

Revamping regional development policies: a case-study on Romanian post-communist regional development institutional history

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ABSTRACT

This paper aims to map the institutional route of the concept of regional development in post-communist Romania. Following a thorough analysis of the relevant past and present legislation in Romania, the evolution of institutional regional development responsibilities has been charted and presented chronologically. The eight phases of regional development policy evolution showcase the different governmental priorities and the subsequent administrative setups before, during and after EU accession negotiations.

Keywords: regional development, governance, regionalization, post-communism, EU accession, Romania

Introduction

Regional development has been a true Fata Morgana phenomenon in the institutional architecture of the post-communist Romanian governments. 15 prime-ministers with 21 cabinets have tried in the last 29 years to create the perfect setting for regional development policies to flourish and create economic and social growth all across Romania in order not only to minimize gaps between the nation's regions, but also amongst Romanian regions and regions of UE member states. In spite of this effort, previous research shows that developmental gaps have actually grown between Romania's counties between 1999 and 2011, even when the economic performance was affected in all 42 counties by the economic recession (Bendek et al., 2015).

Faced with the task to accede to the EU and implementing the entire *acquis communautaire*, the concept of regional development has been gradually introduced into the Romanian legal and institutional framework, as well as into the ordinary conceptual use. However, just because the term 'regional development' was not defined and coined in the regulatory system until 1998, it does not mean that the governance of the regional

development policy area was not already happening. The Act for Regional Development in Romania no. 151/1998, the Emergency Ordinance for the Reorganization of the Council for Reform no. 5/1998 and the Government Decision for the Organization and Operation of the National Agency for Regional Development no. 978/1998 all talked about the principles and objectives of regional development, and also about measures to be taken in order to achieve social and economic cohesion between the newly defined development regions, but lacked a clear definition of what regional development is.

The connection between regional development and the capacity building efforts for the development of local authorities is essential to understand regionalization in Romania. With a former centralized government and top-down policies in place for over 40 years, Romanians were neither prepared, nor particularly skillful in obtaining local autonomy in policy making, decentralization and regional development. What is more, it seems that even when given a democratic choice about prioritizing development domains, Romanians still could not integrate good practices examples into their policy making cycles, in spite of the numerous opportunities to learn from and collaborate with EU states.

The political turmoil of the country and the subsequent generalized corruption in ministries has led to the pushing back of deadlines for development goals and reforms in the country. Even though this has been repeatedly signaled by the European Commission, Romania's lack of action has the country and its' poorest regions continuously placing in the last or second-to-last place in the social or economic hierarchies of EU member states.

Methodology

In order to accurately map the institutional track of the concept of regional development, a survey has been carried on all government ordinances and decisions regulating the organization and operation of all ministries and agencies with attributions on regional development or fields connected to it. Based on the fact that regional growth is a direct consequence of local development and the aggregated interaction or agglomeration of municipalities (Ascani et al., 2012), in the analyzed governmental norms, we have also taken into account references to regionalization, decentralization, administrative-territorial organization and reorganization, administrative reform, administrative autonomy, local development, rural development, urban development, territorial development, land planning, growth poles, infrastructure and other public works, utilities, economic development, SME support, FDIs, social development and investments, as primary policy areas for the Romanian government.

In the second step of the study, the government ordinances and decisions have been grouped in chronological phases, in order to track the creation and evolution of formal institutions governing regional development, their responsibilities as well as the concept's regulation. The main demarcation between two chronologically consecutive phases is the definition of new attributions in the acts that regulated ministries' and agencies organization and operation.

In the third phase of the study, based on literature review on the topic, the previously identified phases were discussed with emphasis on identifying a list of possible causes for the timeline of the changes in regionalization and regional development governance.

