REGIONAL DEVELOPMENT CONCEPT

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Abstract:

Regional development represents a key component for the progress of a Member State of the European Union. The regional developments must be realised through programmes and project financed by the European Union, by the Member State and by the local public authorities. The main objective of the regional development must be to reduce the social and economic disparities between the regions of Europe. The complexity character of the regional development policy is highlighted by the way how are integrated three priority objective of the EU: economic and social cohesion, extending the subsidiarity principle and sustainable development.

Key words: Regional Development, Regional Operational Programme, the National Development Plan

JEL classification codes: R58

Introduction

Regional development policy is an essential component of the reform process in Romania, mainly aimed at reducing economic and social imbalances accumulated, to prevent the emergence of new imbalances and support sustainable overall development of all regions of the country.

This policy was introduced in Romania in 1998. Until then, Romania has not formulated a clear policy of regional development, although governments have acted in this regard by various macro-economic and sectorial policies. Thus, there were specific programs to develop severely disadvantaged areas, such as the Apuseni Mountains, the Danube Delta counties of Botosani, Vaslui and Giurgiu.

With the advancement of reforms necessary for the transition to a functioning market economy and in the context of the requirements that Romania had to meet in order to join the European Union, has outlined the need for adoption by Romania of regional development policies and effective clear that important new element of the reform strategy, which would be beneficial not only for the less developed regions, but also for socio-economic development of the country in general.

Thus, between 1996 - 1998, the European Commission and the Romanian Government developed the PHARE program for regional development policy which had as objective, on the one hand, awareness-makers and the public on regional development in Romania, on the other party proposal of a regional development model own Romania, based on a detailed analysis of the existing situation and the specific historical and cultural framework.

In the following period, 1997 - 1998, administrative units organized at the county level were associated voluntarily outlining the proposed eight regions mentioned in the study saw the establishment of appropriate regional development agencies.

The legal framework of regional development began to formulate since 1998 when the Law no. 151/1998 (amended by Law no. 315/2004) on regional development in Romania, a law which defines the principles, goals, skills, instruments and institutions necessary to promote policy area. National and regional institutions were established under this Act, and in the period 1999 - 2000 was drafted the first National Development Plan (NDP).

The entire institutional and legal framework for development of regional policies is in constant improvement, so as to meet EU and Romanian specificity.

In December 2001, the Romanian government sent the European Commission "position paper" Chapter 21 on regional policy and coordination of structural instruments, including the main actions to be undertaken to integrate the legislative, institutional and programming, partnership, additionally and financial management. Based on this document, Chapter 21 was opened for negotiations in March 2002.

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Description of the problem

To join the EU, Romania had to adopt, implement and develop the acquis communautaire. This represents the primary and derived legislation and all policies and institutions created to enforce compliance and appropriate and continuous development of this legislation. Acquis communautaire comprises 31 chapters. Most of the acquis communautaire must be taken as such only concrete and difficult issues to be negotiated.

The Romanian Government approved in its meeting of 6 December 2001 position paper on **Chapter 21 - "Regional policy and coordination of structural instruments"** and opened negotiations in the first half of 2002, when the position paper related was officially EU Council.

This position paper reviews the progress achieved by Romania and the timing determinant processes continue in the field, on the following matters:

- **territorial organization**: the candidate must agree with the Commission on a NUTS classification for implementing the Structural Funds;

- **legislative framework**: although the acquis contained in Chapter 21 does not require transposition into national legislation, candidate countries must have an appropriate legal framework, enabling them to implement specific provisions in the field;

- **programming capacity**: Romania must:

a) prepare a development plan, according to the requirements of regulation no. 1260/1999 Council (National Development Plan);

b) have appropriate procedures for programming multi-annual expenditure;

c) ensure the implementation of the partnership principle in different stages of programming, financing, monitoring and evaluation of assistance from the Structural Funds;

d) meet the specific requirements for monitoring and evaluation, especially in the ex-ante evaluation of the development plan.

