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## **PUBLIC ADMINISTRATION ROLE IN INFRASTRUCTURE DEVELOPMENT**

**Abstract:**

The infrastructure (transport) is essential for the economic development of a region. If we are taking into consideration the tourism industry and other tourist activities, the importance of the infrastructure is higher, due to the fact that the attractiveness is increased by the comfort and the easiness of reaching the targeted places. The public administration plays a huge role in developing projects for improving the infrastructure or for rehabilitating it. We are presenting different situations and the roles played by the public authorities together with the options they have for public investment projects.

**1. INTRODUCTION**

As it is mentioned above, the impact of infrastructure (transport and facilities) influences the economic development of a specific region. Sometimes the effects are unpredictable and in the case that the area is economic dependent on a specific sector (tourism for example) these could be stronger. Unfortunately the private investors and stakeholders are not interested in investing money in infrastructure development, due to the fact that the rate of return is unsatisfactory in these cases.

The development, maintenance and rehabilitation are the duties of the public administration structure. One of the concerns for the public administration is the funding of these infrastructure investment projects.

Starting from a briefly description of a Romanian region (ANDR 3 - Sud Muntenia<sup>1</sup>), one can see that the infrastructure development is a compulsory condition for economic development and it is easier to highlight it on tourism.

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<sup>1</sup> Note: The country is divided in 8 regions and each one has a branch of Romanian National Agency for Development.

## **2. CASE STUDY OF ROMANIAN ANDR 3**

### **2.a. Development of transport infrastructure**

At present, the road transportation in a steady development during the last years, is becoming the leader in this field also because of the railway transportation decline. ANDR 3 has a network of 4 international highways and the future Constanța-București-Oradea highway, which will be part of the pan-European transportation network. Thus ANDR 3 has the advantage of a good internal and international connection.

The initial **national road network** (21.2% of 11,818 km total length), mainly modernized, assures a good connection especially between the towns, offering a good access to and from different important centers as Bucharest-the country capital, seaside harbor-Constanta etc. The connections with the inner country, which is inside of Charpatian Arch, are assured by 4 passages: Prahova Valley (road and railway); Olt Valley (road and railway); Rucăr-Bran (road); Transfăgărașan (road – accessible only during Summer time).

In comparison with the generally satisfactory technical state of the national roads network, the countryside roads, covering 78.8 % within the network, are mostly unsuitable. This fact affects the road traffic and has a major negative impact on the rural area.

Road transportation is doubled by the railway transportation on 4 main lines which assures connections with all the historic regions: Moldavia, Dobrogea, Transylvania and Banat.

Within ANDR 3 there is no civil airport for passengers and cargo, but it could be used the biggest airport of Romania-Bucharest Otopeni, placed at a distance of about 60 to 120 km from the centers of the regions counties.

The water transport, unfortunately in a steady decline after 1990, is assured by the Danube river, the main trans-European water way. ANDR 3 has the advantage of 4 important harbors: Turnu Măgurele, Oltenița, Giurgiu, Călărași.

The border line that this region includes is between Romania and Bulgaria and has three passages. The most important of these passages is Giurgiu-Ruse that has a highway-railway bridge, an important point of connecting Western Europe with the Near East.

### **2.b. THE DEVELOPMENT OF TECHNICAL INFRASTRUCTURE**

Within the region the *water supply network* sources originate in surface and underground water collection. A length of 6,299 km of water supply network feeds a number of 454 sites (cities, towns, villages, s.o.) with current water.

The water supply network, especially on the urban area, has an advanced level of degradation and usual do not meet the water requirements at present.

*Sewage network* for the home waste water are underscored and mostly deteriorated. It covers about 94 sites out of which 42 are towns. The purging of home wasted waters is another major matter caused by the insufficient, old and overused equipment and technologies.

The electric energy supply is not a problem it reaches a 99% of the region and covers 100% the urban areas.

