

## Effects of Regional Policy in Romania

Florina-Oana Virlanuta

[florinaoana27@yahoo.com](mailto:florinaoana27@yahoo.com)

Ludmila-Daniela Manea

[manealudmiladaniela@gmail.com](mailto:manealudmiladaniela@gmail.com)

*Dunarea de Jos University of Galati, Romania*

Regional development is a process that requires effective and efficient institutions and close cooperation between public authorities, businesses and social groups at all levels. In fulfilling this objective, European regional policy has an important role, whose aim is to transform economic and social problems into opportunities. Regional development policy has become one of the most important and complex EU policies, status arising from its goal of reducing economic disparities - between different social regions of Member States.

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### Introduction

Regional development policies of the European Union, were made in 1957 with the creation of the European Community. Increasing the role of regions in European development, was a defining phenomenon of recent decades, it is a cornerstone of European construction of the XXI century. As a natural consequence of the growing importance of regions, one is speaking increasingly more of a "Europe of regions". One of the most important consequences of disruptions caused by the resources manifested itself in a territorial form as regional imbalances. The existence of inequalities in economic development in different countries or within the same state, between different regions thereof, is a reality accepted, explained, and about to be at least partially remedied. EU acts on areas significant for development such as economic growth and the SME sector, transport, agriculture, urban development, environmental protection, employment and training, education.

Regional development policy is a policy of investment for economic development, sustaining competitiveness, raising living standards, improving quality of life, job creation and sustainable development, being the only policy which has created its own institution - Committee of the Regions<sup>1</sup>.

Regional policy has thus become a key policy of U.E, primarily aimed at achieving economic and social development of all Member States, policy that is supported by major financial structural instruments over the past 5 decades.

The purpose of the regional policy is regional development, focused on identifying effective methods to use the resources at regional and local level in order to develop the use of inputs and ensuring a high standard of living of the population of that area.

EU Cohesion Policy, which supports regional and sector investments in economic development, was an important factor during the past 20 years in helping disadvantaged regions to compete in the single European market and to catch up with more developed regions.

The great differences between Member States and regions have existed since the beginning of the process of European integration and worsened with every expansion. In the first regional investment models, resources were directed towards major infrastructure projects such as transport networks and community facilities<sup>2</sup>.

Gradually it was noted, institutionally, that regional policies must be comprehensive, to promote economic growth and employment opportunities in less developed regions. Several innovative programs were initiated, infrastructure investments still remain important, but there was also the need to invest in research, innovation, training, marketing development etc. All these actions have confirmed the EU's commitment to invest in human resources through training and retraining and in understanding the requirements change in the labor market in the light of technological development<sup>3</sup>.

During the 90s, one began to realize more and more the need to fight the environmental consequences of economic growth. Regional policies were designed to ensure compatibility of increased

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<sup>1</sup> Dumitrică C.D, Applying the principles of regional development in Romania, Doctorate Thesis, SNSPA, București, 2012, pg. 22

<sup>2</sup>[http://ec.europa.eu/regional\\_policy/sources/docgener/panorama/pdf/mag26/mag26\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/panorama/pdf/mag26/mag26_en.pdf)

<sup>3</sup>[http://ec.europa.eu/regional\\_policy/sources/docgener/panorama/pdf/mag26/mag26\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/panorama/pdf/mag26/mag26_en.pdf)

production and employment opportunities with environmental protection and direct liability of operators and other economic actors for damages.

At the same time, the economic restructuring of the 90s, social disparities between different population groups became more evident, with particularly negative effects on marginalized groups. In order not to undermine the cohesion objective there appeared the need to tackle social exclusion.

Therefore, regional policy has been resized because the inhomogeneous access to opportunities threatened to undermine the growth and economic development. The decisional leaders in Europe have developed and adopted the necessary legislation to help resolve economic and social problems in order to ensure a more effective use of financial resources and also to support the European Union to solve different circumstances economic and social appeared after enlargement. Integrated programs have generated growth and development of new skills, while seeking to involve communities to protect and improve their living environment.

Currently, EU regional policy is conceived to act in three main directions.

*The first direction* focuses on sustaining real **economic convergence**, with the aim of helping disadvantaged regions, which generally belong to the Member States of the E and S-E Europe, to reduce the gap between them and the most prosperous regions.

