THE FEATURES OF MODERN EU REGIONAL POLICY

Rozглянуто особливості регіональної політики в країнах Європейського Союзу, досвід яких у сику тих чи інших причин цікавий для України. Проаналізовано ситуацію в Польщі, Німеччині, Італії, Іспанії, а також новий етап наднаціональної регіональної політики ЄС. Особливу увагу приділено таким питанням, як мотиви проведення регіональної політики, її законодавчі та організаційні забезпечення, інструменти. Розглянуто взаємозв’язок регіональної політики та інших складових державного регулювання економіки, зокрема міжбюджетних відносин, регіонального (територіального) планування, різних напрямків галузевої політики. Показано особливості і роль процесів децентралізації в різних країнах. За аналізованіх країн наведено статистичні дані, що ілюструють процеси конвергенції / дивергенції регіонів, і зосереджено увагу на інтерпретації отриманих результатів.

Ключові слова: регіон, досвід ЄС, наднаціональна регіональна політика, механізми регіональної політики, конвергенція, регіональний розвиток, політика згуртування.

Problem statement. Significant number of publications are dedicated to issues of studying European experience of development and implementation of regional policy, which are relevant and suitable to be used in Ukraine. However, the actual course of events is quite reverse. Nowadays Ukraine does not have coherent regulatory and program framework of regional policy. Consequently, there is no clearly defined goals, objectives, principles and tools. Approved State Strategy of Regional Development 2020 also does not answer the main question of regional policy concerning the choice of the vector. This refers to the choice between reduction of interregional disparities at the level of socio-economic development and support areas with the greatest potential for economic growth or find their optimal combination.


In current situation, it can be useful to look at the international experience of regional policy to find out possible solutions for issues, relevant for modern Ukraine.

The purpose of the article is to identify the characteristics of the current stage of regional policy in the EU (since 2014), analysis of the results and changes in regulation of regional priorities.

Main material. Since 2014 at EU supranational regional policy a new phase, connected with the adoption of the next financial plan for 2014-2020, has formally begun. Differentiation of two instead of three groups of regions for allocation of appropriations from structural EU funds, responsible for cohesion policy – the European regional development fund (ERDF) and European social fund (ESF) – according to the level of socio-economic development has become the most notable innovation at supranational regional policy since 2014.

According to the area of EU regional policy «Investment for Growth and Employment» the largest volume of funding is appointed for less developed regions – GDP per capita considering purchasing power parity rates (PPP) is less than 75% of average EU level. These regions are located mainly in Central and Eastern and Southern Europe. However, some amount of appropriations receive transition regions (GDP per capita from 75% to 90% of average EU level) and more developed regions (GDP per capita is 90% of average EU level) [1].

There have been tangible improvements in terms of allocation of cohesion policy between individual EU Member States, although the composition of the top ten leaders in terms of received allocations did not changed (Table. 1). 10 countries of PRs Cohesion policy accounts for almost 4/5 of funds and allocations to Poland (which significantly increased its share) is higher than the total for the 18 countries with relatively little funding from supranational EU regional policy. Romania also increased its stake, rising from 9th to 4th place [2].
Table 1

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<tr>
<th>Country</th>
<th>2007-2013</th>
<th>2014-2020</th>
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<tbody>
<tr>
<td></td>
<td>Billion euros</td>
<td>%</td>
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<td>The entire EU</td>
<td>347.4</td>
<td>100</td>
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<td>Poland</td>
<td>67.3</td>
<td>19.4</td>
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<td>Italy</td>
<td>28.8</td>
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<td>Spain</td>
<td>35.2</td>
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<td>Romania</td>
<td>19.7</td>
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<td>Czech Republic</td>
<td>26.7</td>
<td>7.7</td>
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<td>Hungary</td>
<td>25.3</td>
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<td>Portugal</td>
<td>21.5</td>
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<td>Germany</td>
<td>26.3</td>
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<tr>
<td>France</td>
<td>14.3</td>
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<tr>
<td>Greece</td>
<td>20.4</td>
<td>5.9</td>
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<tr>
<td>Other countries</td>
<td>61.9</td>
<td>17.8</td>
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*Author’s calculation based on materials of the European Commission with regard to the allocation of funds in the area of «European territorial cooperation» (https://cohesiondata.ec.europa.eu/)

In our opinion, the second most important innovation, based on two years of negotiations on the reform of cohesion policy, was selection of four key priorities among of 11 priorities for allocations of EU structural funds in the area of «Investing for growth and employment»: support for research and development, information and communication technology (ICT), small entrepreneurship and low carbon economy.

