in Romania, consolidated version)*, Ministerul Agriculturii și Dezvoltării Rurale. Autoritatea de Management pentru Programul SAPARD (Ministry of Agriculture and Rural Development. Managing Authority for the SAPARD Program), 2011, available at http://old.madr.ro/pages/dezvoltare_rurala/sapard/raport-final-implementare-raport-sapard-ro.pdf.

In all candidate states, the National Fund located within the Ministry of Finance under the responsibility of the National Authorizing Officer (NNA) is responsible for administering the SAPARD funds and accrediting the SAPARD Agency[17].

Structural or post-accession instruments

The structural and investment instruments through which the European Union implements its development policies are *the Structural Funds, the Cohesion Fund, the European Solidarity Fund*. They represent the financial contribution of all Member States, in proportion to their level of economic development, expressed in terms of GDP, then redistributed to those economically and socially less developed EU countries and regions.

Structural and investment funds. These are financial instruments managed by the European Commission and the EU Member States. Their main purpose is to provide financial support at the structural level for economic and social consolidation in the Member States of the European Union. They aim to create more jobs, a stronger European economy and a healthy environment, and the main areas of focus are research and innovation, digital technologies, support for the low-carbon economy And the sustainable management of natural resources. There are 5 European Structural Funds and European Investment Funds (ESI funds), each fund being able to finance several objectives and each objective can be funded from several funds. These funds provide more than half of EU funding[18].

1. *The European Regional Development Fund (ERDF)* – mainly contributes to the financing of infrastructure, job-creating investments, local development projects and aid to small and medium-sized enterprises. Over time it has undergone a number of strategic reorientations, but has retained its name.

Founded in 1975, it is the fund with the largest share of the Structural Funds and the main instrument of regional policy. The ERDF's objective, according to art. 176 of the Treaty on the Functioning of the European Union is to contribute to the correction of the main regional imbalances in the EU. This objective is achieved through assistance provided in the development and structural adjustment of regions lagging behind and by the conversion of declining industrial regions[19]. At the same time, it attaches particular importance to regions that suffer from severe and permanent natural or demographic handicaps (for example, the

---

[17] Emilian Epure, *România într-o Uniune Europeană extinsă*, Bucharest, Tribuna Economică Publishing, 2007, p. 73.

[18] Comisia Europeană (European Commission), Finanţare, licitaţii, Fondurile structural şi de investiţii europene (Funding, auctions, European Structural and Investment Funds), available at https://ec.europa.eu/info/funding-tenders/european-structural-and-investment-funds_ro.

[19] Roxana Cristina Radu, *op. cit.*, p. 48; Parlamentul European (European Parliament), Fișe tehnice privind Uniunea Europeană, Fondul European pentru Dezvoltare Regională (Technical Sheets for the European Union, European Regional Development Fund), available at http://www.europarl.europa.eu/-atyourservice/ro/displayFtu.html?ftuId=FTU_5.1.2.html.

northernmost regions, characterized by very low population density or island, cross-border and mountain regions).

Following a series of revisions to the operational rules, the ERDF together with the European Social Fund (ESF) and the Cohesion Fund have two main objectives for 2014-2020[20]:

– Making investment in economic growth and job creation in order to strengthen the labor market and regional economies. Funding will be given to regions that are divided into three different categories: *more developed regions* whose GDP per capita exceeds 90% of the EU average, *transition regions* whose GDP per capita falls between 75% and 90% Of the EU average and *less developed regions* whose GDP per capita is less than 75% of the EU average.

– European territorial cooperation in order to strengthen cross-border, transnational and interregional cooperation in the Union.

At the same time, the ERDF also supports sustainable urban development[21] (at least 5% of the funds allocated to a Member State should be reserved for integrated actions in favor of sustainable urban development addressing the economic, climate, demographic, social and environmental challenges affecting urban areas).

