

CONCEPTUAL AND METHODOLOGICAL ANALYSIS IN THE STUDY OF REGIONAL DEVELOPMENT IN EU AND, IN PARTICULAR, IN ROMANIA

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Abstract: *Considering that political regionalisation should be more than the division of a territory into regions, its main aim being the regional development of a political entity, this paper seeks to provide answers to the following question: what is the most appropriate geographical scale to describe and support regional development in EU and, in particular, in Romania? In order to achieve this, guided by logical analysis and using data from specialised literature and from the studies of different national and European expert bodies, there are analysed the notions of regionalisation and regional development and brought up the issue of the institutional framework of regional policy instruments. These open new insights for future research. The study concludes that while the Nomenclature of Territorial Units for Statistics (NUTS) is used as a territorial analysis unit, the real local needs cannot be assessed in the same way. In fact, one aspect often overlooked is the importance of social, economic and cultural relations between economic actors, which are proper sources of agglomeration economies that enable a balanced development of the regions.*

Keywords: region; regionalisation; regional development; territorial analysis unit

JEL Classification: R10; R11

Introduction

EU regional development is characterized by disparities between member states and within them, for example, between the 8 Romanian development regions. *Regional disparities* (alternatively, specialised literature uses synonym terms such as *incongruities*, *regional inequities*, considering that inequities become disparities when they exceed a 30% amplitude) are not only the result of an uneven distribution of human capital and natural resources, or of social, economical, political and demographical inequalities, but also the result of the way regions interact during their historical evolution. Additionally, the proper management of structural funds has also been decisive in configuring the development hierarchy.

Besides its inter-regional disparities, Romania is also confronting major incongruities within its regions, where predominantly agricultural counties coexist with industrial, more developed ones (Marinas *et al.*, 2009). This phenomenon is the result of the restructuring of economic activities which, especially in mono-industrial areas, resulted in an increased unemployment rate. The '90s' economic growth did not reduce these inequalities, and the recent economic crisis has exposed them in a more visible way. The mosaic-like structure of economic development at the sub-regional level characterizes all the 8 Romanian development regions.

The current administrative-territorial reorganization of Romania is a controversial topic in politics and the media. The administrative reorganization of the country would mean replacing the

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existing 41 counties with 8, 9, 12 or larger counties or regions, the main reason for the change being that the current system, which has been maintained since 1968, is generating corruption and inefficiency in the use of EU money.

Proponents of regionalisation talk about benefits, such as: reduced bureaucracy, less administrative costs and expenses; the existence of a regional policy that goes beyond the boundaries of a county, elaboration of development projects on regions, which can result in increased access to European funds; also, previous positive European experience and the preference, in some states, for the territorial formula, are also advantages taken into consideration.

In contrast, opponents claim that this measure will affect the functioning of the state to such an extent, that it cannot be adopted without a transitional stage and careful preparation, based on public debate, information and broad agreement among social and political actors; an 'overnight' regionalisation would cause widespread chaos. Moreover, they expect the emergence of so-called regional 'mega-barons' who would control regional resources and have important influence on major decisions. Finally, cropping regions according to political interests rather than economic and social ones, would significantly distort the meaning of such an approach.

Despite all these arguments, we strongly believe that the regionalisation process of Romania should be part of a coherent regional development strategy that would include measures designed to support the *integration of the development area* rather than obtaining a *spatial equilibrium* in terms of economic growth. A number of European studies (Rodriguez-Pose, 1994, Martin *et al.*, 1996; Vickerman *et al.*, 1999) concluded that structuring a plan for economic growth does not necessarily lead to the consolidation of competitiveness within a certain area.

In this context, we ask ourselves whether it is more suitable for the studies on regional development in Romania to consider as analysis units the country's historical regions, rather than its currently development regions. Profile studies involve competitiveness assessments based on socio-economic indicators and assume – falsely – that the economic activity is able to evenly distribute the benefits of growth within a given territory. An often overlooked aspect is the importance of social, economic and cultural relations between economic actors, which are proper sources of agglomeration economies that enable a balanced development of the regions.

