EUROPEAN COHESION POLICY APPROACH AND THE IMPACT OF STRUCTURAL INSTRUMENTS

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Abstract

The purpose for which the Structural Funds were created is to contribute to the economic and social promotion at the level of the European Union, namely by eliminating and reducing the economic, social, geographical, and economic development differences between the European Union states, as well as between regions of the same country. The continuous process of expansion and integration has helped to strengthen these priorities within the European Union. At the same time, the development of the notion of Structural Funds has to be assimilated in the context of the European Union's expansion goal, which involved the establishment of common policies, along with dynamic changes and inter-relationships between the European institutions and the Member States. Thus, this research analyses the regionalization trend, which contributes alongside other similar phenomena, such as globalization or cultural homogenization, to the transition to democracy of countries with emerging economies in Central and Eastern Europe, as well as acceleration of the process of integration in the European Union.

Introduction

Cohesion policy has always been a difficult policy of the European Union, but with great goals, difficult to be implemented but achievable in the context of the time and space allocated for its realization. Thus, in the mid-1970's, when the European Regional Development Fund (ERDF) was created for the first time, it suffered political criticism by German Chancellor Helmut Schmidt, who recalled that it is of no interest to Community policy, because it puts „firmly the funds in the hands of the governments of the member states"(Bulmer S. and Peterson W., 1987). From its beginnings, the critics of the specialized literature have analysed its evolution, disregarding this period of creation and building the foundation of the structural funds, criticizing the scope of the fund, its limitation and scale, the lack of a high impact, and organization and operation of the Member States, among which are representative Bulmer S. and Peterson W. (1987), Wallace H. (1977), Martins RM and Mawson J. (1982), Meny Y. (1982), De Witte B. (1986), Armstrong H. (1985).

The current form of the Cohesion Policy has undergone changes due to the long series of criticisms over time on its shape and development. In many ways, this policy of the European Union remains "under threat" (according to Hooghe L., 1988), along with a broad spectrum of academics, analysts, practitioners and Member State governments that continue to investigate the rationality, organization and effectiveness of the policy. Thus, the main criticisms of the 2005-2006 reforms regarding the policy include the following: transformation into a very comprehensive policy without a clear mission; as well as the fact that it is very complex and bureaucratic, but also difficult to administer (Sapir A. et all, 2004 and Tarschys D., 2003). For the programming periods 2007-2013 as well as 2014-2020, important changes have been made compared to the previous periods, however, the objectives were unequivocally differentiated between the programming periods (Bachtler J., Mendez C and Wishlade F., 2009).

The hypothesis from which this research goes: one of the greatest problems of the Cohesion Policy, is the degree of difficulty in demonstrating the effectiveness of the results obtained. According to Bachtler J. and Gorzelak G. (2007), after over forty years of interventions, the contribution of the Cohesion Policy to growth and economic growth remains challenged and uncertain. A wide range of results in extensive literature on this subject, ranging from positive correlations between Structural Fund interventions and economic growth, at worst, to negative impact analysis.

Studies on the Effect of the Structural Funds on Economic Growth in the Member States of the European Union	
Positive impact analysis	Ezcurra R. and Rapu N., (2006)
	Lopez-Rodriguez J. and Faiña A. (2006)
	Beugelsdijk M. and Eijffinger S.. (2005)
	Mairate A. (2006)
	Bachtler J. and Taylor S., (2003)
Negative impact analysis	Miderlfart K, and Overman H, (2002)
	Boldrin M. and Canova F., (2001)
	Martin P., (1999)

Uncertainty has often led supporters of the Cohesion Policy to underline its positive impact associated with the qualitative "added value" generated by the implementation of its objectives, according to Mairate A. (2006) and Bachtler J. and Taylor S. (2003). The requirements of multi-annual planning are demonstrated to have encouraged the strategic and long-term approaches to economic development at the level of the various European Union governments. A number of monitoring, evaluation, control and targeting conditionality's have contributed to improving the cultural and public administration processes. Also, the regulations on the involvement of different categories of partners in architecture and program implementation have contributed substantially to an inclusive policy and led to the introduction of a decentralization trend in Europe. From a financial point of view, the additional resources provided for economic development have led to additional conditions and additional requirements to provide funding. Generally, it is argued that funding provided through the Cohesion Policy has helped to channel national preferences to EU-level objectives through a continuous process of transforming national institutions into European institutions and by transferring European values from central to national and regional levels. At the same time, although specialized critics question the contribution of the Structural Funds to these elements, showing the variability of the impact in time and space, together with the possibility to achieve similar objectives in terms of operating costs and lower bureaucratic means.

Cohesion policy is now inclusive, being reformed, with both critics and supporters, who previously agreed to the FP7 (2007-2013) and the current period (2014-2020), the need for modernization of the policy, taking into account the weaknesses encountered to date, as well as the emerging challenges to the European economy and society of the broad integration process in 2007, as well as the experience gained during the integration of the emerging countries, and in particular of the one acquired during the period 2007-2013.

This article aims at analysing the beginning of the existence of the European Community and the formation of Cohesion Policy - the trends and the nature of the changes, as well as the main factors that facilitated or restricted the referral of politics over time.

