

## EXPERIENCES AND TENDENCIES OF DECENTRALIZATION AT REGIONAL LEVEL IN THE EUROPEAN UNION

**Dodescu Anca**

*University of Oradea, Faculty of Economic Sciences, [adodescu@uoradea.ro](mailto:adodescu@uoradea.ro)*

**Abstract:** Romania's integration into the European Union requires, in addition to the complex process of policy transfer, learning new ways to make policies characteristic to a culture of a multi-level governance and of partnerships. From the different levels of governance of the European model, the regional level ("regional governance") reflects most accurately, in our opinion, the complexity of reconfiguring the state's role in economy, at the beginning of this new millennium, in the European Union, and presents the greatest practical importance for Romania, as a new Member State in the European Union, as at the regional level structures are more flexible, and best practices more quickly assimilated. The selection of the best economic policies of regional growth and development, the choice of objectives from a number of competing options, the calibration of powers, roles, competences and responsibilities, in time and space, and the promotion of solutions of the win-win type require resorting to and combination of appropriate and effective tools. Illustrative of the new context, the policy of regional growth and development must incorporate, in Romania as well, more knowledge, more creativity, new combinations of skills and new areas of expertise. This paper presents the preliminary results of the research related to a post-doctoral research project: "Economic policies for regional growth and development. Challenges for Romania in the context of economic-financial crisis and integration into the European model", developed within the project "Economic scientific research, support of the welfare and human development in the European context", financed during 2010-2013 from the European Social Fund (ESF) and implemented by the National Institute of Economic Research "Costin C. Kirişescu" of the Romanian Academy, from December 1, 2010, to November 30, 2012, coordinator: prof. Valeriu Ioan Franc, PhD. The question we intend to answer in the present stage of our research, based on the comparative analysis of the decentralization systems of several Member States of the European Union, as well as on the analysis of regional disparities existing at the European Union level and of the effects of economic integration, is - to what extent should the competences of the regional policy be concentrated in the hands of the regional authorities or of the European Union rather than to be left individually to the Member States so as they may develop their own regional policy? What we pursue in this paper, based on the analysis of experiences of decentralization of economic policy competences at the level of the European Union, is the identification of the regional implications of intermingling tendencies of decentralization, centralization, respectively supranationalization and, implicitly, the analysis of the manner of reconfiguration of the state's role in economy at the regional level, in the context of integration into the European model. The research into the manner of reconfiguration of the state's role in economy at a regional level requires a review of the allocative, distributive and regulatory role of the state, from a the regional perspective, the analysis on the one hand, of the decentralization of economic policy competences from the national to the regional level (e.g. national level: provision of pure public goods, such as national defence and centralization of fiscal policy competences in order to achieve macroeconomic stability and income redistribution; regional level: provision of mixed public goods, such as waste collection and community police), on the other hand, centralization / supranationalization of regional competences at the level of the European Union.

**Keywords:** *the role of the state in economy, decentralization, European governance, regionalization, regional governance.*

**JEL Classification:** *F15, H4, H5, H7, R5*

### **The concept of decentralization**

In the broad sense of the term, decentralization means the transfer of authority or responsibility, duties or competences from the level of central public administration or central government to a lower level or from the public sector to the private sector or to non-governmental organizations. As defined by the World Bank, decentralization means “the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or quasi-independent government organizations and/or the private sector” (The World Bank Group, 2011). As the transfer of competences always involves the transfer of financial and human resources as well, decentralization raises not only problems of a political, administrative nature but also of economic, fiscal etc. Depending on the predominance of one or other of these aspects, the literature marks the following forms of decentralization: administrative (whose sub-forms in ascending order of the degree of decentralization are: deconcentration, delegation, devolution), economic, fiscal and political, noting that these forms are obviously interrelated. If the transfer of competences does not exceed the public sector, according to the lower level to which the duties or powers are transferred, one can speak of different levels of decentralization - territorial, regional, local level etc. If the transfer of powers is from public to private sector or to NGOs, we talk about privatization and denationalization.

*The reasons* why decentralization is brought into public debate and implemented are various. Widely debated in the literature, the reasons for decentralization can be classified, in our opinion, in three categories. The first category is related to *malfunctions of* the public administration or of the central government which leads to lack of response or low sensitivity to local needs: poor allocation of resources, public services absent

or defective at a local level, inequities of redistribution at the territorial level, blockages in the central decision making; poor planning and control of the economic and social activities, excessive bureaucracy, low efficiency, flexibility and innovativeness of public policies; low quality of public services etc. Another category of reasons for decentralization are *crises*: political crises (ethnic or religious conflicts, difficult post-conflict situations, states of war etc.), or economic crises, implicitly fiscal, budgetary crises etc. Finally, reasons for decentralization are also represented by *transitions* from authoritarian political systems to democratic systems, from the system of commanded economy to the market economy etc., even the process of a state's integration into the European Union (EU) is a form of transition.

Whatever, though, the reasons of decentralization, it is widely admitted that politics is the driving force behind it (Eaton et al., 2010). The typical political *objectives* pursued in the process of decentralization are to increase the capacity of political response and to broaden participation in political, economic and social activities at the territorial, regional or local level. Whatever their form, size etc., decentralization requires a change in the institutional rules of distribution of resources and responsibilities between different levels of government, implicitly changes in power and authority and, as highlighted by Kent Eaton, Kai Kaiser and Paul Smoke – as always when power and authority are at stake – decentralization creates controversy and heated debate, regarding the justification of the need of a decentralization process, the objectives pursued, the reform involved, the possible disadvantages etc. (Eaton et al., 2010).

