ROMANIA'S ANSWER TO THE NEW DIRECTIONS OF THE REGIONAL DEVELOPMENT POLICY OF EUROPEAN UNION

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The regional development policy of European Union deals with spatial localisation of production and affects the daily life of more than half of the 500 million persons living in the European Union. Conceived at European level as a solidarity policy, it bases especially on financial solidarity through the distribution of a part of the European budget obtained through the contribution of Member States to the less prosper social categories and regions. Regional development policy of European Union for the programming period 2007- 2013 is based on the diversity, opportunities and challenges offered by the regions in Europe. It puts into practice the solidarity between European nations and focuses on a fundamental objective: strengthening the economic, social and territorial cohesion through diminishing the development discrepancies between its regions. The present paper identifies the new directions of the European regional development policy and aims to highlight the importance of this policy for the economic growth and development of Romania. In this difficult period, when Romania felt the effects of the crisis at high level and met a severe economic congestion, the European sources of financing through the regional development policy must not be neglected. We also formulate recommendations in order to increase Romania's structural funds absorption rate.

Key words: regional development policy, European Union, Romania, sustainable development, absorption rate
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Introduction

The regional development policy is one of the most important and complex politics of European Union, position that comes from the fact that through its objective to reduce social and economic disparities existing between different regions of the European Union acts over significant development fields, such as economic development, transports, SME's sector, agriculture, urban development, environment protection, employment and professional training, education, etc. Conceived at European level as a solidarity policy, it bases especially on financial solidarity, through the distribution of a part of the European budget obtained through the contribution of Member States to the less prosper social categories and regions (for the period 2007-2013, the amount for the regional policy represents over a third from the EU budget). In fact, we can say that the regional development policy has a pronounced instrumental character and through its solidarity funds (Cohesion Fund, Structural Fund and Solidarity Fund) contribute to the financing of other politics – such as agriculture policy, social policy and environment protection policy. The present paper identifies the new directions of the European regional development policy and aims to highlight the importance of this policy for the economic growth and development of Romania. In this difficult period, when Romania felt the effects of the crisis at high level and met a severe economic congestion, the European sources of financing through the regional development policy must not be neglected. We also formulate recommendations in order to increase Romania's structural funds absorption rate.

1. Concept and definition

The regional policy of European Union deals with spatial localisation of production and affects the daily life of more than half of the 500 million persons living in the European Union. The regional development policy implies different subsidies and development projects including infrastructure, education and training and SME's support in order to diminish the regional disparities. The main objective is to strengthen and raise the under-privileged areas potential as well as to strengthen and rebuild the unity between cohesion and diversity within the European Union (Capello et al. 2009: 568).

The regional policy of European Union has its roots in the desire to influence the economic adjustments in four types of regions. The first type of regions is characterised through the fact that the output is obtain mainly from the agriculture sector and in the same time the biggest part of population is occupied in the field of agriculture. These areas are usually underdeveloped country-side areas with low level of income per capita, high levels of unemployment and underdeveloped infrastructure. The second type of regions is those whose prosperity has been based on the industries that now lost importance, such as the steel, coal or textile industry. These are regions that could not keep up with technological changes and therefore could not face external competition (in some cases because of the excessive previous protection). In the case of those regions work force is the first affected when occurs a recession period. The third category of regions is formed of regions with a bigger percentage of the processing industry confronting with congestion and pollution problems. These regions benefit from high utilisation of goods and services. Regional policy will try to reduce the congestion and pollution problems from these areas and to prevent them from worsening. The last category of regions is the border ones, regions that are far from the powerful economic activity areas of a state or union (Capello et al. 2009: 633).

The regional development policy of the European Union has always been a controversial policy. The main reason for the polemic about it is the fact that it has an interventionist character. Those who do not trust the ability of governments are afraid that regional policy fines successful businesses from the prosper regions and encourages unprofitable businesses from the poor areas. Those who share this point of view consider that regional disparities are the inevitable result of the market system – a phenomenon that is tolerable up to a point in which the market evolution determines the migration of work force and of capital investment as well as expansion of commerce which automatically contributes to higher incomes. On the other hand, those who support regional policy and admit its importance are more sceptical regarding markets self-regulation ability and do not believe in the power of the market to solve traditional problems (El Agraa, 2007: 421).

2. Short retrospective of the regional development policy and its importance

The history of the European Union begins in ***1957***, when the Treaty of Rome introduced the idea that the European Community should create a harmonious development through reducing discrepancies between regions and the economic differences between the member countries. It is well known the Great Britain case which had to take some measures to decrease the big unemployment rate in industrial areas.

In ***1958*** were introduced two funds: European Social Fund (ESF) and European Agricultural Guidance and Guarantee Fund (EAGGF). At the beginning, the regional development policy had a strong redistributive character.