The actions taken by the ERDF are[22]: (1) *Research and technological development, innovation and entrepreneurship* – strengthening research and technological development capacities and their integration into the European research area, including infrastructure; (2) *Information Society* – developing electronic communications infrastructure, improving access and developing online public services; Support for SMEs for the adoption and efficient use of information and communication technologies or the exploitation of new ideas; (3) *Tourism activities* – promoting natural values as a potential for developing sustainable tourism, protecting natural heritage in support of socio-economic development, support for the improvement of tourism services through high quality services and encouraging sustainable tourism; (4) *Risk prevention* – developing and implementing plans to prevent and combat natural and technological hazards; (5) *Environment* – investments related to water supply and waste management, wastewater treatment, air quality, prevention, control and fight against drought, prevention and integrated control of pollution, rehabilitation of physical environment, restoration of contaminated sites and abandoned land, promotion of biodiversity and nature protection; (6) *Investing in culture* – protecting, promoting and preserving cultural heritage, developing cultural infrastructure in support of socio-economic development, sustainable tourism and improving regional attractiveness;

[20] *Ibidem*.

[21] Comisia Europeană (European Commission), Politica regională, Fondul European de Dezvoltare Regională (Regional Policy, European Regional Development Fund), available at http://ec.europa.eu/regional_policy/ro/funding/erdf/.

[22] Gheorghe Miclăuş, *Dezvoltare regională*, Cluj Napoca, Dacia Publishing, 2002, p. 75.

(7) *Investment in transport* – improving trans-European networks and links to TEN-T networks, achieving more balanced modal transport, promoting intermodal systems and reducing environmental impact; (8) *Investing in energy* – improving trans-European networks contributing to improved security of supply, integration of environmental aspects, improvement of energy efficiency and development of renewable energy sources; (9) *Investments in education* – vocational training that contribute to increasing the attractiveness and quality of life; (10) *Investments in health and social infrastructure* that will contribute to regional and local development and increase the quality of life.

2. *The European Social Fund* (ESF) – was created in 1958 and has been, from the outset, the main instrument of community social policy. The ESF invests in all regions of the European Union and supports Member States in meeting the priorities and key objectives of an EU strategy for smart, sustainable and inclusive growth as well as addressing the country-specific challenges faced in meeting these objectives. To this end, it promotes high levels of employment and quality of jobs; the improvement of access to the labor market; the geographical and occupational mobility of workers; adapting workers to changes in industry and to changes in production systems needed for sustainable development; a high level of education and training for all; the transition from education to employment for young people; combating poverty; social inclusion; gender equality, non-discrimination and equal opportunities; implementing reforms, especially in the areas of employment, education, training and social policies[23].

3. *Cohesion Fund*. It is a special instrument of the solidarity policy and is the object of promoting the economic and social progress of the European Union and eliminating the differences in living standards between different regions and Member States. The Cohesion Fund (CF) is one of the Structural and Investment European Funds and the CF co-financed instruments are a sustainable and efficient way to invest in strengthening the EU's economic, social and territorial cohesion. Supports investment projects in trans-European transport and energy or transport investments with environmental benefits (energy efficiency, renewable energy use, transport development and intermodal transport support are considered)[24]. Together with the European Social Fund and the European Regional Development Fund, it is subject to the same programming, management and control rules.

For 2014-2020, it has a budget of € 63 billion, providing support to Member States with a gross national income per capita of less than 90% of the EU average. For the 2014-2020 period, the Cohesion Fund is available in Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta,

[23] *Fondurile structurale și de investiții europene 2014-2020: texte oficiale și comentarii (Structural Funds and European Investment Funds 2014-2020: official texts and comments),* Uniunea Europeană (European Union), 2016, available at http://ec.europa.eu/regional_policy/sources/docgener/guides/blue_book/-blueguide_ro.pdf.; See also Roxana Cristina Radu, *op. cit.*, pp. 45-48.

[24] Fondul de Coeziune. Instrumente financiare (Cohesion Fund. Financial instruments), available at https://www.fi-compass.eu/sites/default/files/publications/CF_The_cohesion_fund_RO_0.pdf.

Poland, Portugal, Romania, Slovakia and Slovenia. For the period 2007-2013, financial instruments were not used under the Cohesion Fund[25].