*The debate* about decentralization is not new. In the EU, subject to our analysis, in the last two decades of the last century, decentralization was often put forward, on the

one hand, as a result of the crisis of *the Welfare State*, leading to various experiences of reform through decentralization, the transfer of competences involved being, in this case, of the type *central-local* or *nationalization-privatization*, on the other hand, as a consequence of the *fragmentation of the power of the nation-state* and reconfiguration on various levels of the state's role in the economy in the context of *the process of integration into EU* (Dodescu, 2011), further implying a transfer of powers of the *central-regional* and *central-supranational* type.

At present, under the economic-financial crisis, the reverse phenomenon of *centralization* gains ground, confirming the validity, on a long term, of the theories on the *cyclicity of the degree of the state's involvement in the economy* (Dobrescu, 1992), on the *"pendular movement"* State-Market or nationalization-denationalization (Dogan and Pelasy, 1992) or on the *"political pendulum"* that moves between the *national-transnational-global-European* arenas, depending on the relative attraction force of these magnetic fields (Wallace and Wallace, 2000).

In our opinion, as the days of the controversy State *versus* Market, in the sense of the *"mirror approach"*, have passed, so has the time of the polemic Centralization *versus* Decentralization. Located in the context of globalization and instability, the debate on decentralization should take into consideration the change of governance levels and "locations" (Wallace and Wallace, 2000), the increase of the role of the sub-national actors (Sharma, 2008, 2011). It is more likely the "time" of networks, partnerships, multitude of actors and interests. This trend is present both globally and at the EU level. As the World Bank showed in its reports, an *appropriate balance of centralization and decentralization* is essential for effective and efficient functioning of government. This

translates into balance in decentralization of functions and responsibilities, on the one hand, and centralization of the roles of coordination and supervision, on the other. The combination of functions resulting – decentralized responsibilities with centralized roles of coordination and monitoring – should allow strengthening of the institutional capacity at a local level and effective management of decentralized functions in partnership between local actors - local governments, local private enterprises, local NGOs etc. and central actors involved in planning, coordination etc. (The World Bank Group, 2011). Moreover, in the EU context – of an emphasis on the role of networks in developing and implementing policies, of an assertion of the *"multi-level policy networks"* (Börzel, 1997), unlike the traditional analysis of decentralization, focusing in particular on the political, administrative and fiscal dimensions, or on the provision of services, emphasis is on the *interdependences* between the levels concerned with decentralization, in particular, respectively on the *interdependences* between actors (partners, the parties interested and the multipliers) involved (European Commission, 2007).

We next undertake is to analyse the reconfiguration of state's role in economy *at a regional level*, in the economic literature devoted to decentralization and in the context of the European model, in order to identify the regional implications of the interpenetration of the tendencies of *decentralization, centralization, respectively supranationalization*. Consideration on how to reconfigure the state's role in economy at a regional level requires review of the *state's allocative, distributive and regulatory roles* (Dodescu, 2000) *from the regional perspective*, the analysis, on the one hand, of the decentralization from the national to the regional level (e.g. national level: provision of pure public goods, such as national defence and fiscal policy and centralization of fiscal policy competences in order to achieve

macroeconomic stability and income redistribution; regional level: the provision of mixed public goods as for example, sewage collection and community police), on the other hand, centralization in the sense of supranationalization, regional competences at the EU level.

***The economic approach of decentralization. Examination of the way of reconfiguring the state's allocative, distributive and the regulatory role in economy at regional level***

The economic literature dedicated to decentralization studies the impact of different types of decentralization on *efficiency, equity and/or economic equilibrium* in order to define the optimal level of government decentralization based on comparing the advantages and disadvantages of different solutions for decentralization. The economic objectives pursued in the process of decentralization of production, distribution, financing etc. of goods or services at regional or local level can coincide with political objectives typical for decentralization: increased political responsiveness and participation at the territorial, regional or local level. As remarked by Kent Eaton, Kai Kaiser and Paul Smoke –“fortunately, the decentralization may be one of those situations when politics and economy can serve the same purpose” (Eaton et al., 2010). This statement should not, however, lead to too high a dose of optimism.

In terms of classical economic theory, the market is the ultimate form of decentralization. At the other extreme, one might consider that the state is automatically responsible for producing and distributing public goods or services. In practice, however, the market can offer often more efficient solutions than the state in the production or distribution of public goods. Also, local or regional solutions may be more effective than the central ones. On the other

hand, still in practice, if not well chosen, local solutions can cause loss of economies of scale for public services, failure in the production, provision of public services due to low administrative or technical capacity at local level. Clearly, we are talking here of *the state's allocative role* and of *the objective of efficient resources allocation*. At the same time, by decentralization the equitable distribution may be affected by providing social services that prove inadequate or do not reach all those “in need”. The cause may be the transfer of responsibilities without adequate financial resources. In this case, we talk about *the state's distributive role* and about *the objective of social equity*. Finally, *the state's regulatory role* subordinated to the *objective of economic equilibrium* can be affected when, for example, the coordination of economic policies moves from the hands of central government to the hands of regional government and this fact deteriorates the credit conditions and the possibilities to cover budget deficits at regional level or to the hands of local government and this transfer gives way to corruption at local level.