The year ***1975*** brought the founding of the European Regional Development Fund (ERDF) to support the development projects launched by the national governments. The year 1975 is considered the birth year of the regional development policy, because it is the year that has a double significance: on one side, it is a component of the financial common help, meant to augment national efforts in order to reduce discrepancies existing in the European regions; on the

other side, it was a mechanism of financial transfer from some Member states, such as Germany, towards other states (Dodescu and Giurgiu, 2008).
The adoption of the European Single Act in ***1986*** founds a real development policy meant to compensate constrains of a single market that was felt by Southern states and other regions less favoured. At this point was recognised the authority and necessity of a regional development policy, a policy whose main objective to be the reduction of disparities between different European regions, a diversity that was strengthen by the accession of the 6 new Member States.
In February 1988 the regional development policy was given specific objectives and the way of solidarity funds functioning. The content of the structural funds, as they were called now, suffered modifications in 1993 and 1995, and they were allocated 68 billion ECU (at the 1997 level of prices).
When the biggest enlargement of the European Union took place in 2004 and 2007, changes took place at the level of regional development policy as well. Only two of the twelve new accessed states had incomes per capita higher than Greece, EU15's poorest Member State. In this situation, on 2 February 2005, the European Commission took position and introduced the so called Integrated Strategic Lines for Growing and Occupation, where it is stated that the European Union must create an economy orientated towards sustainable growth and raising the work force employment rate.

3. New directions in the regional development policy of the European Union

After the enlargement in 2004 and 2007 the regional development policy of European Union entered into a new phase. The budgetary programming period 2007-2013 is the first one in which the new economic challenges are dealt by the regional development policy of EU (Stierle-Von Schutz et al. 2008: x).
Regional development policy of European Union for the programming period 2***007- 2013*** is based on the diversity, opportunities and challenges offered by the regions in Europe. It puts into practice the solidarity between European nations and focuses on a fundamental objective: strengthening *the economic, social and territorial cohesion through diminishing the development discrepancies between its regions.* Even though it focuses on poor regions in order to assist them in the process of fast retrieving the discrepancies, the investments from the new regional policy of European Union for the period 2007- 2013 aim, as a novelty, to have a significant *impact over the competitiveness of all regions and over the life status of their inhabitants (European Commission).*
The priorities of the new Finance frame are different by those of the 2000 Agenda that focused on preparing the EU enlargement from May 2004. According to the Strategic Integrated Lines for Growing and Occupation, there were established for the regional development policy of the European Union for the period 2007-2013 3 priorities:
-Europe – a more attractive place for investments and work;
-The amendment of knowledge and innovation for growing;
-More and better work places.
The fifth report regarding economic, social and territorial cohesion shows that the regional development policy created workplaces, helped at building critical infrastructure and improved environment protection, especially in less developed areas. There is no doubt that without a regional development policy the disparities would be bigger. Even so, the social effects of the economic crisis, the innovation demand determined by global challenges and the necessity to utilise efficiently every Euro for public expenditures send a signal that there is still the need to do an ambitious reform of the policy. With the occasion of presenting the report, the EU commissioner for regional policy, Johannes Hahn, declared: "*how cohesion policy has had a major impact on the European economy, reducing economic differences and promoting environmental and social development. To ensure more value for money, we need to make the policy even more effective, in delivering concrete and measurable result. We need to spend more*

*intelligently, focus on the EU's top priorities and add visible value to what national and regional authorities are already doing. The findings from this report and the consultation to follow will help us prepare a cohesion policy that is better adapted to the economic situation of today" (*European Commission a*).*

More recently, in order to accomplish its objectives the European Commission adopted Europe 2020, a very ambitious strategy for the coming decade. Its main target is to make Europe's economy become smart, sustainable and inclusive. The Lisbon strategy was first adopted in 2000, but during the 2005 mid-term review, the Lisbon Strategy has been reconsidered and established new targets on economic growth and employment. This change integrated the Cohesion policy into Lisbon Strategy's implementation. So at the moment we cannot speak about regional development policy without Europe 2020 strategy, because they are in a direct link. At European level, the Commission has chosen 5 headline targets in order to acquire the changes needed.

The targets set through the Europe 2020 strategy to be met at the end of 2020, consist of five indicators that are in direct relation to the citizens welfare. One of the targets refers to the percentage of the employed population and says that 75 % of the population aged 20-64 should be employed. Another target refers to the percentage of investment in research and development (R&D) and aims up to 3% of the EU's GDP should be invested in R&D. The third target is represented "20/20/20" and consists of a trinomial regarding climate/energy targets that should be met (including an increase to 30% of emissions reduction if the conditions are right). The fourth target refers to the share of early school leavers that should be under 10% and at least 40% of the younger generation should have a tertiary degree. The fifth indicator stipulates that the number of people living at the risk of poverty should decrease with 20 million.

4. Romania's answer

Romania joined the European Union in 2007, and became a direct beneficiary of the regional development policy. As at that moment the new Lisbon Strategy had just entered into force Romania was determined to accomplish the targets set at national level. A knowledge-based economy represented for Romania the great chance to bring added value to its products and services and increase their competitiveness (Dăianu, 2004). Romania adopted in 2007 the National Reform Programme for the period 2007-2010, whose main objective was to create a stronger economy and an attractive business environment in order to offer the welfare that every citizen wishes for himself and for his family. The targets set at national level were in accordance to the Lisbon targets but they proved to be unachievable.

