

Regional development of Romania – a premise for better project financing

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Abstract: *The article approaches important aspects regarding the regional development process in Romania in direct correlation with the European Union views and directives in this field. This paper argues that regionalization implies a new reorganization of Romania in view of a balanced development and to increase the absorption of European Funds, which consequently engages regional development, the development of local communities and the decentralization of public administration. Furthermore, in this paper we present the consistency issue concerning the request for territorial-administrative development in Romania, as it originates from the strategic documents, namely the "National Plan of Governance 2017-2020" and the "Action Plan for the Implementation of the Strategy for Strengthening the Public Administration 2014-2020", and we highlight a number of shortcomings of this process.*

Key-words: *regional development, European funds, project financing, reform, financial decentralization*

1. Introduction

According to the definition taken from the Statement over Regionalism in Europe, the basic document of the Assembly of European Regions (AER), the region is "the territorial body governed by public law established at the level immediately below that of the State and endowed with self-government policy". In the same sense, the region must be recognized by the Constitution or national legislation, given the guaranteed autonomy, identity and power structures. The region should have its own Constitution, the autonomy statute/status or another law to be part of the legislation of that state. Thus, regions of the same State may have different statuses, preserving their historical, political, social or cultural characteristics. The region is the expression of a distinct political identity that can take very different political forms,

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reflecting the democratic will of each region.

Areas in which a region can exercise its power relate to public policies such as regional economic policy; regional policy planning, construction and housing policy; telecommunications and transport infrastructures; energy and environment; agriculture and fisheries; education, universities and research; culture and media; public health; tourism, leisure and sport; police and public order.

Regionalization as defined and recommended by the AER, requires a new administrative, territorial, economic and social reorganization of the country, with a view to a balanced development of the regions. The existence of a region, as well as regional associations, must be recognized by the European Union in the case of the Member States, which ensures active participation in regional policies. Regionalization can be defined as an explicit but not necessarily institutionalized process of adapting the rules of participating states, decision-making processes, policy types, political content, political structures, economy and identity (at elite and mass levels) to align and shape according to a new set of regional priorities, norms and interests that may themselves appear, develop and disappear (Warleigh-Lack, 2008).

Euroregions are made up of those regions which include areas from different states, that may be set up/constituted in order to achieve one or more objectives/goals and interests. Legally, they have no political power (they do not involve the creation of a new type of Government of this nature), and their work/activity is limited to the powers/competences of local and regional authorities.

Research topics related to regional development have been studied in the last years literature under their various aspects. Works published by Simuţ (2016), Stănescu, Zamfir as coordinators (2015) and Andrei (2011) detail the various aspects of European integration and regional development from the economic, social and administrative point of view.

2. Objectives

Starting from national realities that are not to be neglected, as well as from the recommendations of the European Union in this field, and given the sensitive and complex nature of the concept, regionalization implies a constant and sustained evolution in Romania. The main objective of this study lies in the question whether strategic and primordial documents in Romania, such as government plans or strategies, allow for adequate regional development, in direct correlation with the accessing of European funds. Other objectives in connection with the topic and research purposes refer to: public policies for regional development; regional development in terms of the National Plan of Governance 2017-2020; regional development in line with the Action Plan for the Implementation of the Strategy for Strengthening the Public Administration 2014-2020.

3. Methodology

The present study aims at highlighting a number of vital aspects regarding the orientation of the Romanian local public administration system towards quality and efficiency, in order to use the public money as efficiently as possible and to increase the absorption of European non-reimbursable funds.

Considering the complexity of the theme and its interdisciplinary character, the research methodology requires special bibliographic study, the comparative analysis of the strategic documents. The proposed research is an exploratory one and it aims at establishing the benchmarks of the process of efficient analysis and selection concerning the project financing adapted to the specific features of the local public system and to the current European requirements.

4. Results and discussions concerning regional development in Romania

4.1. Public policy considerations as regards the national regional development

Public policies are essential vectors of modern democratic states or of institutional constructions. In a democratic State, it is normal and essential for the Government activity to be carried out through public policy and, at the same time, to develop a public discussion about and around these policies.

Public policies are defined by Peters as the sum of governmental activities carried out either directly or indirectly through agents, in terms of the influence that these activities have on citizens (Profiroiu, 2006, p. 15). However, the lack of action can also be described as public policy, in light of Dye's statement that public policies are "what governments decide to do or not to do" (Dye, 1992, p. 2).