In terms of theory, there are some established *principles* underlying decentralization, a fugitive foray into their world being based on *Stigler's principles* (1957) that the decision-making should be placed at the lowest level of government in accordance with the objective of the efficient allocation of resources, the degree of decentralization being determined by the extent of the economies of scale and the effects of the type “*spill-over*” (benefits-costs); on *Olson's principle*, characteristic to the Public Choice School, whereby small groups of powerful interests are more efficient in absorbing public funds (Olson, 1969), on Oates's *theorem of decentralization* according to which every public service should be provided at that level of government that has control over the minimum geographic area able to internalize the corresponding costs and benefits (Oates, 1972), on the *principle of*

*subsidiarity* as set by the Maastricht Treaty (1992), whose purpose is to ensure that decisions in the EU are taken at a level as close to the citizens as possible. The theoretical perspectives according to which the decentralization issue is addressed are: *the traditional fiscal federalism* and *The New Public Management* - which focus their attention on the so-called “market failures” and on the ability to deliver public goods efficiently and equitably, the *Public Choice School* and the *Economic Institutionalism* - which focus on “government failures”, respectively the approach of the “*network governance*” type (Shah, 2006).

Defining *government decentralization*, considered economically, as a process of transfer and distribution of state duties in the field of public expenditure and revenue, from national to local or regional level, we try to point out the specific aspects of decentralization, at a regional level, in terms of the three *roles of the State: allocative, distributive and regulatory*.

*a). Regional decentralization and optimal allocation of resources*

In what the *the state's allocative role* is concerned, the analysis of the regional decentralization focuses mainly on *collective goods (public) goods*. According to the current acceptance regarding a democratic state, the number of collective goods produced centrally needs to decrease and to be restricted mainly to pure collective goods: army, security, foreign policy, justice etc. Not all *collective goods*, however, must be decentralized in the same way or at the same level. The state's role (of the central government) and the limits of decentralization in ensuring the provision of collective goods depend, first, on the nature of these goods and services, on the economies of scale affecting the technical efficiency and on the extent of the spillover effects, beyond jurisdictional boundaries, and on the structure

of competition in producing or delivering a particular public good or service. Therefore, choosing a solution of decentralization or a combination of solutions such as decentralized - managed competition - privatization etc. starts from the assessment of the lowest level of governmental organization, at which the public good or service can be produced and delivered effectively, or of the most appropriate forms of privatization (The World Bank Group, 2011).

The possibilities of decentralization of collective goods supply depends primarily on *their effect of overflow* (spatial opening of their externalities), respectively on the *non-rivalry* of their consumption (the possibility of their being used by a large number of people without an additional production cost; a person's consumption doesn't reduce by anything the amount available for all others, and is therefore non-rival to the consumption of others), respectively *non-exclusion* of their consumption (implies that the supplier of the collective good is unable to exclude someone from the consumption of these goods reserving that right to those who will pay a price, so, once produced, the collective good is available to all, free of charge). While some collective goods are only beneficial in the vicinity of the geographical area of their place of production (local police, street lighting, coastal lighthouse for navigation, traffic lights etc.), others have a wider spatial opening of their externalities - regional (road or rail transport, postal service, telecommunications, higher education etc.) or national (national defence, justice etc.). The first category - *local collective goods* - is consumed exclusively at the level of a local community. The indivisible nature of these goods and their optional use create redistributive externalities (for example, those who never go out at night bear the cost of lighting public without having a benefit in exchange), but these do not go beyond local boundaries, existing the possibility to

"internalize" them at a local level, the production in an optimal quantity at the local community level being possible without the externalities affecting neighbouring communities. In contrast, there are *national collective goods*, whose benefits are shared equally among all inhabitants of a country. The most illustrative example is the national defence, for which the risks and externalities of a possible decentralization are obvious for communities not large enough to internalize externalities. Between the two extremes we can fit the *regional collective goods* whose externalities extend beyond local boundaries, but which are consumed unevenly. Decentralization of their offer is only possible if the region is large enough to internalize the effects of an overflow, with the risk of insufficient supply, while centralization of their offer involves a uniformity that neglects the regional differences between the tastes and needs of the population, causing allocational and redistributive externalities. (Atkinson and Stiglitz, 1980; Brown and Jackson, 1990; Weber, 1991; Black et al., 2009).

*b). Regional decentralization and equitable distribution*

From the perspective of the *state's distributive role*, regional decentralization should be analyzed according to its potential impact on the *choice of domicile (emigration / immigration)* and on the *firms' location*. If, for example, a regional government decides to operate a redistribution effort much higher than that of the neighbouring community, applying a very progressive taxation, the community at stake will face a phenomenon of emigration of people receiving an income higher than average to communities with lighter taxation coupled with an opposite phenomenon, the immigration of the poor. Similarly, there may be a phenomenon of delocalisation of firms. For the community concerned this policy will therefore have a *boomerang effect*, because it will increase its

costs and diminish its revenue at the same time. Consequently, the national competence on the redistribution plan depends on the level of the following parameters: the amplitude of the redistributive correction; the disparity of the redistribution efforts undertaken by neighbouring communities, the spatial mobility of economic agents. The reduced mobility of economic agents or the strong attachment of individuals or firms to a region can counterbalance this boomerang effect. Therefore, decentralization of redistributive policy determines, with the price of a greater vertical equity, a horizontal inequity, the decentralization chances being small and dependent on the spatial mobility of the economic agents, on the size and homogeneity of the regional community, in order to practice, within certain limits, an active policy of redistribution (Atkinson and Stiglitz, 1980; Brown and Jackson, 1990; Weber, 1991; Black et al., 2009).

