

THE IMPORTANCE OF REGIONALIZATION IN IMPROVING THE PROCESS OF ABSORBING EUROPEAN FUNDS IN ROMANIA

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Rezumat

The interest to study the impact of regionalization on the absorption of EU funds is a major and timely subject, since on the one hand Member States should reform their institutional architecture and management tools to enable efficient cooperation with European structures, and on the other hand there is huge opportunity for economic and social development funded from European resources whose effective access can only be made based on an appropriate organizational framework.

The regionalization process in Romania has experienced delays entailing a disadvantage in terms of the progress in the national socio-economic development.

In the present study we aimed to identify the main weaknesses in the way it has been approached the matter of regionalization and decentralization of public administration in Romania. To synthesize this better we conducted a SWOT analysis, which we sought to identify both positive and negative steps that Romania has followed in launching the process of regionalization and decentralization. From the study carried out it can be noticed that the need and importance of regional decentralization in increasing the absorption of European funds is justified by setting strategic priorities at regional level, accompanied by an assessment of projects that bring added value in that they correlate the real and specific regional needs with the development objectives set in the National Development Plan.

Cuvinte cheie: regionalization, decentralization, regional competitiveness, European funds

Clasificare JEL : F31, F36

1. Introduction

Regionalization and its role in national economic competitiveness constitutes a topical issue of great interest both for public authorities and for investors because it relates to tangible and concrete results on increasing productivity and living standards, openness to innovative processes and the availability of skilled labor and the ability to attract foreign investment.

The regionalization process in Romania is still lagging behind, but the importance it plays is major since the

administrative and institutional decentralization is essential in providing the manifestation of regional competitiveness at national level. Romania presents competitiveness gaps within its regions, and the causes of these discrepancies can be identified in all the elements that determine the competitive capacity.

Efficient use of European funds is determined by the setting and specific identification of the real needs of economic and social development of each region, thus preventing wastage of financial resources for the progress and Romania's alignment with European Commission requirements.

Along with the existence of an appropriate legislative and institutional framework and in line with EU standards, identifying needs and priorities of each region development and investment becomes a prerequisite to improve the absorption of European funds in Romania.

2. The current state of regionalization and administrative decentralization in Romania

Romania is the second largest country in Eastern Europe, with an area of about 240,000 km² and a population of 19.96 million inhabitants. In terms of administrative organization, Romania is divided into counties, municipalities and communes.

For proper identification and collection of regional statistics at EU level, the European Commission established a common classification of territorial statistical units, named NUTS (Nomenclature of territorial units for statistics). Through this system are analyzed the economic and social data of the regions and are developed the cohesion policies of the EU. Based on these statistics are determined regional indicators, whose base were made following negotiations between the national statistical bodies of the Member States and Eurostat, the Statistical Office of the European Communities.

The NUTS classification is considering a hierarchical structure which subdivides each Member State into three levels by reference to population size. These levels are NUTS 1, NUTS 2 and NUTS 3, the last two are subdivisions of the respective first and second level.

Table no.1 – NUTS classification - demographic thresholds

LEVEL	Minimum population threshold	Maximum population threshold
NUTS 1	3 million	7 million
NUTS 2	800.000	3 million
NUTS 3	150.000	800.000

Source: Fact sheets on the European Union, NUTS

http://www.europarl.europa.eu/aboutparliament/ro/displayFtu.html?ftuld=FTU_5.1.6.

According to this pattern Romania is divided into 4 regions NUTS 1, 8 regions NUTS 2 (in Romania, NUTS 2 region comprises 2.693 million people) and 42 regions NUTS 3.

The eight NUTS 2 regions established in Romania are actually some statistical units representing the organization, implementation and ongoing regional strategies and programs for economic and social cohesion. In each region were established Regional Development Agencies, which have been established by Law no.151 / 1998, and subsequently amended by Law No. 315/2004. They are executive bodies of the Regional Development Councils, which groups representatives of county and local authorities (<http://www.inforegio.ro/>). Regional Development Agencies were designated as Intermediate Bodies for ROP (Regional Operational Program) implementation. The lack of legislative powers and cumbersome process of decentralization have determined the goals of the regional development strategies not to be achieved, because the funds allocated are determined based on political center affiliation, as administrative power is still centralized.