Results

Glasson and Marshall mention in their 2007 book that there are 4 pillars to regional development: the economy, housing, transport and the environment (Glasson and Marshall, 2007). Newer paradigms also include regional universities, human capital, digital connectivity or amenity and marketing into the regional development recipe (Parliament of Australia, 2018). While there has never been a single institution nor a single guiding policy which comprised all these domains, Romania has regulated all these domains through 29 central ministries and agencies along the years. Arguably, the collaboration between these institutions has hardly been carried out under the umbrella of a coherent development policy. As the Romanian society entered a new post-socialist phase after the political events of December 1989, elements currently associated with regional development were regarded as priorities by the early democratic governments, even though the concept of regional development had not been defined yet. Although the administrative language was, at that time, neither evolved nor sophisticated enough to coordinate everything together under the regional development term, legal frameworks and institutions were being created and reorganized for the privatization of underproductive state owned companies, for attracting FDIs and supporting the development of SMEs, for reforming public administration and promoting decentralization and local autonomy, for minimizing socio-economic gaps between counties and regions, for housing, for land planning and the strategic construction of big public works. A number of 8 phases can be identified in the birth and evolution of regional development policies in a span of almost 30 years, between 1990 and 2018. In the first 3 phases, postsocialist governmental development policies focused on the economy and on how to get private firms to perform as best as possible in each municipality and region. This era mirrors the birth of regional development policies in the 1950s, when policies in this domain were quantified in economic terms such as employment, profit, GDP and growth (McCall, 2013).

In the first phase (1990-1991), the Romanian government displayed a damage-control approach on regional development. After more than four decades of Marxist-Leninist dictatorship and following the violent events of December 1989, the country had to be eased into a democratic way of government, which is why the first post-communist prime-minister of the country created a Local Administration Office as part of the transitional Romanian Government, tasked with introducing democratic practices to local governments. However, some of the Office's attributions were later assumed by the Prefectures created through Act 69/1991 regarding Local Public Administration, especially those about the suspension or the annulment of local authorities' acts. With the second Petre Roman Government, which is also the first government formed as a result of the first democratic elections of the country, the first ministries with attributions in regional development were created. A shift in paradigm is clearly visible now. From a transition government which preserved, though presidential

decrees, portfolios in each branch of the industry (i.e., Ministry for Electric Energy, Ministry for Chemical and Petrochemical Industry, Ministry for Electrotechnics, Electronical and Computer Science Industry, Ministry for Metallurgy, Ministry for Auto Industry, Ministry for Mines, Ministry for Petroleum, etc.), the second Petre Roman Government shifted to a governmental team overlooking domains, not industries. In this government, the Ministry for Public Works, Transportations and Land Planning occupied the 18th place out of 27 portfolios.

The ministry split into the Ministry for Public Works and Land Planning and the Ministry for Transportations after just 10 months. Given the Romanian custom to list ministries in the order of their importance (order of precedence), it can be argued that regional development was hardly a priority in the first democratic government. Not only that, but, given the extreme economic instability the country experienced after abandoning the principles of centralized economy, all governmental priorities of the time were only secondary to economic policies. This affirmation is further supported by the fact that the Ministry for Public Works and Land Planning had attributions in the privatization of state-owned companies as well as by the establishment of the Romanian Development Agency, which was tasked with developing both the public and private economy sectors and with attracting Foreign Direct Investments (FDIs) to these companies. Romania's Human Development Index for this period was 0.686, lower than the 1990 value (0,701), as published by the UNDP (United Nations Development Programme, 2016). This is an indicator that the turbulences associated with the fall of communism have caused Romania to demote from a high development country to a medium development country.

In the second phase (1992-1999) which comprised of four successive governments, the importance of regional development grew, as the executive power relied primarily on a Council for Coordination, Strategy and Economic Reform for the coordination of regional development policies, as well as for the analysis, coordination and approval of socio-economic reform programs and public investment programs. The Council was supported by the Ministry for Public Works and Spatial Planning, which lost its attribution to accelerate the privatization of state-owned companies, and received additional attributions for coordinating local and county administrations in the domains of land planning, rural and urban development and public works. The budgetary weight of the underperforming state owned companies was still an important problem for Romania at this time, which is why the dedicated Romanian Development Agency overlooked the privatization of these companies and the development of SMEs. It is clear that in 1992 administrative lingo, *development* equaled *economic stability*. To prepare for the upcoming negotiations for EU accession, a new development agency was created in 1998, under the name of National Agency for Regional Development. From this moment forward, Romania was formally forced to consider the establishment of regions and measures for their development. In spite of the similar name, the attributions for the Romanian Development Agency and the National Agency for Regional Development were fairly different, with the new agency being tasked to elaborate regional development strategies, plans and projects as well as to monitor the completion of regional development goals. In this respect, its' attributions derived from those of the Ministry for Public Works and Land Planning. Also in the second phase, the administrative component of local development was overseen by the Department for Local Public Administration, which was responsible for the administrative reform, for the protection and development of