1. European framework for structural funding instruments

1.1. Establishment of the European Communities

The post-war period has historically marked Europe through organizing, consolidating and restructuring. The 1950s surprised the European states in the light of the efforts made to rebuild as a result of the Second World War, finalized in 1945. By the Declaration of the Foreign Minister of France (Robert Schuman) on May 9, 1950, known as the Declaration Schuman (1950), it was proposed to create the European Coal and Steel Community so that community members combine coal and steel production. Thus, European governments were determined to prevent the outbreak of another world war, thus establishing the Schuman Declaration that coal and steel production would end the historical rivalry between Germany and France, which would become impossible under this alliance by creating common goals and objectives.

The Treaty establishing the European Coal and Steel Community was signed in Paris on 18 April 1951 signed by Belgium, France, West Germany, Italy, the Netherlands and Luxembourg and entered into force on 24 July 1952 with a limited period for 50 years. The community was created for the common fusion of the interests of the Member States, aiming at raising the standard of living and creating the first step towards a United Europe. The treaty expired on July 23, 2002, after being amended on various occasions. It initially provided for an administrative budget and an operating budget. The European Coal and Steel Community (ECSC) was an organization of 6 European countries established after the Second World War to regulate its industrial production under a centralized authority. Thus, this community has become the first regional organization that has grounded the principles of supranationalism in the European space and initiated the process of formal integration that ultimately led to the European Union.

The next step in the creation of the European Union and the first treaty was the creation of the European Economic Community - as it was called at that time - by the 1957 Treaty of Rome. The European Economic Community was a regional organization aimed at the economic integration of the Member States. When the European Union (EU) was formed in 1993 by the Maastricht Treaty, the European Economic Community was renamed the European Community (EC). By the Treaty of Lisbon in 2009, the European Community institutions were absorbed within the enlarged European Union, and the European Economic Community was dissolved and ceased to co-exist separately.

The Second Treaty, relating to the 1957 Treaty of Rome, established the European Atomic Energy Community, better known as the Euratom. The present community is an international body with the objective of creating a specialized market for Europe's nuclear power by developing nuclear energy and distributing it to its members as well as selling the surplus to non-member states. Euratom is an organization separate from the European Union from a legal and organizational point of view, but both have the same members and have joint institutions. The 1957 Euratom Treaty established an administrative budget and a budget for research and investment. Euratom was the only one in the European Communities that continues its activity as a distinct entity, but is headed by the same institutions as the European Union.

These two treaties entered into force on January 1, 1958. At this moment of the establishment of the united European spirit, Europe's response to the historic context, division and unification of the great powers is remarkable, for the support of peace and the consolidation of powers in this space. At the same time, the concept of regional politics was a new one, based only on the British and North American experiences existing up to that time, alongside the emerging policies of France and Italy. Moreover, a new challenge was addressed, against the background of political sensitivity, determined by the correlation between public institutions of the state (political power) and private institutions. It is thus noticed the retention of responsibility in the allocation of funding in this new field at the level of the European institutions created in the post-war period.

Therefore, the three European organizations governed by the same institutions, known as the European Communities, namely the European Coal and Steel Community, the European Atomic Energy Community and the European Economic Community, have been the first pillar in the creation of the European Union in 1993.

The initial objective of creating the European Community as laid down in the 1957 Treaty was the establishment of a common market rather than a redistribution system between Member States under Article 2 of the Treaty where the notion of redistribution is not mentioned. The notion of redistribution is associated only with the allocation of funds and Articles 1957 of the Treaty establishing the "Agricultural Guidance and Guarantee Fund" (Article 40) and the "European Social Fund" (Article 123).

1.2. Establishment of the first European funds

By establishing the European Economic Community, all six founding states have agreed the 1957 Treaty, with facilities for each Member State. Thus, it was expected market liberalization so as to lead to benefits for export-oriented Member States, such as Germany, while for countries such as France or Italy, characterized by internally-oriented economies, they would be disadvantaged. Therefore, the funds set up by the Treaty of Rome have been used for compensatory purposes. In this way, Italian workers were to be helped through the Social Fund to overcome structural problems in the industrialization process of previously predominantly agrarian countries. At the same time, French farmers were to be subsidized through agricultural guidance and guarantee funds. This demonstrates that fund intervention is rational to offset the integration of the governments of Italy and France. From the very beginning of the formation of the Common Market, funds were the only way to reach the expected benefits for all stakeholders. Flat payments, unlike the allocated funds, had to be negotiated annually, thus not as secure as the allocated funds (Folkers 1995).

The two funds were part of the Treaty of Rome and were not unilaterally concluded and cannot be changed by a unanimous decision. They have become part of the communitarian acquis. The term „communitarian acquis" means all acts which state the European Union, designating the obligations, but also the rights deriving from the status of a Member State, being binding on all the Member States of the European Union. A persistent form of redistribution through the funds has been created since the start of the creation of the European Economic Community. This phenomenon is the consequence of the impossibility of unanimously waiving a fund, which is directly concerned by one of the Member States, without providing any other form of compensation for the replacement of the fund. From this perspective, there have also been criticisms of the allocation of funds, although in practice of using the mechanisms created, the consistent effectiveness of the effects of constitutional constitutions contained in the Treaty of Rome has been proven.

