Romania’s regional development strategy between 2014-2020

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Abstract. Theoretically, a state’s regional development strategy represents that set of measures that are adopted and implemented by that state’s central and/or local institutions respectively together with other public or private factors that are directly interested, in order to ensure economic, social, cultural and territorial development, by efficient use of local and national resources. It has to be mentioned that a regional development strategy has as final purpose the reducing of economic, social, cultural and territorial disparities, respectively the realization of economic convergence. Taking into account the ideas presented above and Romania’s current context, as a member state of the European Union, in the present study we wanted to make an analysis on Romania’s regional development strategy, in correlation with the European Union’s cohesion policy, emphasizing the analysis of the eight development regions in Romania and the strategy development trends in programming period 2014-2020. Thus, we will try to highlight, in the present study, the aspects surveyed in Romania’s regional development strategy within period 2014-2020, that will contribute to the elimination or, at least, the decrease of those substantial economic, social, territorial disparities that exist among the internal regions in Romania and between Romania and other member states of the European Union.

Key-words: cohesion policy, regional development, European funds.

JEL Classification: F15, F36, G00, G10, G20, G21, H00.

1. Introduction

The present thesis is a topical issue, theoretically, practically and politically, both national and European, considering that by means of Romania’s regional development strategy an economic recovery is expected, its development and, not least, the achievement of the objectives set through the cohesion policy of the European Union. At present, Romania’s regional development strategy has become a priority both for the academic and economic Romanian environment, for the experts in regional development, for European and Romanian research institutes, for international organisations having a role in economic development, and for the politic decision markers within the European commission. Their common denominator is the analysis of the regions of economic development in Romania, respectively the identification of their needs, the setting of development directions according to the strenghts and the weaknesses, threats and development opportunities and, not least, the attracting of funds allocated through the instruments of cohesion and regional development policy of the European Union.

Romania’s regional development strategy is developed considering the eight regions, divided according the NUTS system, a system that was established by the European Commision. Thus, in the first part of this thesis, we have presented an analysis about the formation of the eight regions in Romania, that offers a needed support for the implementation of the regional development strategy, emphasizing the theories that were a source of inspiration for this purpose. Also, in this part we have
made an analysis on the evolution of the main macroeconomic indicators that emphasize the level of economic development of the eight regions. In the second part of this thesis our research was focused on the identification of the development trends that the development strategy will have in the 2014-2020 period, correlated to the objectives aimed by the development and the cohesion policy of the European Union. In the last part of the present thesis we have presented the conclusions about the measures that we consider that have to be implemented in order to implement the regional development strategy in good condition and in order to obtain the projected results, respectively to contribute to the elimination or, at least, decrease of economic, social, territorial, cultural disparities among the development regions in Romania.

2. Regions and regional development in Romania

The first step in elaborating, implementing, monitoring and evaluating the regional development strategy of Romania was dividing the country in development regions. This process, which had as a a purpose to create the best medium for implementing the regional development strategy, was a pretty difficult one and has created as lot of tensions among the regional policy experts, men of culture, historians and among the deciding political markers, firstly because of the signification that the word „region” holds, and the role that it holds within the development policy. According to the definition published on www.dexonline.ro, by „region” we understand „large piece of land, more or less homogenous, in a country or on Earth, that has common features; territory, area”. Thus, starting from the meaning of the concept, we can say that in the process of regionalization, the identification of common elements of those counties in Romania was considered: the elements of economic, cultural social, historical, etc importance. With this in mind, they tried to identify the needs, the strengths, the weaknesses, opportunities and common threats of these counties, which were grouped into a development region considering economic, social, cultural, historical, etc criteria.

Culturally, according to the sociologist Dumitru Sandu Romania „appears to be divided into two big cultural blocks: Transylvania, Banat and Crișana-Maramureș, on one hand, and Moldova, Muntenia, Oltenia și Dobrogea on the other”. The two blocks are divided, as one can see, into seven cultural areas, respectively Transylvania, Banat, Crisana-Maramureș, Moldova, Muntenia, Oltenia and Dobrogea, that, along with Bucharest identify themselves with the eight historical regions of Romania.