local autonomy and the decentralization of public services, for regulating Romania's regional development policy and, as inherited from the 1990 Local Administration Office, for the proposals of administrative-territorial organization models. The Administrative reform was also a development priority set by the EU in order to prepare Romania's accession to the Union. During this phase of concentration on state-owned companies' privatization, Romania's HDI rose from 0,678 to 0,698, still not exceeding the threshold for medium developed countries.

The Act for Regional Development in Romania no. 151/1998 aimed to lay the groundwork for the designation of regions, by claiming that its first intended use was for statistical reporting needed by the EU in the pre-accession negotiations, while the final aim was to use these regions as the framework for the implementation and evaluation of the regional development policy and also to better sharpen and focus national planning efforts (Perloff, 1968). The newly created regions were mostly centered around the traditional provincial identities of the Romanians, which have been inherited in the colloquial culture ever since the age of the Romanian Principalities and which had been functioning under various organizations and leaderships up until the Romanian Independence War (1877-1878). Bearing this in mind, it is noticeable that the Bucharest-Ilfov region is centered around the capital city of Bucharest, the North-East region comprises most of the former Moldova principality, the South East region includes Dobrudja and the Bărăgan plain as part of the former principality of Wallachia or Muntenia, the South region comprises the rest of the former Wallachia (Muntenia) Principality, the South West region is the former province of Oltenia, while the former province of Transylvania is split between the West region (mostly Banat), the North West region (the former province capital of Cluj-Napoca and largely the Crișana and Maramureș historic regions) and Centre region (the three Hungarian counties and three other Transylvanian counties). However, the regions presented above are not considered administrative units, neither are they legal persons, which limits their range of action.

Starting with the third phase (1999-2000), we see regional development policies starting to migrate from one ministry to the other. While the Ministry for Public Works and Land Planning had survived under Prime Minister Mugur Isărescu, a new Ministry for the Public Function overtakes the attributions of the Department for Local Public Administration and becomes the steering force behind the administrative reform, the decentralization, and the administrative-territorial organization proposals. In what is the first time since 1990, the privatization of state-owned companies is no longer a stringent need for the government. As a matter of fact, the National Agency for Regional Development incorporates the former Agency for Regional Development, which was responsible for privatization and, subsequently, correlates regional development strategies and plans with the development of SMEs and the reconstruction of disadvantaged areas. This is, perhaps, the first tangible proof of democratization in the Romanian regional development policies, as the privately-owned SMEs and the free market are seen as the engine of socio-economic cohesion and development. Temporally, this is also the first time that Romania enters the high development countries category with its' HDI evolving from 0,698 to 0,715. In the fourth phase (2000-2003), under Prime Minister Adrian Năstase, the Planning Ministry for Public Works, Transportations and Housing (later the Ministry for Transportations, Constructions and Tourism), which was successor of the Ministry of Public Works and Land Planning fell out of the regional development spotlight. In

fact, given the ardent negotiations for the EU accession and the ex-ante conditionalities that Romania had to fulfil, the Ministry for Development and Prognosis together with the Ministry for European Integration became the steering powerhouse behind governmental policies, in general, and the regional development of the country, in particular. Their main responsibilities involved developing post-privatization regional development programs, fulfilling social and economic cohesion targets, attracting FDIs, establishing development priorities and making sure they are all aligned with EU accession targets. Local development was ensured by the newly established Ministry for Public Administration and, later, by the Ministry for Administration and Interior. The attributions inherited from the previous Ministry of the Public Function which regarded the administrative reform, the local autonomy and the decentralization of public services were preserved by these two ministries. Additionally, they were tasked with supporting local administrations in reaching strategic goals as well as elaborating and monitoring urban infrastructure development strategies and programs. Romania's HDI continued to rise during these three years, from 0,715 to 0,734.