In recent years, in the academic world, a broad consensus has emerged on the decline of the central government's ability to rule society (Bondar, 2007, p.22), the current governmental activity being only a possible form of addressing and solving problems related to satisfying citizens' preferences.

Directions in the decline of state control over the governance of society are: upwards, to regional and international organizations (such as the EU), downwards to regions and localities, and beyond, to international corporations, non-governmental organizations and other private or quasi-private actors (Pierre and Peters, 2000, pp. 83-91).

In 1997, as a direct effect of European policies, an institutional system of regional development was proposed and discussed in Romania, with specific territorial units, councils and agencies of development, all integrated into a system of principles and rules to prepare the country's European integration from this point of view as well. The project which led to the production of the founding document of regional development in this new form was the Green Paper on Regional

Development. The eight development regions were proposed by the Green Paper and established by Law 151/1998.

As a result, Law no. 151/1998 was repealed by Law no. 315/2004 on regional development in Romania. The eight development regions operate with the entire institutional system without administrative status. The law establishes the institutional framework, objectives, competences and the policy instruments specific to the regional development in Romania. The regional development policy is carried out in accordance with the general objectives and priorities of Romania's development, as well as with the European Union's objectives in the field of economic and social cohesion. This normative act sets out the principles underpinning the regional development policy, namely: subsidiarity, decentralization and partnership.

In order to fulfill the commitments Romania made through the Accession Treaty, Chapter 21 - Regional Policy and Coordination of Structural Instruments, by Government Decision no. 497/2004 on the establishment of the institutional framework for the coordination, implementation and management of structural instruments (with subsequent amendments and additions), the Regional Development Agencies were designated as intermediary bodies for the Regional Operational Program 2007-2013. Regional Development Agencies were set up as non-governmental and non-profit bodies of public interest, with legal personality that operate in the field of regional development.

In the period 2010-2011, in the context of the awareness of the massive failure in the absorption of European funds, the political field, with its various nuclei, began to look more and more for the "culprit" (Sandu, 2011, p. 8). Thus, in order to effectively start the regionalization process in Romania, the Romanian Government established the Consultative Council for Regionalization, a body with a strategic role, with the aim of proposing the future profile of administrative and territorial regions. The board was approved in February 2013 by the Memorandum on the adoption of the necessary measures for starting the process of regionalization-decentralization in Romania. Thus, the organizational framework was created for an action of such importance.

In order to start the process of drawing up the normative framework necessary to establish the competences of all administrative levels, the Inter-Ministerial Technical Committee for Regionalization-Decentralization was established. This is a body with a technical role, composed of representatives - at the level of minister, delegate minister or state secretary of the ministries involved in the decentralization process, with the role of ensuring the coordination of the decentralization process.

Through the 2014-2020 Partnership Agreement adopted by Romania and the European Commission in 2014, the premises for a high absorption were created at the end of the implementation period. Romania has assumed the establishment of a coordination mechanism with three-tier structures (strategic, thematic interinstitutional and operational) to guarantee the coherence of interventions,

complementarities and synergies between the different programs that ensure communication between experts, operational staff, management/intermediary bodies, as well as decision-makers in other institutions responsible for national policies and socio-economic partners. In fact, the Partnership Agreement includes the five European Structural Funds and the European Investment Funds called ESI funds, which are considered crucial for Romania's ability to meet the medium and long-term development challenges in order to reduce the regional and social gaps existing in our country. These funds will also mobilize additional public and private funding to develop projects. This framework document establishes clear investment priorities and sets targets that are better aligned to national objectives, in line with the Europe 2020 Strategy, while taking into account the policy recommendations formulated by the European Union bodies. It also includes challenges and priorities for local development, improving regional attractiveness, strengthening a modern and professional public administration through systemic reforms aimed at addressing structural governance errors.

Given the predominantly political nature of this endeavor, the governments of the past five years have proposed various approaches to regional development in Romania.

A number of principles underlie the elaboration and implementation of the regional development policy, namely: the principle of decentralization of the decision-making process, by moving from the central to the regional level; the partnership principle by creating and promoting partnerships between all actors involved in the regional development field; the principle of planning, in order to achieve the objectives set; and the principle of co-financing, i.e. mandatory financial contribution of various actors involved into programmes and projects of regional development, which must be achieved in practice by adopting measures and strategies and by funding projects through different programs.

