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The Potential Sources of Change in Romania Regional Policy

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Abstract: There have been numerous debates on a new territorial organization of Romania during 2013 and 2014. The miracle of Romania regionalization was deemed to have contradictory effects from *territorial construction to dissolution*. Due to the presidential elections from the end of 2014, the process of regionalization was postponed, but some questions are still very alive: It is necessary to *regroup counties into regions*? The low development of Romania regions is caused by the lack of *administrative decentralization*? In Romania, *territorial reform* is synonym with *institutional reform*? Therefore, I consider that it is important to identify the potential *sources of change* in Romanian regional policy. The political debates on Romanian regionalization were mainly focus on *political interests*, without taking into account an important serious of *factors* that can spur growth and socio-economic development across our regions. Through this paper I try to investigate the specialised literature in order to identify some useful policy suggestions from regional scientists, which would be proper for Romania regional development, in the current context of Europe 2020 strategy.

Keywords: Europe 2020 strategy; government role; creative regions; innovation

JEL Classification: R50; R58; H75

1 Introduction

Regional integration is an old *desideratum* of Romania, that come into life by law 151/1998, when, in the context of adhering to European Union, 8 regions were outlined in accordance with European NUTS II level. The lack of *expertise* in defining and implementing regional development policies, together with the lack of a *long-run strategic vision* of policy-makers, determine that these 8 regions to be reconfirmed by law 315/2004. Even if, according to Romanian legislation, these regions are not territorial administrative units, the entire regional institution framework was constructed on the bases of these 8 regions and Romania succeeded to attract European financial assistance both in pre-accession and post-adhering periods. Without any scientific justification or practical demonstration, during 2013 and 2014, Romanian politicians advanced the idea that there is a strong need of change in Romanian territorial configuration and a series of debates took place on this issue and different models of how to *regroup counties into regions* arise. These political debates were focus mainly on *institutional reform* and on the *election/nomination procedures of representatives* in different

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institutions, without taking into account the real need of harmonious development across the country in accordance with European standards. Romanian regional integration assume to reach certain standards of socio-economic and territorial development that will allow people who live in this community to enjoy in their daily routine that there are European citizens and not to feel the need to emigrate in order to have better living standards. In this context, I consider opportune to review the regional development of Romania from the perspective of the regional science and then to try to reshape (if it is the case) the regions.

2 What is the Regional Policy and Why It Is Important?

A brief incursion in the history of EU regional development policy, reveal that European regional policy is like a *panacea* for overcoming different crisis. Over time, through its technical and financial instruments, European regional policy played a major role in rebuilding regional economies, in order to bring European economies more closely together. Founded 40 years ago, EU regional policy was focused on correcting the imbalances “*resulting notably from agricultural predominance, industrial change and structural underemployment.*” (European Commission, 2015)

Throughout history, EU regional policy was the key-drive to restructure and modernizing the European economy. This policy was redesign and improved over the time in order to reach different goals, the funding and the efforts being concentrated on ensuring the widespread of wealth across EU citizens.

Nowadays, the important role of regional policy is fully recognized by all 28 member states, and confirmed by the fact that there were no cuts in budget allocated for 2014-2020, comparatively with many others policy areas. The current European regional policy is focus on investments in line with the objectives of Europe 2020 strategy. Thus, 2014-2020 EU regional policy will finance projects focused on increasing economic development, to the detriment of projects related only on infrastructure. Given that European Union is represented as a kaleidoscope of regions characterized by convergence and also by spatial differentiation, regional policy framework for the next 7 years is designed on the basis of *Partnership Agreements* between European Commission and the EU countries, which outlines the member state’s strategy and a list of development programmes. These programmes are implemented by each member state, which means that each country has the major responsibility of selecting, monitoring and evaluating the projects and European Commission is monitoring each programme.

In this context, a good investment agenda in Romania implies a good understanding of regional processes related to existing economic and institutional structures.

3 What are the Factors that Can Spur Growth and Socio-Economic Development across Romanian Regions?

3.1. Romania Portrait in Terms of Innovation and Competition

For 2014-2020 programming period, in line with Europe 2020 strategy, the key-words for a genuine regional policy are: *innovation* and *competition*. In order to measure the territorial competitiveness and the potential for innovation at regional level, European Commission developed the Regional Competitiveness Index, which shows the strengths and the weaknesses of each of EU NUTS 2 region.

