

ROMANIA’S REGIONALIZATION PROJECT

Abstract

Article 235, paragraph I of the Treaty of Rome provide insight for reducing disparities between the regions of the Member States. The Maastricht Treaty introduced the concept of economic and social conditions that have to be met by those who receive financial aid from the European Union, in order to alleviate regional disparities. The Regional Policy is a common policy developed by the European Union. The E.U. is the strongest international regional organization to date; regional disparities have increased after the enlargement towards Central and Eastern Europe. Common regional policy means the transfer of competence in terms of economic and social development, from central to local level. Romania is facing the most serious regional disparities in Europe and seeks to mitigate their needs of capital inflows or foreign investment, funding from foreign banks, foreign workers from abroad through European funds. Due to the current economic and financial crisis, the only solution is the absorption of European funds. For efficient absorption of EU funds it is necessary to complete the process of regionalization, meaning the division of the country in 10 region, one of which is Sibiu region.

Key words: *structural funds, regional, economic and social cohesion, financial year, the common regional policy*

1. Introduction

The founders of the European Community considered that "reducing disparities between the regions and decreasing the backwardness of the least favored is essential" (Article 235 I of the Treaty of Rome) and will bring prosperity to all Member States. The Common Market however (Euratom, ECSC, EEC) has measures on trade and policy implications which do not support economic and social development of all Member States and do not attenuate regional disparities.

The first enlargement - England, Ireland and Denmark in 1973 – brought community focus on the regional development issue, as Ireland and Denmark at the time were faced with problems of rural underdeveloped regions like the north eastern Romania today or mountainous areas, less populated with low levels of development, as shown in the Apuseni Mountains. England, France and Germany were restructured into industrial regions such as the mining and Lorreane region, similar to Hunedoara in Romania (Miron, 2006:422). In Europe, there is actually a common regional development policy which is enforced through the European Fund for Regional Development. The Regional Development Policy Reform of 1988 introduced new principles of implementation that are currently in place in less developed countries and regions.

The Maastricht Treaty states the EU's commitment to act to reduce development disparities between regions of the Member States. A Protocol for Economic and Social Cohesion was attached to this pact. (Prisecaru, 2004:82), highlighting the concept of economics becoming one of the three pillars of the European Union. Each enlargement has meant an increase in regional disparities in the European Union. The last wave of enlargement, towards Central and Eastern Europe increased disparities by a third, and GDP by 5%, so the poorest regions are still located in eastern Europe.

¹ Conf. Univ. Dr , Universitatea Lucian Blaga Sibiu, e-mail: paul.lucian@ulbsibiu.ro

2. The regional concept

The current literature presents several definitions for a region as a fundamental element of science. The region is an area of national space, which assigns both indoor and outdoor structures that contribute towards strengthening the national economy. Within the region, several economic objectives are set in spatial equilibrium, and regional policies and strategies are in place to ensure growth. Regional economies are more open in dealing with the outside as it does not charge as often and are prone to growth. Regions are classified using multiple criteria. The general criteria are chosen by sharing purpose: if the purpose is to eliminate regional disparities, Romania must attract European funds.

Embracing one of the definitions expressed in the literature, namely that in economic and social practice, a region is a political subdivision of a country with a geographical determination and one administrative structure, involving an amount of institutional freedom, which gives certain autonomy in relation to the central authority. (Constantine, 2013:16)

Romanian authorities must show concern for completing the project of regionalization; a long-term project designed to target and allocates resources - both internal and external - more efficiently.

The measurement of regional disparities in the 28 states are conducted through GDP / capita. Depending on the size of the GDP / capita quota, Member States bear the following classification: countries that have GDP / capita well above the EU average, countries with GDP / capita between 60 % - 95 % of the EU average, countries with GNP / capita below 60% of average. According to Eurostat, in 2008 Romania had a GDP / capita of 45.8 % of the EU average, being close to the bottom of the table.

Accession to the European Union has contributed towards reducing regional disparities, because according to the World Bank, "EU resources are an untapped opportunity for Romania". The same source indicates that in mid-2013, Romania ranks last as percentage of European funds absorbed in relation to the total funds allocated: 26.5 % as compared to first place with 70.95 %, occupied by Estonia. Transformations in Europe, which occurred due to integration and globalization, have imposed new problems at the advent of science regions within different national economies.

3. Regional gaps in Romania

Romania is faced with phenomena that are characteristic to regional disparities such as demographic decline, unemployment, low level of urbanization, undeveloped infrastructure, generally requiring a large sum of Community structural funds in order to develop.

After 1990, the population decline is obvious, given the fact that Romania lost 4 million employees, so that the number of pension payments decreased from 5 million employees to 4.3 million employees. As a result of the contraction of big industrial giants and job insecurity, more than 2 million Romanians chose to leave the country to work abroad. Poor regions of Romania have recorded the largest exodus of people such as the north east region recognized by the EU as "lagging behind". (Miron, 2013:21).