4.2. Regional development issues in the National Plan of Government 2017-2020

The issue of regional development is found repeatedly in the new national plan of Government relating to the years 2017-2020, which political actors consider to be a challenge for our country in terms of both opportunities and risks.

The vision of this government internally reiterates the same old desires of establishing public policies that build a balanced society based on smart, sustainable, inclusive economic growth, reinforced by macroeconomic stability coupled with rapid growth in public and private investment, capable to ensure nominal and real convergence with the average level of development in the European Union.

Regional development policies are outlined in accordance with the National Territorial Development Strategy for the 2035 horizon. The overall objectives lie in the polycentric approach, based on the development of the poles of economic

growth and their increased connectivity with development areas and European territories.

"The efficient interconnection of energy, transport and broadband networks, infrastructure development and the implementation of a network of competitive and cohesive localities by supporting territorial specialization and the formation of functional urban areas are considered the fundamental pillars to apply over the next four years." (National Plan of Government 2017-2020, 2017, p.4)

We again note the appeal to regional development in many of the key areas included in the Romanian public policy program for the years 2017-2020. Thus, without making a separate analysis of all public policies, we notice a constant concern with respect to regional development in areas such as economy, tourism, health and social affairs, European funds and local public administration.

Concerning the economy chapter, the policies in the field of Non-energy mineral resources include the amendment of the law on mines no. 85/2003; by adopting clear and concrete measures of transparency and accountability in the exploitation of natural resources and by creating preconditions for the recovery of waste from the mining industry, indirect benefits can be brought, as the labor available locally, regionally and nationally is reintegrated into the economic circuit. "The program will be in conjunction with policies for stimulating the development of horizontal industry around the business of mining, development of other segments of the economy that can use extracted raw material, the obligation to rehabilitate the environment, which runs totally or partly from state to the new concessionaire." (National Plan of Government 2017-2020, 2017, p.30)

The public policy relating to SME's is a priority of the economic program. To this end, it proposes the establishment of regional agencies to attract investment and export promotion in the year 2017. The beneficiaries of this measure will be the business, regional and public local authorities. The purpose of the agencies will be mainly to identify investment opportunities at local level and to make turn-key investment projects, to provide information on the facilities granted to investors on the model of state aid schemes set up to support new national investments, to offer support for investors in obtaining the necessary permits, in connection to utilities and contracting the support services needed to start the activity, to establish partnerships with financing institutions at European and international level, Chambers of Commerce, foreign embassies in Romania, to attract foreign investments with the support of the Romanian embassies abroad.

In tourism, it aims at continuing and completing the establishment of Destination Management Organizations (DMO) in tourist resorts and other tourist interest locations on the three development plans: micro (local / county), mezo (regional) and macro (national).

As regards health and social public policies, the idea set out by the predecessor's plan is reiterated, and support is offered for the construction of 8 regional hospitals, equipped with cutting-edge equipment, which will eliminate

financial and human efforts to relocate the citizens from all around the country to Bucharest, hoping for a quality medical act. In addition to these, there are also the 8 regional specialized centers meant to be set up for assisting children with behavioral disorders.

The European funds part aims to reduce regional gaps through a successful use of structural and investment funds. "Romania should support sustainable and smart growth, favourable to the inclusion, in conjunction with the reduction in regional disparities." Thus, the Government sets itself the target of accelerating the pace of spending European funds, by reaching a rate of 72.5% (92.3 billion lei) until 31 December 2020 and 100% by 31 December 2023. (National Plan of Government 2017-2020, 2017, p.32)

In order to align the objectives for which European funds (EFSI) are granted with the objectives of the national laws relating to the balanced development of regions, there is an intention to strengthen the coordination of all structural and investment European funds, assigning these funds to one single management. Thus, the coordination of the implementation of the European Regional Development Fund, the Cohesion Fund, the European Social Fund will be ensured at the level of the Ministry of Regional Development and Public Administration by the Minister-delegate for European funds. This will ensure a unitary approach in the implementation of the funds, as well as the complementary use of EFSI with other sources of finance such as state budget, loans or other grants, in order to achieve the national goal of enhancing economic growth and reduce disparities.