Regionalization is one of the commitments that Romania assumed as country membership of the European Union to spores of regional competitiveness and economic and social development. In our country we cannot talk about regionalization itself, as it has been made only "on paper", and only from the perspective of the developing regions as statistical unit and not as administrative units with legal personality. The Memorandum on the measures needed to start the process of regionalization - decentralization in Romania that was launched for public debate in February 2013, summarizes the strategy that the Romanian Government has proposed in the Government Programme 2013-2016, under "Development and Management" on starting the process of regionalization and further administrative and financial decentralization. Under this strategic document for the period 2013-2016 Romania aims to achieve two major objectives:

- ✓ "administrative-territorial reorganization by creating the institutional framework for the functioning of the administrative-territorial regions"
- ✓ "further reform of public administration with emphasis on increasing local autonomy by triggering real decentralization of the subsidiarity principle." [1]

To achieve these objectives, actions need to be taken on both at administrative-institutional level and at legislative level through devolution of powers to regions and districts and determine the standards by which they can exercise their duties.

The main measures aimed at launching the process of drafting the legal and administrative framework needed to plan the organization and functioning of the regions have targeted the establishment of the following structures:

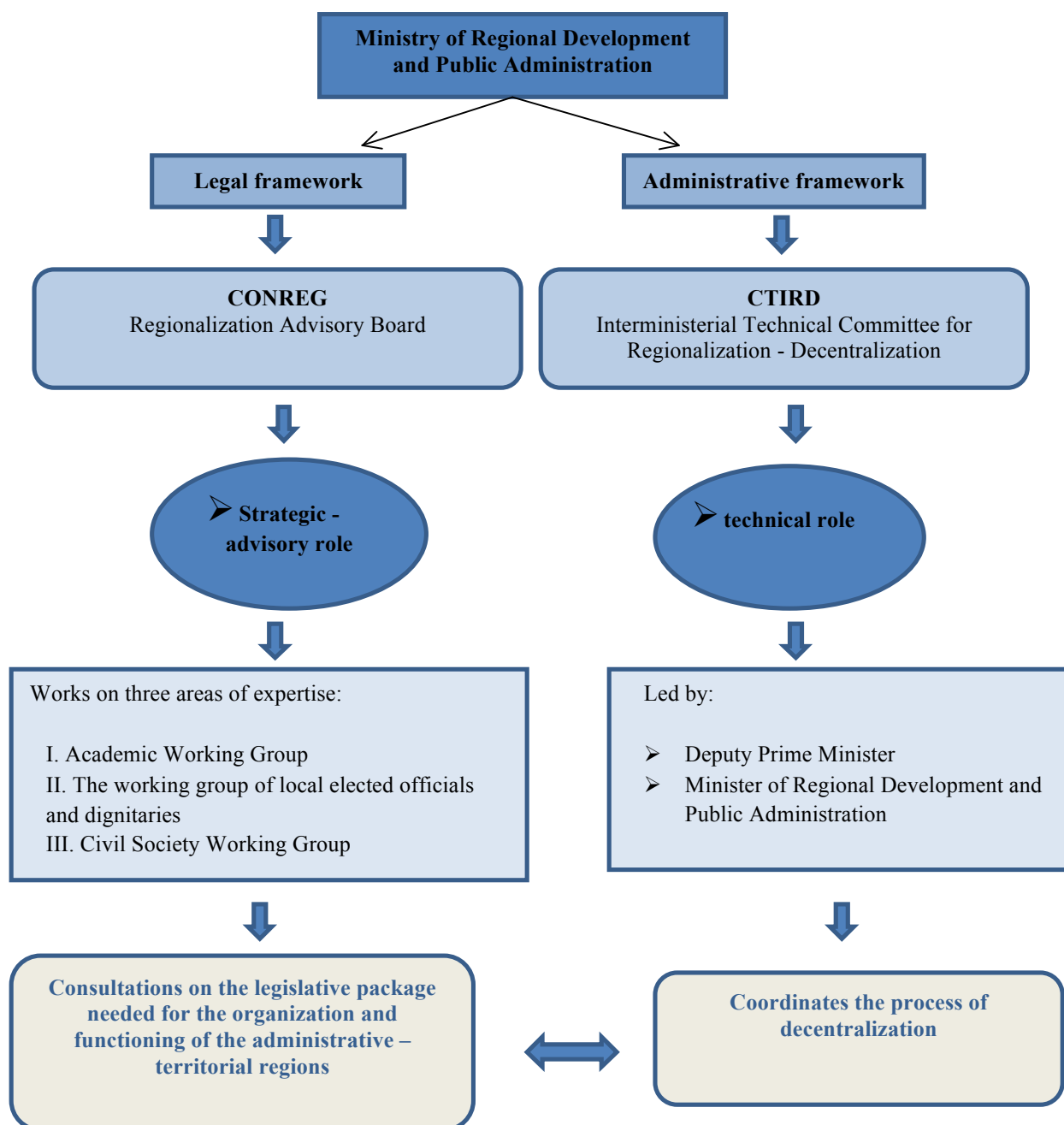


Figure no. 1 - Structures involved in developing the legal and administrative framework of the regionalization and decentralization process of public administration

