

# A COHESIVE ROMANIA: NEW INSTRUMENTS, NEW CONCEPTS, MAYBE NEW REGIONS

Associate Professor PhD **Gabriela MARCHIS**  
Danubius University of Galați, Romania  
gabriela.marchis@yahoo.com

## **Abstract:**

*During 2013-2014, there have been numerous debates on a new territorial organization of Romania, with emphasis on administrative decentralization and on a regrouping of counties in regions, but the process was postponed due to the presidential elections from the end of 2014. Given that Romania's territorial reform debate was focused more on political interests, through this paper, I try to identify how the regional scientists define the regionalization process and also to offer useful policy suggestions / advice / interventions to reconsider regional development in Romania. Understanding regional processes, under the aegis of Europe 2020, is elementary in order to optimise Romanian regional evolution. Without claiming to provide a model on how to redefine Romanian regions, this paper proposes some guidelines for long-run regional trajectories and some suggestions regarding the sources of change in Romanian regional policy.*

**Key words:** Europe 2020; innovation policy; regional competitiveness

**JEL classification:** O38; R11; R58

## **INTRODUCTION**

Political debates regarding the need of a territorial reform in Romania put in an appearance the administrative reorganisation as *a miracle regionalization* which can provide, on long-run, the much desired cohesion. Thus, a lot of *myths and lessons* have emerged about the regionalization in Romania, the territorial reform being discussed in terms of *administrative fragmentation and dissolution* and *territorial fray out*. Under these circumstances, I consider that in order to optimise Romania regional evolution, the main step is to *understanding regional processes* and their evolution over time. Through this paper, I try to bring up some *experiments in thinking about regional development* and also to capture those *policy prescriptions* of leading intellectual that are suitable for Romania regional portrait in order to provide a significant socio-economic change. Rethinking Romanian regions requires a *collective enlightenment* and a proper knowledge about European regional development trend. Therefore, this paper is address not only for those involved in designing the paths of regional development in Romania, but also to the entire stakeholders related to the existing economic and institutional structures.

## **EXPERIMENTS IN THINKING ABOUT REGIONAL DEVELOPMENT**

With a community of 28 member states, European Union is a multifaceted, multi-tier system of spatial convergence and differentiation. This is because the national regional development policies have appeared and evolved at *different times*, with *different objectives* and *different rates of development*. For example, if in UK, the first signs of a national policy for regional development are seen starting from 1934-1937, when the “Laws for particular areas”, regarding the rehabilitation of areas affected by industrial unemployment were adopted, in Romania, the term “policy for regional development” entered into force no longer ago than 1998, by Law 151 regarding regional development in Romania. Such lags in time are felt in terms of the *expertise* and *routine* in defining and implementing regional development policies.

Most of regional development policies in EU countries have emerged in the post-war period and they were mainly oriented towards the *development of problem areas*, the state's role in redistributing economic activities and in promoting the infrastructure investments being a major

one. A noteworthy change occurred after 1970, when regional development policies were reconsidered on the *principles of economic liberalization*, interregional competitiveness being stimulated and the government intervention being justified in terms of *economic efficiency* at national level and *social equity*.

These *significant mutations* of national regional development policies registered over time, correlated with different experiences of member states in designing and implementing various regional development policies have determined the emergence of *common themes*, under which national regional development policies need to work in a *more coordinated manner*, thus, harmonizing the interests of European decision with those of subnational entities (regions). Therefore, for the current programming period 2014-2020, these common themes, also known as *thematic objectives* (TO) are grouped into 11 fields of interest, as follows:



**Figure 1. The 11 thematic objectives of the current programming period 2014-2020**

Source: (European Commission , 2014)

As it may be observed from these thematic objectives, the current EU regional policy is more orientated towards *competitiveness* and *innovation*, deeply intensifying the role of *knowledge* and *human sensibility* in the labour process.