From the economic point of view, the grouping of Romania’s counties in development regions was very difficult to do, considering that their economy is pretty different. However, by Regional Development Law no. 151/1998, modified by Law no. 315/2004, and considering primarily the existing resources in these counties, the functional connections among the counties, the economic activities, the regionalization of Romania was succeeded. In the process of regionalisation were taken into account the „strong” counties from an economic point of view, the ones that are economic centres, development poles, as the following counties are considered: Dolj, Cluj, Constanța, Timișoara, Iași, etc. and attracting around them other counties, thus forming the eight development regions.

We think that the process of regionalization in Romania was also inspired by theories that are promoted and developed along history by authors and regional politics specialists. Thus, „Growth poles or development poles theory”, whose author is Francois Perroux, supports the idea that an economic operator becomes a growth pole only if around it appear and develop other small or big economic operators, thus becoming an example. In other words, according to this theory, the economic development of SV Oltenia region, for example, will be influenced by Dolj county which will “attract” after it other counties which are less developped: Vâlcea, Mehedinți, Gorj, Olt. We think that the development of counties considered to be „development poles” in Romania was very
much influenced by the investments made by the public sector in general infrastructure, which prompted the investments in the private sector. Moreover, we consider that, in order to become a real "development pole", a county has to have an economic attractiveness, but also a cultural, social and historical one, in the first place. In the second place, there have to be certain "signals" from the neighbouring counties, which, naturally display the idea of dependance form an economic, social cultural, etc. point of view towards the county which is considered the "development pole" of that region, showing the confirmation of request in a natural way.

According to "Centre-suburb theory", promoted by John Friedmann and other authors in the field, the connections between the suburb areas and the central areas are seen as stimulators of the regional development. Referring to Romania, we can clearly see that the central areas of the cities, for example represent the areas where there is a large concentration of capital, towards which the resources from the peripheral areas tend to move. This aspect is also seen within the development areas, especially referring to its economic, social, cultural convergence. It is obvious that, in Romania, the economy level, the standard of living, the level of education, the cultural and social level of the population is more developed in the "development poles" counties, which are located mostly in the central area of the development areas. In these counties, due to the large volume of investments coming from the private sector, there are many attractive jobs for the rest of the population in the region, which promoted migration from the peripheral area of the regions to their centre, respectively towards the counties with a greater economy power, where the standard of living is much higher.

Another regionalization theory is "Circular and cumulative causation theory" developed by R. Prebisch, G. Myrdal, F. Hilgert and others. This theory starts from the idea that the "mobility of factors" influences the process of regionalisation. The most relevant factor in Romania is the workforce. For example, in Romania, after 1900, there has been a movement of the workforce from the rural areas to the urban ones, from the poorer counties to those considered to be development poles. This led to a greater development of the counties that receive all the workforce, and the counties that the workforce migrated from, became poorer.

"Marxist Theories about regional growth" promoted by K. Marx, D. Gordon, others supports the idea that the regional development is influenced by conflicts between the capitalists and the workers. That is, the regional development is influenced by the unequal concentration of the capital, respectively the urban areas where there were investments made, will generate profit, while the rural areas will suffer in development, as these are not attractive to the investors. This aspect will cause migration of capital and of workforce towards urban areas, which, at a certain moment, will stop developing and generating large profit because of the serious competitiveness that will exist. Thus, once the urban areas stop producing the great amount of profit that the investors seek, the investors will leave these areas, generating social and economic conflicts between capitalists and workers. Such an example for Romania can be Valea Jiului area, where, due to mining being considered non-profitable, the investors shut down the mines, thus creating a major socio-economic conflict between the workers and the investors in this area. Because the mines were closed, not only the workers that were working in the mine were affected, but also the other economic agents and their employees, because suddenly the purchasing power of the population in the area dropped and the entire economy collapsed. The solution for the majority of traders was the relocation of the activity in other more attractive areas that would let them obtain their projected profits, and the answer for the workers was professional reconversion and/or moving to neighbouring more developed counties in order to find a job.
"The endogenous development theory" supported by J. Friedmann, J. Paelinck, etc., promotes the idea that the efficient capitalization of local resources can lead to economic growth and to the development of the region's productivity. Thus, if we analyze, for example, Vâlcea county, we will conclude that the county's touristic potential, emphasizing the balneary tourism, can be exploited in world famous resorts like Olănești, Călimănești, Govora, due to the therapeutic effects of thermal springs there, monastic tourism, cultural tourism, recreational tourism, they could all develop the county and the development region it belongs to. However, for the efficient use of the touristic power of Vâlcea county, investments will have to be made in the transport infrastructure, respectively building an airport in the area to attract foreign tourists or at least a highway that would connect the county to neighbouring counties that have airports, as an alternative to the existing roads that offer bad traffic.