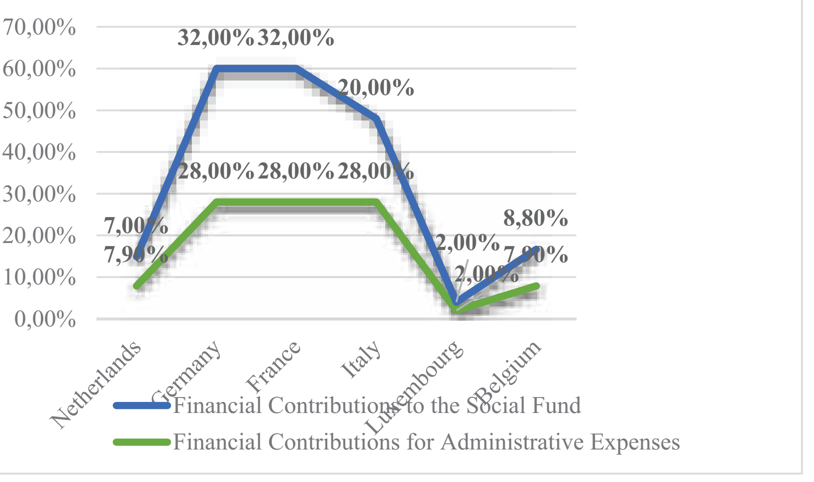
Since the application of the provisions of the Treaty of Rome from 1957, the budget has been divided into the following categories:

• the administrative budget, which allocated funds to the Commission's administrative expenditure, the Council and the European Court of Justice;

• the agricultural budget allocated to farmers' grants through guidance and guarantee funds;

• social budget, distributed for training and reintegration of workers facing structural changes.

Chart no. 1 - The financial contribution of the Member States of the European Economic Community to the administrative budget and the Social Fund, in percentages for the period 1957-1970



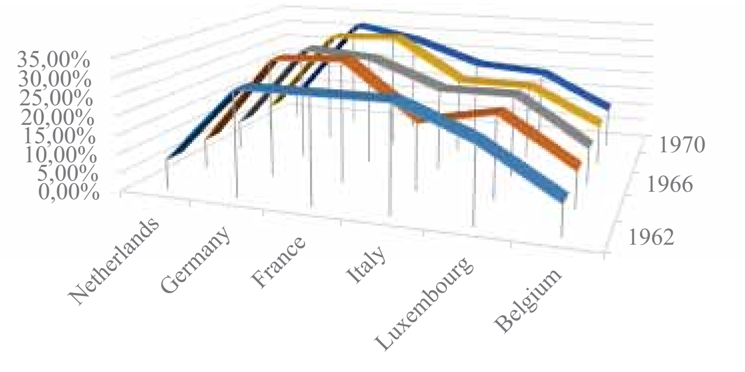
Source: own data processing as stated in the Treaty of Rome, art. two hundred

The present study is based on the Peffekoven (1994) peer review of the European Union budget, at which the budget rules and the applied methods are highlighted.

The Treaty of Rome, by article 200, established that the budget revenues for the administrative budget and for the Social Fund include the financial revenues in proportional proportions by contributions from the Member States, as shown above. As noted in the graphical representation, for both budgets the largest countries in the Community, namely France, Germany and Italy, had to contribute to the highest proportions. It is worth mentioning the individual contribution of each member state of 28% to the administrative budget and 32% for the Social Fund, but it has been established that Italy contributes only 20% to the budget for the Social Fund, against the background of the social needs it faces during the 1950s and 1960s, and the other countries had to contribute up to 9%, aggregating together only 16 percentage points for the contribution to each budget. According to par. 3, art. 200 of the Treaty of Rome, the changes could only be made unanimously. **The trend followed by the objective of building and developing the role of the Structural Funds has been a solid one over the years, although it has progressively evolved and has retained its constancy to achieve the final results, with the use of similar instruments, by balancing**

between funding and co-financing. Thus, according to the provisions of the Treaty of Rome, the co-financing obligation (a process preserved along the evolution of the structural funds, at various intensities, depending on the stages in the evolution of the European integration process) was established, through which the national governments had to ensure subsidizing EU funds with national spending of the same size. However, the contributions with which each Member State had to contribute to the agricultural fund was not predominated and it was negotiated at the Council on a regular basis.

