
ROMANIA'S PROGRESS IN STRUCTURAL ADJUSTMENT OF REGIONAL DEVELOPMENT

Alexandra Diana Chirescu (*chirescualexandra18@stud.ase.ro*)

*Facultatea de Economie Agroalimentară și a Mediului, Academia de Studii
Economice din București*

Coordonator: conf.univ.dr. Simona Roxana Pătărlăgeanu

Abstract

The history of regional development policy in the European Union dates back to 1957, when regional policy was enshrined in the Treaty of Rome, which established the European Economic Community. The objectives of the European Economic Community have been to reduce disparities between member states. Thus, in this paper will be conducted a comparative analysis of a set of indicators specific to regional development, in Romania and in Europe.

Keywords: *regional policy, regional development, Romania, European Union*

JEL classification: *R11 Regional Economic Activity: Growth, Development, Environmental Issues, and Changes*

Introduction:

The objective of the paper is to analyze Romania's progress in structural adjustment of the regional development. Thus, the article is organized in 3 sections: literature review- in which it was analyzed the regional development policy both at the national and at the European level; methodology, data, results and discussion – in this section it was presented the evolution of internet access at the household level, the evolution of ecologically cultivated land area, the evolution of public expenditure for education as percentage of the GDP, the evolution of GDP/capita and the evolution of the people at risk of poverty or social exclusion during 2016-2018, the last section being dedicated to conclusions.

I. Review of the literature

Regional development policy in the European Union

The history of regional development policy in the European Union dates back to 1957, when regional policy was laid down in the Treaty of Rome, which established the European Economic Community. The objectives of the European Economic Community were to reduce disparities between member

states. Thus, in 1958, the European Social Fund was set up, with the aim of improving the functioning of the labor market. In 1962, when the Common Agricultural Policy was agreed, the European Agricultural Guarantee Fund (EAGF) was set up to finance the Common Agricultural Policy and to support the development of rural areas and the improvement of agricultural structures. In 1964, the EAGF was separated into two sections: „guidance” and „guarantee”. The „guidance” section contributes to the allocation of funds for the structural reform of agriculture and the development of rural areas. In 1968, the European Commission’s Directorate-General for Regional Policy was set up, and later, in 1975, the European Regional Development Fund (ERDF) was established. The ERDF was set up to redistribute some of the Member States’ budgetary contributions to the poorest regions of the Community in order to support their economic development. However, the concept of economic and social cohesion was not introduced until 1986 by the Single European Act. This concept refers to the elimination of the existing economic differences at the level of the different regions - and creates the premises of a policy of economic and social cohesion as an independent policy and with the aim of facilitating the accession to the single European market of the countries of southern Europe. In 1988, following the accession of Greece, Spain and Portugal to the European Union, the Structural Funds were integrated into a cohesion policy which pursued the following principles:

- Supporting the least developed regions
- Multiannual programming
- Strategic investment orientation
- Establishing partnerships at European level

A novelty in the crystallization of regional policy is the creation of the PHARE program in 1989, in order to support Poland and Hungary (just out of the communist bloc) in the effort to rebuild their national economies and revise it in 2000 to support regional development in the candidate countries. The 1992 Treaty on European Union (Maastricht) made economic and social cohesion one of the Community’s key concerns (Art. 2). This Treaty created a new fund: the Cohesion Fund (which aims to support projects in the field of environmental protection and transport infrastructure in less developed Member States) and a new institution: the Committee of the Regions. At the level of 1993, there are three elements introduced by the Maastricht Treaty: the Cohesion Fund, the Committee of the Regions and the principle of subsidiarity. Also in the same year, the Financial Instrument for Fisheries Guidance was introduced. The resources allocated to the Structural Funds and the Cohesion Fund will be doubled between 1994 and 1999, and a specific target will be added in 1995 to support sparsely populated regions in Finland and Sweden. In the year 2000,

