

REGIONAL DEVELOPMENT THROUGH GROWTH AND URBAN DEVELOPMENT POLES IN ROMANIA

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Abstract: *In 2008 the Ministry of Development, Public Works and Housing (now the Ministry of Regional Development and Public Administration) prepared the growth poles policy for Romania, establishing seven growth poles to be financed through the Regional Operational Programme 2007-2013, under the Priority Axis no. 1. For 2007-2013 there were also established 11 urban development poles. At present the Ministry is discussing with the European Commission the new Regional Operational Programme 2014-2020 in which the main policy lines regarding integrated territorial development also take into consideration the improvement of the quality of life and the “appearance” of towns and strengthening their role in the region. The main urban agglomerations (county seats) are seen as development engines of the regions. The authors analyze the results obtained and the problems that appeared at regional level in what concerns the projects financed under Axis 1 of the ROP 2007-2013 by answering two main questions: did they really had the estimated impact on the growth and urban development poles and on the regions? and was there really an integrated approach used? Based on the results obtained from the analysis of the previous programming period the authors try to recommend some improvements that could be taken into consideration for the development of the Integrated urban development plans and priority projects that are going to be financed by ESI funds under Axis 4 of the new ROP 2014-2020, recommendations that could be taken into consideration when preparing the Guidelines for applicants for this axis.*

Keywords: growth poles; urban development poles; urban development policy; regional operational programme

JEL Classification: O18; R51

Introduction

At a regional level, urbanization is historically correlated with overall economic development. Trends in most developing countries suggest that urbanization generates important opportunities for growth, employment, environmental sustainability and poverty reduction. Due to the spatial concentration of productive activity (jobs), entrepreneurs, workers, consumers and support institutions (educational, health, financial), cities have the potential to be economically dynamic. At the same time there are big challenges that the cities have to face in what concerns sustainable development and social cohesion, social segregation, environmental (climate change) and mobility issues, urban sprawl.

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In Romania, there is a relatively well-balanced distribution of large towns, but almost 90% of the urban network comprises small and medium sized towns (under 50.000 inhabitants) with very limited urban functions and poor infrastructure.

The quality of life in urban areas is influenced by the level of available urban infrastructure and services. In order to assure a good functioning of a town (better linkages between functional areas), to facilitate the access of people from peripheral areas to main urban services and to areas of jobs (where economic activities are concentrated), a good public urban transport is needed.

The low capacity of roads and traffic congestion within and around the cities represent other big problems that cause an increase in the number of accidents and environmental degradation.

A large number of small and medium towns in Romania still have difficulties in providing basic public utility services. This represents an obstacle in attracting investments and stimulating small entrepreneurship. A common problem for most of the towns and cities in Romania is the high maintenance costs, degradation, low esthetic quality and low energy efficiency of the multifamily houses built in the communist period. There are big differences between neighborhoods within a city. There are areas where the socio-economic indicators reveal a bad situation: high unemployment, poor urban infrastructure, lack of green spaces, deteriorated houses, low level of education, poor health and high level of criminality. Policy makers and experts in the field have to find effective solutions to these problems.

1. European urban policy

Many EU Member States give more and more attention to integrated approaches to urban development. This concept of integrated approach to urban issues was developed at the beginning of the '90s in connection to urban renewal projects for disadvantaged neighborhoods and with time expanded to include all urban issues (Ball *et al.*, 2011). The idea was to promote an approach that takes into consideration not only the physical dimension, but also the economic, social and environmental dimensions of urban development. The integrated approach means to replace the sectoral approaches (one dimension) with transversal approaches (multi-dimensional) and implies the elaboration of unitary strategies and actions at the level of the city, which address the whole complexity of urban development but takes into account the role and functions of each part of the city in the whole structure (Toledo Declaration, 2010¹).

¹ ***, Toledo Declaration, Informal Ministerial Meeting on Housing and Urban Development, June 2010, Spain

There were many policy instruments developed over time (such as the Leipzig Charter on Sustainable European Cities, EU Territorial Agenda, Promoting Sustainable Urban Development in Europe – Achievements and Opportunities, Toledo Declaration on Urban Development or Europe 2020 Strategy) that emphasize the importance of integrated urban development. Toledo Declaration (2010) highlights “the need to promote a smarter, more sustainable and socially inclusive urban development in European urban areas, cities and towns”. European Commission’s regulations regarding the cohesion policy for 2014-2020 aim to stimulate integrated urban policies in order to intensify sustainable urban development and increase and consolidate the role of the cities in the context of cohesion policy. The regulations make direct reference to integrated strategies for investment, a minimum expenditure of 5% of the European Regional Development Fund (ERDF) for integrated urban development (through Integrated Territorial Investments- ITI), special funding for innovative actions in urban areas and the creation of an urban development platform in order to stimulate the dialogue between European cities and the Commission on issues regarding the urban development policy and the creation of urban territorial networks.