The fifth phase (2003-2007) is marked by a shift in the Adrian Năstase administration, which was continued by the first Călin Popescu-Tăriceanu government. The two primeministers opted for a supplier regional development institutional architecture in which the Ministry for European Integrations remained the sole decider on regional development strategies implementation, social and economic cohesion targets, the reorganization or modernization of regions as well as the compatibility and coherence of governmental programs and actions on development, reorganization and reform. Local development, decentralization, administration reform and local infrastructure continued to be managed by the Ministry of Interior and Administrative Reform, successor of the Ministry for Administration and Interior, after the assimilation of the Ministry for Public Administration.

The HDI for this period reached 0,781 in 2007.

The sixth phase (2007-2009) unfolded in the second mandate of PM Călin Popescu-Tăriceanu and is defined by the unification of the attributes of the former Ministry for

European Integration, the 2001-2003 Ministry for Development and Prognosis and the 1991-2004 Ministry for Public Works (which also comprised Land Planning, Transportations, Housing, Constructions or Tourism at certain points) into the Ministry for Development, Public Works and Housing. The Ministry of Interior and Administrative Reform kept its attributions and importance in the government with regards to local development and decentralizations.

In the seventh phase (2009-2013), the first Emil Boc administration can be credited with creating the first ministry specifically around regional development. The Ministry for Regional Development and Housing was responsible for elaborating and harmonizing the Romania 2030 strategic concept, the national territorial development strategy, the territorial development policies and national and the regional, zonal, county as well as local land planning documentations. Additionally, infrastructure, constructions and utilities programs and projects were initiated, financed, managed and monitored by the Ministry. The second Emil Boc government together with the short-lived Mihai Răzvan Ungureanu government (2009-2013) operationalized the Ministry for Regional Development and Tourism, which preserved the regional development attributions of Ministry for Regional Development and Housing. The Boc government firmly believed in tourism as development engine for

all regions of the country, meaning that the vision of the ministry was to use the rustic and natural unique landmarks of Romania to generate the revenue for other development needs. The year 2009 is also the first time when the concept of growth poles is instituted in the institutional setup of the Ministry for Regional Development, which was responsible for the elaboration, coordination and implementation of policies for the cities designated as growth poles. During this period, Romania's HDI evolved towards high development country values, reaching the 0,800 threshold in 2013.

The eight and currently unfolding phase (2013-present), regional development is the attribute of the Ministry for Regional Development and Public Administration. Not only that, but the focus on correlating regional development projects in Romania with European priorities was so high that, during 2017, the Ministry merged with the Ministry for European Funds. The goal was for the Ministry to more easily ensure the funding of development investments from EU funds. However, the result was an overwhelming institutional structure so hard to manage that it eventually had to be split back in two separate ministries.

Discussions

The Act for Regional Development in Romania no. 151/1998 aimed to lay the groundwork for the designation of regions, by claiming its first intended use regarded statistical reporting needed by the EU in the pre-accession negotiations, while the final aim was to use these regions as the framework for the implementation and evaluation of the regional development policy and also to better sharpen and focus national planning efforts (Perloff, 1968). The newly created regions were mostly centered around the traditional provincial identities of the Romanians, which have been inherited in the colloquial culture ever since the age of the Romanian Principalities which had been functioning under various organizations and leaderships since the Middle Ages and until the Romanian Independence War (1877-1878). Bearing this in mind, it is noticeable that the Bucharest-Ilfov region is centered around the capital city of Bucharest, the North-East region comprises most of the former Moldova principality, the South East region includes Dobrudja and part of the former principality of

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Not even in the dawn of its negotiation for EU accession, Romania could not steer clear of bad practice models in regional development as previously experienced by other member states. Even though many Romanian public institutions took part in a series of twinning projects and subsequently created legislation, guidelines, manuals

and procedures similar to those in other EU member states, the exercise did not manage to mean more than plainly borrowing formalities from benchmarkers, rather than adapting them to the national context. For instance, in spite of the proof that medieval counties are practically irrelevant in the composition of NUTS3 regions, as shown by the Irish example, Romania would not assume setting regions' borders along other lines than those of the already-established county borders. This helped nothing but to further strengthen local and county identity, as opposed to the regional identity which was needed in order to attain real regionalization and decentralization.