*c). Regional decentralization and economic equilibrium*

From the perspective of the *state's regulatory role*, the regional decentralization analysis must start from the indisputable fact that *the economic equilibrium* shows the characteristics of a *national collective good*, due to the spatial openness of its externalities. Even though their intensity varies from one region to another, the fluctuations in economic activity and the economic imbalances concern the national economy as a whole, therefore, the decentralization of the stabilization policy increases the risk that a region shall benefit from the stabilization effort of others without doing anything in exchange. On the other hand, the impact of regional stabilization policy is the weaker for the region concerned, the more open it is, the multiplier effect being only partial, because a part of the induced demand addresses a production made outside the region, respectively, the higher national capital mobility is, which deteriorates the conditions

of loan at a regional level and the possibilities to cover budget deficits (Atkinson and Stiglitz, 1980; Brown and Jackson, 1990; Weber, 1991; Black et al., 2009).

In conclusion, the analysis of decentralization at a regional level in terms of the three roles of the state, according to the theory of fiscal federalism, leads to a rather simple allocation scheme - the distributive and regulatory role are preferable at a central level, the allocative role being shareable or possible to decentralize in accordance with the *spatial openness of the externalities of collective goods*, respectively with the characteristics of *non-rivalry* and *non-exclusion* of their consumption.

#### ***Decentralization at the regional level in the EU. Trends***

The decentralization of the responsibilities of governments in the EU must be considered in the context of the *fiscal federalism* and of the *subsidiarity principle*, according to the provision of the Maastricht Treaty. The theory of traditional fiscal federalism involves an administrative organization structured on three levels: *federal, state, local* and, implicitly, a division of fiscal responsibilities between the three levels. The specificity of the EU - as an entity that tends to become a federal state is linked to adding *the regional level* to the three levels of the theory of traditional fiscal federalism. Thus, at present, in the EU there are the following levels of government: *union, national states, regions, local authorities* (usually *counties* and *municipalities*). The allocation of powers at the appropriate level in accordance with the principle of subsidiarity stipulated by the Treaty of Maastricht answers to criticisms about the many overlaps between the upper and lower levels and to the heterogeneity of the administrative arrangements from a Member State to another, hence a tendency of *supranationalization* of competences of the national states (governments) manifesting

simultaneously at the EU level, along with the *decentralization* of some of their other competences to lower levels (regional and local). The principle of subsidiarity is intended to ensure that decision-making in the European Union is as close to the citizen as possible and to validate the need for action at community level considering the possibilities existing at national, regional or local level. According to The Treaty of Maastricht (Article 3b) "The Community shall act within the powers conferred and objectives assigned to it by this Treaty. In areas not within its exclusive competence, the Community shall take no action, in accordance with the principle of subsidiarity only if and insofar as the objectives of the proposed action cannot be achieved satisfactorily by the Member States, but can be better achieved at community level due to the extent or the effects of the proposed action." Relative to the state's roles in the context of *fiscal federalism* and *subsidiarity principle*, according to the provision of the Maastricht Treaty, the *supranational (European)* level is in charge with coordinating the stabilization policy, its management being a competence of the Member States, and with coordinating the territorial redistribution so as to ensure that all regions of the EU offer equal opportunities and uniform provisions of certain basic services, the Member States and the local communities maintaining their responsibilities for managing social policy and income redistribution to suit the preferences of each community (Oates, 2001; Majocchi, 2008). Therefore, the *regulatory role* is centralized and shared between the national level (management) and supranational (coordination), the *distributive role* is mostly centralized and shared between the national level (management) and supranational (coordination) and decentralized at a regional and local level, depending on the possibilities to meet local community preferences. Regarding *the allocative role*, as already noted, this is the

one that best meets the requirements of decentralization, depending on the characteristics of the *collective goods*, at a supranational level, here concentrating all efforts to strengthen the internal, single market.

Practically, the European Union's vision on the policy implementation is a *decentralized one, of the "network" type, of a non-hierarchical nature, and involving sub-national, national and supranational actors*. Following the debates within the European Union, on "*European governance*", starting from the *White Paper on European Governance*, adopted in July 2001, which defines clearly the five levels of governance: *global, European, national, regional and local* (European Commission, 2001) and describes the geographical decentralization of the EU policy and the sharing of powers and responsibilities of the type EU - member states - regions (European Commission, 2002), continuing with the debate on the *Future of Europe, the European Constitution and the Lisbon Treaty* and, more recently, the *2020 Strategy*, one can clearly notice the *increase* in the capacity of supranational regulation along with *the decentralization of powers of economic policy at a regional level, the implementation of the principle of subsidiarity and the emphasis of the role of networks in developing and implementing European policies* (European Commission, 2001, 2003a, 2005, 2007, 2010).

However, beyond the complexity of the process of transformation of the "*European governance*" into a "*network type governance*" (Dodescu, 2011), *in terms of a future federal state*, the tendency of *supranationalization* merely means an increase in the EU powers, it being added with further performance of the three roles of the national state described by the public economy: *allocative role* (currently seen in terms of strengthening the internal market and in view of the federal state, including

defence, research and development and European transport network etc.), *distributive role* (social protection and struggle against poverty), the *regulatory role* (the coordination of macroeconomic policy aiming at stability at the Union level). With a view to the European federal state, the roles of national governments are simplified, comprising the legal framework, ensuring public order, national infrastructure, public administration, regional distribution, public loans etc., while education, health, local transportation and other services of local interest will be responsibilities of local governments.

