TRANSFORMATIONS OF EUROPEAN FINANCIAL INSTRUMENTS IN THE CONTEXT OF EUROPEAN ENLARGEMENT PROCESS

Senior Lecturer **Gabriela MARCHIS,** ***PhD in progress***
„Danubius" University from Galati

Abstract: *The necessity of a regional development policy at the nowadays' European Union level has become vital since the beginning of the enlargement process in 1973 when to those six founding states (Belgium, France, Germany, Italy, Luxembourg and Netherlands) subjoined Great Britain, Ireland and Denmark. In 1957 when European Economic Community was founded, the EU-6 recorded a similar development level, the regional problems being isolated only in Southern part of Italy. Although on Italy request, the Treaty ascertained the existence of some inequities between prosperity levels of different regions, article 130 was one of the fundamental motives of creating the European Investment Bank, which may be considered one of the regional policy instruments.*

The enlargement process increased regional problems, major disparities regarding the economic development level being recorded between EU-6 regions and regions of the new member states (North part of England and North part of Ireland). Rural areas from Denmark and Ireland recorded a precarious development compared with similar areas from member states, and mining regions of Great Britain were confronted with industrial re-conversion problems. These kinds of problems existed even inside member states so that carboniferous regions Lorena (France), Ruhr (Germany), South part of Belgium were strongly affected by the deindustrialisation process. These situations led to the creation of the European Regional Development Fund in 1975 and its main objective at that moment was promoting innovation and infrastructure development in order to adjust the existing discrepancies at the Community level.

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The necessity of a regional development policy at the present European Union[1] level has become vital since the beginning of the enlargement process in 1973 when to those six founding states (Belgium, France, Germany, Italy, Luxembourg and Netherlands)[2] subjoined Great Britain, Ireland and Denmark[3]. In 1957 when European Economic Community was founded, the EU-6 recorded a similar development level, regional problems being isolated only in Southern part of Italy. Although on Italy request, the Treaty ascertained the existence of some inequities between prosperity levels of different regions, article 130 was one of the fundamental motives of creating the *European Investment Bank*, which may be considered one of the regional policy instruments.

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Regional policy became a distinctive policy on EU agenda[6] as a consequence of enlargement process from 1981 (Greece) and 1986 (Spain and Portugal) when the vast proportion of regional disparities surpassed the pre-existed situation. In this context, the size of the European Regional Development Fund

[1] Term "The European Union" governs since 1993 when the Maastricht Treaty came into force, also known by the name of "Treaty on the European Union" because it includes some aspects regarding the foundation of the European Union on three pillars: the European Community, the Judicial and Home Affairs, and the External Policy and the Common Security. Notice that the European Union does not substitute the European Community, but it includes it. The European Community is itself a composite term which defines the three European communities: the European Coal and the Steel Community founded on April 18, 1951 by Treaty of Paris, the European Atomic Energy Commission and the European Economic Community instituted by the Treaties of Rome. Accordingly with the Maastricht Treaty, the "Council of Ministry" is renamed "The Council of European Union".

[2] The six foundation countries will be identified in this paper by the EU-6 acronym.

[3] Norway rejects by referendum the EU accession.

[4] At the accession time, Ireland was the poorest country of the European Economic Community, the income per capita (at parity purchasing power) being at the half of EU-6 average.

[5] E.R.D.F. "*for redistribution of one part of the budgetary contributions of the member states towards the poorest regions of Community for the purpose of their economic development adjustment.*"

[6] Signing the European Single Act in February 1986 represents the foundation of an independent social and economic cohesion policy and the beginning of preparation for the European Single Market.

