

EFFECTS OF THE ECONOMIC - FINANCIAL CRISIS ON REGIONAL DEVELOPMENT IN POST-ACCESSION ROMANIA

Paul LUCIAN¹

Abstract: *To apply the regional development policy of the European Union in Romania, eight development regions have been established, regions that are not administrative - territorial units without legal personality and which are eligible for funding from the EU Structural Funds. In the current world of circumstances, in Romania there is a trend of increasing regional disparity. The National Development Plan (2007-2013) sets out the overall aim of reducing the swift socio-economic disparity between Romania and the other EU countries.*

Key words: *Convergence, Structural Funds, Sectoral Operational Programme, National Development Plan, National Strategic Reference Framework.*

Since 1998, the common system of statistical classification of territorial units has been transposed into Romanian legislation, a system created according to European Commission regulations. According to this system Romania was divided into eight development regions, each region having between four and seven counties. According to EUROSTAT, they belong to NUTS 2 level (Nomenclature of Territorial Units for Statistics). Within these areas, development councils have been established, councils which bring together representatives of the Local and County Authorities and of the Regional Development Agency as executive bodies. These regional development regions are not territorial and administrative units and they do not have legal personality.

From the perspectives, principles and objectives of the community and regional development in accordance with the European Commission, the eight regions in Romania are eligible for funding from the EU Structural Instruments. From the analysis carried out at regional level it has been concluded that, in Romania, there exists an upward trend in regional disparity in terms of economic and social development, and a sustainable use of environmental resources and quality infrastructure. Compared with other EU countries, Romania has a specific problem, that of rural development.

The post-accession strategies present the current status of Romanian agriculture and its rural development as follows: In 2005 approximately 45.1% of the population worked in agriculture, agrarian structures

¹ Department of Basic Economic Sciences, *Lucian Blaga* University of Sibiu.

dominated by excessive fragmentation of financial capital and the lack of operating capital, extremely modest capitalization opportunities ; significant surplus of labour in individual farms, the level of poverty in rural areas, the infrastructure status, the state of the health system and of the education system and the initial and continuing vocational training in the rural areas. In this context, Romanian farmers experience, in terms of economic performance, a downward trend in trade competitiveness of the internal single market and international market. This situation results from the trade balance with agro-industrial products.

In this case, Romania is one of the most vulnerable countries in EU economic - financial crisis. The financial and economic crisis manifests itself in our country by lowering the economic activity in many areas, low individual investment, reduced employment levels, lower production and consumption, etc..

Due to the current economic- financial crisis, in all eight regions of development, unemployment is high, growth is weak and efforts to reduce the budget deficit have become unpopular. The crisis has widened regional disparity. There are obvious disparities between the urban and rural areas. The poorly developed rural areas are most affected by the crisis, areas where workers, households and entrepreneurs depend upon a single occupation such as farming, beekeeping and fisheries. The effects of economic - financial crisis are evident in the declining industrial regions. There are more prosperous urban areas but in such cases the population's income is located at each end, some very rich and others very poor, a phenomenon that emphasizes regional disparity.

Based on the analysis of the situation – the economic development of the eight regions of Romania affected by crisis, the regional, local and county authorities have

established the following strategic objective by the year 2013: to support economic and social development of the territorially balanced and sustainable regions of Romania according to its specific needs and resources by focusing on urban growth poles, improvement of infrastructure and business environment to make Romania's regions, particularly those lagging behind, more attractive places to live, to visit, to invest and work in .

The tools used to achieve those objectives are the Structural Funds. These funds are managed by the European Commission and are intended to help finance structural measures at the Community level, to promote the regions with developmental delays, reconversion in areas affected by industrial decline, tackling the long-term employability of young people and promote rural development.

We believe that in the rural areas affected by economic - financial crisis, the small farms are to be helped, supported and encouraged by the European Development Funds (ERDF) or the European Agricultural Guidance and Guarantee Fund (EAGGF). This measure is needed to help reduce unemployment in rural areas while the labour force in agriculture no longer exerts pressure on the urban area in search of a better job.