Romanians are mostly drawn to countries like Italy and Spain, however, the public reaction against Romanians who have chosen to settle there is becoming increasingly more violent. Other Romanians with superior skills, with good command of foreign languages, motivated by higher living standards turned their focus towards companies and businesses operating in developed countries, as these companies are facing difficulties in recruiting highly qualified personnel. The entire European Union is facing economic crunches due to the financial crisis and the high unemployment rate of 10.9 %, i.e. 26 million people, is worrying. However, youth unemployment even higher, with a rate of 23.5 %, i.e. 5.5 million young

people is unemployed. In Greece, Spain and Italy, the rate of youth unemployment is 55 %, while in Romania to 23.1%. The developed countries of the European Union consider that labor mobility from poor countries is an economic necessity as positively influences the overall GDP of the European Union, creating a collective gain in income. Rich countries, which support the integration process, should recognize that successful integration depends on the degree of regional convergence. We do not support the theory of labor mobility as a negative effect, as the poorest regions are the southern and eastern Romania; the population exodus is due to underdeveloped industry, agricultural sector with growth potential, national media services under natural disasters: drought, floods, earthquakes etc.

Internally, continuing population decline due to labor migration and the lack of desire to return to the country has worrying consequences on the Romanian society, because it will lack labor productivity growth, and domestic savings and domestic capital is almost nonexistent. Also affected is the budget, which accounts for public health care, education, etc. Development is the only solution, i.e. attracting foreign capital, European funds and oversight of international financial institutions.

Demographic decline influences the method of allocating structural funds and cohesion funds. In general, the allocation of European funds is based on the number of inhabitants of a country. Theoretically, the sum is obtained by multiplying the average intensity per capita aid worth 48 euro for the eligible population. The allocation to each eligible Member State corresponds to a percentage based on population, area and national prosperity. In Romania, the version containing 8 or 10 administrative regions has theoretical relevance in terms of the financial support package.

Another aspect that deepens regional disparities between Romania and the other Member States is linked to the share of urban areas and rural areas. There is a link between the degree of urbanization of a country and economic prosperity. In Romania, half the population lives in rural areas, according to the OECD classification which makes us stand last in the league with 8.5 % predominantly urban population, 39.2 % intermediate and 52.3% mostly rural. There are serious disparities between E.U. rural areas and Romanian rural areas, because there is a strong industry which attracts labor from rural areas to develop national growth poles and poles for urban development; in Romania, on the contrary, those working in the urban areas returned in rural areas where poverty is higher.

Another aspect that highlights regional disparities both at European and at national level is the level of development of infrastructure which cohesion funds were created for; their purpose was to provide financial resources for environmental projects and infrastructure.

At the European level, there are highly developed regions, characterized by economic growth, high urbanization and prosperity, but face other problems: industrial pollution, youth unemployment, poor peripheral areas, illegal immigration, corruption, etc.

In general, poorer member states show a reluctance towards Community regional policy, because the transfer involves an expertise in economic and social development from national to community level; both externally and internally from central to local level, so that local authorities will develop and implement regional development projects.

4. Requirements of Romania's regional project

In view of the above, the project of regionalization of Romania started in 1997, when European experts, based on the population, area and GDP, divided the national into 8 regions, without legal personality, which will run until the current Constitution remains in place, while developing regions will be transformed into administrative regions and nr.151/1998 Law amended by Law no. 315/2004 on regional development.

Statistics of the National Prognosis Commission shows that pre-accession differences between the rich and poor widened due to the following causes: structural funds provided by the EU were insufficient (2% of annual GDP Romania), the distribution was unfair (did not sustain the poor) and the lack of capacity of local authorities to draw up appropriate projects.

In 2000, the Regional Development Strategy identified areas facing economic difficulties, namely: traditional areas and / or underdeveloped areas and declining industrial areas with fragile economic structure.

GEO no.75/2000 identified disadvantaged areas, which represented 7% of the national territory, namely the West, Northwest and Northeast.

During the post-accession period, economic and social development of the country is supported by the 7 Sector Operational Programs (SOP) and during the next financial cycle, 2014-2020 by only 6 SOPs. One of the seven is SOP Regio, with 6 priority axes for Convergence and European Territorial Cooperation. Regional SOP is a very important tool for the implementation of the national strategy and regional development policies. (Dobrescu, 2008:67). During 2007 - 2013, it is the leading SOP Program - Regional Ranking by money raised from the Structural Funds and Cohesion, compared to SOP Transport and SOP Environment, which are situated at the bottom of the table. Statistics show that regional development structures were more effective in the drafting of absorption than the projects prepared at national level. We believe that the reorganization of the regions will lead to a better absorption of EU funds due to the creation of more efficient administration that can understand local issues and establish similar relationships with governments in Europe.

