

REGIONAL DEVELOPMENT IN ROMANIA:
EXPERIENCES IN THE EUROPEAN
INTEGRATION PROCESS

Abstract

Sustainable development builds the vision on the future and it is shaped in goals and appropriate actions for all levels of approach. The progress towards this future necessitates the definition of intermediary plans for objectives and targets that allow an operational approach. In Romania, the significance of sustainable development is circumscribed to the equity notion, being translated, on short term, as regional development. Although sustainable development supposes the simultaneous progress on economic, social and environmental plans, the current situation reveals the need to eliminate gaps among them, respectively to prioritize economic objectives. The paper analyzes the accomplishments based on the typology and size of projects that had financial support by the specific operational programs. The results are discussed in relation with strategic European goals, but also as argument for the importance of public power in reaching the development and welfare goals.

Keywords: sustainable development, financial support, european goals, regional distribution

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DEZVOLTAREA REGIONALĂ ÎN ROMÂNIA: EXPERIENȚE ÎN PROCESUL DE INTEGRARE EUROPEANĂ

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Rezumat

Dezvoltarea durabilă construiește viziunea asupra viitorului și se concretizează în obiective și acțiuni corespunzătoare pentru fiecare nivel de abordare. Pentru a progresa către acest viitor, sunt definite planuri intermediare de obiective și ținte, care permit o abordare operațională. În România, semnificația dezvoltării durabile se circumscrie noțiunii de echitate în profil orizontal, traducându-se, pe termen scurt, ca dezvoltare regională. Deși dezvoltarea durabilă presupune progresul simultan pe plan economic, social și de mediu, situația existentă pune în evidență necesitatea eliminării decalajelor dintre acestea, respectiv prioritizarea obiectivelor economice. Lucrarea analizează realizările pe baza tipologiei și dimensiunii proiectelor care au beneficiat de sprijin financiar prin programul operațional specific. Rezultatele sunt discutate în relație cu obiectivele strategice europene, dar și ca argument pentru importanța puterii publice în atingerea obiectivelor de dezvoltare și bunăstare.

Cuvinte cheie: dezvoltare durabilă, sprijin financiar, obiective europene, distribuție regională



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1. INTRODUCTION

Society's desire for continuous progress found in the process of economic development the support needed to give sense for the human evolution and shape the future. This need to formulate a vision about the future is correlated with a perseverant effort to mainstream actions and resources for its accomplishment.

The most widespread vision on the future in current policy making is sustainable development. The concept was defined after a wide scientific and political debate on the perspectives of mankind considering the trends of a variety of relevant processes, especially those signaled in the "Limits of growth" report, namely: population, food production, industrial development, resource use, and pollution. The results were synthesized and published in 1987 in another well known report – "Our common future", coordinated by Gro Harlem Bruntland, chair of the World Commission on Environment and Development. According to this report, sustainable development is the "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*" Although there are various understandings and tens of definitions for sustainable development, the most cited one is the original definition (Rojanschi & Bran, 2002).

Sustainable development is a concept developed by using a vertical approach, which focuses on equity among generations. Since the present generation is also marked by important gaps, in the interpretation of sustainable development the significance of equity was extended. This created a space of a potentially synergic interaction between sustainable development and regional development. In management terms this could be translated as follows: achieving sustainable development means to remove development gaps between different territorial units. Thus, regional development became a compulsory stage toward sustainable development.

Romania's adhesion to the European Union (EU) was widely supported and desired. It was received as a recognition that Romanian people has qualities that are valuable for one of the most developed regions in the world, meeting the conditions to have access to the levies that are able to accelerate the process of development. One of these levies is the Regional Operational Program, established in order to remove the most important gaps between Romanian regions and European ones. The first planning period, 2007-2013, is coming close to its end. Therefore, we consider that it is justified to ask and answer some questions about how the expectations of gap removing fast development were met.

