

## **Regional Development in Romania**

The following presentation is based on the following book chapter: BENEDEK J., HORVÁTH R. (2008) Chapter 12, Romania, in: BAUN M, MAREK D., (Eds) *EU regional policy after enlargement*, 226 – 247. Palgrave Macmillan, Basingstoke.

### **INTRODUCTION**

With 22 million inhabitants, Romania is the seventh largest among the EU countries, and the second largest in the eastern part of the EU. Although the country has experienced strong economic growth during the last years (6.4 per cent annually from 2003 to 2006), it remains among the poorest of the EU, the GDP per capita reaching only about 35 per cent of the EU-average in 2005. Romania has a particular situation among the Central-Eastern European countries because it was not part of the first wave of Eastern enlargement of the EU (May 2004). Romania presented its request to join the European Union in June 1995 and started the accession negotiations in February 2000<sup>1</sup>. The accession was delayed - as in the case of Bulgaria - for January 2007.

### **CREATING THE INSTITUTIONAL BASIS FOR EU COHESION POLICY**

The NUTS system was drawn on the existing administrative-territorial structure of the country, structured in two levels: communes (groups of villages) and towns in the lower level and counties in the upper level. The Law no. 215/2001 regulates the local autonomy, as well as the organization and functioning of the local public administration. The basic principles of the organization and functioning of the local public administration are the following: decentralization, local autonomy, decentralization of public services. Immediately after stating these principles, the law specifies that they cannot 'offend the national, unitary and indivisible character of the state of Romania' (Article 2/2). The local autonomy is understood as 'the right and effective capacity of the local public administration authorities to solve and manage public duties, on behalf of and in the best interest of the communities they represent' (Article 3/1). This right is exerted by the local councils, mayors and county councils. The law defines the administrative and financial local autonomy as well, which 'concerns the organization, functioning, competencies and prerogatives, as well as the management of resources which, by law, belong to the commune, town, city or

county' (Article 4/2). Both local and county councils have a category of competencies related to the social and economic development. For example, the local council approves the strategies concerning the economic, social and environmental development of the administrative unit and the county council adopts strategies, prognoses and county economic, social and environmental development programmes. An important factor which has led to the establishment of the regional policy was the EU accession process. During the accession process, the European Commission drew up reports on 'the progress registered by Romania in the perspective of accession'. The first report in 1998 explicitly mentions the impact of the accession process (of the EU Cohesion policy) upon Romania's legislation regarding regional development. The report specifies that 'a Law on Regional Development, drafted with EU assistance and approved in July 1998, has created a framework for the development and implementation of regional policies.' (Commission of the European Communities, 1998, p. 38). Later, Romania had to comply with the EU acquis. It was expected from the candidate country to develop a development system based on the regional principle. The negotiations on the Cohesion policy of the EU were opened in June 2002. As result a new Law on Regional Development (Law no. 315/2004) was adopted. This law has set the objectives, institutions, competences and instruments for regional development in Romania. Therefore, the main objectives of the regional development are the reduction of interregional disparities - by supporting a balanced development and the catching-up of the better developed regions -, the preparation of the institutional framework in accordance with the EU integration criteria and with the criteria of the EU structural funds, the correlation of the sectorial politics of the government on the regional level, as well as the support of the domestic, international, interregional and crossborder cooperation, in order to promote the economic and institutional regional development.

Territorially, a regional level has been created, without juridical personality - it means that they are not administrative-territorial units - by grouping the 41 counties according to several criteria in eight development regions, equivalent to the EU NUTS II level. They have a framework function for the establishment, implementation and evaluation of regional development policies, as well as a technical function as basic territorial units for the collection of specific statistical data according to the EUROSTAT regulations. The boundaries of the new regions are following the boundaries of the counties and of the City of Bucharest.

The new NUTS II regions were instrumentalized by creating a new institutional network for the administration of these spatial units: the National Council for Regional Development (NCRD), the Regional Development Councils (RDCs) and the Regional Development Agencies (RDAs).

The **National Council for Regional Development** is a partnership-based institution for the drawing up and implementation of the objectives of the regional development policy. The state has a strong position in this institution, because his chairman is the Ministry for Development, Public Works and Housing (MDPH), the Secretariat is held by the same minister, and different representatives of the Government are members of the Council in an equal number with the representatives (the presidents and vice-presidents) of the eight RDCs. It is designed to approve the national strategy for the regional development and of the National Development Plan (NDP), to approve the criteria and priorities for using the National Fund for Regional Development, to propose the use of the preaccession funds for regional development allocated to Romania from the European Union, and to approve the projects proposed by the RDAs.

The eight **Regional Development Councils** represent the territorial structures for regional development. They are deliberative bodies at the level of every development region, without juridical personality. They are responsible for analyzing and deciding on the regional development strategy and programmes, approving the regional development projects, and approving the criteria, priorities, allocation and destination of the resources constituted in the Regional Development Fund (RDF).