### ***Decentralization at a regional level in the EU. Experiences***

In the EU states, *the regional level* covers different political and administrative realities, being the result of a process of *decentralization* that combines the specificity of organization of state power in relation to the territory and the historical evolution of that state, to the requirement imposed by the EU of the existence of a sub-national administrative level but higher than the local one. For the EU, the need of a regional level is linked, primarily, to the implementation of financial assistance given by the regional policy, secondly, to the prospect transformation of the EU into a federal state and the high degree of autonomy granted to this level within federalism.

From the perspective of historical developments of the European states, of how nation-states were formed, federalism, however, is rather an exception than a rule, Switzerland, Germany (established in the 19<sup>th</sup> century), Austria and Belgium (established in the 20<sup>th</sup> century, in 1920, respectively in 1993) being the only *federal states* in Europe. Most European countries were founded as and are up to now *unitary states*. Obviously, in the EU, the regional level enjoys the greatest autonomy and knows the fastest



growth within the *federal states* (Germany, Austria, Belgium) or *regional* (Spain, Italy and, in some parts of the territory, in Great Britain and Portugal) - intermediate structures between the federal and unitary state. For the opposite, the regional level has a reduced autonomy, existing only for administrative reasons or as a response to the need of implementing the EU regional policy within the *unitary states* (France, Netherlands, Greece, Ireland etc.).

The administrative-territorial structure of the EU Member States is extremely heterogeneous and comprises generally a *local level* (towns, villages) and *two main regional levels* structured, organized and named differently from country to country, for example, “Länder” and “Kreise” in Germany, “Regions” and “Departaments” in France, “Standard regions” and “Counties” in the UK, “Regioni” and “Provincia” in Italy etc. The launch of the regional policy of the EC in 1975 met the impossibility of comparative assessment of the economic situation in different regions as a basis for Community intervention to correct regional imbalances. Therefore, to ensure comparable statistics at European level, the EU has developed and regulated The Nomenclature of Territorial Units for Statistics (NUTS) (European Commission, 2003), a standard of geographical coding regarding subdivisions of the States defined for statistical purposes, instrumental in the mechanism of allocation of structural funds. NUTS establishes in each Member State at least three hierarchical levels: NUTS 1 (“Gewesten / Regions” in Belgium, “Länder” in Germany, “Continente”, “Região dos Açores”, “Região da Madeira” in Portugal, “Scotland, Wales, Northern Ireland”, “Government Office Regions of England” in the UK), NUTS 2 (“Provincies / Provinces” in Belgium, “Regierungsbezirke” in Germany, “Periferies” in Greece, “Comundidades y ciudades autónomas” in Spain, “Régions” in France, “Regions” in Ireland, “Regioni” in

Italy, “Provincies” in the Netherlands, “Länder” in Austria), NUTS 3 (“Arrondissements” in Belgium, “Amtskommuner” in Denmark; “Kreise / kreisfreie Städte” in Germany, “Nomoi” in Greece, “Provincias” in Spain, “Départements” in France, “Regional authority regions” in Ireland, “Provincia” in Italy, “Län” in Sweden, “Maakunnat / landskapen” in Finland). The heterogeneity continues at the level lower than NUTS 3 as well, of the ‘small administrative units’: “Gemeenten / Communes” in Belgium, “Kommuner” in Denmark, “Gemeinden” in Germany, “Demoi / Koinotites” in Greece, “Municipios” in Spain, “Communes” in France, “Counties / County boroughs” in Ireland, “Comuni” in Italy, “Communes” in Luxembourg, “Gemeenten” in the Netherlands, “Gemeinden” in Austria, “Freguesias” in Portugal, “Kunnat / Kommuner” in Finland, “Kommuner” in Sweden and “Wards” in the UK etc. (European Commission, 2003b, 2008, 2011).

Therefore, for the European Union, the need for choosing a standard unit, as the basic unit for its regional policy is more than obvious. It was elected the *development region - standard unit* with an average size of 13,000 square kilometres and a population of approximately 2.5 million inhabitants, i.e. the intermediate level – NUTS 2. According to the EC, the development region *should not necessarily have an administrative character*, but it was compulsorily created in all EU Member States in order to allow comparability, harmonization of regional statistics of member countries, performance of analyses at a regional level within the EU and elaboration of Community regional strategies, policies and programs. The competition to attract structural funds triggered in time, as, in fact, the EC foresaw initially, a tendency to amplify competition not so much between Member States, but between regions of the same state or of different states, led to the occurrence of new

regional actors such as associations of regions, independent from the national states, and of the phenomenon of regional lobby. At Community level, the emergence in 1985 of the Assembly of European Regions, and in 1992, by the Treaty of Maastricht, of the Committee of the Regions, are clear elements in promoting and strengthening the status of regions.