the new priorities of the European Union are set, through the Lisbon Strategy: growth, jobs and innovation, and in the period 2000-2004 the states wishing to join the European Union will receive funding and access to know-how, with the help of pre-accession tools. In 2004, the largest wave of accessions in the European Union took place, namely 10 countries. However, the population of the European Union is growing by 20%, but GDP is growing by only 5%. In 2007, Bulgaria and Romania join the European Union, followed by Croatia in 2013. During this period, European rules and structures are simplified, with an emphasis on process transparency and the achievement of the objectives set by the Lisbon Strategy. Thus, in the period 2007-2013, 25% of the budget was allocated for research, 30% for green infrastructure and for measures related to environmental protection. In the period 2014-2020, the focus is on meeting the objectives of the Europe 2020 Strategy: smart, sustainable and inclusive growth. Therefore, the reduction of the unemployment rate and the promotion of social inclusion are being considered. CHAPTER II: Regional development policy in Romania. The emergence of the Regional Development Policy in Romania is marked by the operation of the Phare program in 1996, and in 1998 the legal framework for its development will be established through law 151/1998. This draft law includes the objectives of regional development policy, the institutions involved and their competences, as well as the tools that help to promote regional development. These laws set out the criteria that Romania had to meet in order to join the European Union and to be able to use the Social Fund and the Cohesion Fund. Thus, once Romania registered the necessary indicators for accession to the European Union, the Accession Partnership was signed in 1998, through which our country and Bulgaria detached themselves from the other candidate countries in Eastern Europe. In this context, a Roadmap is elaborated, in which the evolutions of Romania are noted. This document shall be checked regularly and submitted to the European Commission.

Regional development policy in the Romania

1995: The project for the elaboration of the document entitled Green Paper on Regional Development is initiated by the European Union and the Government of Romania, which established the milestones of Romania's regional development policy for starting the stage of preparation for Romania's accession to the European Union. - established the models of structural coordination at national level, including the description of the organizational structure of the future Agencies for Regional Development with a role in the implementation of the regional development policy.

1997: The document entitled Green Paper on Regional Development is finalized and adopted.

1999: The Regional Development Agencies and the Regional Development Councils are established.

2002: Chapter 21 of the negotiation of Romania's accession to the EU opens, which outlined the criteria that had to be met by our country and the eligibility for the Social Fund and the Cohesion Fund, respectively the *acquis communautaire* and the implementation modalities. The Ministry of Development and Forecast is designated as the institution responsible for the elaboration of the National Development Plan, on the basis of which Romania negotiates the Community Support Framework with the European Commission. The Ministry of European Integration is designated as the managing authority for the Community Support Framework, with responsibility for coordinating the implementation of Community assistance through the Structural Funds.

2004: Law 315/2004 is adopted, which establishes the basic objectives of the regional development policy in Romania, as well as the attributions incumbent on the Agencies for Regional Development, as promoters of socio-economic development at regional level. The Ministry of Public Finance is designated as the managing authority for the Community Support Framework. The Ministry of Development, Public Works and Housing is designated Managing Authority for the Regional Operational Program (ROP) 2007-2013, and the RDAs are designated Intermediate Bodies.

2014: The Managing Authority for the Regional Operational Program 2014-2020 is established, and the ADRs are designated Intermediate Organisms

II. Methodology, data, results and discussions

This chapter will analyze a set of 5 indicators specific to the socio-economic and environmental dimension in order to highlight the discrepancies in the development of the Member States of the European Union. Thus, the first indicator analyzed is the level of internet access for households. The data needed for the analysis were taken from the Eurostat database, and the indicator measures the evolution of the percentage of households that had access to the Internet in the period 2016-2018. The period 2016-2018 was chosen, as there were no more recent data.

Comparisons of regional development policy in the Member States of the European Union

Evolution of internet access for households in the period 2016-2018, unit of measure Percentage of households with internet access

Table 1

	2016	2017	2018
Switzerland	:	93	:
Iceland	:	98	99
Netherlands	97	98	98
Norway	97	97	96
United Kingdom	93	94	95
Finland	92	94	94
Germany	92	93	94
Luxembourg	97	97	93
Denmark	94	97	93
Sweden	94	95	93
Estonia	86	88	90
Austria	85	89	89
Ireland	87	88	89
European Union	85	87	89
France	86	86	89
Belgium	85	86	87
Slovenia	78	82	87
Czech Republic	82	83	86
Spain	82	83	86
Cyprus	74	79	86
Albania	:	:	84
Malta	81	85	84
Poland	80	82	84
Italy	79	81	84
Turkey	76	81	84
Hungary	79	82	83
Latvia	77	79	82
Croatia	77	76	82
Slovakia	81	81	81
Romania	72	76	81
Portugal	74	77	79
North Macedonia	75	74	79
Lithuania	72	75	78
Greece	69	71	76
Serbia	:	68	73
Montenegro	:	71	72
Bulgaria	64	67	72
Bosnia&Herzegovina	:	:	69