The **Regional Development Agencies** are territorial structures for regional development established within the framework of each development region. They are non-government, non-profit public institutions, with juridical personality. RDAs were given the following main aims: to formulate and propose the regional development strategy, the regional development programmes and plans, and the funds management plans for approval to the RDC, to implement the regional development plans and the funds management plans, and to manage the RDF.

In the introduction of the **NDP for the period 2007-13**, the references to the European cohesion policy and European demands are ubiquitous. This is the document which should form the basis for the drawing up of the national strategic reference framework (NSRF) 2007-13. At the same time, it is mentioned that this document is not a national strategy of economic development, but only indicates ‘the public investments priorities for development’ (Government of Romania, 2006, p. 4). The purpose set by the NDP is that Romania should reach by 2013 a level of the GDP/inhabitant representing 41 percent of the EU average. In fact, it formulates three major objectives: the Romanian economy should be more competitive on the long run; the basic infrastructure should be developed at European standards; the domestic human capital should be better trained and more efficiently used (ib., p.242). The six priorities that would help achieving the main objectives are: the increase of economic competitiveness and the development of an economy based on knowledge; the development and modernization of the transportation infrastructure; the protection of the environment and the improvement of its quality; the development of human resources, the promotion of the employment and of social inclusion, and the improvement of the capacity of administration; the development of the rural economy and the increase of productivity in the agricultural sector; the decrease of development disparities between the regions (ib., p.243). If the foreseen value of resources was 12,119.66 millions € for NDP 2004-6, the same value reaches 58,673.10 millions € for NDP 2007-13. The European funds are also enlisted among the financial resources of the NDP, but it is underlined that they represent only ‘indicative allocations’ (ib., p. 350) as they are granted according to the NSRF and to operational programmes (OPs). The distribution of different types of financing resources is envisaged this way: 43 percent European funds, 48 percent national public sources, some of them necessary for the joint financing together with European funds; 9 percent private sources exclusively provided for the financing of European funds (ib., p. 351-352). One may notice that the European resources and Romania’s resources for joint financing together with European funds represent more than half of the resources for the NDP. If NDP 2007-13 establishes six priorities, the NSRF defines only four: the development of basic infrastructure at European standards; the growth of Romanian economy and its competitiveness on the long run; the development and more efficient use of human capital of Romania; the consolidation of an efficient administrative capacity. The stress laid on the development of the infrastructure is obvious, if one

takes a look at financial estimations, which assign 60 percent of the total budget for this priority subject (Government of Romania, 2007, p. 153). The NSRF also defines a territorial priority: the promotion of a balanced territorial development. The main objective of the NSRF is to reduce the economic and social development disparities between Romania and the EU Member States, by generating a 15-20 percent additional growth of the GDP by 2015 (Government of Romania, 2007, p. 85).

Romania falls under the incidence of two out of three objectives of the structural and cohesion funds: the one regarding convergence, and the one regarding territorial cooperation. All regions of Romania are meeting the objective 1 criteria of GDP/capita less than 75 per cent of the EU average. Seven OPs have been drawn up within the convergence objective. One of them is regional and six are sectorial (competitiveness, transport, environment, human resources, administrative capacity, technical assistance). The following OPs have been defined for the objective of territorial cooperation: Cross-border Cooperation OPs (Romania-Bulgaria, Romania-Hungary, Romania-Hungary-Slovakia-Ukraine, Romania-Ukraine-Moldova, Romania-Serbia), Transnational cooperation OPs (South-Eastern Europe, the Black Sea), Inter-regional cooperation OPs (URBACT II, Interreg IVC, ESPON 2013, INTERACT II)

*Table 12.5.* Financial allocations for Romania for the 2007-13 period

<b>Operational Programme</b>	<b>EU contribution in €</b>	<b>% in total</b>
<b>Convergence objective</b>		
SOP Increase of Economic Competitiveness	2,554,222,109	12.99%
SOP Transport	4,565,937,295	23.22%
SOP Environment	4,512,470,138	22.94%
Regional OP	3,726,021,762	18.94%
SOP Human Resources Development	3,476,144,996	17.67%
OP Administrative Capacity Development	208,002,622	1.06%
OP Technical Assistance	170,237,790	0.87%
<b>Total Convergence objectives</b>	<b>19,213,036,712</b>	<b>97.689%</b>
<b>European Territorial Cooperation Objective</b>	<b>454,610,340</b>	<b>2.31%</b>
<b>Total</b>	<b>19,667,647,052</b>	<b>100%</b>

Source: Government of Romania (2007), EC documents.