Far from being able to speak about regions as homogeneous entities in the EU, although the definition of region is not a subject of this paper, we shall however note the existence of numerous critical voices which argue that there still is no operational definition of region, from a political, juridical and administrative point of view, at the EU level, that the region is not yet and will not be any time soon at a general level in the EU, an administrative-territorial entity endowed with political representativeness. Therefore, at the EU level, *the regional decentralization* can be described better watching the process of *regionalization*, which according to the typology of particular State, may be linked to *existing regions* as administrative-territorial units or *regions created* as new territorial divisions. Analysing comparatively the regionalization as a process aimed at developing regions as entities located immediately below the central state and above the local (sub-national and supra-local) in the 27 EU Member States (Chirleşan, 2007; Diez, 2006; Stănciulescu and Androniceanu, 2006; Androniceanu and Stănciulescu, 2001), we can distinguish five *types of regionalization*, as follows:

a). *Administrative regionalization (easy administrative decentralization - by deconcentration)* is the type of regionalization resulted from the transfer by a state to *local authorities or bodies directly subordinated to the central government* of certain tasks regarding the promotion of regional economic development by mobilizing local communities and economic

organizations. In most cases, administrative regionalization is a response to the need to implement the EU regional policy. The administrative regionalization characterizes at present, at the EU level, as a rule, *the unitary states*. Among the EU15 Member States, we can note Greece (where *13 administrative regions* were formed, responsible for regional development, led by a *secretary general of the region* assisted by an *Advisory Regional Council* consisting of representatives of local communities, in each administrative region existing a so-called *House of regional development*), Portugal (where there were formed *five regional coordinating commissions* responsible for the implementation of the regional development plan under the authority of government), the UK, except Scotland (known as a *“centralised model”* characterized rather by tendencies of centralizing than of decentralizing, the importance given to the regional level began to increase after the recognition of the political-administrative autonomy of Scotland, Wales and Northern Ireland) and Sweden (the regional level has rather little relevance as compared to the local level, traditionally very strong in the *“state of consensus”*, the administrative regionalization appears here under the form of delegating attributions of regional development to a *district governor* assisted by an *Administration Board* in which local interests are represented; in addition, regional competences include, primarily, the management of health services and of the system of education). The administrative decentralization also characterized the following New Member States: Bulgaria, Estonia, Latvia, Lithuania, Slovakia and Slovenia and knows also a great variety of forms. For example, in Estonia there is only one Estonian Regional Development Agency, the administrative regionalization is not reflected by the existence of administrative units or administrative regions, but by the fact that state's regional development policy is implemented in the 15 *districts* by a

*governor*, in Lithuania – the policy of territorial planning and regional development is managed by a *governor* at the level of the higher administrative units of *provinces / departments*, in Slovakia there are 8 *regions* and 8 *offices* of regional administration responsible for coordinating the activity of the local communities in terms of regional development. Luxembourg falls into this category as a particular case; due to the small size of the state, the four regions created do not need own institutions.

b). *Regionalization by cooperation between existing local collectivities (average administrative decentralization - by delegation)* is the type of regionalization by the agency of decentralized institutions within the local authorities, the functions of central government in the field of regional development being taken by the existing local collectivities. Unlike administrative regionalization, regionalization through existing local collectivities supposes effective transfer of competences from central government to the regions created as institutionalized forms of cooperation between territorial collectivities. This type of regionalization is limited both in terms of resources and of competences and institutions. At the EU level, this type of regionalization characterizes the *unitary states* – Denmark (14 *provincial communes*), Finland (20 *regional councils* and the so-called *unions of communes*), Ireland (8 *regional authorities* and several *specialized agencies*) and – from the New Member States – Romania (8 *development regions* established by law, by voluntary cooperation of the counties, without legal personality and not being administrative-territorial units, a Regional Development Agency existing at the level each of them) and Hungary (originally there were created 8 administrative regions, which were abandoned in 1994, their functions being taken over by the *provinces*, which may cooperate voluntarily with other provinces through *regional development*

*councils*). There is a particular case - Germany, a federal state characterized by *internal administrative regionalization* at the level of the lands (cooperation between local collectivities within the lands).

c). *Regional decentralization (advanced administrative decentralization and average economic and fiscal decentralization)* supposes the formation of regions as new territorial collectivities superior to the existing ones, whose competences regard the regional development. This type of regionalization involves changing the administrative organization of the territory by the emergence of a *new territorial-administrative category - the region*, of the same juridical form as the existing ones, but which is part of the constitutional order of a unitary state. This type of regionalism is characterized by the absence of legislative power, administrative competence extended to fields related to regional development and fiscal power that varies from case to case. At the EU level, this form of regionalization characterized France (*“unitary state in the process of decentralization”*), France currently has 25 *regions*, constituted as autonomous communities, as a result of decentralization of public administration and benefiting from the principle of free administration of local authorities, led by a *Regional Council* elected by universal, direct vote, the competences transferred to the regions following the decentralization process were the territorial planning, the professional training and the transportation infrastructure), Sweden (characterized by a strong tradition of local autonomy, has 20 *regions*, led by a *regional government* that implements the policies decided by the government, which have their own competence in managing municipal hospitals) and as for the New Member States - Poland (16 *provinces*, whose leader controls the respective local community), the Czech Republic (the formation, under the Constitution, of territorial collectivities of a higher level, in the form of 3 *regions*).

d). *Political regionalization (political decentralization or the so-called “regional autonomy”)* adds legislative power to the regional decentralization. *The regions* have legislative power exercised by a *regional assembly* and in order to exercise competences an executive body is constituted, which has the features of a *regional government*. The competences of the region are much broader in this case and are defined and guaranteed by the Constitution of the unitary state. The regions are not countries and do not have a Constitution and usually do not participate in the exercise of legislative national power by their own representation. This type of regionalization affects the state’s structures. In the EU, it is characteristic to the so-called *regional states* - characterizing the whole territory in Spain (the right of autonomy of the *regions* is recognized and guaranteed by the Spanish Constitution – the state’s structure is based on the indissoluble unity of the Spanish nation and also on the recognition and guarantee of the right of the regions’ autonomy), Italy (under the Constitution of Italy, the Italian Republic, unique and indivisible, recognizes, at the same time, the autonomy of *the regions* by adapting legislative principles and methods to the requirements of autonomy and decentralization, the regions have the power to adopt primary legislation and enjoy financial autonomy) or only certain parts of the territory in the UK (Scotland in particular) and Portugal (the islands). This type of regionalization does not characterize, currently, any of the New Member States.

