

THE INFLUENCE OF REGIONAL DEVELOPMENT POLICIES ON REGIONAL COMPETITIVENESS IN ROMANIA

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Abstract

Ten years after Romania's accession to the European Union, it is still overshadowed by a series of challenges, which is why the European Commission periodically checks our country's fight against them, especially corruption. Romania has encountered multiple obstacles in accessing the structural funds as financial instruments of the European Union's cohesion policy. Through this paper we aim to identify the role played by Romania, more precisely its regions, in the absorption of funds provided by the European Union, referring to the regional competitiveness and the regional development policies. We also want to highlight the interdependence between regional competitiveness and regional development policies, the latter influencing competitiveness through support for innovation and, implicitly, economic growth. The paper is based on a comprehensive consultation of the specialized literature in the field, which includes not only scientific articles but also specialized books, reports of the European Union institutions, Eurostat databases from where statistics that can be compared later with the data in the official documents for a better understanding of the institutional and organizational framework of the regional development policies. The work is one that combines the theoretical and empirical spheres, going from general to particular, from macro level to micro level, to finally present the conclusions and boundaries of the research. The results show that, once Romania joined the EU, it benefited from the aid received by the European community in the form of non-reimbursable financial aid to support the development of its regions. The regional development policy in Romania seems not to have been understood and implemented rigorously, and this can be seen by the low absorption of European funds. We tend to believe that what actually took place in our country was just alignment with the requirements of the European Union as a requirement of the latter.

Keywords: Regional development, regional competitiveness, European funds, absorption capacity, territorial organization, innovation

Clasificare JEL : R11, R58

1. Introduction

Not only politicians but also theorists have focused their attention on the various aspects of regional development and this has led to the development of specific terminology, appropriate calculation methods, with which they have been able to measure discrepancies between regions. At both national and international level, there are numerous debates on competitiveness and regional policies, especially given the rapidity of technology development as humanity is becoming more aware of regional identity. The challenge around which the European Union's representatives revolve is to identify the factors that determine regional performance oscillations so that the need to finance these regions can be established, to develop policies that address the disparities between Europe's regions. Globalization has become a growing phenomenon, and in this context, regional development has become a genuine local, national and even international concern. Being at the intersection between the regional economy, economic geography and economic development, regional development tends to improve the quality of life in the regions, thus playing a role for EU states on a lower level of development. Moreover, economic growth has the main benefits of decreasing poverty and raising living standards. It is already well known that in developed economies, much of the revenue is no longer directed towards meeting basic needs but is allocated to meet the need for self-reliance.

2. Absorption of European funds in the context of regional funding

In 2009, Zaman argued that "a high efficiency of structural funds is conditioned by the quality of governance in general, and public administration institutions in particular." Thus, in line with the best practices of the EU Member States, a very important role is represented by the smallest number of institutions involved in different levels of regional governance, as it leads to a high degree of absorption of the funds provided by the European Union (Horvath, 2005).

The absorption capacity of European funds has been defined as "the extent to which Member States of the European Union are fit to use the financial resources allocated through the Structural Funds in an efficient and effective way" (Boot, de Veet, Feeks, 2001). Regarding this definition, the absorption capacity is influenced by two factors, namely the capacity for managerial and administrative co-financing. (Bachtler et al., 2013). In addition, it is important to note that the role of a person in the process of absorption can be defined as the "organizational structure, adequacy and quality of human resources and administrative adaptability".

Here, however, a dilemma arises that the greatest difficulties in raising funds are precisely the most disadvantaged regions that really need financial help to recover. It is not very difficult to identify the reasons for this paradox, given that the vast majority of Romanian institutions and organizations complain about the excessive bureaucracy and the lack of experience of regional authorities when it comes to accessing European funds.

According to statistics compiled at EU level in 2013, Romania ranks last in terms of the absorption rate of the funds allocated for the period 2007-2013 but this 26.2% was expected to increase in the following period due to the granting of the 3 Years after 2013 for failing to disburse funds.