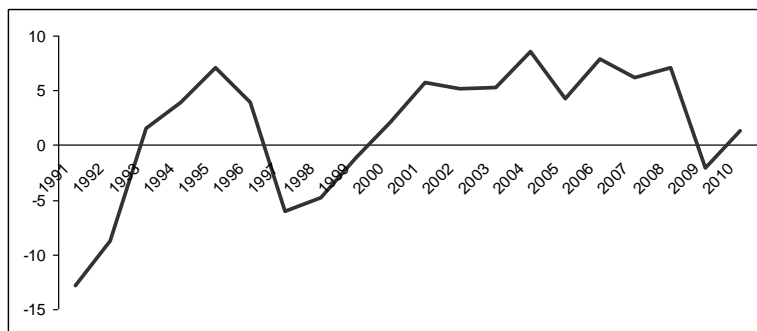
The first part of the paper will discuss the basic tenets of sustainable development and its significance in the context of social and economic realities of Romania. Further, we look to the projects supported by

the Regional Operational Program discussing their distribution, size and type of investment. Finally, the results of the analysis are discussed in relation with the European regional development goals and as an argument for the importance of public power in mainstreaming resources toward development and welfare.

2. SUSTAINABLE DEVELOPMENT IN ROMANIA

Officially the SD concept is embedded in the national policy making and strategy construction, in discourse of decision makers, educational curricula etc. and it is accepted in its canonical form proposed in 1987. The attempts to adapt it to the realities of Romanian economy made by politicians, researchers, scholars were not formalized in a particular concept recognized by the official institutions of the state as effective guidance for the elaboration of Romania's long term economic strategy.

In the reform process in Romania could be included components of sustainable development along with the ones specific for survival. The role of these components in the establishment of the new structure could be important. Such components could be: halting environmental degradation; valuing natural resources by respecting their support capacity; reconsidering the position of human resources in the process of restructuring; valuing traditional (ecological) knowledge; increasing efficiency in the use of resources; reducing the gap between social categories and territorial units; protecting mineral resources; and fighting corruption.



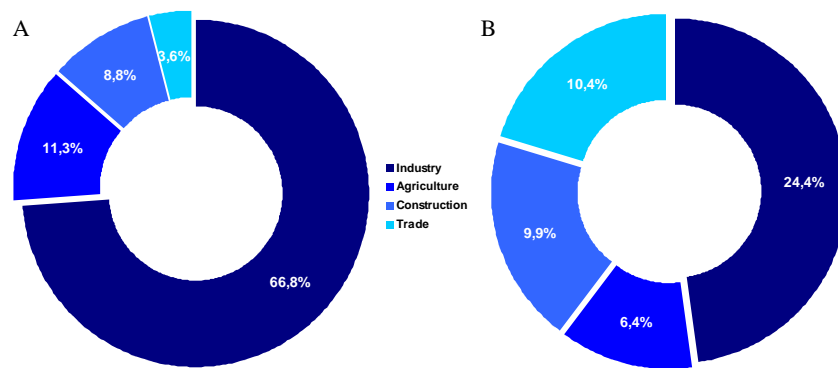
Source: Romania's Statistical Yearbook, 2010

FIGURE 1 VARIATION (%) OF ROMANIA'S GDP IN 1991-2010

In Romania, it is important to secure the survival of the economy after a process called transition, which was managed inappropriately and generated a twenty year crisis of the entire national economy (Bran et al., 2011a). This crisis is illustrated by data recorded for some indicators: gross domestic product (GDP), structure of economy by sectors, foreign direct investment (FDI) stocks and flows.

Romania's GDP after 20 years does not configure any chance for the country to reduce the performance gaps against European countries or, in some cases, to equal the ante-1989 performances (industrial and agricultural production, proportion of pension against wages, occupied population in industry etc.). Budgetary incomes were chronically lower than expenses, with large increases in absolute terms after 2005 (figure 1).