Source: Authors' approach based on information available on: <http://www.regionalizare.mdrap.ro/regionalizarea-romaniei-si-descentralizarea-administratiei-publice/>

Given the failure of regionalization process according to the proposed timetable, it can be said that setting up such bodies involved in the process is either not justified, or their activity can be considered underperforming. So, from the three major administrative processes [2] which aimed the establishment of regions as administrative units by the end of 2013, none of them has been accomplished.

They were relate to:

- the process of revising the Constitution;
- the drafting of the necessary legal framework related to the organization and functioning of the regions;
- the drafting of the necessary legal framework of decentralization of powers.

The failure of accomplishing these processes entail a number of obstacles in terms of effectively accessing European funds available for the programming period 2014-2020. The importance of administrative-territorial reorganization of Romania is justified by the fact that the current territorial structure of Romania cannot be competitive with other similar regions in most EU countries, lacking an effective institutional collaboration to support inter-regional cooperation at European level. Also, network cooperation among European regions cannot be possible for Romania as administrative authorities at local / regional have no decisional capacity and institutional authorized personnel to enable them to be actively involved in such processes.

Failing to achieve regionalization desideratum at the proposed date, the end of 2013, makes this process to be again postponed for seven years, as once the EU's budget is being approved for year 2014-2020, Romania is forced to use the same institutions and mechanisms involved in accessing European funds as far. Lack of interest and mobilization of the political class responsible for this approach makes Romania remain the only Member State with population size and surface above EU average, which does not present an administrative-territorial organization of decentralized regions on three levels, such as Poland, Spain, Germany etc., which hampers our country's access to some programs funded by the European Union for the regions.

The model that Romania could follow, in regionalization and decentralization is of Poland, because not only the reasons and realities given by the difficulties of administrative reform are similar, but also development objectives and needs given by the historical context.

Both in the Romanian case and also for Poland, the administrative-territorial organization process and decentralization of public administration began around the 90s, but in Poland the process was successfully materialized thanks to the common will of the policy class and to the stability of the staff involved.

The regionalization project of Poland has foreseen an administrative-territorial reorganization on three levels: 16 voivodates, corresponding to the 16 NUTS 2 regions, 379 districts and 2478 communes. The communes and districts are local government units and governing units are voivodates, responsible for implementing regional policy. They have local parliament (a correspondent for Chamber of local representatives) and executive board (Regional Council correspondent) managed by a president [3]. The sixteen voivodates represents the correspondent of regions within the project of Romanian regionalization.

The success of the administrative organization process has placed Poland among leading countries with high rates of absorption of European funds, which was largely due to the role that was played by territorial units of self-government and how they understand to represent its interests. In Romania, lack of administrative capacity at regional level makes impossible the formulation of specific objectives and establishing solid strategies in order to be linked to the objectives and plans for the development at national and European level, realities that place our country at the end of the list of countries performing in accessing funds.

Decentralization is another chapter where Romania fails to reach the Poland's model. By decentralizing public administration, voivodates received normative autonomy and financial autonomy, thus managing to represent specific development needs outlined in their own development strategy and to negotiate Operational Programmes directly with the European Commission.

In Romania, *regional decentralization has the mission to enhance the legitimacy and efficiency of public authorities in the design and fulfillment of strategic objectives at regional level, in economic, social, cultural plan with effect enduring on the modernization of Romanian society.* [4] The importance of accelerating the initiative is justified by development discrepancies among the 8 regions of development, given by the fact that currently the central government collects funds from counties, but redistribution is achieved discretionary, because not cover all the costs of financing the projects implemented, and the financial pressure has fallen on the shoulders of local authorities to co-finance expenditure relating to the implementation of projects. Also, the allocation of European funding has a centralized approach, which prevent proper application of the subsidiarity principle by the fact that there does not exist a regional mechanism to *"ensure a direct connection between the development objectives of the region, necessary funds for accomplish thereof and identified projects at regional level"* [5].

Therefore it is essential the reorganization of the public budgets, reducing the financial dependence of municipalities from the state budget, by creating a legal framework to support local autonomy and decentralization, covering all aspects through that theory defines this concept.

