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## **STRATEGIC DIRECTIONS OF FUNCTIONING OF FINANCIAL INSTRUMENTS OF REGIONAL POLICY OF EU**

Leveling of regional development is an important aspect of the European market economy and determines the policy of the European Union in regional development. In the EU regional policy is being under close attention since 1950s. For a long period of time the EU countries were focused on equity in the development of regional policy, but since the mid 1970s, economic efficiency gradually started gaining more attention. Regional policy began to focus on economic growth through the development of competition and reduction of unemployment. That is why the study of strategic directions of functioning of financial instruments of EU regional policy is particularly relevant. European policy of regional development is based on the political principle that the richer countries and regions should provide solidarity with poorer countries and regions, as well as the economic principle that the lower volume of production in poor member states and regions or states and regions with high levels of unemployment is the loss of potential and opportunities for the EU as a whole. Principles of Regional Development were checked and repeatedly improved over the years to be able to develop a variety of strategies to solve economic and social problems and to achieve environmental goals. The success of this policy is based on partnerships within the EU, planning and good governance. In case of application of these principles of development the program can be carried out in a decentralized way. EU regional policy can be best defined as thematically ordered grouped by unifying (supranational) center of activities aimed at using complex legal and financial instruments of elimination of disparities in economic and social development of the regions in the EU, and at ensuring balanced growth of all its areas preserving internal economic and social unity. The main instruments of regional policy in the European Union at the supranational level are structural

funds. They are responsible for redistribution of financial resources on the principle from "rich" regions to "poor". By the 1990s in the EU funding for regional development involved several funds:

- European Regional Development Fund (ERDF) – established in 1975. The main task of the ERDF is to reduce disparities in different regions of the EU. Primarily it is aimed at supporting and developing depressive and peripheral regions;

- European Social Fund (ESF) was created in 1960 to provide aid to certain regions, industries and professions which appeared to be in difficult situation as a result of the restructuring of the industry in the EU. Resources of fund are directed to implementation of programs to reduce unemployment, overcome social inequality, harmonize professional and family life;

- European Agricultural Guidance and Guarantee Fund (EAGGF) was established in July 1964. It funds general and specific measures of agricultural policy of the EU.

Regional development in Europe benefits from a wide range of different funding opportunities. Except the main sources of funding, there are other means of capital involvement. Unlike the period of program realization of 2007-2013, in the rules on the use of financial instruments adopted for the program of 2014-2020, there are no rigidly defined sectors, beneficiaries, types of projects and activities to be supported. Within the new system there are also clear rules which allow better combination of financial mechanisms and other forms of support, particularly issuing grants.

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