The difference to the Structural Funds results from the fact that the Cohesion Fund (CF) does not co-finance programs. The areas in which FC acts are environmental protection and trans-European networks associated with transport infrastructures. The funding of the two areas is balanced, each receiving 50% of the budget allocated to this fund. Projects are selected and implemented by the beneficiary Member States, which are also responsible for their financial management and monitoring. Provides direct funding for individual projects, clearly identified from the start. Each project receives funding of 80-85% of the total eligible costs. The decision to finance a project is taken by the Commission in agreement with the beneficiary Member State, while the projects are managed by the national authorities and supervised by a Monitoring Committee. Eligible activities do not include interest on loans, purchase of land in an amount exceeding 10% of the total eligible expenditure for this activity, housing construction, decommissioning of nuclear power stations, VAT recoverable[26].

Financial instruments are used in the areas concerned if they address an identified market failure (areas where banks are not willing to lend and / or the private sector is not willing to invest) and can contribute to promoting the production, distribution and use of renewable energy; support for energy efficiency and intelligent energy management; investments in the waste and water sectors; improving the urban environment, including decontaminating decommissioned industrial land; supporting a Single European Multimodal Transport Area; developing and improving transport systems, taking into account the protection of the environment (including low noise) and low carbon emissions, in order to promote sustainable regional and local mobility; the global development and modernization of the high-quality rail system, the river and maritime system, intermodal transport systems and their interoperability[27]. Accepted projects must be compatible with community policies and prefigured development directions or actions within FS.

In the field of the environment, the contribution to the achievement of the EU objectives regarding the preservation, protection and improvement of the quality of the environment, the protection of the population's health, the creation of conditions for prudent and rational use of natural resources are considered and the priority directions are represented by the drinking water reserve, domestic water treatment and solid waste disposal. At the same time, projects aimed at reforestation, control of soil erosion and nature conservation are also eligible[28].

---

[25] *Ibidem*.

[26] Romeo Victor Ionescu, Gabriela Marchis, *Uniunea Europeană – prezent şi perspective – Tratat*, Bucharest, Didactic and Pedagogical Publishing, 2006, p. 525.

[27] Fondul de Coeziune. Instrumente financiare (Cohesion Fund. Financial instruments), available at https://www.fi-compass.eu/sites/default/files/publications/CF_The_cohesion_fund_RO_0.pdf.

[28] Romeo Victor Ionescu, Gabriela Marchis, *op. cit.*, p. 158.

In the field of transport infrastructure, eligible are those projects which determine the creation or development of infrastructure at the level of the Trans-European Transport Network (TEN) or provide access to this network[29].

4. *The European Agricultural Fund for Rural Development* (EAFRD) – is part of the Common Agricultural Policy and contributes to the objectives of the 2020 Strategy by promoting sustainable rural development throughout the European Union. The EAFRD was set up in 1958 to finance rural development and aid measures for farmers, particularly in regions with delays in development.

The contribution of the EAFRD to the development of rural areas is, in particular, to encourage the development of a more territorially balanced and environmentally-friendly agricultural sector in the Community, more climate-friendly, more competitive and more innovative. In line with the 2020 strategy, rural development in 2014-2020 has set three long-term objectives: favoring the competitiveness of agriculture, ensuring sustainable management of natural resources and combating climate change, achieving balanced territorial development of economies and rural communities, including creating and maintaining jobs[30]. It has a budget of 100 billion euros, and each Member State receives a financial package. The implementation policy will be implemented through national and/or regional 7-year regional development programs (RDPs)[31]. Member States and regions draw up their own rural development programs according to their needs in the territory but must at the same time target at least four of the following six EU priorities[32]:

– encouraging the transfer of knowledge and innovation in agriculture, forestry and rural areas;

– increasing the viability / competitiveness of all types of agriculture and promoting innovative agricultural technologies and sustainable forest management;

– promoting the organization of the food chain, animal welfare and risk management in agriculture;

– restoring, preserving and strengthening ecosystems that are linked to agriculture and forestry;

– promoting the efficient use of resources and supporting the transition to a low carbon and climate changes-resilient economy in the agricultural, food and forestry sectors;

---

[29] *Ibidem*.