- Institutional framework: must be defined tasks and responsibilities of all bodies and institutions involved at regional and national level, in the preparation and implementation of Structural Funds and the Cohesion Fund and the institutional framework for the implementation of structural instruments;

- Financial and budgetary management: must be met control provisions specifically available for the Structural Funds and the Cohesion Fund. Moreover, Romania should provide information on its ability to co-finance and public expenditure or equivalent structural action.

According to the position paper, Romania accepts the acquis on regional policy in force on 31 December 2000.

Romania falls with all its development regions, namely its entire territory to be eligible for Objective 1 of the Structural Funds. Romania declared its interest in participating, from accession to the European Union in all community initiatives.

Romania wants to participate in economic and social cohesion of the Community and benefit from the full support given by the Structural Funds and the Cohesion Fund under the conditions applicable to the other Member States.

Romania will ensure the consistency of its policy of economic and social cohesion with other Community policies, particularly in the areas of employment, equality between men and women, social policy and training, policy development of small and medium-CAP , common fisheries policy, energy, transport and trans-European networks, application requirements for environmental protection, etc.

Methodology and data sources

The main instrument for achieving the Regional Development Plan is the National Development Plan (NDP). NDP is elaborated on the basis of sectorial planning documents made by line ministries and Regional Development Plans, conducted under the coordination of RDA’s.

NDP provides, since 2000, substantiating our country demand for financing development programs of EU funds.

Since the planning document PHARE 2003 was introduced a new approach to programming PHARE funds for the period 2004-2006: the concept of multi-annual programming.

Romania is among the least developed in Europe. His long-term plan is to achieve steady economic growth, faster than the EU average, in the context of a balanced development of its territory, and in particular the reduction of disparities between rural and urban areas.

NDP aims at solving the major problems identified in the global socio-economic analysis, designed to progressively reduce disparities between Romania and the other Member States of the European Union, by simultaneously achieving the following objectives:

1. ensuring long-term revenue growth;

2. combating social and regional imbalances;

3. progressive compliance with environmental standards that Romania will have to meet.

Overall objective of the NDP were initially identified seven priorities, and then be selected and reduced to five:

Priority 1: increasing the competitiveness of the productive sector;

Priority 2: improving and developing transport and energy infrastructure and ensuring environmental protection;

Priority 3: Human resource development, increasing the employment rate and combating social exclusion;

Priority 4: diversification of the rural economy and increasing agricultural productivity;

Priority 5: promoting a balanced participation of all regions in Romania in the process of socio-economic development.

NDP includes an objective of regional development. This materialized in a regional operational program (ROP) which reflects the progress made in developing a regional development policy and in line with EU acquis, will seek wider devolution and subsidiarity principle. Under the supervision and coordination of the former Ministry of European Integration, acting in a management priority regional development policies and decision making processes which includes already the responsibility of local authorities (local infrastructure). It also includes activities that require a regional component to counter the inevitable regional disparities created through management policies at the central level exclusively.

To substantiate the NDP, regional plans were developed for regional development, which served mainly to identify and substantiate 5 of NDP priority "Promoting balanced participation of all regions of Romania in the process of socio - economic development". At the same time, the Regional Development Plans were used to identify measures within sectorial development priorities, so that they can contribute as much to the development of regional priorities, mainly related to increasing employment and suitability qualifications to labour market requirements improving transport infrastructure, energy and environmental protection. In this way, it has achieved greater than in previous versions of the NDP, correlation and complementarity between regional measures and priorities for regional development.

CDRs and RDAs must play a greater role in terms of programming, partnership, implementation and / or selection of projects at NUTS II level. Beyond the ability to perform analysis and develop regional plans for regional development will be encouraged regional partnership structures to achieve consensus on the priorities and regional development measures. Consensus is not easy to achieve, requiring effective involvement in the programming exercise of the various actors in each region.