"Cohesion and regional connectivity by bridging the gap between regions" presents all the special features recommended by the European Union with regard to the effectiveness and sustainability of transport, interconnecting all modes of transport, the promotion of good quality, innovative technologies, promotion of non-polluting transport, low greenhouse gases and reduced gas carbon dioxide. "Balanced regional development, eliminating gaps, effective management and maintenance of all national roads are essential for the development of road transport." (National Plan of Government 2017-2020, 2017, p.106)

It should also be underlined that innovative elements for regional or local development, such as Integrated Territorial Investments (ITI) and Local Development under Community Responsibility (LDCR) have been introduced for the 2014-2020 financial period. To ensure successful implementation of these new tools, the government believes that the perfect coordination of different types of investments, supported from different funds, is fundamental and can be achieved by ensuring a unitary vision and management.

Regarding the way in which projects are financed, this is an innovative financing instrument for Romania, inspired by the experience of countries such as Norway, France, Italy or Poland, and consists of the establishment of a Sovereign Development and Investment Fund (SDIF), mainly made up from the profitable state-owned companies. The Fund will be able to use dividend income from these

companies, as well as income from bond issues or the sale of non-performing assets. The purpose of the fund will be to develop or build business from scratch in priority areas for the Romanian state, which will be economically supported (and therefore with a certain degree of profitability), alone, or together with other investment funds or private investors.

According to the plan, the largest investments of the SDIF in the next 4 years will be achieved through the construction of a public hospital and 8 regional hospitals (the total amount financed by FSDI is estimated at €3.5 billion) and the construction of motorways and speed railways, bearing in mind the priority of motorways that cannot be completed or started with European funds by 2020 (total amount financed by SDIF €3 billion).

In order to operate this new type of financing, the document states that international banks such as the European Bank for Reconstruction and Development (EBRD) and the World Bank, as well as the European Investment Bank have already expressed their interest in building highways through a public-private partnership that will held for a period of 30 years. The full property of highways will be given back to the Romanian state as the state budget will have the resources to redeem them.

In our opinion, taking into consideration the multi-layer necessary governmental actions correlated to different regional needs, as well as the disproportional development degree of local communities, this perfect and unitary coordination of investments and different funding can only be achieved at national level through a well-grounded decentralization of public administration.

The Public Administration and Regional Policies chapter focuses on the citizens' needs in terms of comfort, safety and mobility. The Government places this responsibility on the state, through all its administrative structures. "It is the state that is supposed to create the conditions for securing citizens' needs by providing the basic infrastructure (water-sewerage, schools, hospitals, roads etc.) at the level of all localities. This is the Government's vision of public administration, and the measures proposed in this chapter contribute to the achievement of its objectives."(National Plan of Government 2017-2020, 2017, p.77) With regard to public administration, the government no longer discusses the issue of decentralization, specifying only that the public administration reform has objectives underlying the strategic objectives promoted in the "Strategy for Strengthening Public Administration 2014-2020": efficiency, accountability, credibility, transparency and openness to the citizen.

4.3. How to achieve regional development through the Action Plan for the implementation of the Strategy regarding public administration 2014-2020

On the occasion of negotiations between Romania and the European Commission on the Partnership Agreement - basic documentation regarding grants from the

European Union (EU) Funds for the years 2014-2020, the idea of modernizing public administration was developed in order to prepare the necessary capacity to fulfil the role of facilitator or/of the socio-economic development of Romania effectively. The development of the Strategy for strengthening the public administration's capacity was an ex-ante conditionality in the context of EU Funds programming period 2014-2020.

Following the trajectory set by the strategic documents previously described, according to the "Action Plan for implementing the Strategy for strengthening public administration 2014-2020", focused to the above mentioned strategy, a series of actions prior to the decentralization of the public administration should be carried out in order to provide the framework for a very complex process, with a major impact on the administrative-economic functioning of the state.

Adapting the structure and mandate of the public administration to the citizens' needs and to the real possibilities for financing is a first general objective of this strategy, which has as secondary objectives measures concerning the regional development of Romania. (Figure 1)

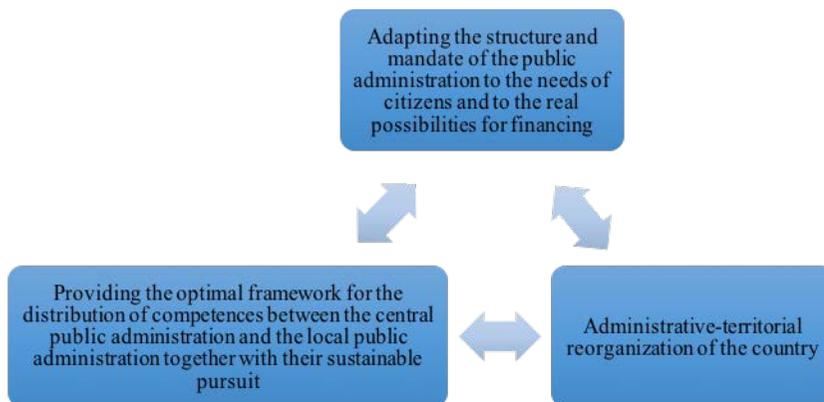


Fig. 1. *Personal processing of the Action plan for implementing the Strategy for strengthening public administration in 2014-2020*