One of the main instruments to implement the integrated urban development approach are the Integrated urban development concepts which have been used in many EU member states and proved that they can enable the integration of cross-sectoral aspects into the field of urban development. Another benefit brought by these integrated concepts regards the participative approach used in the process. In this way the owners are motivated and become interested in the improvement of their neighborhood. Also, when the population sees the positive changes around them, they become to feel important and are more open to invest in their properties. This feeling of ownership leads to increased private investment along with the public one. The main elements of integrated urban development are: location and function of the envisaged area, land use, property situation, transport, environment, demographic and social conditions, buildings, technical infrastructure, communication, cooperation and involvement (Ball *et al.*, 2011).

2. Romanian urban policy

Urban development was mainly supported during 2007-2013 through the Regional Operational Programme (ROP). This programme had six priority axes: Support to sustainable development of urban growth poles, Improvement of regional and local transport infrastructure, Improvement of social infrastructure, Strengthening the regional and local business environment, Sustainable development and promotion of tourism and Technical assistance.

The strategy of ROP was to assure the highest influence on regional and local development by mobilizing resources and activating local potentials and one of the objective was to develop regional/local urban growth poles by adopting a polycentric approach in order to increase the economic and social role of urban centers and stimulate a more balanced development of regions.

This objective was to be attained through the Priority Axis no. 1 Support to sustainable development of urban growth poles, Key Intervention Area no. 1.1 Integrated urban development plans. These should have led to increased quality of life and creation of new jobs in cities and their surrounding area. This axis defined three types of target areas: growth poles, urban development poles and urban centers. The growth pole policy was prepared by the Ministry of Development, Public Works and Housing in 2008 on the basis of Law Nr. 351/2001 regarding territorial planning in Romania. Government Decision No. 998/2008 mentions the seven growth poles eligible for support within ROP: Brasov, Cluj-Napoca, Constanta, Craiova, Iasi, Ploiesti and Timisoara². Even though Bucharest is the largest growth pole in Romania it was not included in the list because the aim was to assure a balance between it and the designated poles in the national economy. The seven growth poles were deemed eligible for 50% of the available EU funds for Axis 1. Authorities also selected 13 urban development poles: Arad, Bacau, Braila, Galati, Deva, Oradea, Pitesti, Ramnicu-Valcea, Satu Mare, Baia Mare, Sibiu, Suceava and Targu Mures. The urban development poles also received dedicated funding (20% of the funds allocated for Axis 1). The rest of the funds were meant for financing investments in urban centers, defined as cities with a population higher than 10.000 inhabitants. These cities had to compete for 30% of the funds.

Under this priority axis there have been financed projects that were included in integrated urban development plans. These plans were developed on medium and long term and aimed the development and regeneration of the cities. A precondition for ensuring the sustainability of the plans was to involve in the elaboration process besides local administration, the citizens and other local stakeholders. There was a specific request in what concerns the growth poles to consider the implementation of the plan both in major cities and the surrounding areas (urban or rural). In this regard the 7 growth poles created Inter-municipal Development Associations that included the localities in the existing or newly formed metropolitan areas.

The projects identified in the integrated plans needed to take into consideration interventions in three areas: urban infrastructure, entrepreneurship and employment and social infrastructure and services. The link between the three areas and the established objective is as follows: better urban

² The Government selected the largest population center for each of the seven development region (except Bucharest-Ilfov)

infrastructure will lead to improved quality of life for the citizens and will stimulate the establishment of new economic activities, better business infrastructure will determine the creation of a diversified business environment, increasing the competitiveness of cities and the creation of new jobs and satisfying the social needs will lead to better employment, enhancement of life quality and achievement of equal opportunities principle.

As mentioned before there were three possible types of interventions under this axis: rehabilitation of urban infrastructure (physical regeneration of city centers and public spaces, rehabilitation of urban streets and related infrastructure and their connection to surrounding areas of the city, rehabilitation of unused/polluted sites and preparation for new uses, development of an environmentally friendly public transport and alternatives forms of transport), improvement of services, including social services (rehabilitation of social infrastructure, including social housing, acquisition of equipment for increasing security and preventing crimes) and development of business support structures and entrepreneurship (creation/rehabilitation of business structures, creation/rehabilitation/extension of leisure tourist areas and infrastructure, and related utilities).