The region has a good telecommunication network that has a high coverage which allows the access of the region inhabitants to modern communication systems.

Natural gas network with a length of 1,734 km supplies a number of 128 localities out of which 31 are towns. Unfortunately its expansion is fairly slow because of the high cost involved by this investment.

Thermal power distribution in centralized system is present mainly in urban centers and, during last years is declining due to the high cost of production and transportation. Now this type of system is replaced by smaller, more efficient systems grafted on the natural gas network.

## **2.c. ENVIRONMENT PROTECTION EVOLUTION**

The environment quality, estimated by the evaluation of the individual components (air, water, ground, forestry etc.), fluctuates consistently around the region. In respect with this, after 1990 the environment was improved as a result of the increased investments in the environment protection, improvement and enforcement of regulations and by diminishing and even putting to an end the pollutant industrial outcome.

Northern part of the region, highly industrialized, concentrates industrial mining activities which are great sources of pollution, due to the old technologies used. These generate the biggest damages for all environmental elements.

Within this part of the region, Prahova county, the most industrialized county of the country, has the highest level of air and soil pollution. At the same time, the unsuitable technical condition of waste waters treatment plants causes the existence of biological and microbiological high pollution of the rivers.

The agricultural areas from the South of the region, due to the low industrialization are less polluted but suffer from other environmental elements of degradation: erosion, lack of nutrients and chemical pollution. All this have a negative impact on the agricultural activity and the quality of life.

A special problem is the dumping of home and industrial waste. The region has few ecological waste dumping places and this are usually placed nearby urban centers. Till now,

the region has no modern and complex system of waste dumping able to collect, select, process and incinerate or recycle the wastes.

#### **2.d. EFFECTS ON TOURISM EVOLUTION**

During the last years the tourism proved to be an important source of socio-economic revitalization of the region. The region has a substantial potential, mainly on the Northern part, for tourism and recreation activities, due to the existing natural favorable conditions and cultural and historical tradition.

The main points of attraction are the mountain resorts from Prahova Valley - Masivul Bucegi for winter sports, mountaineering and weekend tourism. These are well equipped with modern hotels and adequate infrastructure for tourism. All these facilities in Prahova Valley are usually overcrowded, while Ialomița Valley, placed on the other side of the mountain range is now under development. These parts of the county is attracting investment for building up hotels and other facilities for tourism and the development of new resorts (Peștera).

The spa tourism takes place in 3 watering places. The present accommodation and spa facilities and quality of services are low. The increased number of tourists registered lately in Pucioasa Spa is due to the beginning of a rehabilitation and development process.

The region is attractive for tourism as it has cultural-historical monuments and national parks in Bucegi and Pietra Craiului Mountains that could be shown. The access to all these is facilitated by the transport infrastructure.

In comparison with the Northern part, the South part of the region, especially the river-side of Danube has a great potential, unexploited potential for tourism that could be, under proper and sustained investment, an alternative to classic mountaineering.

In the Southern part of ANDR 3, the tourism development depends on the development of water and road transportation necessary to allow a rapid access to the existent potential of tourism.

### **3. FUNDING SOURCES FOR INFRASTRUCTURE INVESTMENT PROJECTS**

The infrastructure projects require high amounts of money to be developed. Romania has insufficient governmental sources for this kind of investments. That's why it is necessarily to attract foreign funding from various sources. Among the most important sources for funding the infrastructure investment projects are the international financing programs, structural funds and specialized banks. We shall describe below these important sources of financing for our case.

#### **3.a. INTERNATIONAL FINANCING PROGRAMS**

**PHARE** has three main objectives:

- the consolidation of public administration and institutions of the integration candidate states, in view of making them functional within the European Union (institutional development);
- support of the candidate states in their investment effort for lining up industrial activities and infrastructure to the EU standards (investments for the support of the *acquis communautaire* implementation);
- the promotion of economic and social cohesion (investment in key sectors for the region development).