Source: Eurostat

This indicator is considered relevant in order to be able to make a comparison of regional development policy in the Member States of the European Union, as it is important that as much of the population as possible has access to the Internet, especially we are in the age of digitalization and more and more processes are transitioning to the digital environment. In this context,

the population's access to the Internet indicates the level of development of a state. As can be seen, internet access in households has seen an upward trend in the period 2016-2018. Thus, the states that recorded the highest values of this indicator are Switzerland (93% in 2017), Iceland (with an evolution of 1 pp in the period 2017-2018) and the Netherlands (with an evolution of 1 pp in the period 2016-2018). On the last positions are Montenegro and Bulgaria with 72% in 2018 and Bosnia and Herzegovina with 69% in the same year. It can be stated that Romania is below the European average of approximately 87%, registering in 2018 a percentage of 81% in terms of household access to the Internet. The next part of the study will analyze the evolution of the organically cultivated land area in the period 2016-2018. This indicator will only take into account production units that grow organically or are in transition to organic farming as a percentage of the utilized agricultural area. Given the impact of agriculture on the natural environment, due to the chemicals used, the resources and the way the soil is worked, it is necessary to transition to organic farming, which is a way of producing food with a diminished impact on the size of the environment. Moreover, this indicator can be linked to Sustainable Development Goal 2 - Zero Hunger and the goals set through the European Green Pact (healthy, affordable food).

Evolution of the organically cultivated land area during 2016-2018, unit of measure Percentage of the total agricultural area used

Table 2

	2016	2017	2018
Iceland	:	0,44	:
Austria	21,25	23,37	24,08
Estonia	18,02	20,01	20,98
Sweden	18,30	19,16	20,29
Switzerland	13,40	14,37	15,40
Italy	13,99	14,67	15,17
Czech Republic	14,00	14,09	14,76
Latvia	13,42	13,92	14,47
Finland	10,47	11,41	13,09
Slovenia	9,12	9,60	10,01
Slovakia	9,75	9,90	9,85
Denmark	7,81	8,60	9,75
Greece	6,51	7,96	9,32
Spain	8,48	8,73	9,28
Lituania	7,50	7,98	8,13
European Union	6,68	7,03	7,50
Germany	6,82	6,82	7,34
France	5,29	5,99	7,01
Croatia	6,05	6,46	6,94
Belgium	5,80	6,28	6,56
Portugal	6,74	7,04	5,93
Norway	4,85	4,79	4,70

Cyprus	4,94	4,61	4,55
Luxembourg	3,47	4,15	4,39
Hungary	3,48	3,73	3,92
Netherlands	3,03	3,31	3,50
Poland	3,72	3,41	3,33
United Kingdom	2,82	2,85	2,64
Bulgaria	3,20	2,72	2,56
Romania	1,67	1,93	2,43
Turkey	1,39	1,49	1,69
Irland	1,72	1,66	1,65
Serbia	0,41	0,39	0,55
Malta	0,21	0,35	0,41
North Macedonia	0,26	0,25	0,35

Source: Eurostat

The analyzed indicator registered an upward trend in the period 2016-2018. Therefore, the state with the highest values is Austria (with an evolution of 2.83 pp in the analyzed period), followed by Estonia (with an evolution of 2.96 pp) and Sweden (with an evolution of 1.99 pp). Romania is again below the European average of 7.07% with a percentage of 2.43% in 2018. On the last place, however, in terms of organically cultivated land area is Northern Macedonia with 0.35% in 2018. Another indicator that may represent a term of comparison between states in terms of regional development policy is represented by Public spending on education as a percentage of GDP. This indicator is important for the present study, as education underpins all three dimensions: social, economic and environmental and directly contributes to the sustainable development of society. The analyzed indicator can be correlated with Objective 4 of Sustainable Development - Quality Education.