In order to develop the financial and fiscal decentralization policy, the Ministry of Regional Development and Public Administration and the Ministry of Public Finance, through the Local Public Finance Committee, with the support of the associative structures of the local public administration authorities, have the task to obtain the required statistical data and estimate the impact of collecting and managing the decentralization policies until December 2017, so as to achieve:

- the elaboration of studies and analyses regarding the provision of the sustainable financial resources of the consolidated state budget to finance the decentralized competences of the various administrative levels;
- the elaborated financial decentralization strategy;

- legislative measures adopted by amending the legislative framework in the field of public finance and local public finances.

Developing mechanisms for monitoring and evaluating the exercise of decentralized powers by the authorities of local public administration requires the elaboration of analyses on the assessment of the administrative capacity of the administrative-territorial units and studies evaluating the effects of the developed decentralization strategies and the impact on the public administration. The deadline is set out for December 2018, but the mechanism for monitoring and assessing the decentralized operational competences will only be finalized in June 2019.

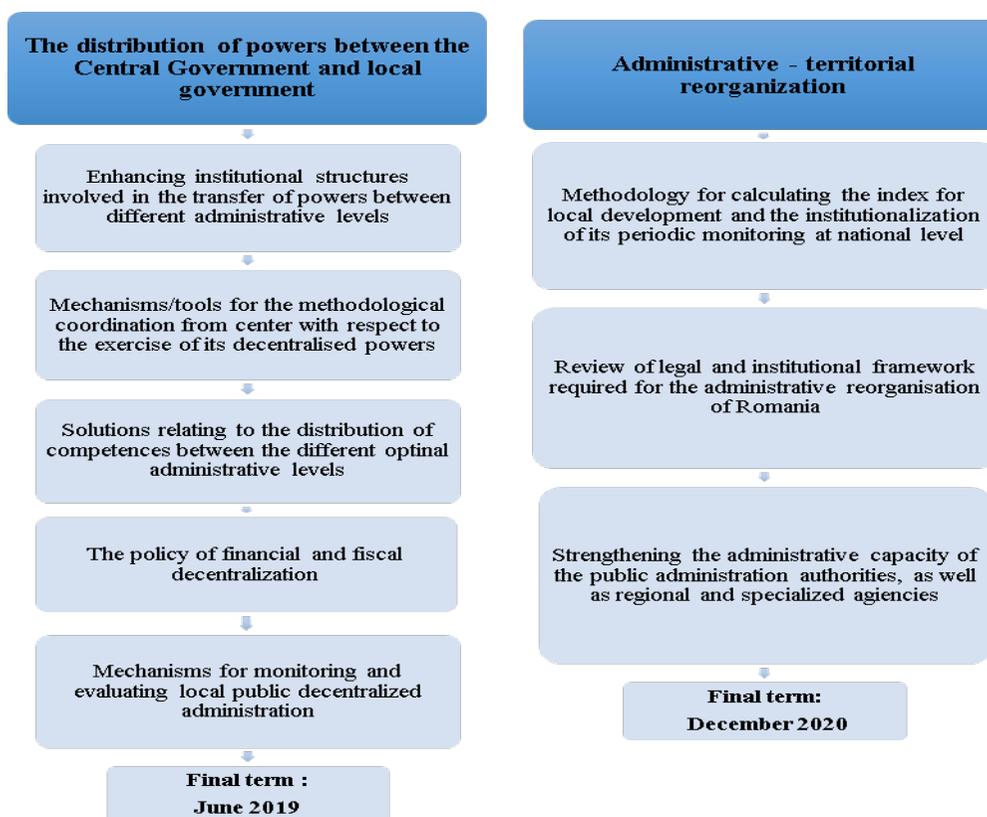


Fig. 2. *Personal processing of the Action plan for implementing the Strategy for strengthening public administration in 2014-2020*

Regarding the administrative-territorial reorganization for the purpose of regional development, the first sub-objective was to develop a methodology for calculating the local development index and to institutionalize its periodic monitoring at national level, involving several actions related to:

- the elaboration of the local development Index Calculation Formula;

- the institutional framework and methodology of data collection created and institutionalized;
- the base value of the calculated local development index;
- the regular monitoring conducted (expected date: December 2020).