Chart no. 2 - Financial contribution of the Member States of the European Economic Community to the Agricultural Fund in percentages for the period 1962-1970



	Netherlands	Germany	France	Italy	Luxembourg	Belgium
1962	7,90%	28,00%	28,00%	28,00%	20,00%	7,90%
1965	7,95%	31,67%	32,58%	18,00%	22,00%	9,58%
1966	7,95%	30,83%	29,29%	22,00%	22,00%	9,74%
1967	8,10%	31,20%	32,00%	20,30%	20,00%	10,35%
1970	8,25%	31,70%	28,00%	21,50%	20,00%	10,35%

Sursa: prelucrare proprie a datelor conform mențiunilor din Tratatul de la Roma și renegocierilor de la nivelul Comunității Europene

The formation of the European Community in 1956 was based on the formation and management of the three budgets, where the Agricultural Fund was the most flexible and constituted the main resource through which the Member States sought to increase their national benefits. The administrative budget was concentrated at the level of the Community's central institutions, while the Social Fund budget was set at predetermined percentages and with strict rules in its administration. Thus, since its inception, the Agricultural Fund budget has been characterized by high allocation flexibility, contributions from Member States through frequent negotiations and full financing of project value. The development of the Agricultural Fund since 1957 has so far been different from the Structural Funds and is based on different regulations.

During the analyzed period, the lowest contribution to the formation of the Agricultural Fund budget was observed, with Holland moving between 7.90% in 1962 and 8.25% in 1970, followed by Belgium, whose contribution started in 1962 a level equivalent to the Dutch contribution, reaching up to a contribution of 10.35% in 1970. The contributions of Germany, France and Italy to the budget of the Agricultural Fund for 1970 were 28% for each of these Member States, knowing oscillating developments, depending on the contribution capacity and the degree of development and necessity. Italy, one of the most affected states at European level since the post-war period, has seen a decline in contribution to 1970 and 21.5 percent respectively. At the same time, states such as Germany and France have continuously supported the budget of the Agricultural Fund, with contributions increasing up to 31.70% for Germany in 1970 and 32% for France in 1967, returning to a 28% contribution in the year 1970. Luxemburg's contribution to the creation and support of the Agricultural Fund budget is predominantly linear, ranging around 20%.

Between 1957 and 1970, the predominant funding from France and Germany for the three founding funds, characterized by pre-defined regulations for the administrative and social fund, as well as negotiations leading to controversies among Member States, in the case of the Agricultural Fund. These early years of existence of the European Community have been characterized by the threat of the outflow of one of the influential Member States, the purpose of which has not been materialized in the light of the existence of relatively low relative interest factors, without affecting the evolution of the Community. Against the background of a lack of a predetermined legal framework, the French government under the leadership of President Charles de Gaulle in autumn 1965 made proposals on the use of the Agricultural Fund which were rejected by the governments of the other Member States. Due to the fact that the influence and scope of the interests in the European Community were still incipient, the French Government did not resort to the option of leaving the Community, it has still made use of this opportunity to threaten the existence of the European Community. In order to overcome this moment of pressure, a common compromise was reached in Luxembourg in 1966, through which the Agricultural Fund was expanded under the threat of France leaving the European Community.

This has led to an increase in agricultural spending since 1965, as well as an increase in redistributions through the Agricultural Fund.

The establishment by the Treaty of Rome of two funds to support the development of the European Union, the Social Fund - for the provision of support for the human resources of the Member States, with a budget regulated by art. 200 of the Treaty, together with an Agricultural Fund - to provide support to the agricultural sector of the Member States, with a budget established through negotiations between Member States, was the first step towards the creation of European funding instruments. The analysis for the period 1956-1970 reveals the different development of the two types of funds in the early context of the formation of the regulated European framework, against the backdrop of some opposite regulations under the Treaty. Against this background, the entire remaining responsibility for the European Council applying the Rome Treaty clause on the qualified majority rule, expecting the formation of qualified majority to boost the increase in Fund transfers in the context of the percentage reduction in the contribution. However, the pressures exerted by France on the European Community in the context of the threat of leaving the alliance have shown the opposite, namely the uncertainty of the future of the Community, against the background of political and strategic importance, and of France's contribution to the Community budget.

1.3. Regional issues in the European space

At the beginning of the establishment of a new association, little attention has been paid to regional policy. Between the marked points of the beginning of regional politics, we recall the existence of the regional problem highlighted in the Messina Convention of 1955 and the participation of Italy in the foundation of the European Community in 1957, which in the post-war period remained with some affected and underdeveloped regions. Since signing the treaty, narrowing the gap between the constituent states' regions has been one of the objectives set out in the preamble to the Treaty. It was intended that the disparities would be improved by a "harmonious development of economic activities" and "a continuous and balanced expansion", according to Article 2 of the Treaty of Rome. It was structured by addressing transport, agriculture, import / export, trade and state aid issues, indirectly addressing regional policy. Thus, with a very low attention and the creation of a single regional policy support instrument, namely the attributions of the European Investment Bank for granting credits to finance projects in less developed regions.