**ISPA** (Instrument for Structural Policies for Pre-Accession) is funding, during 2000-2006, infrastructure projects in the field of transportation and environment protection. ISPA objectives are:

- the support of beneficiary countries to reach the European Union standards for environment;
- expansion and connection of transportation networks of the beneficiary states to the trans-European ones;
- accustoming the beneficiary countries to the policies and procedures applied to Structural and Cohesion Funds of European Union

**SAPARD** (Special Pre-Accession Program for Agriculture and Rural Development) supports the candidate countries to adopt structural reforms in agriculture and other fields of rural development, as well as the implementation *acquis communautaire* regarding the Common Agricultural Policy.

“Romania found out four priorities fields to be financed by this program:

- manufacturing and trading of agricultural, fishery produces;
- development and improvement of rural infrastructure;
- human resources development;
- rural economy development.”<sup>2</sup>

### **3.b. STRUCTURAL FUNDS**

Structural funds and cohesion funds are financial instruments of the community economic and social cohesion policy, aimed to support the diminishing of the gap between the development

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<sup>2</sup> European Union Integration ABC – European Union Assistance for Romania, Ministry of Integration, 2004

of different region of the member states of the European Union, promoting thus economic and social cohesion.

“At present, the European Union has four structural funds: **European Social Fund (ESF)**, established by the Roma Treaty; **European Fund for Agricultural Orientation and Guaranty (EFAOG)**, established in 1962; **European Fund for Regional Development (EFRD)**, established in 1975; **Financial Instrument for Fishing Orientation (FIFO)**, established in 1993”<sup>3</sup>.

During 1994-1999 period the Structural Funds were granted under the condition of the observance of programming, focalization, partnership and supplementarity for 7 objectives and 13 initiatives.

In view of the improvement of the community actions efficiency during 2000-2006, the Commission proposed in the “Agenda 2000” from July 1997, a reform of structural policies. This reform allowed a better focusing and a simplification of the operation way of the assistance by reducing the number of objectives to only three:

“*Objective 1* – structural development and adjustment of the underdeveloped regions with a GDP under 75% of the European Union average. 70% of the Structural Funds are dedicated to this objective.

*Objective 2* – economic and social reconversion of the regions in structural difficulties. This objective covers the region in difficulty from the economic diversity point of view as there are the regions where the economy is crossing a stage of deep changes, declining rural regions, regions dependent on fishery under the crisis and urban region in difficulty. Human resources development in other regions than those eligible for Objective 1.

*Objective 3* – Is the reference framework for all the measurements provided by the new Title regarding the human force employment under the Amsterdam Treaty and the European Strategy for Human Resources employment”<sup>4</sup>.

The European Commission is under a process of reorganizing and restructuring the Structural Funds.

### **3.c. BANKING SOURCES**

#### **The International Bank for Reconstruction and Development (IBRD)**

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<sup>3</sup> PHARE Program 2002, Glosary of terms – Economic and Social Cohesion

<sup>4</sup> idem 3

IBRD is better known under the name of World Bank. A loan from the World Bank can be granted, with the exception of special cases, for well defined projects from country members. The project assisted by the World Bank loan has to be sound from the technic and economic point of view and to be of great priority for the economic development of the country.

The Bank has to be sure that the project will be well managed both during its implementation and after its completion. It has to have a reasonable guaranty that the loan will be reimbursed and that it will not be a real burden for the economy of the applicant country.

The detailed follow up of the project by the World Bank is one of the most important conditions of its efficiency and insures both the recipient and the creditor that the funds are used only for the precise aims of the funded project.

#### **European Bank for Investment (EBI)**

**EBI is a financing institution of the European Union created under the Roma Treaty in 1958**, located in Luxemburg and its members are the European Union member states that subscribed to the bank equity. Its mission is to support the U.E. objectives by financing long term specific capital projects.