(Annoni & Dijkstra, 2013) Accordingly to this RCI-2013, the two southern Romanian regions “Sud-Est” and “Sud-Vest Oltenia” are the worst performers.

Moreover, Romania also is situated on 28th place, the lowest position in the Europe 2020 Competitiveness Index ranking. (World Economic Forum, 2014)

Table 2. Ranks of Romania in accordance with Europe 2020 Index

| | <i>Rank (out of 28)</i> | <i>Score (1-7)</i> |
|-----------------------------------------|-------------------------|--------------------|
| 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 |
| Europe 2020 Index (2014 edition) | 28 | 3.6 |

As it may be observed, Romania has a *very low capacity for innovation* ranking is 28th on the *digital agenda* and the *innovative Europe* pillars. Also, in the *education and training* and *smart growth* pillars, Romania’s performance is the worsts. Under these circumstances, translating the European priorities into the real investments decisions at regional and local level becomes a provocative task for our policy-makers.

3.2. Some Guidelines for Romania Long-Run Regional Trajectories

Important efforts are needed in order to develop a *long-term vision* for regional development. First of all, it is important to bring together a variety of representatives from central and local authorities, public and private stakeholders and civil society in order to *set up the priorities for development* for each area, *in accordance with the expectation and the needs of local communities and organisations*.

The real involvement of stakeholders in a decision-making process is necessary, in order to develop a *coherent and efficient agenda for investments*.

Different paths for regional development should be explored, in order to target the intervention towards that sectors that could optimise the regional evolution. Regional scientists [(Gunderson & Holling, 2002); (Folke, 2006)] show that regions, as complex system, are characterized at the same time by *the need for stability and change*. Thus, “*economic growth and human development depend on ecosystems and institutions and how they interact*”. Any region has its own capacity for *renewal, re-organisation and development*. This capacity for *adjustment and adaptation* has to be taken into consideration for *redesigning a sustainable future*.

For example, regions should not only preserve and economically enhance their material and immaterial cultural and artistic heritage, but also should transform/adapt themselves in response to external pressures, generating local development and growth. (Lazzeretti, 2013) For instance, local events (such festivals, conferences, etc.) may trigger global effects (attracting people in the region will

increase the demand for transportation, accommodation, restaurants, leisure activities, local traditional products, etc. and all of these will determine the raise of funds in the community).

Therefore, innovation as key for regional development, should be understood as well as identifying the key actors and drivers of path renewal and new path creation and seek to find out to which extent such changes are related to existing economic and institutional structures.

Also, reflecting upon innovation, as the creative process by which transformation occurs from interaction between different entities, in the field of regional development, innovation might occur from *knowledge recombination*, which means to take the already existing innovations from one industry and to set and adapt them for wholly different industry solutions. The specialized literature defines this “*exploring the adjacent possibilities*”. At this point, the “fertile-soil” of an area is very important. Economies with a higher degree of variety among industries perform better than those without it. Regional scientists demonstrated that “*the more diverse the economic web, the easier is the creation of still further novelty...[leading to]...a positive correlation between economic diversity and growth*”. (Kauffman, 2008)

In other words, the potential of a region to develop more rapidly is influenced also by its rate of *connectivity*. Moreover, a strongly networked region can have an impact on a larger scale. For instance, a small region but with a high degree of connectivity can respond more rapidly to market demands and can adapt its products to novelty, being an example for the national regime. As in the saying “little strokes fell great oaks”, a region may anticipate for example the slow-moving institution from national level regarding eco-innovation, and can act independently, expressing local collective interest for high quality eco-products. In this context, local initiatives are very important to spur economic growth and to transform small awakenings into strategic eco-market niche and further into a dominant design with a high potential for a national adoption. Withal, in regions where *inter-cluster communication* is possible, the knowledge will spill over among clusters and innovation will be disseminated in a more self-organised manner, even trans-national. The success over time of EU cross-border cooperation programs (such as INTERREG or CBS) carried out between different regional entities demonstrates the importance of designing policies in a transnational context, Danube Strategy, being a good example for the current programming period.

But, it is important to notice that applying the same strategy of development in different regions will result in different outcomes. That is way, it is very important to grow *awareness of civil society* and to increase the involvement of local public and private stakeholders in designing their own development strategies/operational plans, in order to better meet their needs. This *collective enlightenment* on indicators that need to change in order to fight stagnation and inertia will lead over time to a better understanding of regional development processes and to a greater involvement in a decisional process. Maybe a new generation of higher-educated policy-makers will rise.