It is considered that these priorities are most crucial for realization of the «Strategy 2020» adopted by the EU to achieve «smart, sustainable and inclusive» growth.

Formal requirements for cohesion policy measures are really impressive – at least 80% of ERDF allocations should be directed to these four priorities at more developed regions, a minimum of 60% at transition regions and at least 50% at less developed regions.

During 2014-2020 we can observe a significant (7%) increase in the share of expenditures for the first four priorities in comparison with 2007-2013. However, it is unclear whether it will be achieved primarily through retraining some other measures (eg by transfer support adaptation to climate change and environmental measures to support low-carbon economy) or by strengthening the role of real investment in innovative growth. In long term there is no trend of steady transition to «modern» priorities of supranational EU regional policy, including more substantial contribution to investment in infrastructure in less developed «new» member states.

The effectiveness of supranational EU regional policy can be assessed in different ways. First of all, there are data on the quantity of working places at enterprises, created through cohesion policy investment, on total length of constructed highways, etc. So, in 2007-2012 using financial resources of cohesion policy 594 thousand working places (including 262 thousand at small and medium firms) were created in the EU, 77.8 thousand startups and 61 thousand research projects were supported, 1208 km of roads and 1,495 km of railways within the Trans-European transport network (TEN-T) were constructed, about 5 million people received access to the Internet, and 3.2 million people received upgraded water system [3]. However, this means, for example, employment through regional policy increased by only 2%, and measures to ensure access to quality information and communication technologies have affected only 1% of the integration group.

Of course, some improvements could be achieved without any financial help of EU structural funds. However, most of results of cohesion policy are observed in the backward regions of the EU, which would not be able to attract large-scale investment in such projects alone. Thus, in 2007-2013, Lithuania annual allocation under cohesion policy amounted to 3% of GDP in Estonia – 2.8%, Latvia – 2.5%, Hungary – 2.3%, Poland – 2%, Portugal – 1.9%, Greece – 1.6%, Slovakia – 1.5%, Czech Republic – 1.4%, Bulgaria – 1.2%, etc. In the EU average figure was 0.3% of GDP and 12 member states was even lower. For example, only with the help of the ERDF and the Cohesion Fund ring road around the Portuguese capital Lisbon was finished, and in the Bulgarian capital Sofia a second subway line was built. We should emphasize that in 2000-2006 the role of assignments of supranational EU regional policy was quite less – maximum figures were in Portugal (1.8% GDP), Greece (1.4%), Spain (0.9%) and three Baltic States (0.6%) [2].

In some less developed countries of the EU more than half of state investment is needed for allocations for ERDF, ESF, Cohesion Fund and necessary national co-financing for their programs. For example, in 2011-2013...
in Slovakia share of those investments was 85% of public investment, in Lithuania – 80%, Hungary – about 75%, Bulgaria – 71%, Latvia – 70%, Portugal – 62%, etc. (comparing with the EU average – 11%). As a result, some even very large countries, including Poland, the whole state regional policy was subordinated to the logic of a supranational cohesion policy.

Finally, we should not forget that in a severe economic crisis at the euro area during hard budget restrictions for problematic countries they could use flexible mechanisms of redistribution of their Structural Funds, introduced in the EU [4]. This co-financing ratios were reduced. The largest benefit received Ireland (about 44% of funds were directed to diverse scope and size of national co-financing was reduced by more than 45%). In 2007 – 2013 volume of national co-financing in Latvia, Portugal, Italy, Greece, Spain and Lithuania was reduced by 20 – 25%

Thus, a positive effect of EU regional policy clearly takes place. However, the question is whether cohesion policy has achieve long-term goal that was set before – leveling inter-territorial contrasts in levels of economic development. The most popular are two approaches to evaluating this result – econometric models that take into account the contribution of regional policy to the changing dynamics of macroeconomic parameters, especially in backward areas and comparing the classification of regions by GDP per capita, or other economic or social parameters before and after the period of implementation of regional policy. In the second case, scholars have identified the so-called β-convergence (according to the coefficient in the model of economic growth, which means accelerated growth rate of GDP per capita in backward areas) and σ-convergence (means falling of the value of regions dispersion by GDP per capita). The problem is that it is not always clear whether there was convergence due to the positive impact of regional policy or, for example, because of European integration (through the elimination of barriers of movement of goods, services, people and capital) [5].