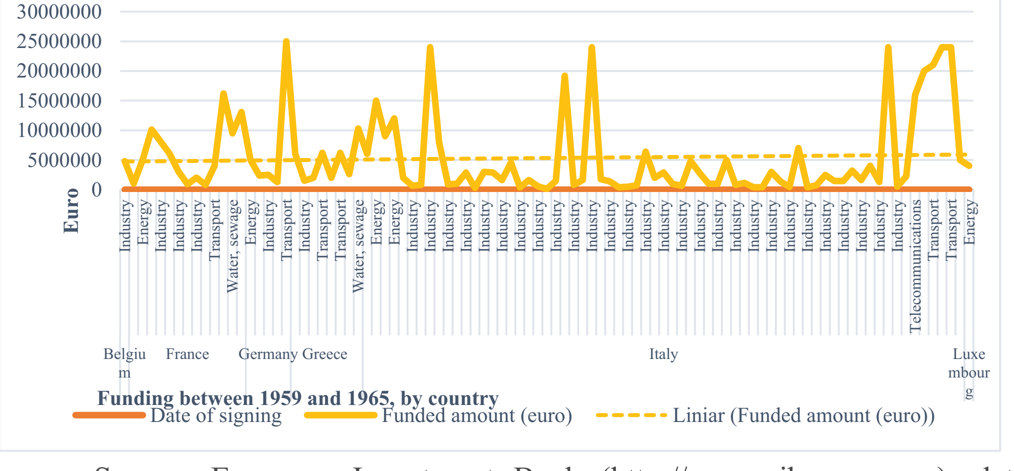
At the time of the historic creation of the European Community, according to Balassa B. (1961), economic orthodoxy had a decision-making role that did not support the creation of a comprehensive regional policy at Community level. Consequently, emphasis was placed on coordinating regional policy at national level. The vision of the founders of the European Community was at that optimistic moment, considering that integration contributes to the improvement of disparities through the promotion of inter-regional trade (according to Vanhove L. and Klassen L.H., 1987).

At the same time, the World Bank was founded during the same period, and the period was assimilated to very high expectations on the capacity of the Public Investment Banks to activate growth in the context of post-war economic recovery. The role of the European Investment Bank in redressing discrepancies in Europe was based on the literature that assimilated the inadequacy of financial capital as a first barrier to infrastructure and industrial development and hence to development (Rostow W., 1960).

Therefore, in the initial stage of the European Union's formation, various approaches to dealing with the issue have highlighted an approach correlated with the experience of each member, with the historical moment, with the concentration of Member States' national power for the management of cohesion policy, and not centralized, with the use of an intergovernmental body - the European Investment Bank, as an instrument for lending to finance admissible investments. Another form of preserving the autonomy of the Member States in supporting their poorly developed areas was the exemptions granted through state aids for the development of the regions within the competition policy promoted in Europe.

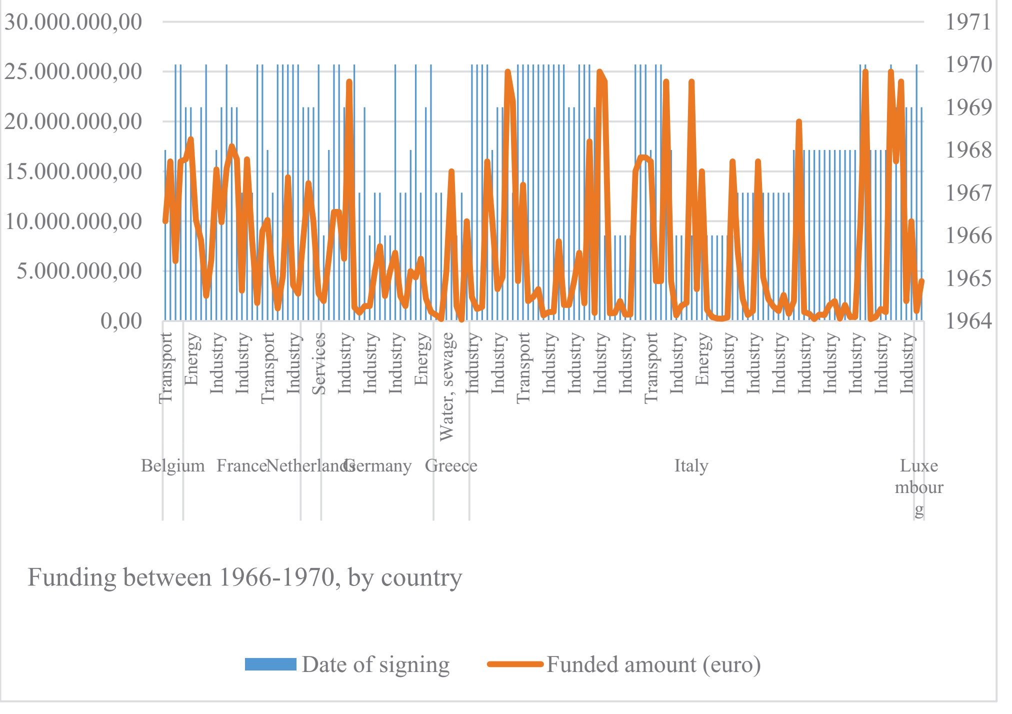
Consequently, in the first stage of the formation of the European Union, the Treaty of Rome (1956) showed a national and not central / unit approach of cohesion policy through the European Investment Bank as a body managed by the Member States, by awarding grants to finance projects deemed acceptable at national level by the European Investment Bank, as can be seen in Chart 1 (detailed value representation) and 2 (synthesized percentage representation). Thus, as a result of the negative effects of the war and previous regimes, it requested the largest financing from the European Investment Bank between 1959 and 1965 to Italy, with a total project credit amount of 344,260,000.00 Euro. Thus, Italy was the country that needed the highest funding, namely a number of 67 projects were funded, of which 4 projects for the Energy sector, 5 projects for the Transport sector and 1 project for the Telecommunications sector, the highest share the largest being the financing of 57 projects in the Industry sector during the analysed period. Also, the next country as the amount of funding received is France, receiving funding to finance for 13 projects worth 79,900,791.16 Euro, of which mainly financed the Industry sector with 6 projects, followed by financing of the following sectors: Energy, Transport and Water, Sewerage, each with 2 projects and one project in the Agriculture, Fisheries and Forestry sectors. The funding received by Germany and Greece from the European Investment Bank was very close, namely 36,130,952.38 Euros for Germany - which funded 5 projects, 2 of which were allocated to the Energy and Industry sector and one for the Transport sector and 36,800,000 Euro for Greece where 8 projects were financed: 4 in the Transport sector, 2 in the Industry sector, and one in the Energy and Water Sewerage sectors. The countries that received the lowest funding for only one project are Belgium with 4.800.000,00 Euro, for the Industry sector, and Luxembourg with a project value of 4,000,000.00 Euro, in the Energy sector.