*The second direction* concerns the application of those measures with the objective of promoting **competitiveness and employment at regional level**.

*The third direction* aims to foster **cooperation** between regions and countries, in order to reduce the economic significance of national borders.

European experience has shown that the success of policies which promote economic growth and development depends very much on their interaction with national economic policies (sectoral policies, tax, labor market policies). Effective macroeconomic conditions and a favorable microeconomic framework (regulatory framework, business environment) are prerequisites for effective policies to help underdeveloped regions<sup>4</sup>. If national policies encourage regions to remain immobile then development is a difficult struggle.

## 2. U.E strategic expenses - Regional policy

Regional policy currently benefits from the largest part of the EU budget for the period 2014 - 2020, ie more than 351.8 billion euros out of a total of approximately 1,100 billion, representing the main investment instrument.

Financial resources are used to fund strategic infrastructure of transport and communications, in order to promote the transition to a greener economy, to help small and medium enterprises (254 800 businesses have received direct support investment, 121.308 number of start-ups supported- Chart No.1) so that they become more innovative and competitive, creating new jobs (between 2007-2014 there were created 940,000 new jobs in the EU -Chart no. 2), for the modernization and strengthening of education systems and to build a more inclusive society<sup>5</sup>.

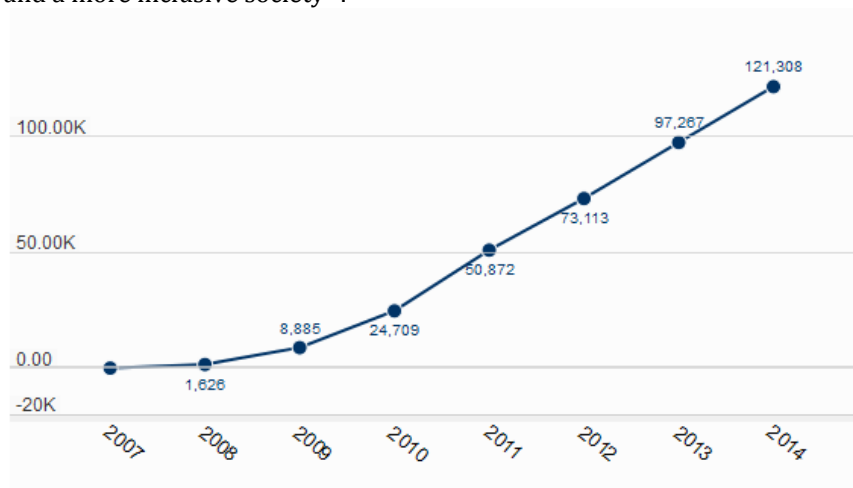
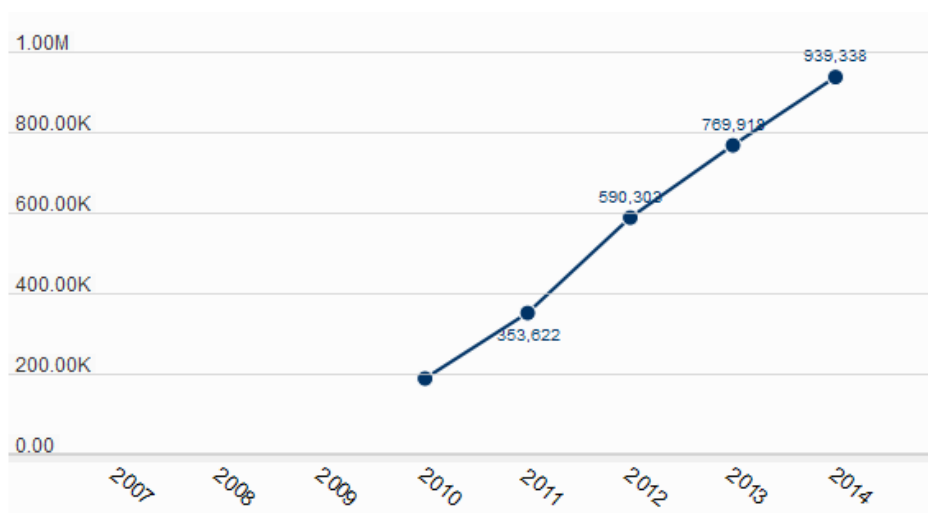