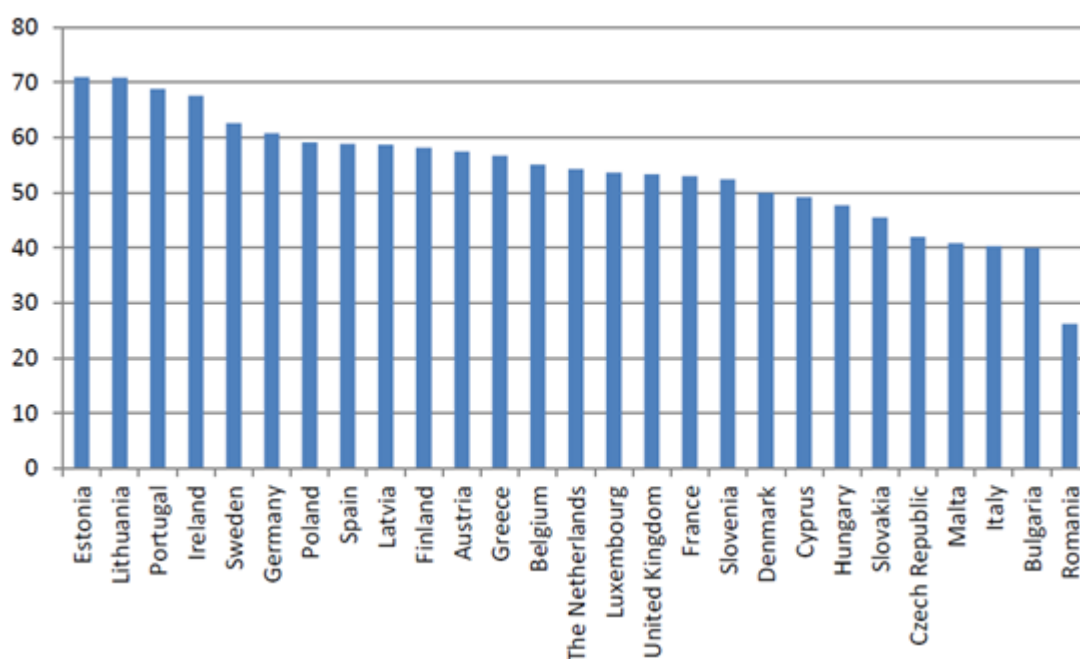


Figure No.1. European Union absorption rates in June 2013

Source: European Commission, 2013

According to the Ministry of European Funds, on the 31st of March 2016, after paying its contribution to the European Union budget, Romania remained at around EUR 22.85 billion plus the effective absorption rate, at that time, 61.57 percent. Over the last hundred meters, Romania managed to increase its current absorption to 89 percent by the end of 2016 and thus saw a decrease

regarding in the difference from the average of the 28 states of the European Union that was 93% at that time.

According to data provided by Eurostat in 2014, with reference to 2011, there are major differences between the regions of Romania. Turning to GDP per capita, while the Bucharest-Ilfov region reached 122% of the European Union average, at the other end is the North-East region located at a rate that does not reach the 30% threshold and the other regions fluctuate between 37% and 54% (Eurostat, 2014).

Also, in the Eurostat regional yearbook 2016, the Gross Domestic Product (GDP) per capita in PPS in relation to EU-28 average, by NUTS 2 regions, 2014 (% of EU-28 average, EU-28 = 100) where we notice that these major differences are maintained between the regions, Bucharest Ilfov region being maintained on the first position with a 129.47 percentage point, the lowest GDP per capita being also found in the North East region 34, 4%, as in the previously mentioned situation.

Table No.1. GDP per inhabitant in PPS for Romanian Regions

Region	GDP/inhabitant in PPS(% of the EU 28 average)
Bucuresti Ilfov	129,47
Vest	57,56
Centru	51,59
Sud Est	49,52
Nord Vest	47,83
Sud Muntenia	43,39
Sud-Vest Oltenia	40,77
Nord Est	34,4

Source: Eurostat regional yearbook 2016

Observing these differences between regions, we can state, from the analysis carried out, that the effectiveness of the cohesion policy in Romania is not at all high. The funds allocated should help achieve the objectives set out in the National Strategic Reference Framework 2007-2013, namely to reduce the disparities between the regions of the same country and the Member States by supporting sustainable economic growth. The Cohesion Policy 2007-2013 of the European Union shows that cohesion policy programs for our country could contribute to GDP growth per capita.

For the 2020 period, the European Commission uses five general objectives, namely employment, research and innovation, climate change and energy, education and the fight against poverty as a means of measuring the success of the European Union (Barroso, 2010).

3. Territorial development in terms of competitiveness

Cohesion policy (or regional policy) is that kind of policy that supports EU Member States in order to help them meet the objectives of the 2020 Strategy. In this context, the emphasis is increasingly on the importance of cities, geographical delimitation Functional regions and disadvantaged areas. Territorial cohesion is still under discussion in the Treaty of Rome and Lisbon, with territorial cohesion being an objective of social and economic cohesion. Emphasis is placed on urban areas as real economic development engines that focus on research, creativity and innovation. Moreover, collaboration between private organizations, universities, research centers

and representatives of the public environment can achieve the synergy effect that leads to economic growth and job creation (Maticiuc M, 2015).