[30] *Fondurile structurale și de investiții europene 2014-2020: texte oficiale și comentarii (Structural Funds and European Investment Funds 2014-2020: official texts and comments),* Uniunea Europeană (European Union), 2016, available at http://ec.europa.eu/regional_policy/sources/-docgener/guides/blue_book/blueguide_ro.pdf.

[31] Over these seven years, EU countries have undergone 118 rural development programs (RDPs): 20 countries have a single national program and the other 8 have chosen to implement two or more (regional) programs.

[32] Comisia Europeană (European Commission), Agricultură și dezvoltare rurală, Dezvoltare rurală 2014-2020 (Agriculture and Rural Development, Rural Development 2014-2020), available at https://ec.europa.eu/agriculture/rural-development-2014-2020_ro.

– promoting social inclusion, poverty reduction and economic development in rural areas.

Each of these priorities is structured in intervention areas and Member States or regions also set quantitative targets for each intervention area following an analysis of the territorial needs of the RDP. The measures to be taken to achieve the objectives, including the corresponding EAFRD funding for each individual measure shall be determined afterwards[33]. The 2013 reform has created more flexibility in terms of the use and effectiveness of the measures, the results-oriented programs have been strengthened, the implementation rules have been simplified and stronger links have been established with the other funds. In order to ensure adequate environmental measures, at least 30% of the budget of each program is allocated to specific environmental and climate measures and, for the development of local development strategies, at least 5% through the LEADER approach (local capacity building)[34].

EAFRD has replaced the European Agricultural Guidance and Guarantee Fund (EAGGF)[35].

In 1962, the Common Agricultural Policy (CAP) of the European Union was established, based on EAGGF, being structured in 1964 in two sections, governed by different rules:

– *Guarantee Section* – financing all measures to organize common markets and support agricultural commodity prices. The expenditure stemming from the section has always been among the compulsory expenditure of the Community budget;

– *Guidance Section* – financing schemes for rationalization, modernization and structural adjustment of the agricultural sector in rural areas (based on the co-financing principle). All the expenses that flowed from this section were non-binding.

By Regulation (EC) No. 1290/2005 (OJ L 209), the EAGGF has been divided into two distinct funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). The EAGF financed or co-financed, together with the Member States, the expenditure of the common organization of the market, direct aid for holdings, the Union contribution to information and promotion measures for agricultural products in the internal

[33] The support covers investment, business start-ups, infrastructures, human capital building activities and payments for the provision of public goods, such as improving environmental conditions and ensuring sustainable management of natural resources.

[34] *Fondurile structurale și de investiții europene 2014-2020: texte oficiale și comentarii (Structural Funds and European Investment Funds 2014-2020: official texts and comments),* Uniunea Europeană (European Union), 2016, available at http://ec.europa.eu/regional_policy/sources/docgener/guides/blue_book/-blueguide_ro.pdf.

[35] Parlamentul European (European Parliament), Fişe tehnice privind Uniunea Europeană, Finanțarea politicii agricole comune (Technical Sheets on the European Union, Financing of the Common Agricultural Policy), available at http://www.europarl.europa.eu/atyourservice/ro/displayFtu.html?ftuId=-FTU_5.2.2.html.

market, and various miscellaneous EU expenditure (for example, veterinary actions or the collection and use of genetic resources)[36]. Regulation 1290/2005 was accompanied by Regulation (EC) No. 1698/2005 (OJ L 277) on support for rural development by the EAFRD, due to the financial and programming features of the second pillar of the CAP. The two Regulations were repealed by the 2013 reform and replaced by Regulation (EU) No. 1306/2013 on the financing, management and monitoring of the CAP and Regulation (EU) 1305/2013 on support for rural development by the EAFRD (OJ L 347)[37].

4. *The European Maritime and Fisheries Fund* (EMFF) – supports the European Union's fisheries and maritime affairs policies for the period 2014-2020 and focuses on promoting economically viable, competitive, socially responsible and environmentally sustainable fishing and aquaculture, the implementation of the Common Fisheries Policy (CFP), the promotion of territorial development conducive to inclusive and balanced fisheries and aquaculture areas and the encouragement of the development and implementation of the Integrated Maritime Policy of the Union (IMP), complementing the Cohesion Policy and the CFP.