According to the Commission's recommendations, the priorities included in the NDP 2004-2006 Operational Programme can be found in the NDP 2007-2013, under which Romania has negotiated framework Backed Community.

Results obtained

Absorption capacity is the degree to which a country is able to spend effectively and efficiently the financial resources allocated from structural instruments. To achieve this requires, on the one hand, the absorption capacity of the institutional system created by the state to administer the funds in question and, on the other hand, the absorption capacity of the beneficiaries targeted by these funds. The latter is determined by the capacity of potential beneficiaries to create projects and to co-finance.

1. The absorption capacity of the institutional system

Absorption capacity is thus determined by three main factors, namely: macroeconomic capacity, administrative capacity (at system level institutions involved in the management of structural instruments) and financial and managerial capacity of beneficiary authorities.

a) Macroeconomic absorption capacity

It can be defined and measured in relation to GDP. Thus, the Council Regulation no. 1260/1999 provides that the annual amount of a Member State benefiting from the Structural Funds - together with assistance from the Cohesion Fund - should not exceed 4% of the annual GDP of each country. The Commission proposes to introduce a procedure to allow further involvement in the decision-making process.

Increased budget spending binds to macroeconomic capacity as a result of accession. There is thus a consensus regarding the need, since 2007, Romania ensure budget spending to 2% of GDP higher than today, expense arising strict obligations in the context of European integration: Romania's contribution to the EU budget European (about 1% of GDP) and the amount of national budget priorities and measures needed to be co-financed with EU funds - (still about 0.8 - 1% of GDP). All macroeconomic absorption capacity and ability to absorb keep macroeconomic effects generated by the additional expenses will be incurred.

b) The administrative capacity of absorption - the structures involved in the management of structural instruments

This refers to the ability of central and local authorities to prepare plans and programs in good time to sort out the best of them, organize a partnership framework effectively to respect and administrative burden of reporting and of finance and oversee the implementation process, avoiding any kind of irregularity.

If member countries in connection with the administration of structural instruments can consider three stages: design (which must be assessed by reference to the requirements resulting from regulations on structural instruments), operation (i.e. the extent to which the Structural Funds are managed effectively and efficiently) and performance (i.e. the extent to which structural instruments were administered effectively and efficiently).

Evaluation of the institutional structure. Institutional management structure was defined structural instruments and received the endorsement of the European Commission during the accession negotiations on Chapter 21. By that created the Managing Authority for Community Support Framework (ACIS) which has taken the lead on overall preparedness of Romania to use structural instruments and the other Managing Authorities have taken up their duties can say that in general institutional structure is adequate in this regard there a proper administration.

Also it was performed designation of intermediate bodies, which are representative in their field. An intermediate body is involved in programming (in part), project selection and monitoring administration or possibly support to applicants, managing authorities delegating to them some responsibilities.

2. The absorption capacity of the beneficiary public authorities

Financial absorption capacity is the capacity of final beneficiaries to co-finance projects supported financially by the European Union, to plan and guarantee these contributions domestic budgets multi-annual and collect them from the various partners involved in a project or program.

The final beneficiaries whose absorption capacity is further analysed local governments are the main beneficiaries because they are important for two operational programs: Sectorial Operational Programme Environment and the Regional Operational Programme.

One of the basic principles of cohesion policy is that of co-financing, which means that Member States must contribute financially, complementing Community assistance refundable, meaning reorient national spending to areas where results can be better in the medium and long At the same time, to develop a sense of belonging vis-a-vis the beneficiaries of the projects promoted.

Naturally, co-financing is the responsibility of the beneficiaries of Community assistance that will support part of the costs of drafting and execution of the projects proposed. First, beneficiaries must cover ineligible expenditure from its own resources within the proposed project.