The evolution of public expenditures for education as a percentage of GDP in the period 2016-2018

Table 3

	2016	2017	2018
Estonia	:	:	:
Irland	:	:	:
Liechtenstein	:	:	:
North Macedonia	:	:	:
Croatia	3,84	:	:
Serbia	:	3,59	:
Sweden	7,13	7,06	7,18
Norway	7,01	6,94	6,84
Iceland	6,51	6,60	6,61
Belgium	6,33	6,30	6,29
Denmark	6,84	6,50	6,24
Finland	6,55	6,06	5,93
Cyprus	6,02	5,77	5,49
France	5,42	5,45	5,41
Netherlands	5,48	5,18	5,36
United Kingdom	5,40	5,36	5,16

Austria	5,38	5,25	5,11
Switzerland	5,03	5,05	4,77
European Union	:	4,73	4,76
Slovenia	4,51	4,48	4,64
Malta	4,75	4,32	4,64
Poland	4,63	4,56	4,62
Portugal	4,69	4,90	4,59
Germany	4,50	4,51	4,59
Turkey	4,66	4,35	4,29
Italy	3,82	4,04	4,26
Latvia	4,72	4,40	4,25
Czech Republic	3,56	3,77	4,23
Hungary	4,46	4,19	4,07
Bulgaria	3,86	4,09	4,05
Spain	4,10	4,07	4,03
Slovakia	3,89	3,94	3,98
Lituania	3,88	3,67	3,73
Luxembourg	3,59	3,57	3,67
Greece	:	3,41	3,59
Romania	2,58	2,69	2,82

Source: Eurostat

The trend of the analyzed indicator oscillates in the analyzed period. Thus, Sweden recorded the highest level of public spending on education as a percentage of GDP, respectively 7.18% in 2018. The second position is occupied by Norway with 6.84% and Iceland with 6.61% in the same year. . However, in Norway the indicator fell by 0.17 pp. Romania ranks last in terms of public spending on education, respectively 2.82% in 2018, 1.94 pp less than the European average. One of the most relevant variables taken into account for the comparative analysis of the regional policies of European states is GDP / capita. This indicator reflects in an objective and easy to understand way the level of development of the states, but also the well-being of the citizens, being taken into account in the current regional development policies.

Evolution of GDP / inhabitant in the period 2016-2018, unit of measurement Euro / inhabitant

Table 4

	2016	2017	2018
Bosnia & Herzegovina	:	:	:
Liechtenstein	147.270	148.690	149.300
Luxembourg	96.230	97.440	99.150
Switzerland	75.090	73.830	73.140
Norway	63.690	66.950	69.710
Irland	56.870	61.830	67.080
Iceland	56.070	63.830	63.070
Denmark	49.420	51.140	52.180
Sweden	46.990	47.730	46.260
Netherlands	41.590	43.090	44.920
Austria	40.920	42.000	43.610
Finland	39.580	41.080	42.320

Germany	38.070	39.530	40.620
Belgium	37.960	39.120	40.260
United Kingdom	37.080	35.730	36.440
France	33.430	34.230	35.070
European Union	29.340	30.150	31.090
Italy	28.210	28.940	29.580
Malta	23.050	25.510	26.730
Spain	23.980	24.970	25.750
Cyprus	22.230	23.550	24.840
Slovenia	19.590	20.820	22.140
Portugal	18.060	19.020	19.950
Czech Republic	16.790	18.330	19.850
Estonia	16.530	18.120	19.570
Greece	16.190	16.450	16.730
Slovakia	14.920	15.530	16.420
Lituania	13.560	14.950	16.250
Latvia	12.950	13.900	15.130
Hungary	11.850	12.980	13.920
Poland	11.110	12.170	12.960
Croatia	11.320	12.080	12.880
Romania	8.630	9.580	10.500
Turkey	9.910	9.470	8.090
Bulgaria	6.840	7.420	8.000
Montenegro	6.350	6.910	7.490
Serbia	5.210	5.590	6.140
North Macedonia	4.660	4.840	5.170
Albania	3.730	4.020	4.480