#### **European Bank for Reconstruction and Development (EBRD)**

EBRD was established in 1991, in London. EBRD supports investment for the establishment of the market economy and democracy in 27 countries from The Central Europe to the Central Asia. The EBRD stakeholders are 60 states and 2 inter-governmental organizations. The EBRD funding is oriented especially to the private sector. It also supports the public sector mainly for privatization, restructuring and public services improvement.

## **4. CONCLUSIONS**

As one could see in chapter 2 – Case study ANDR 3, there is a clear and implicit connection between the state of the infrastructure and the other utilities and the economic development (the tourism included) of the region.

The Northern part of the region (Prahova Valley) characterized by a good industrial level has also a transport infrastructure and other utilities networks well developed. As a consequence it has the power to turn into account its potential for tourism.

As a feed-back the tourism development stimulates other economic sectors in the region that leads to the global development of the region.

The peak of this development determines the transfer of the attention to the similar potential, long time forgotten, of the next valley – Ialomița, for its turning into account. This trend



visible in the Ialomița Valley functions on the principle of communication vessels due to the maximum exploitation of the neighboring valley.

The Southern part of the region, unfortunately mainly agricultural, has not fully used its potential in tourism because of its low level of development. The turning into account of good potential for tourism needs high investments that the region can not afford. The efforts to attract foreign investment were not successfully mostly because of the weak development of infrastructure.

Public administration should pay more attention to the development of the infrastructure and other utilities for the regions with good potential in tourism. They should attract more funds for supporting the infrastructure investments using better the above mentioned funding sources and others.

The investment to develop infrastructure and public utilities are not attractive as the rate of return means long terms, do not generate profits and in the most cases no income, as direct forms of return.

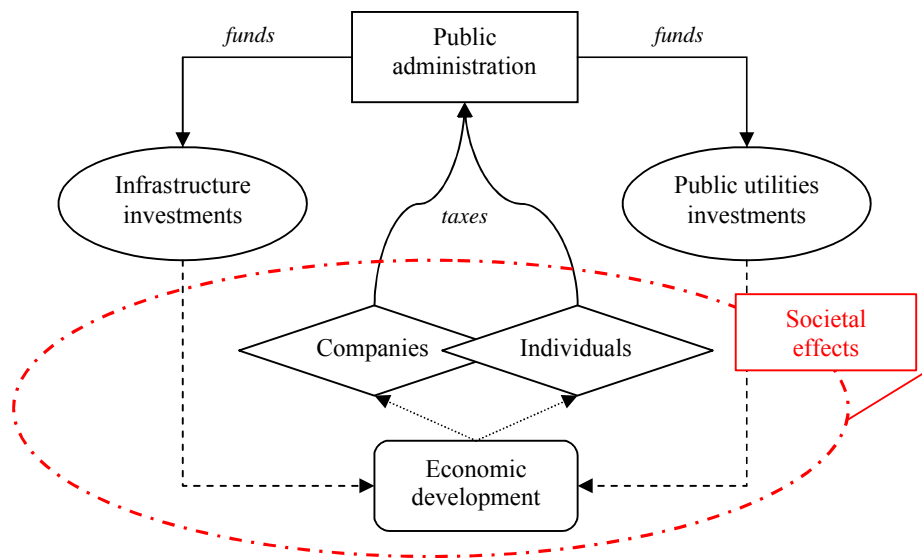


Figure 1. The indirect return of the public investments

Also there is clearly an indirect form of return on investment, shown in Figure 1. The existence of a suitable transportation network and utilities (water, sewage, gas, electricity, communication etc.) foster the economic development and increases the attractiveness of the region. A hidden potential of tourism can be so turned into account.

The economic development has, as a direct consequence, the growth of companies and the job creation, reflected in the increasing of profits and individual earning. The taxes, for the central and local budget, collected from companies and individuals are the indirect forms of public

investment recover. As much as the public administration attention will be focused on the investments in infrastructure and utilities, the tax volume will be higher, societal effects adding to them.

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