For example, a quarter of a century ago, an analysis of 73 regions of NUTS-2 for the founding members of the EU and members of the first expansion in 1973 (but not Ireland and Luxembourg, which did not have an appropriate regional level) was made. This analysis showed that the value of σ decreased from 0.28 in 1950 (on the eve of the establishment of the European Coal and Steel Community by the inner six – the predecessor of the EU) to 0.18 in 1985, when it was just launched modern formation system of EU regional policy. β-convergence could be observed in the EU even before the start of full-scale supranational regional policy.

According to all facts, mentioned above, the success of certain backward regions of the EU in 1990-2000 can be attributed largely to a cohesion policy. A good example is Ireland, which has transformed from a poor Western country on the eve of joining the EU to the state with a level of GDP per capita greater the average in the EU, gaining a very long-term substantial allocation for implementation of regional policy. Investments from EU structural funds certainly contributed to the economic success of Ireland, but they were among the other addition to the widespread knowledge of English by the local population, which attracted investors from the United States and certain other countries, seeking to enter the EU common market across the country with low labor costs but with a comfortable business environment.

Another example serves Masovian Voivodship in Poland with its center in Warsaw. GDP per capita in PPP in the region increased from 76% of the EU average in 2003 (on the eve of joining the EU) to 107% in 2011 [6]. Most likely, it was cursed by the concentration of economic growth in the metropolitan area in conditions of total overtaking development of other regions of post-socialist countries, which joined the big domestic market of developed countries.

In addition, convergence mathematical calculations do not take into account the specificity of demarcation of borders between regions. Unfortunately, sometimes contrasts move from the level NUTS-2, which is the net of Cohesion Policy, to NUTS-3 level by strengthening the local center-peripheral contrasts. As an illustration we can use an example of the largest recipient of funds policy cohesion – Poland, who specially conducted reform of administrative and territorial structure to meet the needs of supranational EU regional policy, comparing data on GDP per capita at current exchange rates in 2003 (on the eve of joining the EU) and in 2011. While preparation Poland for EU accession it was enlarged 16 provinces (which ideally match the level NUTS-2), which include 66 regions of NUTS-3. Almost all new province were created taking into account the «nodal zoning» (except saving a few small provinces as concessions for local political elites). This means that many provinces were formed by combining the largest cities or mono / polycentric metropolitan areas (where GDP per capita grew faster or middle national rate) and peripheral problem regions (NUTS-level 3). A good example serves Podkarpackie voivodship, where difference of GDP per capita between «central» Rzeszow district and one of the most backward for the whole Poland Przemyśl district grew in the calculation of the current exchange rate from 1.27 to 1.55 times. The gap between Łódź and Sieradz County in Łódź Province rose from 1.67 to 1.88 times. In Lower Silesia Province Lehnitsko-głogów county overtaken Wroclaw, as a result difference between it and most backward province in Valbzhyskym county increased from 1.84 to 2.54 times. In Silesia province, as well as in Dolnośląskie, because of the large number of industrial areas the leader has changed – Tyhskyy County overtaken Katowice, as a result rupture of an outsider (Bytomskym county) increased from 1.85 to 2 times. Only in 6 provinces we can notice gap reducing, but little – between Warsaw, Poznan and Szczecin and the most backward districts under Mazovia, Wielkopska and Western provinces, as well as Podlaski, Kujawsko-Pomorskie and Warmia-Mazury.

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voivodship. Comparing the regions due to GDP per capita in PPP, the total backlog in Poland to the EU average decline (for 2003 more than doubled, to 2011 – 1.7 times) [6]. However, domestic contrasts remain.

Another problem – the stability of convergence results. The example of Greece demonstrated that rapid GDP growth can be achieved by quite artificial means (for example, through excessive inflation of the public sector). As a result of the lack of long-term framework for the development of regional economy in case of the economic crisis haul back process of convergence of regions due to formal criteria arises. Thus, in general, GDP per capita in Greece increased from 2000 to 2009 in relation to the EU average of 67% when calculating the current rate and 84% when calculating the PPP to 87 and 94%, and for two years fell to respectively 74 and 80% [7]. Measures of some Greek regions fell to a level of 90’s XX century, even when calculating the current rate of exchange (examples are Thessaly, central Greece, the Peloponnesse, Central Macedonia, Crete). Faster growth to the EU average when calculating the total PPP for 2011 compared to 2000 showed only two regions – the most developed western Macedonia and Attica.