In the approach of the Ministry of Regional Development, Public Administration and European Funds, the regional development policy represents a set of measures planned and promoted by the local and central public administration authorities, in partnership with various actors (private, public, volunteers), in order to ensure an Economic, dynamic and sustainable increase by effectively capitalizing regional and local potential in order to improve living conditions (<http://www.mdrap.ro/dezvoltare-regionala/politica-de-dezvoltare-regionala>).

Referring to the case of Romania, we intend to analyze the need for administrative and territorial reorganization with regional governance and to see if this would increase the degree of attraction of funds provided by the European Union and regional development.

In this context, in Romania, since 2007, the year of our country's accession to the European Union, there have been a number of changes in the institutions responsible for implementing the regional development policy. Unfortunately, they did not have positive results either on the implementation of the policy or on the increase in the absorption of funds made available by the European Union to the country.

Until 1989 Romania focused on territorial development in a balanced way. Only at this time the focus was on the development of small towns and the migration of rural population to these areas developed around industrial branches.

The imbalances were created on the one hand as a result of the destabilization of the rural-urban relationship, and on the other hand, in the early 1990s, the industries in the towns underwent critical periods, some of them even reaching the factories on the verge of bankruptcy. Under these circumstances, this type of development was not sustainable. It was only in 1998 that the Law on Sustainable Development, Law 151/1998, was adopted. This was the moment that eight regions were created.

In Romania, the regional development policy includes the urban development policy which is also influenced by the cohesion policy, which, in D.L. Constantine is one of the most viable models of development policy, not just in a single programming period, and it always comes as a precondition for continuing the process of economic, social and territorial convergence "(Constantin, 2011). Romania's regional development policy is based on the National Development Strategy, which incorporates the National Development Plan.

Law no. 151/1998 stipulates eight development regions in accordance with the regulations issued by Eurostat in order to be classified territorially at NUTS 2 level. They have been formed on the approach of voluntary cooperation between neighboring counties but without legal personality:

- Region 1 North East (Bacău, Botoșani, Iași, Neamț, Suceava, Vaslui);
- Region 2 South-East (Brăila, Buzău, Constanța, Galați, Tulcea, Vrancea);
- Region 3 South Muntenia (Argeș, Călărași, Dâmbovița, Giurgiu, Ialomița, Prahova, Teleorman);
- Region 4 South-West Oltenia (Dolj, Gorj, Mehedinți, Olt, Vâlcea);
- Region 5 West (Arad, Caraș-Severin, Hunedoara, Timiș);
- Region 6 Northwest (Bihor, Bistrița-Năsăud, Cluj, Maramureș, Satu Mare, Sălaj);
- Region 7 Center (Alba, Brașov, Covasna, Harghita, Mureș, Sibiu);
- Region 8 Bucharest-Ilfov (Bucharest, Ilfov).

Regional development policy is applied to make use of the funds made available to the Member States by the European Union. As mentioned above, in 2013, Romania is the last in terms of the absorption rate of the funds allocated for the period 2007-2013, and the situation in 2017 shows as in Table no. 2. Regarding competitiveness measurement, this can be done both at national and regional level by national or international institutions (Euro chambers). In order to increase the performance of regional policies, competitiveness measurement should be considered imperative in the evaluation of programming periods.

Table No. 2. Stage of absorption for 2007 - 2013 on 28 February 2017 (euro)

Country	Allocation 2007-2013 *	Advantage received from the EC for the period 2007-2013	Statements of expenditure transmitted to the EC (current absorption rate) value	Statements of expenditure sent to the EC (current absorption rate)%	Reimbursements from EC (effective absorption rate) value	Reimbursements from EC (effective absorption rate)%	Amount of proceeds received from the EC (with advance) %
Romania	18.781.551.599	2.105.874.015	15.575.130.971	82,93	14.880.743.577	79,23	90,44

Source: http://www.fonduri-ue.ro/images/files/implementare-absorbtie/Anexa_1-Stadiul_absorbtiei_2007_-_

In the European Commission's press release of 27th February 2017 in Brussels, intitled *How Competitive is Your Region? the Commission publishes the Regional Competitiveness Index in 2016*, Mrs Crețu Corina, Commissioner for Regional Policy, details the importance of the Regional Competitiveness Index as follows: It is a valuable tool for better policy-making. It strengthens the Commission's efforts to support structural reforms and boost innovation capacities of EU regions through Cohesion Policy-related investments. Because each region is unique, we offer tailored support to empower them and help them capitalize on their strengths and assets, especially through our regional smart specialization strategies.