Walt Whitman Rostow's theory, known as "Development stages theory", starts from the following premises: in order to reach a certain level of regional development, each state or region must undergo certain stages. This theory supports the following arguments: in the first stage a region’s development is polarized and in the following stage the integration, regional development starts from the central area to peripheral areas, the decentralization supports the development of peripheral areas. These aspects can also be observed in Romania, where, in many urban areas, there appeared, especially in the 1990’s, development centres, which, due to positive evolution and to the promotion of the decentralization phenomenon have contributed to the development of peripheral areas. Such an example can be considered naming, in Romania’s peripheral areas, or close by, county municipalities or industrial parks, business centres, business incubators that directly contributed to the development of the peripheral areas and to the development of the region it belongs to.

"Institutional theories" developed, for example, by A. Marshall supports the idea that regional development can be done by means of an institutional system which is based on certain exact rules and on financial resources, promoting the importance of transaction cost efficiency. Transaction costs, encompassing economy costs and political ones reach a significant percentage of gross domestic product of a state, that is why, their negotiating and monitoring is very important. We think that Romania, by creating management authorities, regional development agencies and other public or private entitites whose purpose is regional development, has succeeded to create an adequate institutional framework that could tackle the implementation and monitoring of the regional development strategy.

Thus, we consider that Romania’s problem, concerning this institutional framework, is the legal framework, respectively the norms and the rules regarding the implementation and monitoring of the regional development strategy that have to be correlated to European rules and simplified.

The localisation process of the eight development regions in Romania is based on the existence of the following: economic activities with a development potential, certain natural resources, certain workforce level, certain knowledge level, the population's certain cultural level, certain level of education of the population, certain social, cultural, economic needs. Taking into consideration the regionalization process of Romania by means of location we can see that the localisation of the eight regions followed and still follows the optimization of the economic, social, cultural etc. activities that the business operators and the individuals have in the development regions, by creating and modernising the general infrastructure. Secondly, the localisation of the eight development regions allows the political markers and the experts in regional policy to easier elaborate regional development policies, and to monitor their implementation, contributing to the setting of regional development directions.

According to the classification system of the territorial units NUTS, the administrative division is as follows:
Table no.1. Romania’s administrative division according to the classification system of the territorial units NUTS

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<thead>
<tr>
<th>NUTS</th>
<th>ROMANIA’S ADMINISTRATIVE DIVISION ACCORDING TO NUTS</th>
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<td>Macroregion 1</td>
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<td>NUTS 1</td>
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<td>NUTS 2</td>
<td>North-West Region</td>
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<td>North-East Region</td>
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<td>South-West Oltenia Region</td>
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<tr>
<td>NUTS 3</td>
<td>Counties: Bihor, Bistriţa-Năsăud, Cluj, Maramureş, Satu Mare, Sălaj</td>
</tr>
<tr>
<td></td>
<td>Counties: Dolj, Gorj, Mehedinţi, Olt, Vâlcea</td>
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Source: developed by the authors, based on the information on portal Tempo Online, INS

Next, in order to analyze the evolution of the eight development regions in Romania, we present the main macroeconomic indicators that are considered to be the most relevant for this purpose, respectively: gross domestic product (GDP) current market prices in NUTS 2 regions; Purchasing power standard (PPS) per capita and gross domestic product (GDP) current market prices according to NUTS 2 regions; Purchasing power standard (PPS) per capita in percentage of UE average. In our opinion, Gross domestic product (GDP) per capita in SPC system is one of the most relevant economic indicators that shows the level of economic development of a region. This indicator is generally used for the performance analysis and economy cycles like: recession periods, recovery and economic growth. The „GDP per capita in SPC system” indicator is calculated, first, in the currency and then it is converted to purchasing power parity (PPP) which considers the difference in prices among the member states of the EU, which allows a more exact comparison.