1. Concepts and methodology in regional development of EU

In recent decades, regions and regional development policies have occupied an increasingly important place on the list of economic and social development factors of Europe, being found on the

agendas of governments, central and local authorities, political parties and civil society.

The region is 'its own entity', 'characterized by a continuum whose populations have certain elements in common – language, culture, historical traditions and interests concerned with economic, social and cultural development' (Community Charter *for* Regionalisation, 1988). The definitions of the term 'region' found in both specialised literature and official EU documents, converge towards two directions: the first one acknowledges that regions may have defining features, in keeping with their historical, political, social or cultural characteristics and with the characteristics of their own population; the second direction highlights the institutionalization of the region in terms of its distinct political identity and its own administration.

Regional identity is a key element in the formation of regions as social and political bodies. Researchers (Keating, 2008, p. 99) identified three elements that must be considered when analysing regional identity: *the cognitive* aspect, that requires people to be aware of the existence of the region and its geographic boundaries; *the emotional* aspect, which refers to how people feel about the area and the extent to which it provides a common framework for identity and solidarity, which might be in conflict with other forms of solidarity, including social class and nationality; *the structural* aspect, when the region is used as a basis for mobilization and collective action seeking common social, economic and political targets.

According to The Explanatory Dictionary of the Romanian Language, 'to regionalize' means 'to divide an area into regions'. Regionalisation should be understood in opposition to *regionalism*. The latter is a 'bottom-up' process, where the region is perceived by its inhabitants as a homogeneous territory, being the symbol of their common interests and aspirations to participate in the management of these interests. In this sense we can speak of a 'regional consciousness' based on the belief that the state is too remote and too big to solve local problems. Thus, the state is accused of imposing a monopolizing model regardless of regional particularities. In this sense, regionalism expresses the deep desires of local communities to become responsible for resolving issues that concern them directly.

In contrast to this, regionalisation is a 'top-down' process, where the state perceives the region as a homogeneous territory with its own identity and ensures that regions participate in managing their own affairs. The starting point of regionalisation is connected with the awareness of regional imbalances. This awareness is followed by the intervention of national government structures or supranational entities, focused on regional decentralization of formerly central activities or skills. We are dealing, in this case, with administrative measures that express a central political will over local/intermediate structures.

These two different, but complementary concepts – regionalism and regionalisation – refer to two rather different things: the first one deals with the identity and actions of a group or community, while the second refers to space and its organization (Ricq, 1983, p. 123).

On the other hand, regionalisation is a component of territorial/spatial development, the latter meaning the geographical transformation of inhabited territories. This process relates not only to infrastructure, landscape, cities, but also to territorial structure and geographical distribution of population and human activities. Territorial development is a comprehensive concept, also used as an objective of public policies aimed not only at economic growth in those regions, but also at sustainability, with its economic, social, environmental and cultural aspects. In the current European context characterized by low growth rates and sharp regional imbalances, territorial development has become a general priority, designed to lead to increased employment and reduced regional imbalances.

The main goal of spatial planning is the harmonization, at territorial level, of the nationally and locally-adopted economic, social, environmental and cultural policies, to ensure a balanced development of the various regions of a country, aiming to increase the cohesion and effectiveness of their economic and social interrelationships. Spatial planning is therefore the spatial expression of the economic, social, cultural and environmental aspects of society.

Another concept often employed by academic and political debates is *regional development*. It aims at stimulating and diversifying economic activities, encouraging private sector investment, helping to reduce unemployment and increase quality of life. In our opinion, regionalisation should be more than a territorial division into regions; it should focus on the regional development of the national territory.

Regional development policy is an assembly of government measures aiming at supporting economic growth and improving living conditions through the effective use of regional and local potential. Its main objectives are: to reduce the existing regional disparities, with an emphasis on fostering a balanced development and revitalization of less developed regions (with delayed development) and preventing the creation of new imbalances; to prepare the institutional framework in order to meet the criteria of EU structures and to ensure easy access to social and cohesion funds; to integrate regional sectoral policies and to stimulate interregional cooperation (national and international) for the purpose of a durable socio-economic development.