Decentralization is the transfer of authority / administrative and financial responsibility from the central

government to local government level [6]. It should be considered two key issues, namely the administrative and financial part.

Administrative decentralization refers to the recognition of legal personality of administrative-territorial units, the existence of public authorities representing them, that are not part of a hierarchical system subordinate to center and transferring public services from central government to local jurisdiction.

Financial decentralization seeks an efficient allocation of financially resources, equitable provision of public goods in different geographic areas, ensuring macroeconomic stability and promoting economic growth [7].

In Romania, the necessity and importance of regional decentralization is justified by the fact that in order to increase the absorption of European funding, it should be set strategic priorities at regional level accompanied by an assessment of projects that bring added value in that they correlate the real and specific regional development needs with objectives set in the National Development Plan. Finalizing the decentralization process in Romania would provide two major conditions of increasing regional competitiveness through the absorption of EU funds, namely:

- normative autonomy of the regions, providing the opportunity to issue its own rules and regulations regarding functioning of the systems that they manage;
- financial autonomy of the regions, offering the freedom to negotiate directly with the European Commission the Operational Programs to which they apply and ensure regional management of Community funds.

3. SWOT analysis of Romania performance in implementing the program of regionalization and administrative decentralization

The failure to achieve the strategic objectives set out in the Government Programme 2013-2016, it drew our attention to shortcomings in the way the authorities approached the matter of regionalization and decentralization of public administration in Romania. To synthesize better this aspect we proceeded to realization of a SWOT analysis, through which we aim to identify both the positive steps that Romania has followed in launching the process of regionalization and decentralization (strengths), but especially those that constituted the main obstacles in achieving this objective (weaknesses) and their consequences that this entails (threats).

STRENGTHS	WEAKNESSES
- establishing CONREG and CTIRD as bodies of the regionalization plan development and implementation of the regulatory framework, involving both the private and public sectors and also academia in order to find the best solutions in achieving this objective; - initiating the stages of the regionalization and decentralization process, and its debut with vertical consultations (from central to local level), to which all interested parties were included in the process; - elaboration, since the year 2012, of the National Strategic Development Framework of Romania for the period 2014-2020, similar with the National Development Plan for 2007-2013, which is closely linked to the National Strategy for Regional Development.	- socio-economic gaps between existing development regions has led to the extension of discussions concerning the best option for the establishment of administrative-territorial regions; - insufficient funds provided for implementing the program of regionalization and administrative decentralization; - the capacities of local authorities in developing and implementing regional projects are underdeveloped and can not be based on personnel well-trained and experienced in managing Community funds; - low level of cooperation between central and local governments, fact justified by the low number of meetings and debates that took place on the issue of regionalization and decentralization of public administration; - insufficient promotion of integrated planning in the regional development; - lack of experience and training of regional and local representatives made it difficult to establish a link between their general well-being, quality of life and the need to stimulate local and regional economic activity; - extreme fragmentation of local government system competences made difficult the delegation of tasks that would have significantly supported the process of administrative decentralization; - inexistence of a clear and prescriptive mechanism that provides recommendations regarding the

	implementation of national sectoral policies, at regional or local level; • excessive politicization and the pressure of the interests of some groups in power made impossible the establishment of the administrative-territorial regions; • political instability and lack of consistency with regard to tracking and achieving strategic objectives assumed in the Government Programme 2013-2016; • lack of modernization of the institutional architecture by enabling cooperation between local and central administrations; • CONREG and CTIRD activity can be considered underperforming. • centralized approach of EU funding allocating prevents proper application of the subsidiarity principle; • high levels of corruption, confirmed by the Corruption Perception Index, which records a value of 43, placing Romania on 69th place.
OPPORTUNITIES	THREATS
• balanced allocation of financial resources for development that would respond to the real needs of each region; • administrative capacity is brought closer to the citizen's needs; • reducing the bureaucracy and the administrative expenses; • the increase of Romania's capacity to absorb EU funds relating to the 2014-2020 programming period by removing the allocation of EU funds on criteria of political affiliation, because the tasks are transferred to local authorities with responsibility in this field; • the Romania's alignment with the models of administrative organization of the European Union; • developing programs and strategies for the development of regional interests; • the administrative regions thus constituted, have legal personality and therefore will exert administrative functions to regional level, accessing directly the European funding related to regional development programs; • allows the coherent decentralization of the public administration and the corresponding division of competences as a result of the implementation of the decentralization reform; • is encouraged the active involvement of regional public authorities due to financial sustainability guaranteed by the fiscal decentralization reform implementation. • the advantage of increasing the rate of absorption of European funds, given by the possibility of negotiating additional instruments represented by additional funds, awarded as a prize by the European Commission, to countries with the best performance in the absorption of EU funds;	• the unfulfilment of regionalization process and decentralization of public administration till now delays the administrative territorial reform, the fight against corruption and transparency in the distribution of European funds; • postpones the effective realization of the regionalization with 7 years, because once approved the EU budget exercise for the period 2014-2020, Romania is forced to use the same institutions and mechanisms involved in accessing European funds as so far; • delay of local and regional capacity development in developing and implementing the European financed projects; • the unfulfilment of regionalization and decentralization of public administration constitutes impediment concerning the efficient accessing of European funds , available for the programming period 2014-2020; • hinder network cooperation amongst European regions, because administrative authorities at local / regional level are devoid of decisional capacity and institutional authority, enabling the regional personnel to be actively involved in such processes; • Romania remains the only member of demographic size and surface above the average of EU countries, which does not present a decentralized regional administrative-territorial organization on three levels; • the deepening of economic and social development gaps at national level; • the unattractiveness of the private sector to invest in certain areas due to the lack of predictability of future development prospects.