For the programming period 2007-2013, Romania has been allocated, through the Structural instruments an amount of **19.7 billion Euros**, implemented through seven ***regional and sectoral operational programmes,*** to which there are added eight territorial cooperation programmes with other states. In order to be able to implement the regional development policy Romania had to set up development regions. These regions are created through the will of neighbour counties, on the basis of the common European system, the system known as The Classification System of Territorial Units. According to this system, the 8 Romanian regions are level two units, which mean that their population is up to 2.8 million people.

It is estimated that structural instruments will stimulate economic growth in new Member states, including Romania; with an average of 6 % and that they will create about 2 million workplaces. Out of the 19.7 billion Euros allocated to Romania for the programming period 2007-2013, 19.2 billion are allocated for convergence and 455 million Euros for European territorial cooperation. The purpose of these programmes, defined through the regional policy of EU for Romania, it is the development of basic infrastructure according to the European standards, growing long-term competitiveness, developing and efficient using the human capital, development of the administrative capacity, promoting balanced territorial development. Concretely, it is aimed the GDP increase by 15-20 % up to 2015, growing the employment rate from 57.4% up to 64 % and investing in 1 400 km of new or rehabilitated highroads.

The objectives set are ambitious and in the same time welcomed for Romania, but they depend on the absorption rate of the structural funds, which, unfortunately for Romania, is very low. According to the Romanian Agency for Monitoring Structural Instruments, at the end of 2010 the absorption rate in Romania was 8.6%. This value is much under the average absorption rate of structural funds in neighbour countries, which is 17%, according to the last Report of the Financing Committee from 07.04.2011. The low absorption rate transforms Romania from a country that is a net recipient (receives more money from the European Union that gives as percentage of GDP) into a contributor to the European budget (Table 1).

Table 1: European funds allocated to Romania and Romania's contribution to the European budget for the period 2007-2011

	2007		2008		2009		2010		2011	
	mld.EUR	% din PIB	mld.EUR	% din PIB	mld.EUR	% din PIB	mld.EUR	% din PIB	mld.EUR	% din PIB
Total European funds allocated	2.0	1.7	2.9	2.2	3.9	2.5	4.3	2.5	4.5	2.4
Romania's contribution to EU budget	1.2	1.0	1.4	1.0	1.2	0.8	1.3	0.8	1.3	0.7

Source: Economy and Finances Minister, National Statistics Institute, National Prognosis Commission and The National Bank of Romania, www.bnr.ro, accessed on 10.04.2011

On the other hand, in the autumn of 2010, Member States, in close co-operation with the Commission, established national targets and developed strategies for their implementation. As the Annual growth survey shows, "they were invited to present by mid November, in a draft version, their National Reform Programme ("NRPs"), indicating their national targets and the necessary reforms to reach these targets and remove long-standing barriers to growth". The fact that each Member State sets its own level of ambitions as regards the overall Europe 2020 targets is an important element of this strategy, ensuring that national targets are "politically owned" (European Commission b). So, in order to accomplish the Europe 2020 targets Romania has to adopt national targets to help us to keep on the track. The Romanian government has formulated provisional targets, but without an important change regarding structural funds approach it is almost impossible to meet these targets and get out of the economic crisis.

Conclusions

Romania severely needs to focus on structural instruments and raising structural funds absorption rate as it is a sure and free source of financing. Because of the world economic crisis that was felt in Romania in the last trimester of the year 2008, at the beginning of 2009 Romanian authorities had to contract a loan from the International Monetary Fund. The Romanian government obtained a loan of 19.5 billion Euros. Through this loan, the government financed the extern and intern deficit. On the other side, the International Monetary Fund imposed measures to guarantee the loan reimbursement and to obtain a transparent fiscal policy. This loan has to be reimbursed and this is for sure not good news for Romania.

Romania must pay attention to the great opportunity that regional policy offers through the structural funds, funds that are created in accordance to the Europe 2020 targets and that therefore have the great purpose of raising living standards in Romania. Unfortunately, regarding the living standard, our country is at the end of the top, fact that shows that we have many chapters where we have a deficit.

The main issues that detain Romania from European funds absorption are the different interpretation given to the Public Procurement Law and the routed custom to contest the results of the assignment procedure; also the coordination and control procedures in the Romanian legislation are sometimes less efficient than the EU Financing Regulations regarding the Structural Instruments, and the list can continue. We suggest a couple of solutions in order to help Romania increase its performance regarding the absorption rate of structural funds and have a better perspective regarding the importance of aligning its national priorities with those of the European Union. We consider that the legislation regarding public procurement and the implementing frame must be revised in order to raise the transparency level and simplify the procedures. We also recommend strengthening the coherence between the strategies regarding the Structural Instruments on one side, and the politics, programmes and national actions taken to encourage the economic and social development on the other side. To resume, we conclude that there is a stringent need to lower bureaucracy of the monitoring structures of Structural Instruments taking into consideration the European criteria.

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