These objectives are put into practice by adopting measures and strategies and by funding various projects and programmes. The following principles are found at the basis of their design and implementation: *decentralization* of decision-making by shifting from the central/governmental level

to the regional one; *partnership*, by creating and promoting partnerships between all actors involved in regional development; *planning*, to achieve the set objectives; *co-financing*, meaning mandatory financial contribution of various actors involved in implementing programmes and projects for regional development. These principles apply at national level and do not exclude or contradict the principles underlying the functioning of the community structural policy: the principle of programming, the partnership principle, the principle of additionality and the monitoring, control and evaluation principle. On the contrary, they direct the national policy towards accessing the financial instruments of EU regional development policy.

Regional development strategies should be based on proper evaluation of regional resources, capacities and skills, in order to develop the necessary resource configurations forming a regional competitive advantage. Some studies (Harmaakorpi *et al.*, 2003) discuss the concept of 'regional development platform', used as a tool to assess regional potential which might foster the competitive, sustainable advantage.

Regional policy has – in general – the intention to support the efforts of less developed regions in order to overcome their current difficulties and stimulate regional economic growth. If regional policy measures are successful, there will be a pronounced tendency towards economic convergence among regions, with the result of a greater degree of cohesion between them. There are many impact assessment studies based on various regional and cohesion policy instruments. But there are few investigations to date of the *institutional framework* of these instruments. Such studies should focus on the impact analysis of power division on regional policies, while highlighting the incurring outcome (interregional cohesion) and costs (economic efficiency).

In this regard, recent research (Rosenfeld, 2003) on the theory of fiscal federalism point out that all possible centralized or decentralized arrangements of regional policies are situated between two polar cases. At one pole, we have an arrangement in which only the central level of government (e.g. the EU) is responsible for regional policy, while there are no other regional, local units (e.g. EU member states) or assisted (less developed) regions capable of decision-making on the implementation of regional policy instruments. In this case, only the central government can finance regional policies, using its own resources. In contrast, we find an arrangement in which only regional or local government units, including less developed regions, can decide on regional policy and are responsible for funding.

2. The analysis unit of regional development

The Nomenclature of territorial units for statistics (NUTS) is used as a territorial analysis unit, but real local needs are not necessarily considered adequately in this way. For example, an assessment of the situation in Romania reveals that 'the NUTS II classification allows only a limited understanding of the development process' and should be complemented by other factors such as size of urban areas, market access or proximity (Government of Romania, 2007). This raises the following questions: **What is the most appropriate geographical scale to describe the level of regional development? What is the most appropriate geographical scale to achieve sustainable regional development?**

Some studies (Cojanu, 2010; Clipa, 2013) have shown that development can be viewed in a more realistic way using multiple-link spatial configurations, in which opportunities for growth are self-sustained, in other words, observing areas that are economically viable and independent.

European organizations have said that *regional* development has no operational significance in building a policy, as long as there is no economic concept applicable to the *region* (Eurostat, 2009, Council on Competitiveness, 2010). As a result, new terms were coined, such as *economic space*, *optimal competitive areas* or *socio-political space*, referring to functionally integrated territories, capable of maximizing their benefits for their residents.

In recent years, at international level, this practical requirement was a subject of interest for specialists, in an effort to promote economic growth in parallel with competitive development. In the current EU policies, this concern is reflected in the key concept of *cohesion and competitiveness*.

Projects such as the European Observation Network for Territorial Development and Cohesion (ESPON), allowed the use of some new concepts that describe the geographic scale of development, such as: Functional Urban Area (FUA), Metropolitan Economic Growth Areas (MEGA), Potential Urban Strategic Horizon (PUSH) or Polycentric Integration Area (PIA).

These attempts at defining the areas eligible for financial aid announce a future major change on the normative scale. Based on existing needs, the analysis should cover a growth model that emphasizes the role of competitive interdependencies that occur in a particular territory. Competitive development zones arise from a particular development context, which in turn is explained by the action of two twin concepts: *identity* and *functionality* (Cojanu, 2010). While the former refers to an identifiable common denominator for the development, the second is a functional model of territorial developments that affects the premises of temporal and spatial growth.