5. Sibiu, the future regional capital

The regionalization project came to its second embodiment form as 10 administrative regions, the two regions which are newly established are the Sibiu region, including Alba, Sibiu and Hunedoara, whose GDP in 2012 was 34 billion USD and the Dobrogea region, consisting of Constanta and Tulcea counties, with a GDP of 28,8 billion lei. (National Prognosis Commission 2013). Counties that are part of the two newly created regions respect the principle of complementarities and towns situated on high levels of development are to become the capitals of the region.

Sibiu is a city of multiculturalism, a pole of civilization in Romania, Europe and is internationally recognized. The economy of Sibiu increases in most economic indicators, which shows economic prosperity and social stability. The number of employees rose in Sibiu. County unemployment rate remains at 4.2%. FOB exports have increased from 1,768,728,000 Euros to 2,824,989,000 Euros. In mid- 2013 in Sibiu has been the biggest salary gain of 2,325 lei. The great value of average earning is £ 1672 and net earnings exceeding 1606 - the national average. (Department of Statistics, Alba 2012-2013).

Currently the county offers outstanding investment opportunities for economic development because of road, air and rail infrastructure. Sibiu has an extensive road network that links it to Bucharest and DN1 through E81, to E68 Nădlac - Targu Mures through DN14. It is also crossed by the highway component of the 4th Pan-European Corridor. Rail transport system undergoes an intense process of modernization, which provides links by bus to Curtici, Arad, Oradea and over 300 buses daily towards Europe.

The county has a modern airport with proper infrastructure type work and track cargo aircraft can land in favorable weather conditions, which accounts for more than 300 days per year. Sibiu is a city of old industrial tradition, subjected to a process of restructuring and modernization, with investments financed by domestic and foreign capital. Sura Mica - Sibiu industrial area hosts great names of European industry, employing over 6300 employees.

Another area that is subject to a development process is Medias, where the largest center for coordination of gas resources in Romania is located.

The county has great potential for agricultural development due landforms. In this context, projects funded by the European Union and the Romanian Government under the National Rural Development have been implemented, such as: farm modernization measure or 121. In November 2013 a meeting took place in Sibiu for the SOP Regional Monitoring Committee, where it was decided to reallocate funds from the European SOP Transport and SOP Environment towards SOP – Regio, in the amount of EUR 350 million, which will be used by local governments for support projects for schools, hospitals and county roads. The proposal was made by the Minister of European Funds, the representatives of the Ministry of Regional Development and Public Administration, Regional Development Committees chairmen and others, but it must also be approved by the European Commission by the end of 2013 in order for the funds to be used.

6. Conclusions

We believe that the new regional structure with 8 regions, ten or more shall provide a fully functional administrative framework to comply with the law, which provides better allocation for operational programs and partnership approaches. Also, it must remove bureaucracy by reducing the number of local governments and support the autonomy of cities and villages.

The new Financial Framework 2014-2020 sees Romania's EU allocations for the next seven years to about 40 billion Euros, of which 18 billion for rural development and fisheries, and 21, 8 billion Euros of structural programs. These resources are an opportunity to develop agriculture and tourism projects, so that disparities between Romania and other Member States will subside. Agriculture and tourism can be supported by the production of energy from renewable sources, whose share is 35.5 % of the electricity.

Agriculture and tourism are necessary but not sufficient for economic development of Romania. It should be encouraged and re-industrialization of the country, primarily within the energy sector, i.e. by modernizing and developing coal, gas and nuclear production; secondly, by attracting foreign direct investments and domestic capital to boost balanced development poles of urban development and national growth.

References:

Constantin, Daniela –Luminița, (2010),. Economie regională. Teorii, modele, politici, Editura ASE, București.

Dobrescu, Emilian , (2008),. Fondurile structurale, Editura Eurolobby, București.

Lucian, Paul , (2004),. Uniunea Europeană, Editura Universității „Lucian Blaga”, Sibiu.

Miron, Dumitru , (2006),. Economia Uniunii Europene, Editura Luceafărul, București.

Prisecaru, Petre , (2004), Politici comune ale Uniunii Europene, Editura Economică, București.

Sută, Nicolae, (1992), Curs de comerț internațional și politici comerciale, Editura Ceres, București.

***, Eurostat (see <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tec00114&plugin=1>) 14.03.2014 ora 19:36.

***, Ministry of European funds (see <http://www.fonduri-ue.ro/comunicare/stiri/2319-rata-de-absorbție-curentă-a-fondurilor-europene-de-patru-ori-mai-mare-decat-in-mai-2012http://>) 14.03.2014 ora 19:40 .

***, Employment and social analysis (see <http://ec.europa.eu/social/main.jsp?catId=113&langId=enhttp://>) 14.03.2014 ora 19:45.

Eurostat - Urban-rural typology (see http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Urban-rural_typology_upda) 14.03.2014 ora 19:55.