While the regions fulfill their meaning to provide statistical data to the European Union and, somewhat, to facilitate the attraction of EU funds, they are far from being administrative units that manage and distribute resources in order to increase the livelihoods of their citizens. The fact that there was no consensus between the stakeholders on the delimitation of the regions provided them with only a temporary status, which was supposed to change as soon as a decision was to be reached. However, the discussions and negotiations on the matter were halted as soon as the EU agreed to move forward with accession talks, which is why the status of the regions is still uncertain 20 years later.

With regards to the institutional evolution of regional development policy areas, starting with the second phase, ministries for development started having attributions to elaborate national plans based on regions. As Perloff wrote in the one of the earlier works on regional planning, permitting each agency to operate with relative independence and set individual targets and priorities makes it unlikely for all individual programs to fit together (Perloff, 1968). Nonetheless, the strategies and plans for the regions were not meant to be implemented by the regions themselves, seeing how they are not legal persons, but by the counties or the ministries for development. The continuous reliance on counties for regional development is not only ignorant of the local political realities (for instance, two adjacent counties with leaderships from rival political parties were expected to collaborate, which often proved challenging), but also further enhances the important role that counties play in the Romanian institutional architecture. Moreover, this type of bottom-up approach seems to be a communist legacy (Perloff, 1968). After aggregating local demands in terms of budgets and development needs, the central ministries annually find themselves with budgetary requests far beyond national capacity. The negotiations to lower them to fit the national budgets were more often than not just a formality, with the real decisions being in the hands of the ministries of development and public finances and no real voice given to the local authorities. Even presently, there are multiple strategies aiming to fulfill overlapping regional development objectives, and which are being spread out to multiple institutions. A project carried out at the center of the Government under the name of Strategy Unit mapped all strategies in the public sector and revealed a General Decentralization Strategy, a Strategy for Rural Development in Romania 2014-2020, a National Plan for Rural Development 2014-2020, a Strategic Orientation for the Development of Disadvantaged Rural Areas, a National Strategy for Social Inclusion and Poverty Reduction 2015-2020, a National Sustainable Development Strategy 2013-2020-2013, a Strategy for the Integrated Sustainable Development of the Danube Delta, a Strategy for the Mobilization of Investments in Renewing Residential and Commercial Buildings Stocks, and number of three strategies just for civil servants' professionalization.

In spite of its' declared purpose, the real use of the Ministry for Regional Development, no matter the many forms it took along the years, is to finance local city halls and, therefore, to provide leverage for the central administration against the mayors. Over time, it has become clear that mayors belonging to the ruling party were favored by the Ministry for Regional Development, while competing parties' mayors were treated more austere. Adding to the Ministry of Regional Development's hidden agenda is the Romanian institutions' resistance to change, which is well commented by the civil society as well as by the political parties on a daily basis. The lack of administrative capacity as well as the frequent political changes and the subsequent change in the agenda fostered an optimal environment for the resistance to change to raise barriers in development for the last three decades. These are some of the causes why regional development presented faults in its' evolution.

Conclusion

On paper, the mobility of regional development policies in Romania is high, with 39 Government decisions and ordinances moving the regional development responsibilities between 27 different ministries and agencies in the last 29 years. However, the same high mobility signals a serious lack of political commitment on these important policies as well as on the means used to reach the objectives set. Inefficient implementation of regional development policies meant that the same tasks were inherited from one government to the other, especially after negotiations for EU accession started, which means that Romania's regional development needs were not answered. In some ways, Romania's development needs are the same as in 2001, with the only notable differences in the institutional setup of the policy area being that over the time ministries and agencies have been created or disbanded in a quest to see which one is best fit to take on this task.

The ideal regional development recipe for Romania still seems to be out of reach for the country's decisionmakers. The lack of leadership and political will in this domain is matched only by the diversity of opinions on the matter, given the large number of stakeholders. In 2013, the present President of the Romanian ruling party made a commitment to revive the discussions around regionalization and the delimitation of new, functional regions, yet as of 2018 the only notable news about it was that it was included in one of the ruling party's congresses. The relaunch of regionalization policy talks is essential in order to reset the national regional development framework and enable social and economic growth all across the country and could have made the object of a national project in the year when Romania celebrates 100 years as an independent state.

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