We believe that the industrial areas experiencing economic decline and unemployment hit, should seek financial assistance through loans on favourable terms from the European Investment Bank to invest in industry, in order to create new jobs and for some product industries to become competitive on the European market.

The Structural Funds consist of the ERDF, the ESF, and the CF. The European Regional Development Fund (ERDF) is supporting three new regional policy objectives: convergence, regional

competitiveness and employment and European territorial cooperation. This fund supports sustainable economic development at regional and local level by mobilizing local capacity and diversifying economic structures in the following areas: research and technological development, innovation and entrepreneurship, information society, SMEs, environmental protection, tourism, energy.

The European Social Fund (ESF) contributes to the enhancing of the adaptability of workers and enterprises, enhancing access to employment, preventing unemployment, prolonging working lives and increasing labour market participation of women and immigrants, supporting social inclusion of disadvantaged people and combating discrimination.

The Cohesion Fund (CF) is to fund environmental projects and European networks, sustainable development projects and projects aimed at improving air traffic management and road upgrading urban transport, multimodal transport development and modernization.

The European Agricultural Fund for Rural Development and European Fisheries Fund are not part of SF category while operating under the same regimes. These funds are managed by the Ministry of Agriculture in Romania. The Structural Funds are different from the European funds used during pre-PHARE, ISPA and SAPARD, chiefly because they have greater financial scale and are managed by the Ministry of Public Finance while Operational Programs have their own management authority.

The responsibility for managing Structural Funds is incumbent only on the Romanian authorities, unlike during the pre-European funds when they were managed by the European Commission. The principles according to which the funds were allocated for regional

development in pre-accession period (2000 - 2006) are: complementarities, consistency, coordination, compliance and additionality.

During the post-accession period, the programming period 2007 - 2013, SF allocation principles are based on the priority of the Lisbon Strategy, namely: proportionality, equality between men and women and non-discrimination, sustainable development.

As a member of the EU, the financial assistance grant under the Economic and Social Cohesion Policy of the EU, is granted through the Structural and Cohesion Funds under the Objectives "Convergence" and the "European territorial cooperation".

The total Structural and Cohesion Funds allocated to Romania for the period 2007 - 2013 by the European Commission is of 19.668 billion euros, of which 12.66 billion will be allocated through the Structural Funds under the Convergence, 6.55 billion allocated by the Cohesion Fund, and 0.455 billion will be allocated for the European Territorial Cooperation Objective.

According to the new *acquis communautaire* regarding the EU Cohesion Policy, each Member State has established the 2007-2013 National Development Plan. This plan represents a strategic planning document that guides the multi-annual financial programming and stimulates economic and social development of the country in line with the EU Cohesion Policy in the post-accession period.

The Plan sets the overall aim to reduce swift socio-economic disparity between Romania and the other European Union member states and details the specific objectives of the process giving priority directions. Based on the provisions of the 2007 - 2013 National Development Plan, a National Strategic Reference Framework for 2007 - 2013, whose vision is "To create

a competitive, dynamic and prosperous Romania" was developed.

The objective of the National Strategic Reference Framework (NSRF) 2007-2013 is to reduce the disparity of economic and social development between Romania and EU member states by generating an additional increase of 15-20% of GDP by 2015.

The National Strategic Reference Framework is implemented through the Sectoral Operational Programmes according to the "Convergence" Objectives and the European Territorial Cooperation.

In order to achieve convergence, the following Sectoral Operational Programmes (SOP) were developed: the SOP Increase of Economic Competitiveness, the SOP Human Resources Development, the Administrative Capacity Development POS, the POS Technical Support.

The SOP Increase of Economic Competitiveness, the Regional SOP and SOP Technical Assistance are financed by the European Regional Development Fund with the management authority of the Ministry of Economy and Finance and the Ministry of Development, Public Works and Housing.

The National Strategic Reference Framework with the National Reform Programme and the Convergence Programme are responsible for Romania's efforts to achieve the convergence targets and to comply with the European policy objectives and strategies.

Note that in theory at both national and community level, there is concern for

mitigating the effects of the economic crisis for almost all European regions only by implementing projects that require too many formalities to comply with, sometimes justified suspicion of corruption and a lesser alleviation of the disparity between different EU regions.

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