To obtain a better view on the life standards in the eight development regions in Romania and also to emphasize the economic, social and territorial disparities among them, we analyzed and compared the level of GDP per capita in SPC in each of the eight regions in the following Chart no.1 and Chart no.2.
Chart no. 1. GDP (euro) per capita in SPC for each of the eight development regions in Romania in 2013

Source: developed by the authors based on the information on http://ec.europa.eu

Chart no. 1 shows that the highest level of GDP per capita in SPC can be found in Bucharest-Ilfov region. That is because in this region there were a lot of investments made, both public investment (in transport infrastructure, water, sewage, etc.) and private investment that generated jobs, decreasing unemployment in the area and contributing to raising the standard of living for the population. It has to be mentioned that many private sector investments in this region were financed with the help of private financing by traders either by autofinancing or by banking sources, considering that the private sector in Bucharest-Ilfov region didn’t benefit from European funds in period 2007-2013. On the opposite, the region that had the lowest level of GDP per capita in SPC is the North-East region. Regarding the differences among the development regions in Romania, it is important to show that, in 2013, the following regions: North-West, Centre, South-East, South-Muntenia and West have almost had the same level of development, considering the level of GSP per capita in SPC that oscillates between 13.700 euro/inhabitant (South-Muntenia) and 16.500 euro/inhabitant (West). Another aspect to mention is there is a large discrepancy between the level of GDP per capita in SPC registered in Bucharest-Ilfov region (39.400 euro/inhabitant) and the level of other development regions. For example, compared to the region whose level of GDP per capita in SPC is second (West) the gap is times 2.39, and compared to the North-West region which has the lowest level of GSP per capita in SPC the gap is times 3.98.

It has to be mentioned that the gap among the development areas in Romania are due to the historical and cultural factors but also due to the many reforms that Romania underwent starting year 1989. The high level of development of the West region compared to the other regions; level of development was influenced by the geographical location, respectively at the border with European Western countries, that positively influenced this region’s counties, meaning that they perceived much easier the role of the reforms that took place after 1989 and the role of development region strategy. On the opposite, the development region North-West which is closer to the Eastern market has the lowest level of development, as it doesn’t have the advantage that the western region has had and still has.
Chart no. 2 presents the evolution of GDP per capita in the average of the European Union, for each development region in Romania, an analysis which confirms the level of development of the regions presented in Chart no. 1.

Chart no. 2. The GDP per capita in SPC in percentage from the average of the European Union for each of the development regions in Romania for 2013

Source: developed by the authors based on the information on http://ec.europa.eu

3. Regional development strategy of Romania in 2014-2020: where to?

The regional development strategy in Romania doesn’t have a long tradition, it appeared with the purpose of meeting the availabilities of financial assistance of the European Union. The regional development strategy has undergone a true reform regarding Romania’s development policy, whose purpose is, mainly, that of consolidating the institutional and legal framework. Romania’s challenge is developing the ability of implementing the legal work and the promises made to the European Commission, regarding regional development policy and the cohesion policy.

We consider that a big trap regarding the regional development policy is the perception that the funds allocated in Romania by the European Union by means of the regional development policy and by the cohesion policy are enough to relaunch the Romanian economy and for the development of Romania. That is the reason we think that the regional development policy is a strategy that offers Romania the opportunity to benefit from funds to be used for the economic, social and territorial development. The regional development policy represents a way that can be used for developing Romania, under conditions which are clearly set by the European Union, but the regional development policy does not ensure regional development. One must underline the fact that there are opinions that support the idea that the cohesion policy and the regional development policy, instead of developing entrepreneurship –directly contributing to regional development, develops instead the entrepreneurs’ skills to fill in forms in order to obtain structural funds and non-refundable European investments.