EMFF is based on 4 main axes:

– environmentally sustainable fishing in the Community space (investment in more selective fishing gear);

– giving priority to data collection and controls by significantly increasing the part of the EMFF allocated to this purpose;

– application of stock conservation measures, such as biological rest periods;

– freezing of subsidies for operators who do not comply with CFP rules[38].

The allocation for EMFF in the 2014-2020 period is € 6.4 billion. The European Commission manages 11% while 89% is managed by the Member States in the operational program. Within the framework managed by the European Commission, the following objectives regarding the maritime and coastal business at European level are supported: international governance, cooperation through exchange of information and best practices, public information and support for interconnection platforms, knowledge of the marine world and maritime spatial planning and within the quota managed by the Member States – reducing the impact of fishing on the marine environment, marketing tools for professionals and consumers, joint management of protected areas and Natura 2000 sites, special support for small-scale fishermen[39].

---

[36] *Ibidem*.

[37] *Ibidem*.

[38] Parlamentul European (European Parliament), Fișe tehnice privind Uniunea Europeană, Ajutoare structurale pentru pescuit (Technical Sheets on the European Union, Structural aid for fisheries), available at http://www.europarl.europa.eu/atyourservice/ro/displayFtu.html?ftuId=FTU_5.3.4.html.

[39] *Fondurile structurale și de investiții europene 2014-2020: texte oficiale și comentarii (Structural Funds and European Investment Funds 2014-2020: official texts and comments),* Uniunea Europeană (European Union), 2016, available at http://ec.europa.eu/regional_policy/sources/docgener/guides/blue_book/-blueguide_ro.pdf.

The EMFF has replaced the EFF (European Fisheries Fund), active in the period 2007–2013, which in turn replaced the FIFG (Financial Instrument for Fisheries Guidance) launched in 1995.

*Financial Instrument for Fisheries Guidance (*FIFG) was created in 1994 by grouping all Community fishing instruments. Like the other funds, the FIFG underwent a reform process in 1999, but the new regulation adopted for the 2000-2006 programming period underwent changes, the measures coming into force on 1 January 2003.

The objectives of the Fund were to balance fishing and exploitation resources, strengthen competitiveness and develop viable fishing activities in the fishing industry, improve market supply for fishery and aquaculture products, support the revitalization of fisheries and aquaculture-dependent areas. The changes required by the new regulation are to favor small-scale fishing (and independent fishing) and to support young fishermen in the purchase of their first fishing vessel. Greater emphasis was placed on environmental issues and priority was given to collective projects developed in the fishing industry sector. Other amendments made reference to the rules for the renewal of fishing fleets and the introduction of conditions for setting up mixed enterprises, with the aim of preventing overfishing. Measures of investment in the processing industry and fish farming (construction, expansion and modernization of fish processing plants and fish farms) have been renewed[40].

The European Fisheries Fund (EFF), part of the reform of the Common Fisheries Policy (CFP), has replaced the FIFG in the period 2007-2013. Focused on 5 priorities – (1) supporting the main objectives of the CFP, ensuring the sustainable exploitation of fisheries resources and creating a stable balance between resources and capacity of the EU fishing fleet; (2) increasing the competitiveness and economic viability of operators in the sector; (3) the promotion of organic methods of fishing and production; (4) providing adequate support to sector employees; (5) facilitating the diversification of economic activities in fisheries-dependent areas – had a total budget of € 3,849 million (€ 2,908 million allocated to the "convergence areas" and € 941 million to non-convergence areas), and as intervention types – measures to adapt the Community fishing fleet; aquaculture, processing and marketing; measures of common interest; the sustainable development of coastal fishing areas; technical support[41].

The European Union Solidarity Fund (EUSF) is the newest regional policy fund and the main emergency tool available to the EU to deal with major natural

[40] Claudia Ionescu, Nicolae Toderaş, *Politica de dezvoltare regională*, Bucharest, Tritonic Publishing, 2007, p. 15.