Source: Eurostat

The analyzed indicator registered an upward trend in the period 2016-2018. Thus, Liechtenstein is in first place with 149,300 Euro / inhabitant in 2018, followed by Luxembourg with 99,150 Euro / inhabitant and Switzerland with 73,140 Euro / inhabitant in the same year. The highest increase took place in Ireland, where in the period 2016-2018 GDP / capita increased by 10,210 Euro / inhabitant. Romania is below the European average of 31,090 Euro / inhabitant in 2018, with a value of 10,500 Euro / inhabitant in the same year. At the end of the ranking are Serbia with 6,140 Euro / inhabitant, Northern Macedonia with 5,170 Euro / inhabitant and Albania with 4,480 Euro / inhabitant. The next part of the study will present the Evolution of people at risk of poverty or social exclusion in the period 2016-2018. This variable is of interest for the present study because, in addition to being a Sustainable Development Goal (Goal 1 - No Poverty), it indicates different approaches in Member States' regional policies regarding the vulnerability of certain social groups.

**Evolution of people at risk of poverty or social exclusion in the period
2016-2018, unit of measure Percentage of the total population**

Table 5

	2016	2017	2018
Albania	:	51,8	49,0
North Macedonia	41,1	41,6	41,1
Turkey	45,1	41,3	39,8
Serbia	38,5	36,7	34,3
Bulgaria	40,4	38,9	32,8
Romania	38,8	35,7	32,5
Greece	35,6	34,8	31,8
Montenegro	34,6	33,7	31,4
Latvia	28,5	28,2	28,4
Lituania	30,1	29,6	28,3
Italy	30,0	28,9	27,3
Spain	27,9	26,6	26,1
Croatia	27,9	26,4	24,8
Estonia	24,4	23,4	24,4
Cyprus	27,7	25,2	23,9
United Kingdom	22,2	22,0	23,1
European Union	23,5	22,4	21,8
Portugal	25,1	23,3	21,6
Irland	24,4	22,7	21,1
Luxembourg	19,1	19,4	20,7
Belgium	20,9	20,6	20,0
Hungary	26,3	25,6	19,6
Malta	20,3	19,3	19,0
Poland	21,9	19,5	18,9
Germany	19,7	19,0	18,7
Sweden	18,3	17,7	18,0
Austria	18,0	18,1	17,5
Switzerland	17,8	18,1	17,4
France	18,2	17,0	17,4
Denmark	16,8	17,2	17,0
Netherlands	16,7	17,0	16,7
Finland	16,6	15,7	16,5
Slovakia	18,1	16,3	16,3
Slovenia	18,4	17,1	16,2
Norway	15,3	16,0	16,2
Czech Republic	13,3	12,2	12,2
Iceland	12,2	12,8	11,0

Source: Eurostat

The trend of the analyzed indicator is descending. Thus, the highest value of the indicator was recorded in Albania (49% in 2018). In the period 2017-2018, the rate of poverty and social exclusion in Albania decreased by 2.8 pp. The second position is occupied by Northern Macedonia with 41.1% in 2018 and by Turkey with 39.8% in the same year. Romania exceeded the European average of 21.8% in 2018, with a value of the poverty rate and social exclusion of 32.5%. The best values recorded for this indicator were reported in Norway (16.2% in 2018), the Czech Republic (12.12% in 2018)

and Iceland (11% in 2018). The most notable decrease in this indicator was reported in the case of Bulgaria, where the rate of poverty and social exclusion decreased by 7.6 pp in the period 2016-2018.

Conclusions

In the period 2016-2018, the unemployment rate decreased by 1 p.p. Romania ranks last in terms of public spending on education, respectively 2.82% in 2018, 1.94 pp less than the European average. However, during the analyzed period, the public Expenditure for education increased by 0.24 pp. If we refer to GDP / inhabitant, Romania is below the European average of 31,090 Euro / inhabitant in 2018, with a value of 10,500 Euro / inhabitant in the same year. In the period 2016-2018, the GDP / inhabitant increased in Romania by 1,870 Euro / inhabitant. Last but not least, Romania exceeded the European average of 21.8% in 2018, with a value of the poverty and social exclusion rate of 32.5%, and in the period 2016-2018, the indicator decreased by 6.3 pp. Thus, on the first place in terms of the percentage of the population that has no bathtub, no shower, no indoor toilet in the household in 2018 is Romania with a value of 25.6%. In the period 2016-2018, the value of the indicator for Romania decreased by 4.4 pp. member.

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