Chart no. 3 - Value representation of investment financing through the European Investment Bank between 1959 and 1965 in Europe



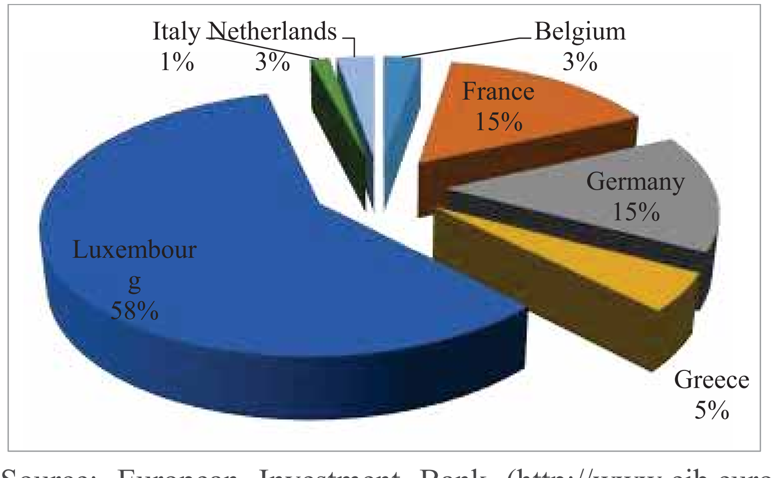
Source: European Investment Bank (http://www.eib.europa.eu), data processed by the author, accessed on 02.09.2017

Chart no. 4 - Value representation of investment financing through the European Investment Bank between 1966 and 1970 in Europe



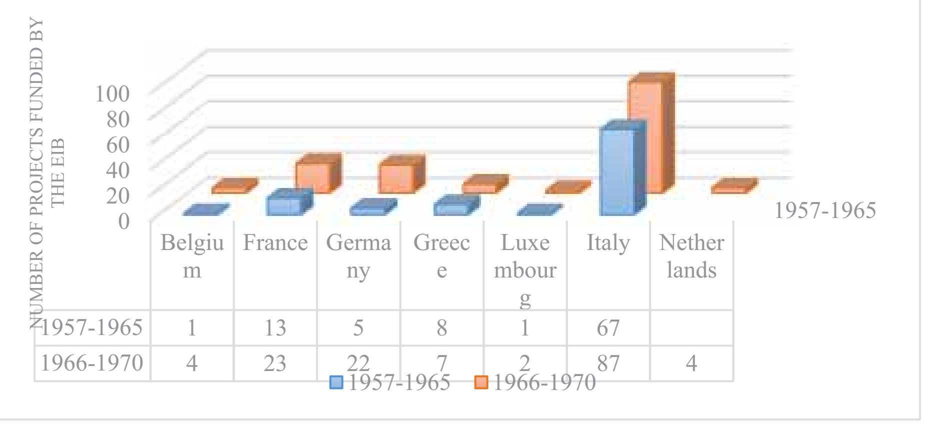
Source: European Investment Bank (http://www.eib.europa.eu), data processed by the author, accessed on 02.04.2017

Chart no. 5 - Percentage representation of investment financing through the European Investment Bank between 1966 and 1970



Source: European Investment Bank (http://www.eib.europa.eu), data processed by the author, accessed on 02.09.2017

Cart no. 6 - Representation of the number of projects funded by the European Investment Bank between 1957 and 1970 for the Member States of the European Community



Source: European Investment Bank (http://www.eib.europa.eu), data processed by the author, accessed on 02.04.2017

The European Union's training process was characterized, especially in its early years, in a continuous process of analysis, regulation, identification of best practices and methods for identifying the most appropriate and unitary measures and tools to support all Member States.