Chart No.1- Number of start-ups supported

Source: [http://ec.europa.eu/regional\\_policy/en/policy/what/key-achievements/#3](http://ec.europa.eu/regional_policy/en/policy/what/key-achievements/#3)

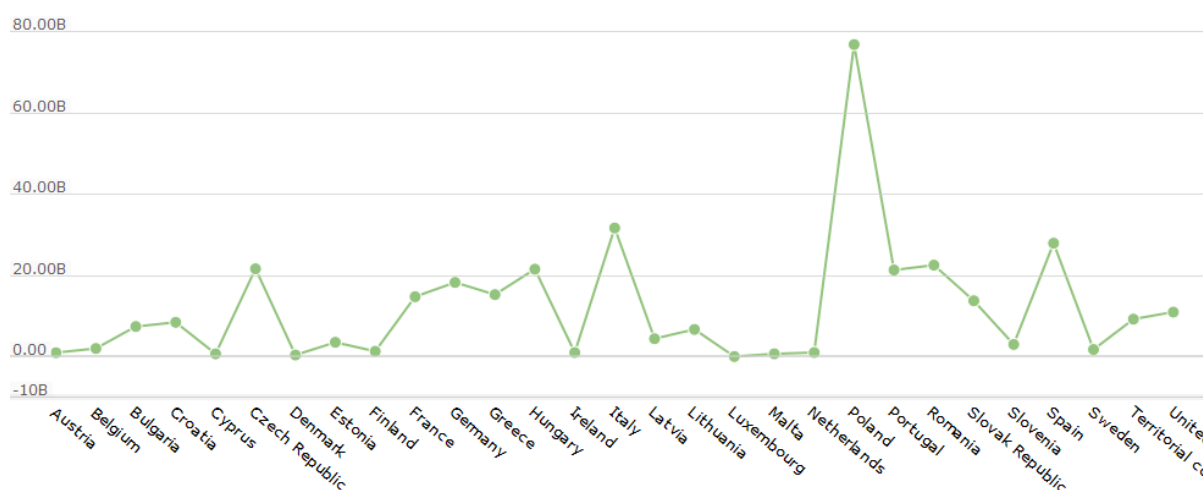
<sup>4</sup> Popescu L., G., Public Policy and European Union Governance, Editura Economică, București, 2014, pg. 113 - 130

<sup>5</sup>Istrate M., EU Regional Policy, Editura ASE, București, 2008, pg. 189

**Chart No.2 -Aggregate Jobs**

Source: [http://ec.europa.eu/regional\\_policy/en/policy/what/key-achievements/#1](http://ec.europa.eu/regional_policy/en/policy/what/key-achievements/#1)

As such, regional policy is a catalyst between public and private funds, not only because it obliges the Member States to co-finance projects of their national budgets, but because it helps strengthen investor confidence. Considering this national contribution and the leverage effect of financial instruments, the overall impact of EU investments for the period 2014 - 2020 could amount to over 500 billion euros<sup>6</sup> (Chart no.3).

**Chart no.3 - Total amount of allocation (€)**

Source: <https://cohesiondata.ec.europa.eu/dataset/Financial-allocations-2014-2020-Available-Budget-b>

By supporting public investment and by implementing flexible EU investments, for example by reprogramming funds or by raising co-financing in countries such as Cyprus, Greece, Hungary, Ireland, Portugal and Romania, regional policy has mitigated the effects of the financial crisis that began in 2008. Also, in the context of sustained fiscal consolidation, EU regional policy has become paramount. In the absence of cohesion policy, public investment so badly needed in less developed Member States would have decreased by another 45% during the crisis.

We can admit that the analysis and regional and local situational awareness is fundamental to understanding how it can achieve its strategic goal - sustainable development. The programs must be carefully adjusted to the specificities of each region, in relation to the targeted needs and aims<sup>7</sup>.

<sup>6</sup>Basarabă A., Regional Policy, Editura Eurobit, Timișoara, 2008, pg. 52

<sup>7</sup> Iancu D. C., European Union and public administration, Editura Polirom, Iași, 2010, pg. 235-238

### 3. The effects and importance of regional policy for Romania

The impact of structural funds and national regional policy efectele highlights that are found in particular in creating new jobs and developing infrastructure (transport, social infrastructure, etc.), but they are visible in a wider context, on some areas such as tourism (actions to promote the brand of the country, tourism promotion centers etc.), urban development (integrated development plans), business (supporting microenterprises).

