**УДК**

**Kusano N.F.**
Scientific supervisor – **Olga Iermakova**, PhD in Economics
*Odessa National Economic University*

# ESSENCE OF THE EUROPEAN COMMON ECONOMIC SPACE REGIONAL POLICY

The European Regional policy is a strategic investment policy targeting all EU regions and cities in order to boost their economic growth and improve people's quality of life. It is also an expression of solidarity, focusing support on the less developed regions. Regional Policy targets all regions and cities in the European Union in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens' quality of life. In order to reach these goals and address the diverse development needs in all EU regions, € 351.8 billion – almost a third of the total EU budget – has been set aside for Cohesion Policy for 2014-2020.

*These resources are used to finance strategic transport and communication infrastructures:* to favor a transition to a more environmentally friendly economy, to support small and medium-sized enterprises (SMEs) in becoming more innovative and more competitive, to create new and lasting job opportunities, to reinforce and modernise education systems and to build a more inclusive society. In so doing, regional policy serves as a catalyst for further public and private funding, not only because it obliges EU countries to co-finance projects from their respective national budgets but also because it creates investor confidence. Regional policy is also an expression of solidarity between EU countries as it dedicates the bulk of its funding to the EU's less developed regions. It helps these regions to fulfil their economic potential, in the light of regional disparities both across the EU and within member countries. By way of example, figures from 2011 (the latest available) show that the gross domestic product (GDP) of EU regions ranged from 29 % of the then EU-27 average in Severozapaden (Bulgaria) and Nord-Est (Romania) to 321 % of the average in Inner London (United Kingdom).

According to the European Commission during the same period, the value of selected projects in urban areas amounted to at least €100 billion. Almost 20 % of that amount was allocated to integrated projects for urban and rural regeneration and to education, health, childcare, housing and other social infrastructure. In particular, funding for integrated projects for urban regeneration accounted for €6.8 billion, while investment in social infrastructure amounted to €11.4 billion. In other words, regional policy has a strong impact in many fields and on many different levels. It therefore greatly complements other policies such as those dealing with education, employment, energy, the environment, the single market and research and innovation. Estimates show that regional policy investment has also contributed to increasing income in the poorest regions: their GDP per capita grew from 60.5 % of the EU-27 average in 2007 to 62.7 % in 2010. Furthermore, GDP in the 13 EU countries that entered the Union in or after 2004 (1) is expected to increase by around 2.4 % per year between 2007 and 2025.

*REGIONAL POLICY BUDGET:* Regional Policy is delivered through three main funds: the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) and the European Social Fund (ESF)**.** Together with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), they make up the European Structural and Investment (ESI) Funds. The European Regional Development Fund (ERDF) and the European Social Fund (ESF) are known as the Structural Funds as they are designed to invest in economic and social restructuring across the EU and thereby reduce gaps in development between European regions, for example in terms of infrastructure and employment. Together with the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), they make up the European structural and investment funds (ESIFs). Each fund therefore contributes in its own way to delivering on the growth goals of the Europe 2020 strategy, the EU's overarching strategy for growth and jobs until 2020 (for further information see the 'EU Explained' publication on the 'Europe 2020 strategy').

*The European Regional Development Fund (ERDF)* invests in growth-enhancing sectors to foster competitiveness and create jobs in all EU regions and cities. ERDF actions are designed to address economic, environmental and social challenges, with a special focus on sustainable urban development. The ERDF pays particular attention to specific territorial characteristics, for example areas naturally disadvantaged from a geographical perspective (remote, mountainous or sparsely populated regions). The ERDF also promotes and finances cross-border, transnational and interregional cooperation (known as European territorial cooperation), covering a wide range of issues including joint transport infrastructure, innovation and communication networks, cross-border trade, joint management of natural resources and the linking of urban and rural areas. It aims to assist jobseekers by ensuring they have access to appropriate training to enhance their employability, whilst helping existing workers to retrain, learn new skills and adapt to changing professional situations. The ESF also invests in projects which aim to combat discrimination in all its forms and to help marginalised communities integrate into society. It also invests in the efficiency of public administrations and public services to ensure that relevant institutions deliver on education, employment, social and other policies. The fund actively promotes green economic growth while reducing economic and social disparities by improving regional connectivity and accessibility. In particular, the fund supports the transEuropean transport network (TEN-T), which is essential for the proper functioning of the internal market and for facilitating the circulation of people and goods within and beyond the EU by land, sea and air. The Cohesion Fund invests in climate change adaptation and risk prevention, the water and waste sectors and the urban environment. It can also support projects related to energy efficiency and the use of renewable energy in companies and public infrastructures. Part of the Cohesion Fund is set aside to finance core transport and other networks under the new Connecting Europe Facility, a strategic instrument investing in broadband infrastructure and online public services as well as infrastructure for roads, railways, electricity grids and gas pipelines.