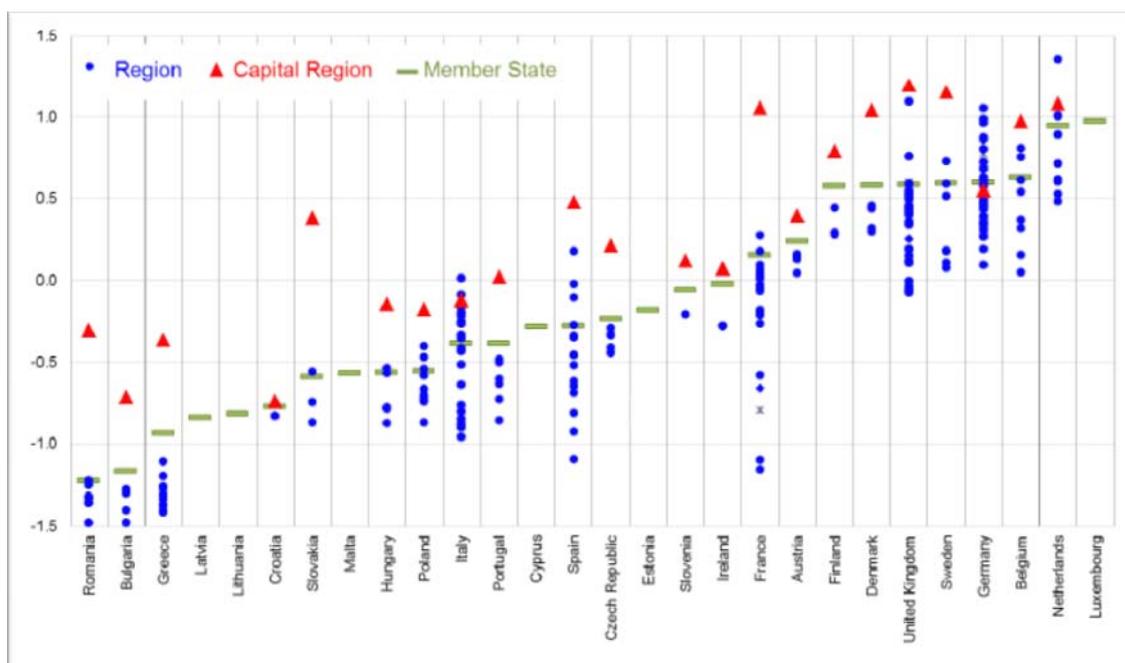
In this context, a set of questions arise:

1. Are Romanian policy-makers acquainted with these terms: *competitiveness*; *innovation*; the role of *knowledge* and *human sensibility*, in the context of regional development?
2. What are the *requirements of Europe 2020 strategy* in terms of regional competitiveness?
3. Is the current *regional portrait of Romania* proper to meet Europe 2020's requirements?
4. What *solutions* are foreseen to *increase regional competitiveness in Romania*? Is regional reconfiguration in terms of administrative decentralization needed?

1. The final aim of Romanian politicians and policy-makers should be to set up the *right priorities* in order to further increase the competitiveness and welfare at regional level. Thus, it is necessary for them to understand the *driving forces* of economic development. The concept of *territorial competitiveness* refers, at the same time, at: innovation, quality of institutions, infrastructure, the health system and human capital endowment.