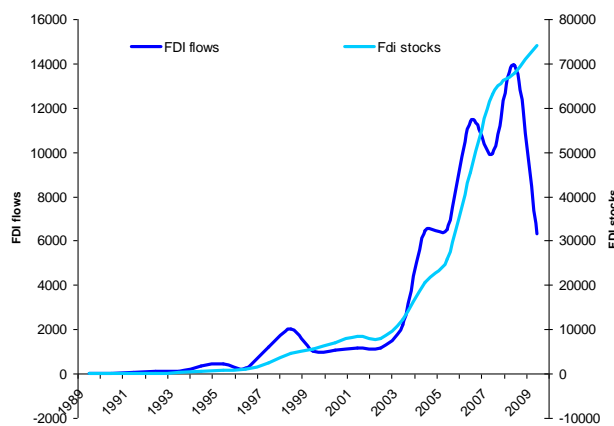
The structure of the economy changed, with an increasing contribution of services (figure 2), while industry, constructions and agriculture which contributed with 85% to the GDP formation, represent only 39% in 2009, with well-known consequences on the economy and on the population.



Source: Romania's Statistical Yearbook, 2010

FIGURE 2 STRUCTURE OF ROMANIA'S ECONOMY IN 1989 (A) AND 2009 (B) (% CONTRIBUTIONS TO GDP FORMATION)

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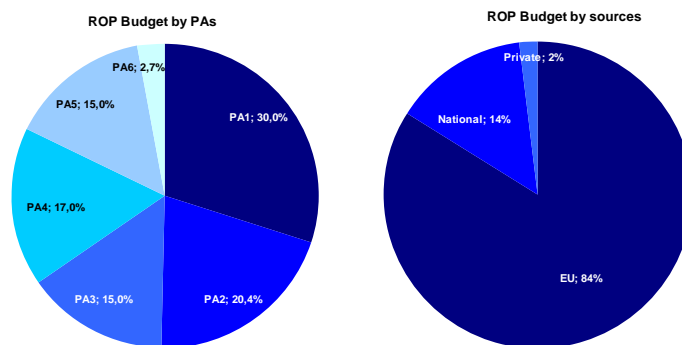
Source: UNCTADStat

FIGURE 3 FDI FLOWS AND STOCKS IN ROMANIA AFTER 1989 (MILLION USD, CURRENT PRICES)

The first ten year after the major political change from centralized to market economy was not mirrored in the evolution of Romania as destination for foreign investment (figure 3). In fact, FDI stocks and flows became significant after 2000, with important increases in 2004 and 2006. The international financial crisis impacted on FDI, which dropped with more than 50% (from almost 14000 million USD to 6 390 million USD). Breaking out from the crisis could be understood as a chance for changing the direction of national economy's evolution (Bran et al., 2011). There are many variables that interact and it is difficult to make a prediction on the outcome of this change or if it will occur or not. Nevertheless, we could propose a reference in terms of action that will guide decision makers toward survival and further to sustainable development. These actions are: restructuring of the system in order to make it compatible with the modern economy, able to self-control and to generate the means of evolution and further development (stage economic "survival"); "taking-off" from survival to development, in a viable manner considering the global economy's competition; and development with sustainability components on long and very long term that will allow the assertion of Romanian economy, and Romania in general, in the world.

3. REGIONAL DEVELOPMENT PROJECTS IN ROMANIA

Romania manage its regional development by specific institutions which were created throughout the process o preparation for the adhesion to the EU. After 2007, the European support for regional development arrive in Romania through the Regional Operational Program (ROP), which act as a distribution center for funds allocated for five priority areas (PA): PA1. sustainable urban development; PA2. improvement of regional and local transport infrastructure; PA3. improvement of social infrastructure; PA4. development of regional and local business environment; and PA5. sustainable development and tourism promotion. The budget structure of ROP by priority areas and by source is presented in figure 4.



Source: REGIO – Programul Operational Regional
FIGURE 4 THE BUDGET OF THE REGIONAL OPERATIONAL PROGRAM (ROP) IN ROMANIA

Since in 2009 it was made an assessment for the evolution of the program (EU et al., 2009), we analyzed the situation of the contracts made until 12th May 2011. The first assessment revealed that the progress is slow with low and unsatisfactory ratings for all PAs.