*There are three main stages in the investment process:* The budget and rules for its use are jointly decided by the European Parliament and the EU Council of Ministers (which brings together national ministers at the European level), based on a Commission proposal. The Commission works with the EU countries as they draw up partnership agreements outlining their investment priorities and development needs. They also present draft operational programmes (OPs) breaking down the objectives into concrete areas for action. These can cover entire countries and/or regions and can include cooperation programmes involving more than one country. The Commission negotiates with the national authorities on the final content of these investment plans.

They must provide reliable accounting, monitoring and financial reporting systems and identify the responsible bodies and procedures to ensure an adequate audit trail. This authority provides the Commission with an audit strategy and an annual audit opinion and annual control report, taking into account issues identified during audits carried out during the previous 12 months. The Commission does not select or manage individual projects but approves the overall programmes covering a range of potential projects. It is also important to note that whereas the Commission makes overall funding available, it is up to EU countries, via their EU-accredited national and regional paying agencies, to make direct, individual payments to beneficiaries.

*Here are some ways used in channelling EU investment:* The Commission makes funding available at the beginning of each year to allow EU countries to start investing in individual projects.

- Payments, certified by national authorities, are made by the Commission.
- The Commission and the EU country in question constantly monitor national programs, with on-the-spot audits and checks.
- Both the Commission and the national authorities submit reports throughout the seven-year budgetary period.

The EU has invested €400 million from the ERDF in the regional metro system (RMS) in Naples, Italy. Apart from providing better and more frequent services and faster journey times, carbon dioxide ($CO_2$) emissions have been cut by 250 000 tonnes per year and oil consumption by 110 000 tonnes per year across the network.

*Conclusions and perspectives of further developments:* Although Europe is on the path to economic recovery it is still essential, in a context of limited financial resources, for the EU to be able to do more with less and to ensure the benefit of every euro committed at European level. By adopting a new legislative package on regional policy at the end of 2013, the EU overhauled the funding approach for 2014–20 to maximise the potential impact of the EU funding available. Regional Policy has a strong impact in many fields. Its investments help to deliver many EU policy objectives and complements EU policies such as those dealing with education, employment, energy, the environment, the single market, research and innovation. The European Structural and Investment Funds are directly contributing to the Investment Plan and the Commission's priorities. Regional Policy provides the necessary investment framework to meet the goals of the Europe 2020 Strategy for smart, sustainable and inclusive growth in the European Union.

The five targets for the EU in 2020 are:

- Employment: 75%of the 20-64 year-olds to be employed
- Research & Development: 3% of the EU's GDP to be invested in R&D
- Climate change and energy sustainability: Greenhouse gas emissions 20% (or even 30%, if the conditions are right). 20 % of energy from renewables. 20 % increase of energy efficiency
- Education: Reducing the rates of early school leavers below 10%. At least 20 million fewer people in or at risk of poverty and social exclusion
- Fighting poverty and social exclusion: At least 20 million fewer people in or at risk of poverty and social exclusion

Each Member State has adopted its own national targets in these areas. Regional policy, accounting for just over one third of the Union budget, is the EU's main investment policy for regional and urban development and growth. It has co-financed a multitude of projects over the years in every EU country, benefiting citizens and businesses alike. At the time of writing, there are positive signs that Europe is on the road to recovery, after one of the worst economic and financial crises since the 1920s. As we enter the 2014–20 financing period, the fifth of its kind since 1989, the EU, together with its members, is establishing investment strategies to ensure that the whole of Europe gets the maximum leverage and impact from every euro spent. New, simpler rules will increase coherence between the various funds and will promote complementarities between policy fields (research and innovation, the common agricultural policy, education and employment, to name but a few). Through clear and measurable targets for regional policy investment, EU countries and regions can demonstrate their contribution to achieving the Europe 2020 objectives for sustainable economic growth and job creation.

**References:**

*1. European Union commission site http://europa.eu*
*2. http://ec.europa.eu/regional_policy/en/policy/what/investment-policy/*
*3. https://en.wikipedia.org/wiki/Regional_policy_of_the_European_Union*
*4. http://ec.europa.eu/regional_policy/funds/prord/prord_en.htm*