A brief foray into specialized literature lead to the same conclusion: “Regions differ from each other economically. They compete in different products and geographical spaces, they exhibit different strengths and weaknesses, and they provide different possibilities for growth and development.” (Thissen, Van Oort, Diodato, & Ruijs, 2014) The notion of national competitiveness was defined by the World Economic Forum as a “set of institutions, policies and factors that determine the level of productivity of a country”. (Schwab & Sala-I-Martin, 2012) At the European level, European Commission has developed a Regional Competitiveness Index (RCI) which shows *the strengths and the weaknesses of each of the EU NUTS 2 regions*. RCI 2013 is based on 11 pillars, grouped into 3 sets describing *basic, efficiency and innovative* factors of competitiveness. (Annoni & Dijkstra, 2013) The *basic group* of pillars consists in: quality of institutions, macroeconomic stability, infrastructure, the quality of health and basic education systems. These are factors which are strictly necessary for the basic functioning of any economy and refer also to the quality and fairness of governance and local public services, which are important socio-economic determinants. The *efficiency group* of pillars includes: higher education and lifelong learning, labour market efficiency and market size. The *innovative group* of pillars consists in: technological readiness, business sophistication and innovation.

According to RCI 2013, the worst performer of the competitiveness scale in EU is Romania. (figure 2).



**Figure 2. Regional Competitiveness Index (RCI) 2013 by country**

Source: (Annoni & Dijkstra, 2013)

As it may be noticed, the level of variability is particularly high between the capital region and the rest of the regions, the region “București-Ilfov”, being the best performer within the country. Regions “Sud-Est” and “Sud-Vest Oltenia” are unfortunately the worst performers. (figure 3)

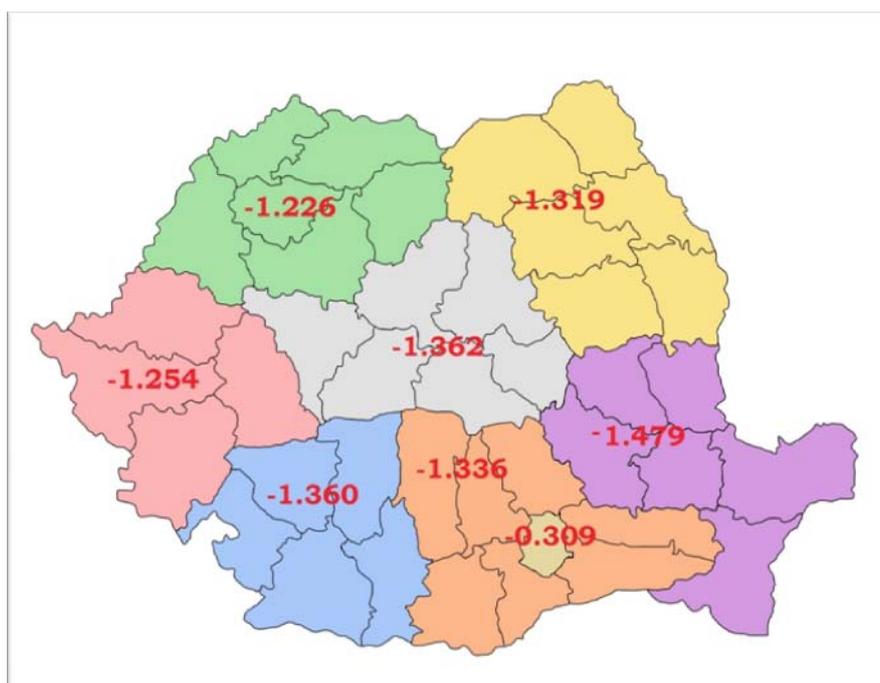


Figure 3. Regional Competitiveness Index (RCI) 2013 by NUTS2 regions of Romania

Table 1. The ranks of Romania regions in accordance with the *basic*, *efficiency* and *innovative* factors of competitiveness

Region*	Basic factors		Efficiency factors		Innovation factors		RCI 2013	
	Scores	Ranks	Scores	Ranks	Scores	Ranks	Scores	Ranks
RO11 Nord-Vest	-1.479	255	-0.971	221	-1.487	253	-1.226	241
RO12 Centru	-1.480	256	-1.208	241	-1.601	258	-1.362	255
RO21 Nord-Est	-1.555	259	-1.028	229	-1.738	262	-1.319	251
RO22 Sud-Est	-1.596	261	-1.330	251	-1.702	260	-1.479	261
RO31 Sud-Muntenia	-1.501	258	-1.107	234	-1.711	261	-1.336	252
RO32 București-Ilfov	-1.356	250	0.110	113	-0.159	143	-0.309	165
RO41 Sud-Vest Oltenia	-1.481	257	-1.119	240	-1.615	259	-1.360	254
RO42 Vest	-1.597	262	-0.990	222	-1.384	251	-1.254	242