As suggested in studies conducted at EU level (ESPON, 2006), there are no clear borders

between competitive areas, as economic spaces appear in various forms of spatial and temporal boundaries. Spatial, because a development context is defined by an arbitrary combination of factors of geographical origin, such as distance, industry economics, decision centres, value chains, etc. And temporal, since the context is the historical depository of common issues, more or less tangible, such as traditions, beliefs and the feeling of belonging to a community, drawing a pattern of development characteristic for a certain period.

3. Romanian experience in regionalisation and regional development

Analysing the chronological evolution of Romanian territories from a historical point of view, a series of administrative characteristics can be identified:

- 1) *The interwar regionalisation stage*, represented by the 71 counties that were 'regionalized' according to different historical criteria, emphasizing territorial reality (ministerial directorates) or as a result of imposed policies (lands); this stage was characterized by a desire to strengthen the notion of territorial unity.
- 2) *The Soviet model* (1950-1968): the historical provinces were abolished in favour of the newly-created 'regions' of Soviet origin; it proved to be 'an illusory, deviant political goal because Romanian territories were unstable during that period, and the frequent zoning and regionalisation affected the idea of regional ownership' (Covasnianu, 2011, p. 49).
- 3) *The communist 'administrative calm'*, between 1968 and 1989, saw the return to the former districts and their transformation into functional structures. Although a number of historical districts disappeared or were merged, the new administrative units and their county capitals (Vaslui, Slobozia, Alexandria) benefited from massive investments in infrastructure and administration, to the detriment of traditional urban centres, such as Barlad, Calarasi, Turnu Magurele). Emerging trends of excessive industrialization and extensive agriculture imposed new administrative changes (the creation/reorganization of existing counties, as well as the formation of 23 new urban centres, in 1989).
- 4) *The post-revolutionary and the post-EU accession stage* brought a new configuration in the territorial settlement system, shown amid the transition and change of political regime, and kept the existing counties. European integration imposed a new territorial configuration, as the political desideratum imposed a 'quasi-regionalisation', so that regions eligible for aid could benefit from the structural funds.

The concerns regarding Romania's regional development have intensified since the sixth decade

of the twentieth century. The National State Plan adopted in 1976 aimed explicitly at reducing development disparities between the counties, through industrial development. The pursuit of this economic objective had serious consequences acutely felt in the last two decades.

In terms of spatial and regional development, Romania currently has some distinctive features. Firstly, county capitals are also the largest cities in each county, generally concentrating more than 50% of all economic activity in the area. Secondly, small towns generally had a mono-industrial profile, set without much relation to the economic potential of the area, which contributed to rapid industrial failure and the occurrence of acute social problems. Thirdly, economic development has been conducted based on egalitarian criteria. The industrialization process has failed to create an industrial identity for each county, which raised a very diversified and amorphous industrial structure. Fourthly, in each county there are significant economic differences between large urban areas and small towns, as well as between urban and rural areas. Fifthly, these inter-county incongruities are reported as being insignificant by the officials, but they are important in measuring specific indicators and the quality of life (Marinas *et al.*, 2009).

Under these circumstances, it was impossible to shape articulated development regions, capable of grouping areas with the same level of development and economic identity. Romanian development regions are built on the principle of spatial proximity, through the voluntary association of neighbouring counties, without an administrative and territorial identity or legal personality. They have got an average of 2.5 million inhabitants and no specific characteristics. The regions are:

1. North-East: Bacau; Botosani; Iasi; Neamt; Suceava; Vaslui
2. South-East: Braila; Buzau; Constanta; Galati; Tulcea; Vrancea
3. South: Arges; Calarasi; Dambovita; Giurgiu; Ialomita; Prahova; Teleorman
4. South-West: Dolj; Gorj; Mehedinti; Olt; Valcea;
5. West: Arad; Caras – Severin; Hunedoara; Timis;
6. North-West: Bihor; Bistrita – Nasaud; Cluj; Maramures; Satu Mare; Salaj
7. Center: Alba; Brasov; Covasna; Harghita; Mures; Sibiu
8. Bucharest: Ilfov; Bucharest

It should be noted that these regions do not coincide with the Romanian historical provinces, and their capitals sometimes do coincide with their former historical ones (Alba Iulia, Bucharest, Craiova, Timisoara and Cluj-Napoca), whereas sometimes they do not, being chosen according to the 'logic of decentralization' (Piatra Neamt, Braila, Calarasi).