Another aspect that will re-frame regional development concerns to the role of *learning, exploration and exploitation of knowledge*. Human capital endowment is held to be one of the key defining features of a region. Recent work of regional scientists [(Sheppard, 2000); (Porter, 2000); (Martin, 2005); (Bristow, 2005)] reveal that *attracting and retaining innovative firms*, together with *skilled labour* and *knowledge workers*, will guarantee a significant socio-economic change. If the microeconomic environment is ensured at regional level, namely *a top-line working and living conditions*, people will not emigrate and productive firms will operate in these regions, with a long-run consequences related to a strong economic growth, together with new sources of increasing returns and new network connections.

In this attempt to identify the potential sources of change in Romania regional development policy, we cannot neglect the *role of universities in promoting knowledge*. Recent studies [(Youtie & Shapira, 2008); (Power & Malmberg, 2008); (Huggins, 2008); (Benneworth, Charles, & Madanipour, 2010); (Kitagawa, 2013)] illustrates that the regional economic development can be actually achieved through the medium of higher education institutions (HEIs), which play an important role in *connecting knowledge and spanning boundaries to generate innovation*. But, in order to accomplish their mission, universities also need a proper microeconomic environment and a suitable political and socio-cultural space for fostering innovation.

The contribution of universities to the development of their region is not a new phenomenon, but without being integrated in regional growth strategies, recognizing in this way their distinctive role in the formation of the innovation agendas, their input remains unclear. In the development of regional innovation policy networks, local authorities should admit that in a region, the university is the only one that has this unique institutional characteristic of *fostering collaboration and building partnerships* with a broader range of sectors involved in innovation processes, such as: other higher education institutions, research centres, organizations, industry players and etc., within and without the region. Therefore, building a regional institutional infrastructure, where universities are embedded as part of the regional innovation architecture may represent the key for promoting economic growth and wellbeing through *workforce development and knowledge exchange*. Moreover, through their core activities, such as: professional or vocational training and placements, applied research and consultancy in different areas, universities contribute to their regions also by their *cultural and civic engagement*. According to Kitagawa (2013), “universities collaborate with local organization [...] health sector, education – working with local schools on widening participation initiatives; cultural sector – with local museums, theatres, local cultural amenities or sporting organizations; third sector – including community engagement activities and student volunteering”.

4 Concluding Remarks

Reshaping the Romania territory, by regrouping the counties into new regions, is not solving the basic problems of underdevelopment of Romania regions. The current regional portrait of Romania shows that the entire territorial is harmoniously underdeveloped, with the exception of the capital region, which is not very uncommon.

Re-framing regional development in Romania, in my opinion, implies a common effort and public engagement from our decisional policymakers to treat this problem in a more responsible manner, because it has very long-term effects. In the current economic climate, Romanian regional policymakers should focus their attention in identifying the real challenges in regional development process, which is, accordingly with “The Europe 2020 Competitiveness Report - Building a More Competitive Europe”, related with the *lack of basic infrastructure*, which is 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.

Another concern for our policymakers should be the *decreasing the bureaucracy for accessing EU financial assistance*, in order to permit the investments which will develop the microeconomic environment at regional level, with spillovers effects over time. The maximum and effective use of EU financial assistance plays a critical role for Romania regional development. Also, finding the way to *target the investments in developing the basic infrastructure* and also to *improve local public services* is a key feature that should take into account. Maybe the institutional reform should be focused mainly

in *helping young people to find a job* and make use of their knowledge accumulated in their students years and not only in relation with the selection/nomination procedures of representatives in different institutions.

Moreover given that the role of knowledge and human sensibility in the labour process is essential for further development, public authorities should encourage the *cooperation* between local enterprises and HEIs, because it is essential to focus the entire efforts in developing skills, research, knowledge exchange and innovation. Recognizing the central role of university in local development and involving HEIs in designing strategies for regional development, will produce change and novelty. Furthermore, even if each university has different strengths and mission, their overall role in a region is to provide a *space for dialogue among stakeholders*. Hence, in this highly complex process of regional development, university should be involved, because it may represent not only an important solution to *respond to local skill needs in the community*, but also, through its connectivity and openness can bring partners together, facilitating the *development of ideas and projects*, and *attracting investments* from outside.

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