Therefore, the European Investment Bank's funding, as well as the growing national needs of the Member States, have highlighted the inadequacy of the decisions taken under the Treaty of Rome on regional policy. Subsequently, there was a lack of a legal basis without clear regulations for the establishment of regional policy. Thus, all the duties remained with the European Commission, which in 1961 organized the first "Regional Economy Conference", bringing together experts and representatives of the Member States. The main outcome was the start of a regional analysis process, working groups to compare different methods, techniques and experiences, as well as fostering exchanges of practices between Member State governments. The results of this process, materialized mainly in the continuing need to coordinate regional issues, and the uniform treatment of regional imbalances, was recognized in 1964 as part of the first medium-term program on the economic policy of the Commission of Europe which underpinned the first Communication or Memorandum) of the Commission on Regional Policy in 1965 (Vanhove and Klassen 1987). The document supported the creation of a comprehensive regional policy, based on the coordination of national initiatives based on regional development programs through common approaches and promoted through joint participation. During this period, the Commission has strengthened its direct contact with local and regional administrations through series of meetings and dissemination of information.

All these efforts, together with resolutions issued by the European Parliament (Birckelbach Resolution 1964 and Van Campen 1959 Resolution), have put pressure on the institutionalization of the European Commission's Regional Policy only at a later stage between the late 1960s and the beginning 1970s. Thus, in 1968, a Special Directorate General for Regional Policy was created as a significant step in the consolidation of the interest for ensuring the necessary regulations at the regional level, following the reorganizations at the level of the European Commission. The year 1969 was marked by the recommendations made by the Second European Commission Memorandum, highlighting the strategic vision for the Community Regional Policy, including the first proposal with a compensatory approach, representing the official decision of the Council. The reason behind the Regional Policy proposal was to lay down its main objective for the harmonization of regional structures at Community level, reiterating on the one hand the opening of internal borders and the avoidance of the negative effects generated by them, and on the other hand the adoption common policies, as well as the strengthening of external economies in each region.

Thus, the difficult steps made in the resolutions during the 1960s were supported by the Assembly (today's European Parliament), being materialized in the establishment of the main measures and instruments, namely: establishing the Regional Development Fund for the granting of guarantees and interest subsidies; preparing the regional development plan for the Commission and the Member States; creation of the Regional Development Committee; as well as setting up a regional development campaign to act as an information centre for public and private European investors. Despite these efforts, the proposals were not immediately adopted by the Council, increasing the interest for regional policy and regional financing needs.

First of all, a major role was played by the general economic situation that took place in Europe in the 1960s and 1970s. During this time, Europe was under the influence of the economic crises that have taken hold in different countries in Europe during this period, generating social problems, being at the forefront of the European Commission's debates and drawing attention to the links between industrial decline and certain territories. By finding these gaps between different territories, the "regional" issue has become larger and was no longer seen as an exclusive problem in southern Italy. Analysis of the demographic situation, the labour market and sectoral changes have begun to be recognized in all regions of the European Union, but under various forms of intensity.

Secondly, a significant factor for the formation of a Community regional policy was the deepening of the debates on the Economic and Monetary Union that began in the late 1960s. The documents that imposed the need for a regional policy were represented by the document Barre and the Werner Plan. The first one brought the issue of regional policy to the European Community agenda, and the second one, being very detailed, led to monetary integration, emphasizing the link between monetary integration and the need for regional development intervention.

Thus, we can conclude that the Roma Territory has led to a national approach to cohesion policy through the European Investment Bank, managed by the Member States, through grants.

1.4. The beginnings of the European Regional Development Fund

In the early 1970s, Regional Policy was an important topic in the European Community agenda. As a result of the extent of regional issues in the context of agricultural policy reform, the policy initiation phase was endorsed by the Paris resolution of 1972 at the Conference of Heads of State. At that time, the Member States agreed to give priority to improving the structural and regional disparities with a view to achieving the Economic and Monetary Union. This was the highlight of the start of the creation of the **Regional Development Fund**, as a structural fund, having previously produced a report analysing the regional problems by the European Commission.

The first enlargement of the European Union took place in 1972, through the integration of Ireland, Great Britain and Denmark. Significant events alongside the objectives of Economic and Monetary Union led to the decision in October 1972 to create the Regional Development Fund.

As a result of these actions, the Commission's reform proposal was made by the May 1973 "Europe Expansion Report", also known as the "Thomson Report" named after British Commissioner for Regional Policy, respectively George Thomson. Thus, the need to establish a Regional Policy and to establish the necessary instruments was highlighted. The report argued that the reduction of existing disparities between the different regions and the regions whose development was outdated is of major importance. Regional policy has therefore been perceived as an essential tool for a European model of society, as well as for the legitimacy and viability of the progress of political integration. Even from this stage of starting progress, a direct connection with the European Monetary Union is being realized, meaning that no European State has to provide economic or monetary help within the Monetary and Economic Union, except in the context of joint support and, implicitly, the efficient use of such instruments.