To calculate how much money will be funding from the European Commission and how big the effort own co-financing of the Romanian side, at project level, is several steps, such as:

- stage I - the elimination of ineligible expenditure

Not all costs within a project ready to be supported by the Cohesion Policy can be covered through structural instruments. Determination of eligible costs is not always easy. If the objective "European Territorial Cooperation", the list of eligible expenditure is set at the European Commission for the "Convergence" it is Romania's responsibility to establish its own system for eligible expenses, with only - the regime of exceptions - certain provisions of ineligibility for each background.

- stage II: private expenditure deduction from eligible costs

Co-financing rate is determined solely from the eligible expenditure. If funded projects generate revenue, public expenditure is calculated net present value of the net revenue from the investment cost incurred during the period of reference.

- stage III: application co-financing rate

For each operational program established a maximum rate of co-financing from the European Union. In this way, Romania has the freedom to fund certain priorities, measures and projects 100% of Community assistance, as long as the balance between different priorities and measures comply with the maximum rate overall operational program agreed with the European Commission.

The effort to co-finance it feels like pressure on local authorities (county councils, local councils), given that fiscal austerity is a reality at least in the medium term in Romania and allocations from the state budget will probably not to increase significantly in the coming years. Also guarantee loans of local government by the state would amount to an additional public debt and budget deficit would affect.

On the other hand, borrowing capacity is limited, both legally and following a low creditworthiness in the context of state guarantees limited. Therefore, the two main sources for co-financing projects are local government own revenues increased volume and accessing loans.

The share of own revenues in local budgets increased in recent years, mainly due to legislative changes which allow greater decentralization of the sources of budget revenues, local governments having control over the level of local taxes, set, where appropriate, by councils local or county. However, a large part of their income consists of income tax, whose level is regulated by central authorities. Often fiscal responsibilities transferred to the local level remain outside the regulatory powers of local government, which translates into a low degree of predictability of these sources of incomes.

Loans can be aimed at both co-financing and pre-financing of structural instruments and possibly the state budget allocations for projects financed by the Structural Funds.

Conclusions

Romania's participation in the implementation of EU regional policy means first opportunity to benefit from a system of values among which are found economic efficiency, environmental protection, ensure standards existential minimum definition of a "role model European" urban values, qualified human resources. At the same time, European integration and openness to the EU internal market involves the challenge of enhanced competitiveness, which can have negative effects on an economy in process of consolidation, as Romania.

In this context, the Structural Instruments is the most important resource that will help Romania to cope with change and integration challenges.

However, regional development policy can not constitute the only key to the overall development of a country, especially given that its real effects on growth are difficult to assess. A critical dimension of this is represented by the nature of the economic system and other quality policy mix that forms the essence of a state economic policy: the legal protection of property rights and market economy, taxation, antitrust, etc. Independent regional policy choices that a country / region they adopt according to its specifics, find the "mix" of policies to ensure optimal development is a challenge and almost always an extremely controversial topic. Development stage of Romania currently required using a policy mix without choose one alternative only: you can not only watch competitiveness, without avoiding the danger to enhance socio-economic disparities to the point where they can turn into explosions and serious social phenomena. Also, we cannot choose any scenario allocation of funds without taking into account development potential, existing human resources and qualification of their economic resources, management, etc.

An economic policy is not good or bad, it is just not appropriate or the timing or the occurrence or condition for which it is applied. Therefore sometimes it is necessary to apply a policy mix that through a conjugate effect to redress many problems to determine the necessary impetus to economic growth. Thus, the screenplay "pro-development" is not an alternative exclusive opted for Romania for the programming period 2007 - 2013, taking into account the fact that the Structural Funds are public funds, aimed at ensuring economic, social and territorial states EU and one of the basic principles of the role of these funds aimed to counter the negative effects of the market economy.

In Romania, for the period 2007 - 2013 does not operate a regional policy itself, but an adapted version of it, a compromise based on the specific conditions of our country in terms of legislative, institutional and capacity to manage - with all the senses it assumed this responsibility from programming to implementation, monitoring and evaluation at regional level.

Future directions to be approached

Determinants of regional development

Ways of measuring regional competitiveness

Regional competitiveness indicators

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