e). *Regionalization by federal authorities (federalization)* is characteristic to the *federal states*, which were born as unions of states, therefore, *the regions*, in this case, are *states*, political entities, which have a series of regional and ethnic features. Unlike political regionalization characterized by an asymmetry of institutions and competences, the federal state supposes equality in the rights of the member states. At the EU level,

this form of regionalization characterizes Germany, Austria and Belgium. While the building of the modern state in Germany and Austria was done through federalism, in Belgium regionalism led to the federalization of the state, in order to allow the formation of a structure that shall ensure greater autonomy to the component units (the case of Flanders), which will progressively accede to the quality of a state. The model of federalism that characterizes Germany is called *cooperative federalism* in which power is distributed among three levels: federal, stata (Länder) and local (regions, cities and communes), the relations between these levels being relations of cooperation dominated by the idea of “*administrative intermingling*” of tasks and competences. From a fiscal point of view, all territorial levels participate to the tax collection to the extent to which they are also responsible for the expenses. As in Germany, in Austria the lands benefit from more competences and resources, their main function being the implementation of public policies, with the distribution of competences between the federation and the lands and the strengthening of the lands’ position being permanently debated.

Obviously, this last form of regionalization, due to its high level of decentralization and territorial autonomy, answers better, in terms of functionality and stability, to the complexity of *European governance*, the functional adaptations on levels (supranational - federal - state - regional - local) are more easily absorbed by the federal structures. This leads, however, to a series of wrong approaches, the federalism being considered an expression of regionalization or a response to regionalism as opposite to the Nation-State. The main concern in the EU is that *the combination of federalism and regionalization* affects the *territorial integrity*.

### ***Conclusions and future concerns***

What we aimed at in the start of this approach - a comparative analysis of the experiences and tendencies of decentralization at a regional level in the EU - led us to formulate the following conclusions:

- In the EU countries, *the regional level* covers various political and administrative realities, being the result of a process of *decentralization* that combines the specificity of the organization of the state's power in relation to the territory and the historical evolution of that state with the European Union's requirement, that of the existence of an administrative level inferior to the national level but higher than the local one.
- The *regional decentralization*, typical to France, and embraced by Poland and the Czech Republic, from the New Member States, is an exception rather than a rule in the EU.
- At the EU level, the *regional decentralization* can best be described following the process of *regionalization* which, depending on the typology of a certain state, may be related to the *regions existing* as administrative-territorial units or to the *regions created* as new territorial divisions.
- The most common type of regionalization in the EU27 is the *administrative regionalization* (Greece, Portugal, United Kingdom except Scotland, Sweden, Bulgaria, Estonia, Latvia, Lithuania, Slovakia, Slovenia), followed by the *regionalization through existing local collectivities* (Denmark, Finland, Ireland, Romania and Hungary), which represent rather functional responses to the EU's requirements in order to allow absorption of funds allocated under the regional policy.
- The more advanced forms of regionalization - *regionalization by federal authorities* and *political*

*regionalization* - characterize only 7 Member States of the EU: Germany, Austria, Belgium, Spain and Italy, Portugal (for the islands) and United Kingdom (for Scotland).

- The relationship *federalism - regionalization* responds better to the *European governance* of the *network type* and of the *multi-level type*.
- The expansion of *regionalization* in the EU is favoured by its approach as an *opportunity of regional development* and the blockages of regionalization are related to its approach as a *threat for the territorial integrity*.

Consequently, our future research efforts will focus on identifying and analyzing in detail some models of best practices that have proven effective in the EU for the regional growth and development.

### **Acknowledgments:**

The paper presents research results afferent to the post-doctoral research project: "*Economic policies for regional growth and development. Challenges for Romania in the context of economic-financial crisis and integration into the European model*", developed within the project "*Economic scientific research, support of the welfare and human development in the European context*", financed during 2010-2013 from the European Social Fund (ESF) and implemented by the National Institute of Economic Research "Costin C. Kirițescu" of the Romanian Academy, from December 1, 2010, to November 30, 2012, coordinator: prof. Valeriu Ioan Franc, PhD.

### **References:**

1. Androniceanu, A. and Stănciulescu, G. *Sisteme comparate de administrație publică europeană*. București: Economica, 2001.
2. Atkinson, A. and Stiglitz J. *Lectures on Public Economics*. New York: McGraw-Hill, 1980.