Although the current development regions were only created to implement the regional development policy, and also for the purpose of collecting statistical data (in accordance with the

Eurostat, regulations on NUTS II classification), their boundaries are also accepted and followed by public institutions and non-political bodies.

The 8 regions created in 1998 have failed to take root in the public consciousness because of the failure of regional policy, but also due to memories of the significance of historical provinces.

The role of the historical provinces in the territorial construction process is also being felt through the characteristics of the urban system. It is considered as the result of generations of towns located within the regional entity's strong historical identity (Ianos, 2007). Romanian traditional regional capitals – Iasi, Timisoara, Cluj-Napoca, Bucharest, Constanta, Craiova, Galati, Brasov –, although partially found on the list of capitals of the new developing regions, have still remained polarizing centres. Their regional spheres of influence strengthened over time, despite the efforts taken during the years 1970-1990 to develop county systems, centred around county capitals. In our opinion, the strong position held by regional capitals within territorial structures and within the hierarchy of regional identity elements, could strengthen their coordinating role in the regional development process, while helping to keep regional identity alive in the public consciousness.

Final remarks

The conceptual analysis of regionalisation and regional development policy has enabled us to bring up the issue of the institutional framework of regional policy instruments. It is important that such studies focus on the impact of skills distribution within regional policies, while measuring the outcome – interregional cohesion – and incurring costs in terms of economic efficiency. The central questions that need to be answered are: Do regional authorities (compared to the central government) have a tendency to neglect their less developed subregions? What is the impact of information and asymmetric information costs on choosing the level of authority for certain (sub-) responsibilities? To what extent does the central influence stimulate – or paralyse – the initiatives of financially aided regions? Searching for answers to these questions will constitute important research topics for future studies.

The stated aim of this paper was to find the most appropriate geographical scale to describe and support regional development. In this regard, a number of conclusions have emerged:

- The attempts at defining the areas eligible for financial aid at European level have triggered the necessity of a growth model that emphasizes the role of *competitive interdependencies* that occur in a particular territory. Competitive development zones arise from a particular development context, which in turn is explained by the action of two twin concepts: (1)

identity, defined as an identifiable common denominator for the development, and (2) *functionality*, perceived as a functional model of territorial developments that affects the premises of temporal and spatial growth.

- Studies undertaken in the EU have shown that *there are no clear borders between competitive areas*, as economic spaces appear in various spatial and temporal forms. Spatial, because a development context is defined by an arbitrary combination of factors of geographical origin, such as distance, industry economics, decision centres, value chains, etc. And temporal, since the context is the historical depository of common issues, more or less tangible, such as traditions, beliefs and the feeling of belonging to a community, drawing a pattern of development characteristic for a certain period.
- Under these circumstances, it was impossible to shape *articulated development regions*, capable of grouping areas with the same level of development and economic identity. Although the current development regions were only created to implement the regional development policy, and also for the purpose of collecting statistical data, their boundaries are also accepted and followed by public institutions and non-political bodies.
- The 8 regions created in 1998 have failed to take root in the public consciousness because of the failure of regional policy, but also due to memories of the significance of historical provinces. We believe that the strong position held by regional capitals within territorial structures and within the hierarchy of regional identity elements, could strengthen their *coordinating role* in the regional development process, while helping to keep regional identity in the public consciousness.

As a result of these findings, we are asking ourselves whether it were more appropriate that the Romanian historical regions would be used as analytical units of regional development – and operational – instead of the existing development areas. Profile studies involve competitiveness assessments based on socio-economic indicators and assume – falsely – that the economic activity is able to evenly distribute the benefits of growth within a given territory. An often overlooked aspect is the importance of social, economic and cultural relations between economic actors, which are proper sources of agglomeration economies that enable a balanced development of the regions. However, despite the new openings that such a study could provide, current research is circumscribed by the limitations of the available data, which do not allow regional analyses in comparable terms.

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