It has to be mentioned that Romania’s economy is interdependent with the rest of the European Union’s countries, and that is why the regional development strategy will have to be focused on certain common issues to those of the cohesion policy of the European Union, respectively to contribute to the realisation of the objectives of Europe Strategy 2020. Thus, the regional development strategy of Romania must undertake development directions that must not affect the evolution of other economies form the European Union’s space. This aspect can only be accomplished by means of permanent communication with the deciding markers regarding the regional development in
member countries and with the European Commission. The crisis that Romania and the states in the European Union went through in programming period 2007-2013 has shown that only the collaboration among the states had good results, the banking system being stabilized and a European economy recovery plan being adopted.

We consider that the three scenarios: „sustainable recovery”, „slow recovery” and „lost decade” that the European Commission presented regarding the evolution of the European Union having as target 2020, must be taken into cosideration by Romania also, in implementing the regional development strategy set for 2014-2020. Thus, I think that Romania, as a member country of the European Union and whose economy is strongly influenced by the rest of the member states of the European Union, especially those in the „Euro area” will have the same three options in the regional development strategy for the period 2014-2020:

Option no. 1 refers to an improvement of the social-economic situation of Romania, which implies a „sustainable recovery”. This aspect will entail, in the first place, that Romania becomes a competitive state, that it stimulates productivity so that it has an upward trend of prosperity and to consolidate its position, and to absorb many European funds in order to accomplish the objectives it has set in its regional development policy. Chart no. 3 shows the trajectory of sustainable recovery within the period 2014-2020.

Chart no. 3. Option no. 1: „Sustainable recovery "

Source: developed by the authors

In Chart no. 3 we can see that by the end of the programming period, by implementation of the regional development strategy, Romania will be able to redress its economy, that is it will manage to use its European structural and investment instruments that the European Union offered and it will finance projects that will have as priorities „to ensure an economic intelligent growth, through more efficient investments in education, research and innovation; sustainable, by its decisive orientation towards an economy with low carbon dioxide emissions; and favorable to inclusion, by creating jobs and decreasing poverty."

Option no. 2 refers to the improvement of the social-economic situation in Romania, in a very slow pace, which implies a „slow recovery”. The prognosis for period 2014-2020 of the slow recovery trajectory is presented in Chart no. 4.
As one can see in Chart no. 4, in this situation, Romania will have a stagnation period and will also have a rougher period, however, by the end of the programming period, Europe 2020 will recover and there will be social and economic growth, aiming towards achieving the objectives in the regional development strategy.

Option no. 3 refers to a pessimistic result of the cohesion and regional development policy, respectively the Romanian economy will suffer a „decline in 2014-2020 period”. This decline, being dependant on of the European Union, can suffer a permanent welfare and social-economic growth loss, due to social-economic phenomena that it had to deal with, for example Brexit, that is still an issue in this period: the immigrant problem, acts of terrorism, etc.

Taking into consideration 2020 European Strategy which is used to transform the European Union to an intelligent, sustainable, inclusion-favourable economy, that will mean increasing the number of jobs, productivity and economic, social and territorial cohesion, also the above-mentioned arguments, it is least likely that the pessimistic scenario regarding the future trajectory of the European Union becomes reality, an aspect which also includes Romania.

As for Romania, the tendency of the new regional development policy and the cohesion policy for period 2014-2020, means a mandatory correlation with the regional development policy and cohesion policy of the European Union, policies that sustain directing investment towards four key domains for economic growth and creating jobs.
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innovation and research, development of communication and information technology (CIT), raising economy competitiveness (especially small and medium-sized enterprises, SME) and changing to a low-emission economy. This aspect stands out from the actual programming documents set by Romania for the implementation of the regional development policy 2014-2020, for example: Romania’s Regional Development Strategy for 2014-2020, Territorial Development Strategy, National Competitiveness Strategy for 2014-2020, etc, from which we can conclude that Romania’s strategy aims the following; first, local competitiveness and development, population and social aspects, infrastructure, resources, administration and governing, research, institutional development, offering a technical and administrative framework instead of a political one, regarding the decisions at executive level, the intensifying of institutional cooperation, mobilizing regional resources around innovative regional networks, selective approach on projects, improvement of the business environment, service development and technology transfer, etc.