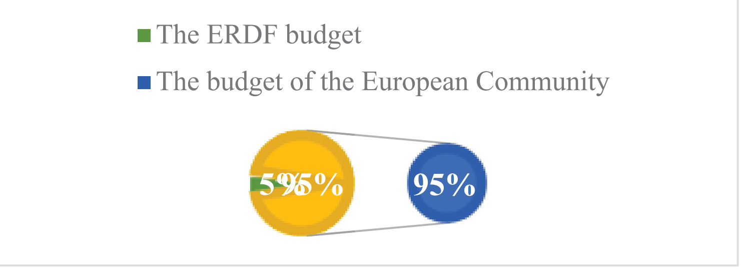
Facilities have been created for a specific European framework to support Regional Policy as a tool used to build and maintain a model of society, equity and support for the political integration process by solidarity support of each Member State. By the Thomson Report from May 1973, the Regional Policy objective was defined in economic terms for regions suffering from regional imbalances by providing the means to recover and become more competitive. Regional imbalances have been defined as characterized by the lack of modern economic activities up to the specific agricultural or declining industries. Also at the level of the Europe Enlargement Report, the Regional Development Fund's objective was to lead to the sustainability of the growth of less developed regions in Member States that are sustained in the medium or long term. The specialized literature (Lienemeyer 2002), as well as the practice of the European Union's policy guidelines, lead to the conclusion on the preservation of the originally formulated objective, which has been tarnished since the beginning of its existence for both Regional Policy and the instrument used to implement Regional Policy or the European Development Fund, in the form presented or in similar forms, determined by the historical context of the evolution of integration in the European Union over the last 40 years since their establishment, contributing substantially to the development of the regions lagging behind and the elimination regional disparities and economic growth.

The establishment of the European Development Fund was achieved through a series of legislative proposals submitted by the European Commission in July 1973, followed by negotiations leading to conflicts between the Member States and the European Commission. The lengthy process of regulating and establishing the legal framework for financial matters and for the entry into force of the European Development Fund was established only after two years from the initiation process of regulation of EEC in 1975, based on the decisions adopted at the Summit from December 1975.

Unlike the way the budget of the Social Fund and the Agricultural Fund was established under the Treaty of Rome, the European Regional Development Fund budget was distributed on intergovernmental priorities, in which the

Member States had direct control over its management and implementation. As a consequence, these actions have not characterized the establishment of an inclusive and fair regional policy based on the same criteria for all members of the European Community.

Chart no. 7 - Budget of the European Regional Development Fund (ERDF), in percentages for the period 1975-1978



Source: European Union (http://eur-lex.europa.eu/budget/www/index-en.htm), data processed by the author, accessed on 08.05.2017

In the period 1975-1958, the European Regional Development Fund budget accounted for 5% of the European Community budget, as can be seen in the charter number seven. As with the two funds already set up, a distribution of resources for the Member States was established on the basis of a national quota system, which sets the percentage quota allocated to each Member State. Allocations were largely based on interstate negotiations, based on net budgetary balances, but did not have a direct and explicit link with the Community's regional development needs. Similarly, geographical eligibility was to be established on the basis of the areas covered by Member States' own regional policies, while project applications were to be channelled through central governments (and essentially approved by them) without a role significant for the Commission, acting as sub-national actors. Finally, the planning system set up by the Regulation to enable the Commission to play a coordinating role among the Member States' regional policies has been applied freely and with limited effect. Member States' regional development plans were submitted late, lacking rigor and limited impact on selected projects.

In conclusion, the regional policy of the Community and its decisional dynamics were, at this stage, the governments of the Member States which dominated all aspects of the process (McAleavey 1992). The institutionalization of truly European regional policy has therefore been difficult to achieve.

Conclusions

In the first years of existence of the European Union between 1956 and 1975, major changes have been noted in the move towards unification of budgetary instruments, progress towards the Community's financial autonomy, the development of common policies, the search for a balance between institutions in exercising their powers over the budget, as well as the first enlargement of the European Community.

Uncertainty has often led supporters of the Cohesion Policy to underline its positive impact associated with the qualitative "added value" generated by the implementation of its objectives, according to Mairate A. (2006) and Bachtler J. and Taylor S. (2003). The requirements of multi-annual planning are demonstrated to have encouraged the strategic and long-term approaches to economic development at the level of the various European Union governments. A number of monitoring, evaluation, control and targeting conditionality’s have contributed to improving the cultural and public administration processes. Also, the regulations on the involvement of different categories of partners in the architecture and program implementation have substantially contributed to an inclusive policy and led to the introduction of a decentralization trend in Europe. From a financial point of view, the additional resources provided for economic development have led to additional conditions and additional requirements to provide funding. Generally, it is argued that funding provided through the Cohesion Policy has helped to channel national preferences to EU-level objectives through a continuous process of transformation of national institutions into European institutions and a transfer of European values from central to national and regional levels. At the same time, although specialized critics question the contribution of the Structural Funds to these elements, showing the variability of the impact in time and space, together with the possibility to achieve similar objectives in terms of operating costs and lower bureaucratic means.

Cohesion policy is now inclusive, being reformed, with both critics and supporters, who previously agreed to the FP7 (2007-2013) funding period and the current period (2014-2020), the need for modernization of the policy, taking into account the weaknesses encountered to date, as well as the emerging challenges to the European economy and society of the broad integration process in 2007, as well as the experience gained during the integration of the emerging countries, and in particular of the one acquired during the period 2007-2013.

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