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ROMANIA AND THE LOCAL DEVELOPMENT POLICY

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Romania's regional development involves boosting and diversifying economic activities, stimulating investments in the private sector, the contribution to reducing unemployment, along with improving living standards. In order to implement the policy of regional development, were established eight development regions comprising the entire territory of Romania, each regional development, including several counties and, not being administrative-local units, do not legal personality. Regional development policy concerns all measures planned and promoted by public authorities, private factors, volunteers for economic growth.

Since its origins, the European construction was concern with reducing the inequalities between Member States. Article 158 (130a) of the Treaty establishing the European Communities (TEC) provides: “The Community will target on the reducing of inequalities in levels of development of different regions and the remaining behind of the most disadvantaged regions”. The experience of successive enlargements and the fact that economies of new Member States presented often a late development in relation to the old Member States, led the European Community (later European Union) to develop a separate policy to reduce regional disparities and a more larger economic and social cohesion action, made, first by the Single European Act¹ (SEA) and by the Maastricht Treaty² – the Policy of Economic and Social Cohesion (PESC).

¹ The Single European Act signed on 17 February 1986, namely 28 February 1986 and entered into force on 1 July 1987.

² The Maastricht Treaty or the Treaty of the European Union signed on 7 February 1992 and entered into force on 1 November 1993.

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In practical terms, the economic and social cohesion objective of the European Union was introduced in 1986 when it was adopted the Single European Act, and regional policy has been defined for the first time in the Maastricht Treaty in 1992. EU regional policy aims for the reduction of economic and social development disparities between regions of Europe, encouraging a harmonious development throughout the whole Union, and promoting the equality of chances. Regional policy, to attain its objectives, has provided more financial instruments - the Structural and Cohesion Fund³, which for the period 2007-2013 were allocated 348 billion from the Community budget. There are large differences in development between Member States and between regions within them. These differences in development have been widened with the accession of ten states in 2004, Romania and Bulgaria in 2007.

The National Development Plan is the fundamental instrument by which Romania seeks to recover the disparities towards the EU: the strategic planning document and multi-annual financial programming prepared in a broad partnership, which will guide and stimulate socio-economic development of Romania in accordance with Cohesion Policy of the European Union. The National Development Plan is an important component of the National Strategy for Economic Development, which is a tool for prioritization of public investment for development.

Based on it will be prepared the National Strategic Reference Framework 2007-2013 which is the programming document setting the strategic areas of intervention of the structural instruments in each Member State and which is being negotiated with the European Commission.

In the reference period 2007-2013 Romania should be connected to both the Cohesion Policy of the European Union, and the priorities of the Lisbon Agenda, to which you will need to make their own contribution. It is said that the European Commission’s proposals on the management of structural funds reflects a shift in meaning greater support of the efforts to achieve the fundamental objectives of the Lisbon and Gothenburg, namely: the increment of competitiveness, full employment and sustainable environmental protection. The National Strategy Development Plan established six national priorities for development:

- Increasing competitiveness and developing a knowledge-based economy;
- Development and upgrading of transport infrastructure;
- Protecting and improving environmental quality;

³ The positive impact of the cohesion policy has been felt for years, the most convincing case is that of Ireland, which, in 1973 when it has joined the European Union had a GDP which represented 64% of EU average, and now has one of the highest GDP in the EU states.

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- Human resource development, promoting employment and social inclusion and strengthening the administrative capacity;
- Development of rural economy and increasing productivity in agriculture;
- Reducing development disparities between regions of the country.

Within these priorities are addressed numerous areas/fields of specific intervention such as education, health, energy, communications and IT sector, prevention of natural risks, etc. Formulating strategic objectives which contribute to the national development priorities joins first the elements of the regional policies and regional development policy, including through the National Strategy for Sustainable Development of Romania's “Horizon 2025” and on the other hand, the strategic guidelines at the European level and specific requirements related to access post-accession funds.

The National Strategy Development Plan will be funded from multiple sources. As mentioned earlier, the National Development Plan 2007-2013 will be a tool for prioritization of public investment for development, ensuring that the general directions for the allocation of public funds for investments with significant impact on economic and social development from internal sources (state budget, local budget) or external (the instruments of the European Union⁴, structural EU funds for agriculture, rural development and fisheries⁵, external credits). Financial programming of the National Development Plan, which aimed to achieve a realistic overall picture of the sources of financing for development that should be used in 2007-2013 to increase the convergence with the European Union, led to an estimated aggregate amount of approximately 58.7 billion Euros, of which about 43% is the contribution of the European Union.