Source: (Annoni & Dijkstra, 2013)

Note: \* In accordance with NUTS classification, European Union consists in 98 regions at NUTS 1 level, 276 regions at NUTS 2 level and 1342 regions at NUTS 3 level. The value of RCI 2013 indicators were determined taking into account a total number of 262 regions.

The *competitiveness capacity* of a region as well as its *openness towards innovation* is very important indicators in determining *the level of livelihoods* of the people living there. In other words, the wellbeing of people living in a region is a direct consequence of the level of competitiveness and innovation of that region. Accordingly, Meyer-Stamer (2008) defines the systemic competitiveness of a territory as “*the ability of a locality or region to generate high and rising incomes and improve the livelihoods of the people living there*”.

Along the same line, “*regional competitiveness can be defined as the ability to offer an attractive and sustainable environment for firms and residents to live and work*”. (Dijkstra, Annoni, & Kozovska, 2011) People are very sensitive to the quality of the environment where they are living and working. Maybe, this is an important factor which can explain the Romanians’ migrations

towards west European countries, during the last years and also the lack of interest from foreign investors in doing business in Romania.

This means that, regional development in Romania can be achieved mainly by developing regions' capacity in providing a *sustainable and an attractive environment*. Thus, the main focus of policy-makers should be on how to increase, at regional level, the quality of public infrastructure and services, with low level of taxes. Even if it is much easier said than done, the first problems that should be solved at regional level, by Romanian policy-makers, revolve around: *corruption* (perception of corruption in public services, especially in the local public school and healthcare systems); *law enforcement* (quality and fairness of local police force); *government effectiveness* (quality and fairness of local public school and healthcare systems) and *voice and accountability* (fairness of elections and neutrality of mass media).

Once improved these basic group of factors, which humans are very sensitive to, the attractiveness of the regions will increase with beneficial effects on their socio-economic development.

2. Romanian regional development policy operates under the strategic framework established at communitarian level, the well-known European strategy for smart, sustainable and inclusive growth – *Europe 2020*. This new communitarian approach for improving the convergence of incomes and standards of living in the EU-28 (process that has been slowed and even reversed in some parts of Europe under the pressure of the crisis) is more oriented towards competitiveness and innovation, as key factors that would support and strengthen the EU economic recovery.

The long-term growth agenda “Europe 2020” is structured on **3 main axes**, which promote *knowledge* and *innovation* as the key factors for *eco-economic development* by decoupling the economic growth from intensive use of resources and *increasing employment* through an inclusive labour market.



**Figure 4. The 3 main axes of Europe 2020 strategy**

Furthermore, these axes are transposed in **7 flagship initiatives** which reflect the key dimensions that each member state should take in order to boost growth and jobs (see figure 5).