Table No. 3. Places occupied by the 8 regions of Romania in the EU ranking, regarding the Regional Competitiveness Index and the innovation sub-index

	RCI 2016		Innovation sub-index	
NUTS NAME	min-max scores	rank	min-max scores	rank
Bucuresti - Ilfov	45,412	161	42,323	159
Vest	13,171	240	14,505	247
Nord-Vest	11,903	241	8,732	254
Centru	8,206	246	6,783	256
Nord-Est	6,354	251	1,500	262
Sud - Muntenia	5,695	254	2,405	260
Sud-Vest Oltenia	5,558	255	0,000	263
Sud-Est	0,073	262	1,827	261

Source: adapted after The EU Regional Competitiveness Index 2016

Regarding the regional competitiveness index, in early 2017, the European Commission made public the third edition of the EU Regional Competitiveness Index 2016 where it assessed the competitiveness of 263 regions within the territory of the European Union. As it can be seen, Romania is one of the last places in the competitiveness of its regions.

Referring to the eight regions of our country, from the following table we can see that the Bucharest-Ilfov region holds the first place. This achieved a score of 45,412 and therefore occupied the 161st place. The second place was taken by the West region with a score of 13,171, and the third place in the hierarchy is occupied by the North West region with a score of 11,903.

We also presented the European Union classification of innovation within these regions, first rank (among the eight regions) occupied by the Bucharest-Ilfov region, 159th out of the 263 European regions, followed by the West region with 247 and North West with 254 in the same hierarchy.

The most competitive region in 2016 was the Bucharest-Ilfov region, while the lowest competitive region was the South-East region, between the competitiveness indexes of the two regions being a difference of 101 intermediate positions.

The current situation in Romania in terms of regional competitiveness confirms the modest situation of our country, with some significant inequalities between regions. It can be stated that the cohesion policy at regional level in our country was not an efficient one. It is the bureaucracy that discourages potential applicants, the ongoing changes of information regarding the submission of projects to attract funding with a major contribution to low absorption of funds, thus the disparities between regions still remain. It is imperative to attract funding from the European Union and this implies the need to take steps to simplify the procedures for obtaining funding.

What Romania misses is a national policy in different fields, while governments all over the world invest a lot of resources in innovation and development (Petrache A.; Maticiuc M., 2015).

4. Conclusions

From the definition of regional development and regional competitiveness it is easy to observe the relationship of interdependence between them. Of course, innovation plays a significant role in this observation, which is a basic pillar of competitiveness and which, in most cases, supports the economic growth of the regions. For the development of regional policy, we consider it imperative in the programming phase to take regional competitiveness into account in terms of innovation capacity. For sustainable economic growth, investments made for innovation tend to be strategic investments.

The eight development regions of Romania would require decision-making capacity not only in the application of regional policies but also in the elimination of regional differences. We believe that economic decentralization is necessary; regions should be given some degree of independence in terms of policy implementation at the level of the region, but also in setting the priority of financing and managing European funds. When deciding on decentralization, we refer to autonomy, and under that idea we believe that Romania needs financial autonomy at the level of the regions.

From the analysis of the Competitiveness Index by regions we can see that it has higher values in the western area compared to eastern Romania, which reflects an acceleration of the economic development from the west to the east. Looking at this index in detail, we can see that it is registering higher values in the regions of the West of Romania, and by looking at it in detail it can be seen that it is due to indicators such as employment, industrial production, investments and incomes. Regarding the disparities between the western and the eastern areas of Romania, it is recommended to identify ways to reduce them that could include investment in innovation and therefore attracting foreign investors.

By investing in those areas where Romania has more developed activity, it will be possible to create a specialization in certain branches for our country, which will bring a competitive advantage for the companies operating in our country to the ones outside the borders. Analyzing the innovation index in the regions subject to observation, it is not difficult to conclude that a region is more competitive as it has a higher degree of innovation. Companies should be encouraged to locate in regions where innovation is developing, areas conducive to spatial cluster organization, as there is a continuous and rapid exchange of knowledge between them (Maticiuc M, 2015).

It was already well-known that Romania managed to only partially access the resources made available by the European Union, being the last of the EU member states in the field of

absorption of structural funds immediately after the end of the 2007-2013 period. On the paper, we aimed to focus on the concept of absorption capacity and to analyze how local actors actively participated in the absorption of funds in the context of regional competitiveness and regional development policies.

In the comparative approach of the two periods 2007-2013 and 2014-2020, we cannot fail to take into account that the first period mentioned was marked by the economic crisis. Regional development policies have been those that have helped the regions of Europe and have encouraged low-growth regions to move to a higher level, namely transition. There is a great possibility that for the new period these regions in the category of transition regions become even developed regions and this shows precisely that these policies are viable and contribute to a great extent to the regional economic development and overcome the numerous malfunctions in the implementation process.

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