As mentioned above, the Economic and Social Cohesion Policy of the European Union for 2007-2013 has three main objectives:

(i) *Convergence* (funded with 80% of the budget for structural funds and cohesion⁶). It aims the EU Member States’ regions that have a GDP per capita less than 75% of the Community average and regions falling under the so-called “statistical effect”.

(ii) *Regional competitiveness and employment* (15% financed from the budget for structural and cohesion funds), aims to regions that are not eligible under the Convergence objective;

⁴ European Regional Development Fund, European Social Fund, Cohesion Fund

⁵ The European Fund for Agriculture and Rural Development, the European Fund for Fisheries. There are no direct agricultural aids.

⁶ For the period 2007-2013, the budget allocated to structural and cohesion funds is 308.041 billion and is approximately 35.6% of the European Union’s budget (864.4 billion Euros).

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(iii) *European territorial cooperation* (financed by 5% of the budget for structural and cohesion), refers to:

- Transnational cooperation
- Trans-border cooperation
- Interregional cooperation

Achieving the objectives of the Economic and Social Cohesion Policy is made through three instruments:

a) The *European Regional Development Fund* (ERDF) finances general infrastructure projects, innovation and investment. The European Regional Development Fund⁷ will pay a particular attention to specific territorial characteristics. Actions taken within the ERDF are trying to alleviate the economic, social and ecological problems faced by the urban environments.

b) The *European Social Fund* (ESF) – finances projects for training and other assistance programs for employment. The European Social Fund⁸ is intended to improve the quality of jobs and opportunities for employment in the European Union.

c) The *Cohesion Fund*⁹ (CF) finances large environment infrastructure and transport projects. The Cohesion Policy aims to achieve the objectives of the Lisbon Agenda for economic growth and to create jobs by making the European regions attractive places for investment, encouraging innovation, entrepreneurship and knowledge-based economy and creating more and better jobs. CF supports countries with economic difficulties to join the Economic and Monetary Union. Recipient countries must have a level of income per capita below 90% of the Community average. CF also provides financial support for investment in infrastructure, environment and transport. The Cohesion Fund does not co-finance programs but provides direct funding for individual projects, which are clearly identified at the outset.

*Regional Operational Program “Increment of the Economic Competitiveness” (SOP ECC)*¹⁰

This Operational Program is one of the seven regional operational programs, tools for achieving the priorities set by the National Strategic Reference Framework and the National Development Plan 2007-2013. These strategic documents aim at a national level strengthening and implement in Romania the policies of social and economic cohesion and the regional

⁷ ERDF - European Regional Development Fund

⁸ ESF - European Social Fund

⁹ Cohesion Fund

¹⁰ <http://www.minind.ro/>

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development with a corresponding adaptation to European policies and the Lisbon strategy, targeted specifically towards economic growth and job creation.

This program responds to the first priority of the first National Development Plan 2007-2013: “Enhancing competitiveness and developing a knowledge-based economy” and, on the other hand, to the second priority of the National Strategic Reference Framework, namely “Long-term enhancing economic competitiveness”, while contributing to and implementing all the other priorities of the National Strategic Reference Framework.

The overall objective of the Regional Operational Program – Increase of Economic Competitiveness is the productivity growth in Romanian enterprises to reduce disparities in productivity compared to the European Union’s average. The objective is to increase this average productivity per employee by about 5.5%. This will allow Romania to attain a level of approximately 55% of the average productivity of the European Union by 2015. Given both the opportunities identified for improving the competitiveness of Romanian enterprises to cope with new challenges and use opportunities to work on the Single European Market, and the Romania’s eligibility for support from the European Regional Development Fund. Under the Regional Operational Program – Increase of Economic Competitiveness have been identified the following priority axis: Priority Axis 1: An innovative system of production; Priority Axis 2: Research, technological development and innovation for competitiveness; Priority axis 3: Information technology and communications for private and public sectors; Priority axis 4: Increasing energy efficiency and sustainable development of the energy system; Priority axis 5: Romania, attractive destination for tourism and business; Priority axis 6: Technical Assistance.