The amounts allocated to Romania, in the period 2007-2013 for the implementation of regional policy from structural funds were aimed at achieving strategic convergence among Member States of the European Union, the total value of these funds was 3.72 billion euros, to which was added the national funding of 1.2 billion euros.

The expected results of the implementation of the ROP (Regional Operational Programmes) were the creation of 15,000 new jobs by the end of 2015 and preventing the growth of inter-regional disparities in terms of GDP / capita in 2007-2013<sup>8</sup>.

*Regarding health care*, the budget being of EUR 224 727 991, the results were the increasing number of health services, their quality, the number of patients treated and the degree of satisfaction in the medical units who benefited from this funding.

*In terms of social infrastructure*, the budget was 97,829,252 euros, its objectives were achieved: the creation of new jobs, increased the number of beneficiaries of social services for the elderly, improved social services in the centers supported, for children and adults with severe disabilities there were contributions to modern equipment, in compliance with current EU regulations and standards regarding accommodation and providing new opportunities for social inclusion.

*In terms of educational infrastructure*, the budget being EUR 441 295 015, the results of regional policy were: increased educational quality service, which generated better study conditions for all the school actors which were the direct beneficiaries of the measure (students, staff teachers, support staff, the management team at school level), providing space for extra-curricular activities, which contributed to increasing the participation and raising the level of academic performance etc..

*In terms of business support structures*, area of intervention that has a budget of EUR 234 737 282, it was aimed at the creation and modernization of regional and local business support, attracting investment, reviving and development of local and regional economies. The results have been: creating new jobs (an average of 9 seats on administrative staff), the employment rate of the infrastructure created is 86%, diversification of services offered by business as well as development of the skills of human resources involved.

The field of support for SME development, aimed to help develop micro-enterprises in the construction sector, industry and services, located in urban areas to finance 1,500 micro and create 3,000 new permanent jobs by the end of 2015, the budget allocated the total is 200 million euros.

Among the effects of quantitative and qualitative obtained we mention: increase of employment, despite the economic crisis, the benefiting companies increased their staff by an average of 3 employees, increase of the entrepreneurial capacity of beneficiaries, of the capacity of strategic guidance and reorientation - change the field of activity, the shift from marketing to production.

*Regarding infrastructure development in tourism* there was desired the creation, development and modernization of tourism infrastructure for the exploitation of natural resources and improving the quality of tourism services. The budget allocated to this area was 68.5 million euros, only ERDF contribution. In this area, the results were remarkable: increasing the number of rooms and newly created accommodation, increases 2-3 times the number of "arrivals in accommodation 'and' overnight stays in accommodation", occupancy of infrastructures funded by regional development policy has grown, on average, from 37.44% to 45.63%, above the levels seen at the national level, about 25%, increasing the turnover of the beneficiaries.

We also have noted *the impact on socio-economic development*, stronger at a local and regional level, through the jobs created, taxes paid to the local budget, but also by stimulating investment and other related business<sup>9</sup>.

An important budget of EUR 140 786 655 has been allocated by the regional development policy to *promote tourism potential*. This budget has been used to create a positive image of Romania as a tourist destination by defining and promoting the national tourism brand (which has not yet produced economic results), the development and consolidation of domestic tourism by supporting tourism products and specific marketing activities that allowed an increase in tourist flows, creating the national centers for tourist information and promotion (CNIPT) and equipping them –they have helped to promote tourism development

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<sup>8</sup> www.mdrap.ro

<sup>9</sup> www.inforegio.ro

by integrating CNIPT in the system of national tourism, infrastructure development of centers and improve the quality of their services<sup>10</sup>.

One of the EU's objectives is to promote economic and social progress, balanced and sustainable by strengthening economic and social cohesion of member countries. An important role in this process is given to regions and Romania as a EU member country, through regional development policy aimed at reducing disparities of economic and social development between more developed and less developed regions, through sustainable development and improving infrastructure and business.

## Conclusions

The results of recent assessments show that interventions financed by regional policy have increased the number and quality of services offered, to job growth and the number of users. The benefits to end users - citizens and local communities - are found in all areas of health, emergency management, business support, decontamination of polluted lands, tourism development.

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<sup>10</sup>[www.mdrap.ro](http://www.mdrap.ro)