So, for the next decade in cohesion policy agenda the task of aligning EU regions in terms of GDP per capita takes an important place. Moreover, the continued expansion on the basis of underdeveloped countries only sharpens contrasts with the overall convergence. Thus, in 2011 in the most developed regions of the EU – the inner part of the Greater London – GDP per capita considering PPP was 321% comparing with the EU average-28 level (taking into account Croatia – united in 2013) [7]. It was 11 times more than in the most backward region of integration groups – the North-East region of Romania, which joined the EU only in 2007.

Another problem, connected with GDP, is the need for constant «pull» the most backward regions, which due to absence of their own resources for development, the peripheral position, constant migration of skilled employees to major cities, inefficient local government or other reasons do not participate in convergence at all. Thus, for the regions of 15 «old» Member States changes in GDP per capita in PPP for the period 1995-2005 were calculated. The results show absence of tendency of gap reducing for all territories with the starting index below 60% of the EU average. The solution cannot be achieved through only increasing investments from the ERDF and other EU funds – it requires serious institutional changes, the nature of which has not been determined. In particular, we still have not got proposals of universal mechanisms for transferring peripheral areas into the innovative way of development, in terms of increased competition from large EU condemns developed countries in areas of low GDP growth. On one side, in 2011 the share of R & D expenditure in GDP was in Walloon Brabant (Belgium) 8.9%, in Brunswick (Germany) – 7.8%, Stuttgart (Germany) – 6.6%, Cheshire (UK) – 6.3%, Moscow region of Denmark – 5.1%, South Pyrenees (France) – 5.1% and in East Anglia (UK) – 5.0%. On the other hand, the Spanish Ceuta figure was 0.08%, the Greek Ionian islands – 0.09%, in the South East of Romania – 0.11%, in North-Western Bulgaria – 0.13%, etc. [8].

Quite acute remains the situation with unemployment, the reduction of which under the cohesion policy meets the first ESF. In 2013, in the EU co-existed as regions with an almost complete absence of unemployed (Upper Bavaria – 2.6%, German Freiburg and Austrian Salzburg – 2.9%) and regions, where every third able-bodied resident were searching work (Spanish Andalusia – 36.3%, Ceuta – 35.6%, Melilla – 34.4%, Canary Islands – 34.1%, Extremadura – 33.7%, Greek West Macedonia – 31.8%, etc.). In general, in 49 regions of NUTS-2 (23 in Germany, 8 in Austria and UK, 3 in the Czech Republic and Romania, two in Bulgaria and 1 in Italy and the Netherlands) the unemployment rate was not higher than 5.4%, while as in the EU-28 was 10.8%. However, in 27 regions unemployment exceeded the 21.6%, that was twice higher than the average for the EU-28 (13 regions of Spain, 10 regions of Greece, 3 French overseas departments and 1 region of Italy). Youth unemployment, which is a factor of political destabilization, which prevents sustainable socio-economic development, situation is worse in the EU. At one extreme are German Tübingen and Upper Bavaria (4.4%) and Freiburg (4.7%), Swabia (4.8%) and Middle Franconia (5.0%), while at quite different extreme settled Ceuta (72.7%), Greek Western Macedonia (70.6%) and Epirus (67.0%), the Spanish Andalusia (66.1%) and the Canary Islands (65.3%) [8].

Even fewer responses have EU experts on questions of regional development that only arise under the influence of globalization and other fundamental processes. Although they are formally included into the priorities of cohesion policy and several analytical publications of relevant Directorate of the European Commission are dedicated to them, in practice there is no complex solution of such problems as preventing droughts, floods and other natural disasters (mainly it is used to eliminate consequences at the EU) or, for example, integration of migrants into the local society. The same issues are relevant for Ukraine, that why it is essential to continue monitoring the successes and mistakes of supranational EU regional policy, which system is much more adapted than in our country.

Conclusions. According to the experience of the EU, regional policy should be characterized by following features:
- existence of conscious and formulated vision of objectives if regional development (in the form of common objectives, strategic plans);
- presence of the authorities responsible for changing of proportions of territorial development;
- availability of tools, aimed at the development of problem areas.

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These characteristics should be criterion while determining the future direction of regional policy of Ukraine.

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