increased significantly and the methods of *Structural Funds*[1] management were reconsidered. Thus, Structural Funds become to function on the basis of programmes, these ones being organised on priority fields and objectives of regional policy (especially objective 1 “development and structural adjustment of poor regions”, objective 2 “assisting declining industry areas” and objective 5 b “development and structural adjustment of rural areas”). At the beginning, the performing period of these funds was established at 5 years (1989-1993), assuming as a basis the programming documents: Multi-annual Framework Programme and Operational Programmes. In sight of setting up European Single Market and transition towards the next phase of integration process – the Monetary Union – the Treaty on the European Union, it includes an engagement to achieve economic and social cohesion (Article 130 a: “The Community objective is to reduce disparities between the level of development of different regions and to reduce the lack of progress of unfavoured regions, including regional areas”) and, by Article 130 d, it creates a new fund that offers financial assistance in the field of economic development through the instrumentality of projects regarding improvement of the transportation and environment infrastructure – the *Cohesion Fund*. This fund functions starting with 1993 when the Treaty on European Union came into force. For the next period (1994 -1999) the regulations of the Structural Funds and the list with eligible regions have been revised.

Germany reunification in 1990 and the accession of Austria, Finland and Sweden in 1995[2], in the middle of a performing period, changed the pattern of regional disparities distribution and revealed the necessity of a new financial instrument – *Financial Instrument for Fisheries Guidance* (1994) as well as of the objective 6: “adjustment and promoting structural development of slack populate regions”.

The late round of the European Union enlargement had the most pronounced impact over the regional disparities pattern. The accession of ten states (Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia, Slovene, Hungary, Cyprus and Malta) on May 1st 2004 transformed European Union in a heterogeneous group of countries within the interregional disequilibria being significant. European Union financial package for the current performing period (2000-2006) was established in 1999 by the European Council in Berlin through the action plan: “Agenda 2000”. Regarding the enlargement process, this document re-confirmed the revised Phare[3] programme as being the main programme of community aid for central and Eastern European countries and introduced other two pre-accession instruments: Instrument

[1] On 1988, European Council in Brussels decided that European funds: European Social Fund (1958), European Agricultural Guidance and Guarantee Fund (1962) and European Regional Development Fund (1975) receive the name of Structural Funds.

[2] Norwegian citizens reject again by referendum the accession into EU.

[3] The acronym of Poland Hungary Aid for Reconstruction of the Economy

for Structural Policies for Pre-Accession[1] and Special Pre-Accession Programme for Agriculture and Rural Development[2], and decided to double the financial aid beginning with 2000 year. Total allowance for the current performing period is reproduced in the following table.

The largest extension of the European Union history represents a big challenge in achieving the strategic objective settled at the European Council from Lisbon, that is to transform European Union in "the most competitive and dynamic knowledge based economy in the world, able to provide the rise in the living standards of its people, with more and better jobs and a better social cohesion". The acute problems for this moment refer to: challenges related to competitiveness, sustainable and economic and social restructures of the less developed regions, keeping on with the convergence process of those regions that affected by enlargement process became ineligible under objective 1 due to statistical effect of GDP per capita, together with the achievement of economic and social cohesion on the entire territory.

Table no.1 Pre-accession financial assistance

Million euro	2000	2001	2002	2003	2004	2005	2006
Phare	1560	1560	1560	1560	1560	1560	1560
I.S.P.A.	520	520	520	520	520	520	520
S.A.P.A.R.D.	1040	1040	1040	1040	1040	1040	1040
Total	3120	3120	3120	3120	3120	3120	3120

In sight of accession of Romania and Bulgaria in 2007 or 2008[3], the financial assistance of the European Union towards Romania through the instrumentality of pre-accession funds is around three millions Euro for 2005 and 2006. Starting with first year of accession (2007) Romania will benefit by structural funds and by a special financial instrument for agriculture sector, the total allowance being around 1.4 billion Euro in 2007, 2 billion Euro in 2008 and about 2.6 billion Euro (4% of GDP – maximum received by European Union) in 2009.

The conclusion is that Structural Funds represents the fundamental mechanism of European Union in achieving economic and social cohesion and the process of becoming a member of the European family always coincides with the adjustment and revisions of Structural Funds regulation in order to make them more flexible for facing the new challenges caused by the enlargement process.

[1] I.S.P.A.
[2] S.A.P.A.R.D.
[3] depending on chastising the safeguarding clause