Moreover, we consider that Romania will have to succeed in handling and absorbing structural and investment funds in this programming period in order to implement the regional development strategy for 2014-2020. This process, still represents, in 2017, a real challenge, unfortunately. In order to absorb European funds offered by the European Union, of about app. 43 billion euros, of which over 22 billion is allotted to the cohesion policy, Romania will have to simplify the procedure of accessing the European funds as soon as possible, this aspect being possible by the consolidation and harmonisation the legal framework, creating an efficient institutional framework, and creating a much easier communication and collaboration system with the beneficiaries, for example making the MYSMIS2014 app more efficient by which one could elaborate, contract, implement and monitor financing requests. Taking into consideration the experiences of the member states and Romania’s experience in programming periods 2007-2013, the regional development strategy will have to emphasize: consolidation of the legal framework for the development policy, consolidation of the institutional structures and of the means of coodination, implementing pilot financing programs for the development of the private sector, promoting the public-private partnership, promoting contractual relationships among diverse development actors (institutional sector, private sector, associative sector), as well as among states and regions. In 2014-2020 programming period the regional development strategy of Romania will be focused on five main objectives, respectively: employment, innovation, education, regional and territorial cooperation.

4. Conclusions

Considering the fact that Romania has many advantages, for example: an agricultural sector with a big potential compared to that of other member states, a high touristic potential due to the great variety of relief forms, and the natural resources it has, its geo-strategic position it holds as a country, the cultural and historical values it has, the citizens’ creativity, the professional reputation of the Romanian people, we consider that Romania will continue its regional development in 2014-2020 period. Even though at present the situation regarding the absorption of funds is critical, we believe that Romania will find solutions in order to profit from the opportunity of benefitting from these resources in order to eliminate the discrepancies among the eight regions of development and achieving the objectives in the regional development strategy.

In the near future Romania will have to act fast and in a collective manner for the country’s transformation into an intelligent economy, a sustainable one and which favours inclusion, according to Europe Strategy 2020. This aspect will be achieved only by unlocking the accessing system of European funds and by simplifying it, contributing to a higher absorption, without which the regional development strategy couldn’t be
implemented. In our opinion, considering that there were 3 years lost in which the funds accessing system did not work, we consider that the typification of the financing requests both for the private sector and for the public one and promoting standardized projects would be of great help for increasing the absorption. Thus, the process of elaboration, evaluation, implementation and monitoring will be faster and easier. Another aspect that should be tackled with is implicating all the state’s institutions in the process of absorption, both in the elaboration and in the implementation process, restectively taxes for obtaining certain services, authorisations that a project needs in order to be financed with European funds that should be eliminated, even if they are eligible, so that the money could be used for assets, nor paperwork; the delivery terms for these taxes and services to be smaller; to be a better collaboration among the state’s institutions, the correspondence between the institutions and the beneficiaries to be via electronic mail, so that bureaucracy is eliminated, so that are common procedures among the institutions, the institutions to have access to the other’s database. Another decision that should be taken and that we consider it would contribute to a better absorption of the European funds is that bank could be involved in the process of elaboration and implementation of projects, so that when a project is approved by the financing management authority it is also able to be financed by a bank, thus avoiding not being implemented. Another measure that we think would improve the absorption would be that in the private sector, at least for infrastructure projects that are implemented by the public local authorities or other institutions with a small number of employees or employees that are not qualified in managing European funds, the elaboration or implementation of these projects to be done specialized institutions created for this purpose at a regional level with experienced specialists. Thus, the elaboration of the financing documents, of the implementation documents would be done by specialists, thus avoiding the technical problems that might appear and shortening the execution times, avoiding financial corrections, and, eventually save the money that would be spent on consultants, would create jobs by hiring specialists in these institutions, the elaboration and the implementation process would be more responsible and easier to monitor, would eliminate fraud, etc.

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