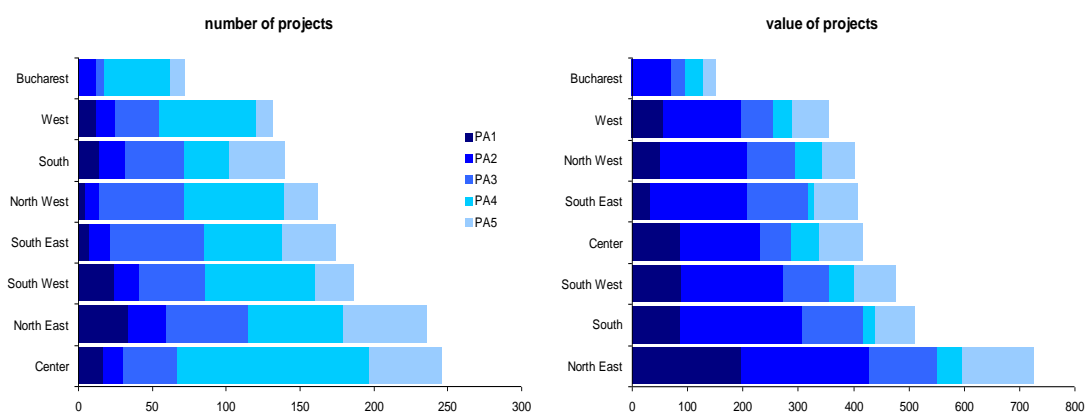
To date Romania contracted a total amount of 3.434 billion euro in 1348 ROP projects. This represents almost 80% of the ROP's allocation for the 2007-2013 planning period. The structure of projects' budgets by priority area is different from the allocation. Thus, PA2 is leading, with more than 35%, followed by PA3, and only after what is coming PA1, which is the first in the ROP's budget. A more detailed insight on these projects is presented in table 1.

TABLE 1 ROP PROJECTS BY PRIORITY AREAS AT 12TH MAY 2011

Priority area	Number of projects	Total value of projects (bln. euro)	Smallest project (mil.euro)	Largest project (mil.euro)	Average size of projects (mil.euro)
PA1	113	0.604	0.090	21.698	5.353
PA2	126	1.324	1.350	32.884	10.508
PA3	331	0.650	0.110	19.880	1.965
PA4	529	0.289	0.021	21.024	0.547
PA5	249	0.581	0.075	21.035	2.334
	1348	3.434	0.021	32.884	4.141

Source: Data Base of REGIO – Programul Operational Regional

The largest projects worth over 30 million euro and were urban development projects in PA2, contracted in Iasi municipality. This PA is in fact the one where the largest projects are concentrated. Even the smallest project exceeds 1 million euro, while the average size is around 10 million euro, which is double compared to the mean of the ROP projects. In contrast, the smallest projects are contracted for PA4, although they are the most numerous (529 projects).



Source: Data Base of REGIO – Programul Operational Regional, 12th May 2011
FIGURE 5 ORDER OF REGIONS BY NUMBER AND VALUE (MILLION EURO) OF ROP PROJECTS

Grouping projects by regions revealed that most of the applications were made in region 7, Center, while the largest budget was attracted in the least developed region: North-East (figure 5). This could be considered a positive outcome in terms of regional development, since these investments are expected to reduce the gaps among Romanian regions too. In contrast with the previous assessment, Romania made a significant progress in attracting European funds. Although there are structural differences between budget allocation and absorption, these could be used in the negotiation for the next financial planning period. The primacy of the PA2 is also a good prove for the poor stage of the transportation infrastructure, and the public pressure for its rehabilitation and improvement.

4. CONCLUSIONS

Regional development and sustainable development are two concepts that be biased in their use. In order to avoid this, we advanced the following interpretation: the goal of equity assumed by sustainable development could be met by removing the development gaps between different territorial units. In other terms, regional development is a stage toward sustainable development.

In Romania, the prolonged transition created the framework for a crisis. This is illustrated by numerous indicators, but the most appealing one is the loss of more than two million jobs due to changes in economy's structure. Adding this to the gap allowed by the previous regime, pushed Romania to the bottom of list for many development indicators at European level.

Recovering this gap is the main task of ROP in the framework of which numerous projects are managed. Until 2009 the funds available by this program were accessed poorly, but some good perspectives were foreseen. According to data reported recently, the prognosis was proper, since almost 80% of the ROP budget is contracted in almost 1500 projects. The territorial distribution reveals that even at national level progresses could be made, since the most remote regions attracted the largest funds.

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