[41] Parlamentul European (European Parliament), Fișe tehnice privind Uniunea Europeană, Ajutoare structurale pentru pescuit (Technical Sheets on the European Union, Structural aid for fisheries), available at http://www.europarl.europa.eu/atyourservice/ro/displayFtu.html?ftuId=FTU_5.3.4.html.

disasters and to show solidarity with the regions of Europe affected by disasters[42]. It is a non-reimbursable financial instrument set up in November 2002 following the floods that affected France, Germany, Austria and the Czech Republic. Its purpose is to cover part of the public expenditure incurred by the beneficiary State in order to eliminate the effects of natural disasters[43]. The objective of the Fund is to express EU solidarity towards the population of a state member of the Union or in the process of accession to the Union affected by a major natural disaster.

In order to estimate the magnitude of a natural disaster and justify its use, two criteria were established:

(1) in the case of a State – an estimated loss of € 3 billion (2002 prices) or more than 0,6% of gross national income;

(2) in case of extraordinary regional disasters – a loss less than this limit (€ 3 billion), which affects most of the population and have major and lasting consequences on the living conditions and economic stability of the region (special attention is paid to remote and isolated regions)[44].

The mode of assistance is to grant a single grant tranche for the requesting country or region that is complementary to national efforts and does not require co-financing from the affected state. In order to obtain this support, the affected State shall submit a request to the European Commission within 10 weeks of the registration of the first damage caused by the disaster, which shall provide information on the magnitude and impact of the recorded damage. The amount requested is estimated and other sources of national, Community and/or international funding are indicated.

The actions eligible for funding under this fund are: rehabilitation of infrastructure, power plants, water plants (both water supply and sewage treatment plants), telecommunications, transport, health and education; provision of temporary housing and rescue services in response to the immediate needs of the affected population; ensuring the structures and measures for the protection of the cultural heritage; immediate cleaning of areas affected by disaster, including natural areas[45].

Implementation and coordination with other Community funds to complement funding is the responsibility of the beneficiary State[46]. The amount

[42] Ministerul Dezvoltării Regionale, Administrației Publice și Fondurilor Europene (Ministry of Regional Development, Public Administration and European Funds), *Fondul de Solidaritate al Uniunii Europene (The European Union Solidarity Fund),* available at http://www.mdrap.ro/FSUE

[43] This fund is used to settle the emergency operations carried out as a result of the natural disasters, as well as the executed works, identifiable by invoices and finalized until the expiration of the grant implementation period.

[44] Luciana Alexandra Ghica, *România şi Uniunea Europeană*, Bucharest, Meronia Publishing, 2006, p. 45.

[45] *Ministerul Dezvoltării Regionale, Administrației Publice și Fondurilor Europene (Ministry of Regional Development, Public Administration and European Funds), Fondul de Solidaritate al Uniunii Europene (The European Union Solidarity Fund),* available at http://www.mdrap.ro/FSUE.

[46] It should be noted that these complementary funds are not the other regional policy funds.

allocated must be spent within one year, and what has not been used within this range must be refunded.

The evaluation of the impact, utility and efficiency of this fund is assessed annually. Thus, on 1 July of each year, a report on the Solidarity Fund activity is presented.

In 2011, a number of ways to improve the operation of the fund have been proposed without any success. On 25 July 2013, the Commission presented a new legislative proposal, which subsequently entered into force as Regulation (EU) No. 661/2014 of 15 May 2014, thus implementing the 2014 reform providing new EUSF implementation rules for the Member States: a faster procedure for payments by introducing advance payments[47] and a longer period for recipient countries to use the amounts made available (extended from 12 to 18 months); a clearer scope and more precise eligibility conditions; an additional focus on preventing and combating the effects of natural disasters[48].

[47] However, the advance may not exceed 10% of the total amount anticipated representing the financial contribution from the EUSF, the limit being set at € 30 million.

[48] Parlamentul European (European Parliament), Fișe tehnice privind Uniunea Europeană, Fondul de Solidaritate (Technical Sheets on the European Union, The Solidarity Fund), available at http://www.europarl.europa.eu/atyourservice/ro/displayFtu.html?ftuId=FTU_5.1.4.html.