3. Black P.A., Steenekamp, T. J. and Calitz, E. *Public Economics*. 4th edition. Cape Town: Oxford University Press Southern Africa, 2009.
4. Börzel, T.A. "What's So Special About Policy Networks? – An Exploration of the Concept and Its Usefulness in Studying European Governance", *European Integration online Papers (EIoP)*, 1997, 1 (16), 1997. <http://eiop.or.at/eiop/texte/1997-016a.htm>.
5. Brown, C.W. and Jackson, P.M. *Public Sector Economics*. Cambridge: Basil Blackwell, 1990.
6. Chirleşan, D. *Administrație publică. Sisteme*, Iași: Editura Universității Alexandru Ioan Cuza, 2007.
7. Diez, S.P. *Sisteme administrative comparate*, Iași: Editura Universității Alexandru Ioan Cuza, 2006.
8. Dobrescu, E. "Transition and Economic Behaviour", *Romanian Economic Review*, 36 (1), pp. 3-16, 1992.
9. Dodescu, A. *Statul și economia de piață*. București: Economica, 2000.
10. Dodescu, A. "State versus Market. Some arguments to surpass the "mirror approach", *Theoretical and Applied Economics*, Volume XVII (2010), No. 9(550), pp. 17-32, 2010. <http://store.ectap.ro/articole/496.pdf>.
11. Dodescu, A. "The Reconfiguration of the Role of State in Economy at the beginning of the 21<sup>st</sup> Century from the perspective of the European Model", *Revista Economică*, No. 2(55)/2011, pp.252-259, 2011. <http://economice.ulbsibiu.ro/revista.economica/archive/RE%202-55-2011.pdf>.
12. Dogan, M. and Pelassy, D. *Economia mixtă-jumătate capitalistă, jumătate socialistă*, București: Alternative, 1992.
13. Eaton, K., Kaiser, K. and Smoke, P. *The Political Economy of Decentralization Reforms: Implications for Aid Effectiveness*. Washington, D.C., The World Bank, 2010.
14. European Commission, 2001. "European Governance. A White Paper", *Commission communication* - COM(2001)428. [http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001\\_0428en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001_0428en01.pdf).
15. European Commission, 2002. "Better lawmaking", *Commission communication* - COM(2002)275. Available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52002DC0275:EN:NOT>.
16. European Commission, 2003a. "Updating and simplifying the Community Acquis", *Commission communication* - COM(2003)71. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52003DC0071:EN:NOT>.
17. European Commission, 2003b. *Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS)*. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:154:0001:0041:EN:PDF>
18. European Commission, 2005. "Implementing the Community Lisbon programme: A strategy for the simplification of the regulatory environment", *Commission communication* - COM(2005)535. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52005DC0535:EN:NOT>.
19. European Commission, 2007. *Governance in the EU. A White Paper*. [http://ec.europa.eu/governance/index\\_en.htm](http://ec.europa.eu/governance/index_en.htm).
20. European Commission, 2008. "Commission Regulation (EC) No 11/2008 of 8 January 2008 implementing Regulation (EC) No 1059/2003 of the European Parliament and of the Council on the establishment of a common classification of territorial units for statistics (NUTS) on the transmission of the time series for the new regional breakdown", Official Journal L 5 of

- 9.1.2008. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:005:0013:0014:EN:PDF>.
21. European Commission, 2010. "Smart Regulation in the European Union", *Commission communication* - COM(2010)543. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52010DC0543:EN:NOT>.
22. European Commission, 2011. [http://europa.eu/legislation\\_summaries/regional\\_policy/management/g24218\\_en.htm](http://europa.eu/legislation_summaries/regional_policy/management/g24218_en.htm)
23. Majocchi, A. "Theories of fiscal federalism and the European experience", *ISAE Working Papers*, No. 100, Rome: Institute for Studies and Economic Analyses, 2008. [http://www.isae.it/Working\\_Papers/WP\\_100\\_2008\\_Majocchi.pdf](http://www.isae.it/Working_Papers/WP_100_2008_Majocchi.pdf).
24. Oates, W. E. "Fiscal competition and European Union: contrasting perspectives", *Regional Science and Urban Economics*, vol. 31, Issue 2-3, April 2001, pp. 133-145, 2001.
25. Oates, W.E. *Fiscal Federalism*. New York: Harcourt Brace Jovanovich, 1972.
26. Olson, M. Jr. "The Principle of "Fiscal Equivalence": The Division of Responsibilities among Different Levels of Government", *The American Economic Review*, Vol. 59, No. 2, Papers and Proceedings of the Eighty-first Annual Meeting of the American Economic Association (May, 1969), pp. 479-487, 1969. <http://www.jstor.org/pss/1823700>.
27. Shah, A. *Local Governance in Industrial Countries*, Washington D. C.: World Bank, 2006.
28. Sharma, C. K. "Emerging Dimensions of Decentralization Debate in the Age of Globalization", *MPRA Paper*, No. 6734, University Library of Munich, 2008. <http://mpa.ub.uni-muenchen.de/6734/>.
29. Sharma, C. K. "Multilevel Fiscal Governance in a Balanced Policy Environment", *MPRA Paper*, No. 30282, University Library of Munich, 2011. [http://mpa.ub.uni-muenchen.de/30282/1/MPRA\\_paper\\_30282.pdf](http://mpa.ub.uni-muenchen.de/30282/1/MPRA_paper_30282.pdf).
30. Stănciulescu, G. and Androniceanu, A. *Sisteme europene de administrație publică*, București: Uranus, 2006.
31. The World Group Bank, 2011. *Decentralization & Subnational Regional Economics*. <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTOR/NDGOVERNANCE/EXTDSRE/0,,menuPK:390249~pagePK:149018~piPK:149093~theSitePK:390243,00.html>.
32. Wallace, H. and Wallace, W. *Policy Making in the European Union*. Oxford: Oxford University Press, 2000.
33. Weber, L. *L'Etat, acteur economique*, Paris: Economica, 1991.