The implementation of the European cohesion policy, or better said the mechanism which allows the money allocated to Romania (table 12.5.) for the convergence and territorial cooperation objective to get to the beneficiaries, is quite complex and organized on several levels. One should state the difference between NSRF coordination and the authorities responsible for the management of OPs. The NSRF has four coordination institutions (Government of Romania, 2007). First, the National Coordination Committee for Structural Instruments, which is an interministerial board presided by the Minister of Economy and Finances. Its members are the ministers responsible for the management authorities and that of the Certifying and Paying Authority. The Committee is responsible for the coordination of the implementation of European structural instruments and for the correlation between the operative programmes of the structural instruments and the programmes financed by EAFRD and EFF. Second, the Management Coordination Committee, which will coordinate administrative and management issues between the different OPs. Its members are the heads of the OP Managing Authorities and of the Certifying and Paying Authority. Third, the Thematic Working Groups, which are set up whenever necessary. Such groups already exist, for instance for SMIS development. Fourth, the Regional Coordination Committees for Structural Instruments, that are organized in each region as a consultative authority which analyzes the implementation of the European programmes in the regions.

The Minister of Public Finances is the managing authority for the community support framework, coordinating the implementation of structural funds in Romania. For every OP, management authorities and also intermediate bodies have been designated in most of the cases. We may notice that these intermediate bodies are, most of the times, ministries or bodies coordinated by ministries. The Regional Operational Programme (ROP) is the only one that has the RDAs as intermediate bodies. To the RDAs were given the following main prerogatives to provide information to the applicants, to participate in the preparation of appeals for project proposals, to receive and register the applications, to analyze the administrative conformity and the eligibility of the financing applications, to organize the sessions of technical and financial assessment of the registered projects with the help of independent evaluators, to conclude financing contracts, to receive payment applications, to check the correctness of the expenses, and to be in charge as Secretary of the Regional Committee of Strategic Assessment. The ROP management authority is a unit set up

within the MDPH, which, among others, drew up the ROP, aims at reaching the ROP objectives; ensures the ROP implementation, develops partnerships, proposes the changes in the ROP, draws up the criteria for the selection and assessment of the projects, approves the projects selected by the RDAs. As one can see, the RDAs are the institutions that will have the most direct contacts with the potential beneficiaries of the structural instruments.

The Monitoring Committee of the ROP (MC ROP) is made up by three types of members. Eight representatives of the central public authorities, as they are representatives of the managing authorities (of ROP, of six SOPs), of the authority for the coordination of structural instruments and of the managing authority of the national programme for rural development. In addition, eight representatives of the RDCs will be represented, who will be the presidents of county councils. And, finally, eight representatives of the business environment, academic environment or the civil society will complete the MC ROP, named by the RDCs. The president of MC ROP is the Minister of MDPWH. Among the prerogatives of MC ROP, one should list the following: to approve the selection criteria for the projects, drawn up by AM ROP, to approve the implementation reports, to propose AM ROP to revise the OP, to approve the proposed changes regarding the financial assignments of ROP. From the composition of this committee, one can reach the conclusion that the representatives of the RDCs may exert (theoretically) a high influence within MC ROP.

Apart from these national structures, a Regional Committee for Strategic Assessment and Correlation should be set up in every NUTS II region. Among others, it assesses the projects at the level of the region from a strategic point of view and establishes their priority; it approves the list of priority projects for the region, proposed for financing within the ROP.

The five OPs - SOP Increase of Economic Competitiveness, SOP Transport, SOP Environment, Regional OP, SOP Human Resources Development – represent more than 95 per cent of the funds allocated to Romania. Priority axes have been established for each of them, representing the directions for development and investments for the next seven years.

The SOP Increase of Economic Competitiveness has five priority axes: the development of an innovative and ecologically efficient production system; research, technological development and innovation for competitiveness; information technology and communications technology for the public and private sector; the

increase of energetic efficiency and of provision security in the context of climatic changes; technical assistance (MEF, 2007a).

The SOP Transport has only four priority axes: the modernization and development of TEN-T priority axes aiming at sustainable transport system integrated with EU transport networks; modernization and development of the national transport infrastructure outside the TEN-T priority axes aiming at sustainable national transport system; modernization of transport sector aiming at higher degree of environmental protection, human health and passenger safety; technical assistance (Ministry of Transport, 2007).

For the SOP Environment, the Ministry defined six priority axes: extension and modernization of water and wastewater systems; development of integrated waste management systems and rehabilitation of historically contaminated sites; reduction of pollution and mitigation of climate change by restructuring and renovating urban heating systems towards energy efficiency targets in the identified local environmental hotspots; implementation of adequate management systems for nature protection; implementation of adequate infrastructure of natural risk prevention in most vulnerable areas; technical assistance (Ministry of Environment and Sustainable Development, 2007).

The Regional OP has the following priority axes: support of the sustainable development of urban growth poles; the improvement of the regional and local transport infrastructure; the improvement of social infrastructure; strengthening the regional and local business environment; sustainable development and promotion of tourism; technical assistance (MDPH, ROP, 2007).

The SOP Human Resources Development has seven priority axis which are the following: education and training for the growth and development of a knowledge-based society; linking life long learning and labour market; increasing adaptability of workers and enterprises; modernization of Public Employment Service; promoting active employment measures; promoting social inclusion; technical assistance (Ministry of Labour, Family and Equal Opportunities, 2007).

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<sup>1</sup> The European Commission recommended the start of the negotiations with Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia in October 1999. This recommendation was approved at the European Council of Helsinki in December 1999.