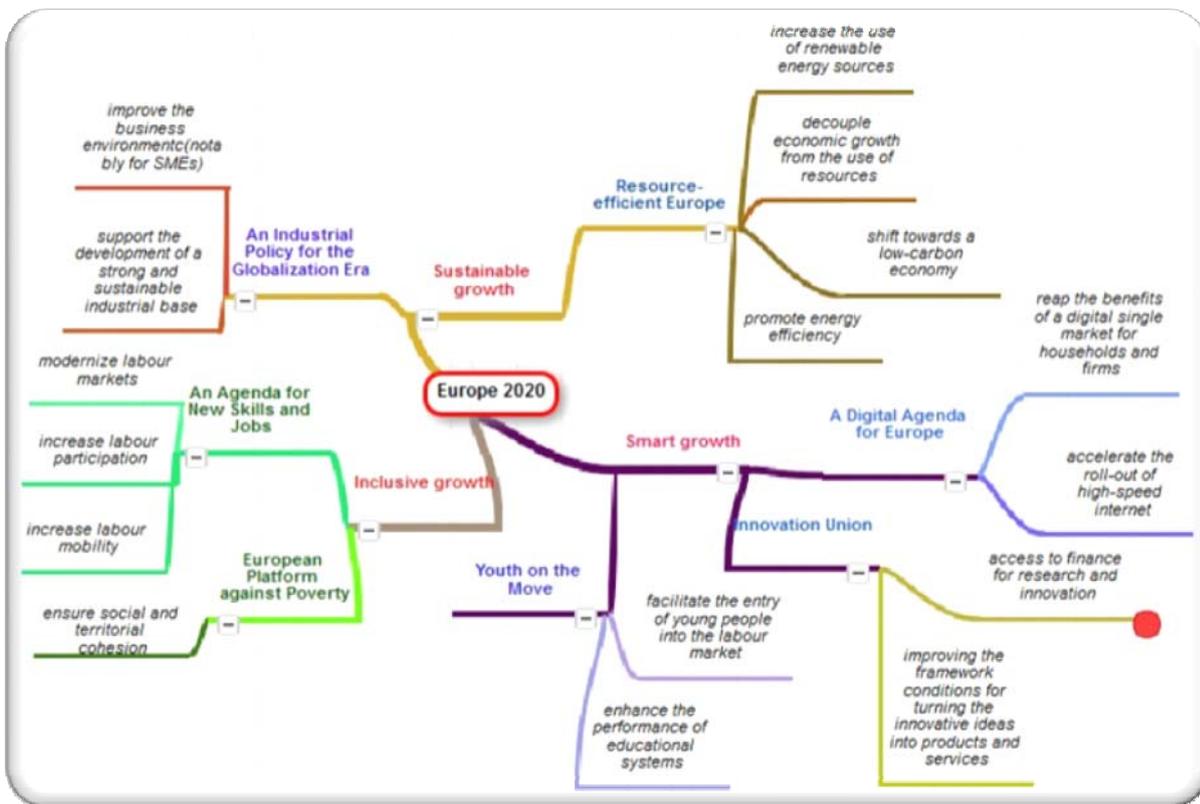


Figure 5. The mind-map of Europe 2020 strategy

The relative performance of European countries in meeting the Europe 2020 goals for *smart, sustainable and inclusive growth* can be measured by “**Europe 2020 Competitiveness Index**” which is an instrument developed by experts in regional science, that reflect the spirit of the seven flagship initiatives, as follows (World Economic Forum, 2014): “the **smart growth** sub-index aims to measure the extent to which European countries are developing economies based on *knowledge and innovation*. It is made up of four pillars that capture various aspects of Europe’s ability to develop smart economies: *enterprise environment, digital agenda, innovative Europe* and *education and training*; the **inclusive growth** sub-index captures the extent to which every member of society can contribute to and benefit from Europe’s growth and development. This is captured through two pillars, one measuring the *labour market and employment conditions*, and the other measuring *social inclusion* more generally; the **sustainable growth** sub-index is made up of just one pillar, measuring the extent to which the natural environment is contributing to overall national competitiveness and the preservation of a pollution-free environment.”

3. In accordance with “The Europe 2020 Competitiveness Report: *Building a More Competitive Europe*”, 2014 edition, Romania is 28<sup>th</sup> overall, the lowest position in the Europe 2020 Competitiveness Index ranking.