The second sub-objective is to revise the necessary legal and institutional framework for Romania's administrative-territorial reorganization. It involves the elaboration of studies on administrative-territorial reorganization of Romania, with emphasis on regionalization, following legislative measures that are to be finalized in December 2018, regarding:

- the establishment and operationalization of developed regions;
- the revision of the normative framework regarding the status, organization and functioning of the documents elaborated by the local public administration authorities;
- the revision of the organization and functioning framework of the prefect institution.

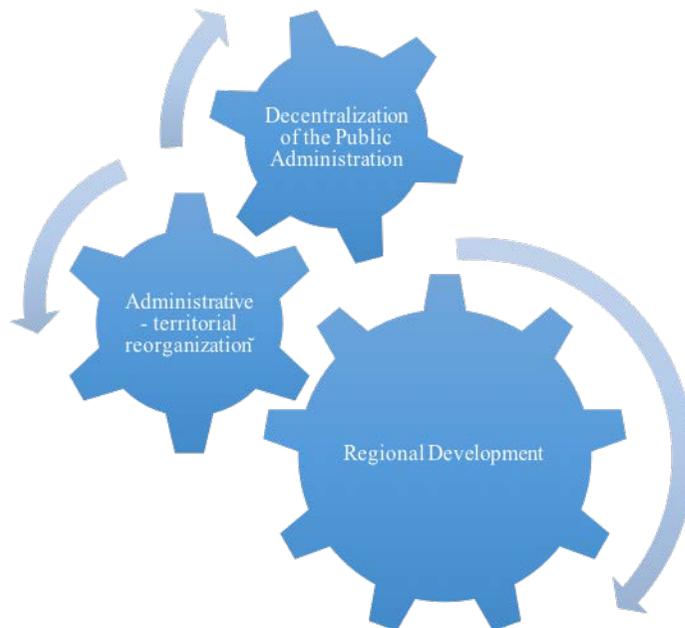


Fig. 3. *Personal processing of the Action plan for implementing the Strategy for strengthening public administration in 2014-2020*

Strengthening the administrative capacity of regional public administration authorities, as well as their specialized agencies, by establishing regional operational authorities capable of exercising the competences assigned to them by law is expected to be achieved in December 2020.

To this end, we note that there is a fundamental link between the Decentralization of the Public Administration and the Regional Development of Romania, the two targets being interdependent.

5. Conclusions

Before any other desideratum, the regionalization operation must find its purpose in the efficient management of its resources, both internal and external, in optimizing functions of the territory and ensuring good territorial governance.

The objective of better identifying the new framework for action of the regions should be, first of all, to explore the existing possibilities for the better use of structural funds, European funds representing Romania's largest external financier at present.

The current organization shows us a slow and uncertain dynamics of regionalization and decentralization, even if its fundamental concepts have become widespread through the political discourse of intent and by being included in the Romanian strategic documents.

There are still a number of shortcomings related to the lack of a representative entity at regional level and the centralization of decision-making. From this perspective, the regionalization process is improvable and can bring with it a number of advantages such as: better correlation of the national strategies with the regional ones, effective coordination of the regional development strategies, a higher degree of specialized expertise at the regional level, prioritization of projects in line with the specific needs of each local community.

In this regard, there is no doubt that multilevel governance must make a fresh qualitative leap in the coming years in order to create a bridge between the institutional life of the European Union and that of its citizens in the Member States.

Starting from the analysis of the main planning and strategies, it appears that there are still some initial, unaccomplished desires, which are currently stagnating or have a slow evolution in relation to the objectives set out by the Government plans.

Therefore, analyzing the Action Plan for the implementation of the Strategy for strengthening public administration, we can conclude that both financial and fiscal decentralization of the public administration and the full functional regionalization will not be able to operate during the 2014-2020 period of accessing the European structural and investments funds.

In conclusion, we note that there are intentions of regional development, but for now, they are declarative and dispersed. Despite the unitary and balanced nature of regional development which should be geared to the regional development in Romania, major delays in the preparation of regional development have not been counteracted and there are still the same risks for regional projects, and in particular

the danger of losing sums allocated to this end in the field of European non-reimbursable funds.

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