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| <ul style="list-style-type: none"> • encourages and supports national regional competitiveness; • allow the setting of regional strategic priorities by identifying real and specific development needs and their correlation with the assumed strategic objectives by the National Development Plan. | |
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The interest for studying the impact of regionalization on the absorption of EU funds is major and topical, since one part of Member States must reform its institutional architecture and administrative, to allows efficient cooperation with European structures (thus the regionalization becomes not just a recommendation, but also a necessity) and on the other hand there is tremendous opportunity for economic and social development, financed from European resources whose efficient accessing can only be made based on an appropriate organizational framework.

In a recent study [9], conducted by the National Council of Private Small and Medium Enterprises in Romania in 2013, it has been studied the impact of regionalization on the efficiency of process of European funds absorption, through the four elements of major importance, namely:

- the rate of absorption of structural funds in Romania compared to other countries;
- decentralization in the EU context;
- quality of governance in Romania compared to EU countries;
- decentralization impact and governance quality on the rate of European funds absorption.

Study's conclusions have seemed surprising to us as regards the weak correlation between the decentralization magnitude and the capacity to attract structural funds, and strong dependence between the quality of governance¹ and the rate of European funds absorption. Thus, we can say that in Romania, the decentralization process of public administration has not been achieved, according to the proposed timetable, so it has led to a low rate of EU funds absorption as a consequence of the absence of the quality of governance, as one of the determining factors of poor design and functioning of the institutional architecture involved in the absorption of EU funds.

Regardless of the moment when regionalization and administrative decentralization, will become a reality, they continue to represent priorities for Romania's development strategy. European reality confirms that regional development and decentralization are linked to the EU's strategic approach on increasing cohesion and especially with the methods of achieving it - the European funds. Thus, increasing cohesion and absorption of European funds are the two main strategic objectives that validate the need and importance of accelerating the regionalization-decentralization process in Romania.

4. CONCLUSIONS

The realization of regionalization and decentralization process of the local government must be accompanied by improvement of the quality of governance, which would ensure the competitiveness and efficient cooperation between different levels of administration. The quality of governance is guaranteed by the territorial-administrative reorganization achievement of Romania by the fact that current territorial structure of Romania can not be competitive with other similar regions in most EU countries, because there is no effective institutional collaboration that supports inter-regional cooperation at European level.

The unfulfilment of regionalization process according to the timetable proposed in the Government Programme for 2013-2016 brings a number of obstacles in terms of effectively accessing European funds, made available for the 2014-2020 programming period, and postpones with seven years the finalization of this demarche, because once approved, the European budget for 2014-2020, Romania is forced to use the same institutions and mechanisms involved in accessing European funds, as so far.

The lack of interest and mobilization of political class responsible for implementing the program of regionalization-decentralization, makes Romania to remain the only Member State of population with size and surface above the European average, which does not present a regional organization of administrative decentralized territories on three levels as countries like Poland, Spain, Germany etc., which makes our country's access difficult at some programs funded by the European Union for regions.

We consider that it is essential the reorganization of the way the public budgets are built, reducing the financial dependence of localities by the state's budget, by creating a legal framework that support local autonomy and decentralization.

¹ According to the study, from point of view of the quality of governance, Romania ranks last in the EU level (0.059), recording a level of 18.71 lower than the European average and of 33.52 lower than the level in Denmark (first place);

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