Table 1. Ranks of Romania in accordance with Europe 2020 Index

	Rank (out of 28)	Score (1-7)
Smart growth	28	3.5
Enterprise environment	23	3.6
Digital Agenda	28	3.6
Innovative Europe	28	2.9
Education and training	28	4.0
Inclusive growth	26	3.7
Labour market and employment	22	3.7
Social inclusion	27	3.8

Sustainable growth	26	3.9
Environmental sustainability	26	3.9
<b>Europe 2020 Index (2012 edition)</b>	<b>26</b>	<b>3.8</b>
<b>Europe 2020 Index (2014 edition)</b>	<b>28</b>	<b>3.6</b>

Source: (World Economic Forum, 2014)

In the *labour market and employment* pillar, Romania ranks 22<sup>nd</sup>; in terms of *smart growth*, Romania's performance shows that the country still needs to concentrate on developing sound institutions and market structures, the country attaining the lowest performance in the EU in the smart category (28<sup>th</sup>); Romania ranks only 23<sup>rd</sup> in the *enterprise environment* pillar; also, Romania has a *very low capacity for innovation*, ranking is 28<sup>th</sup> on the *digital agenda* and the *innovative Europe* pillars.

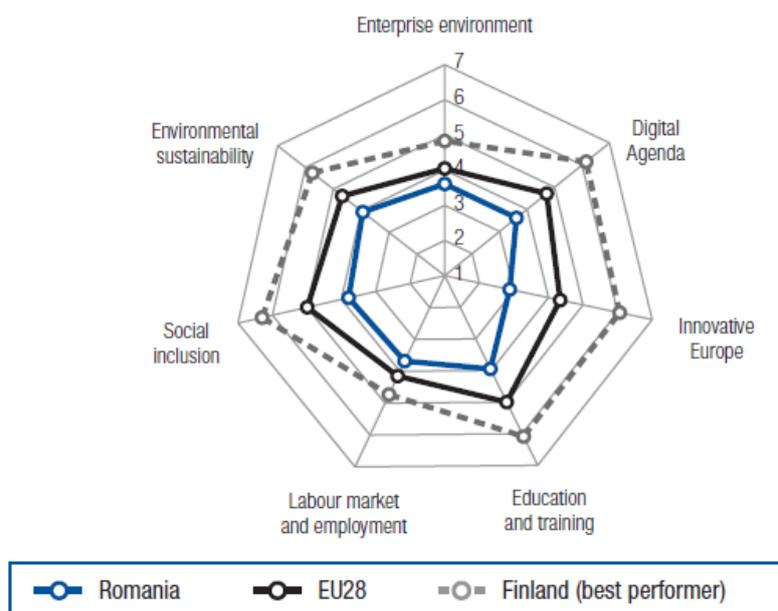


Figure 6. Europe 2020 Competitiveness Index 2014 for Romania

As it may be observed, Romania harbours wide disparities in its distance to the Europe 2020 targets, but this worst performance of Romania is not linked with its regional profile. The entire country suffers from the same problems. Only, “București-Ilfov”, the capital region, tends to score better than the other regions in the country.

4. Experiments in thinking about regional development from the perspective of *competitiveness* were developed by Sheppard (2000), Porter (2000), Bristow (2005), Martin (2005). Their policy prescriptions refer to *attracting and retaining innovative firms*, together with *skilled labour* and *knowledge workers*. Significant socio-economic change is guaranteed if the microeconomic environment is ensured (*a top-line working and living conditions*). If productive firms operate under these circumstances, in the near future, strong economic growth will be recorded together with new sources of increasing returns and new network connections.

Also, the competitiveness of a region is related to its *capacity to overlap the market* for goods and services. Nevertheless, “competitiveness of a region is to a large extent determined by its *trade connections* with other regions. These trade connections show with which regions a city competes, on what and where.” (Thissen, Van Oort, Diodato, & Ruijs, 2014).

Furthermore, locational and network characteristics of regions, in terms of *cluster*, *openness* and *specialization*, are very important indicators for the improvement of their level of development. The most commonly factors that plays a great influence for the development level of a region, refers to: *public and private knowledge*; *agglomeration size*; the *accessibility* (by road, by rail, by air); *access to internet*; *labour market* and *foreign direct investment*.

## CONCLUSIONS

The Romanian policy-makers should find solutions in order to stimulate regions to reach their full economic potential. In order to fulfil the ambitious *requirements of Europe 2020 strategy* in terms of regional competitiveness, “*effective governance mechanisms are necessary at the regional and national levels for managing, monitoring and enforcing change*”. (World Economic Forum, 2014) From the specialized literature we learned that the policies of local/regional and national governments should be focus on *attracting and retaining mobile resources*, such as *physical and human capital* (Martin, 2005). Hence, in order to provide an optimal environment for business to flourish in Romania, *fiscal incentives for Foreign Direct Investment* are needed. Also, for creation and fostering the clusters, the governments should promote *real estate projects*, and should stimulate firms to group together and to collaborate with local universities. (Huggins and Izushi, 2012).

These *solutions foreseen to increase regional competitiveness in Romania* can be implemented by an effective and efficient use of the EU 2014-2020 financial assistance, and there is no visible sign that regional reconfiguration in terms of administrative decentralization is needed. Given the specific regional context, Romanian authorities should concentrate their efforts in *designing and implementing strategies* that enhance welfare and stimulates growth.

## REFERENCES

1. Annoni, P., & Dijkstra, L. (2013). *EU Regional Competitiveness Index RCI 2013*. Luxembourg: Publications Office of the European Union.
2. Bristow, G. (2005). Everyone's a winner: problematizing the discourse of regional competitiveness. *Journal of Economic Geography*, 5(3), 285-304.
3. Dijkstra, L., Annoni, P., & Kozovska, K. (2011). A new regional competitiveness index: Theory, Methods and Findings. *European Union Regional Policy Working Papers*.
4. European Commission . (2014). *Guidance for Beneficiaries of European Structural and Investment Funds*. Luxembourg: Publications Office of the European Union.
5. Martin, R. (2005). *Thinking about Regional Competitiveness: Some Critical Issues*. East Midlands Regional Development Agency.
6. Meyer-Stamer, J. (2008). Systematic Competitiveness and Local Economic Development. In B. Shamin, *Large Scale Systemic Change: Theories, Modelling and Practices* (p. 31). Duisburg.
7. Porter, M. (2000). Location, competition and economic development: local clusters in a global economy. *14*(1), pp. 15-34.
8. Schwab, K., & Sala-I-Martin, X. (2012). *The Global Competitiveness Report 2012-2013*. World Economic Forum.
9. Sheppard, E. (2000). Competition in space between places. In T. J. Barnes, & E. Sheppard, *A Companion to Economic Geography*. Oxford: Blackwell.
10. Thissen, M., Van Oort, F., Diodato, D., & Ruijs, A. (2014). *Regional Competitiveness and Smart Specialization in Europe: Place-based Development in International Economic Networks*. Edward Elgar Publishing.
11. World Economic Forum. (2014). *The Europe 2020 Competitiveness Report - Building a More Competitive Europe*. Geneva: World Economic Forum.
12. [http://www.apubb.ro/wp-content/uploads/2011/02/Politici\\_regionale\\_Suport\\_de\\_curs.pdf](http://www.apubb.ro/wp-content/uploads/2011/02/Politici_regionale_Suport_de_curs.pdf)
13. <http://councilforeuropeanstudies.org/critcom/?s=regional+policy>
14. [http://gov.ro/fisiere/pagini\\_fisiere/13-08-02-10-48-52program-de-guvernare-2013-20161.pdf](http://gov.ro/fisiere/pagini_fisiere/13-08-02-10-48-52program-de-guvernare-2013-20161.pdf)
15. <http://www.euronews.com/2015/01/27/eu-macro-regions-a-way-to-resolve-issues-with-your-neighbours/>