The Managing Authority for ROP (MA) anticipated that there would be more interest from the beneficiaries for the first type of interventions (urban infrastructure) than for the other two domains: social and economic. In order to assure a minimal integrated approach of the financed interventions, the MA requested that each integrated plan to have individual projects from at least two of the three types. In spite of this measure, most of the beneficiaries only included one social project with a minimum value, mainly supporting the implementation of a video surveillance system in order to decrease criminality rate. The updated Interim evaluation of the ROP showed that the beneficiaries were reticent to include in the integrated plans individual economic projects due to the higher co-financing rate needed in order to comply with the state aid provisions. Another aspect revealed by the evaluation regards the fact that most of the submitted economic projects had an important real estate component and led to limited creation of jobs.

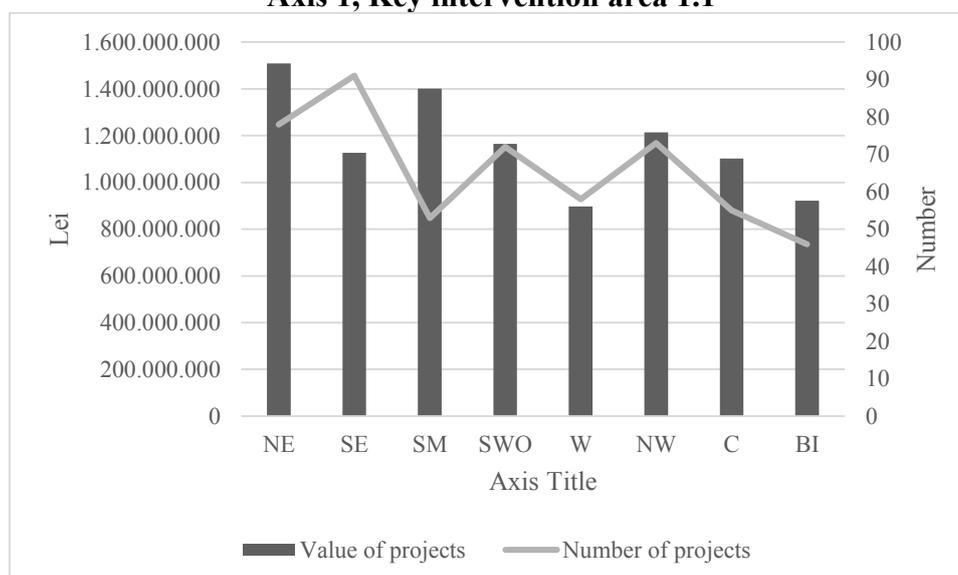
3. Implementation of the Integrated urban development plans financed by ROP 2007-3013

For the 2007-2013 programming period, Romania was allocated 19.69 billion Euros from structural and cohesion funds, out of which 3.96 bn. Euros (20%) were allocated for ROP. Inside the ROP the highest amount was destined to support urban development through axis 1 (30% - 1.156 bn. Euros). The interest for this axis is shown by the high value of the projects submitted, on the second

place after priority axis 2. Improvement of regional and local transport infrastructure. This axis is on the first place in what concerns the contracted funds, but with a low level of absorption rate.

At the end of February 2015³, there have been 526 projects contracted through key intervention area 1.1, for a total amount of 9.33 bn. lei, out of which 5.76 bn. lei from ERDF. 42.8% of the sum was contracted for 274 projects with beneficiaries from 76 urban centers, 39.9% was contracted for 145 projects with beneficiaries from the 7 growth poles and the rest of the sum was contracted for 107 projects with beneficiaries from the 13 urban development poles. The highest amount of funds was contracted in North-East region (1.5 bn. lei) and the smallest in West region (897 mn. lei). Beneficiaries from South-East region contracted the most projects (91) and those from Bucharest-Ilfov the smallest number of projects (46), but we have to take into consideration the fact that beneficiaries from this region could apply only for urban centers operation. The average value per contracted project varies between 26.4 mn. lei in South-Muntenia region and 12.3 mn. lei in South-East region, the national average being 17.7 mn. lei.

Figure 1 - Regional distribution of contracted projects on ROP, Axis 1, Key intervention area 1.1



Source: Own calculation based on the List of contracted projects, 28th of February 2015, MA for ROP

For the growth poles there have been contracted 145 projects amounting 3.72 bn. lei. 33 of the projects were finished, with Brasov on the first place with 12 finished projects (out of 25 contracted projects)⁴. Cluj-Napoca and Iasi contracted the highest sum (over 600 mn. lei) and Timisoara the

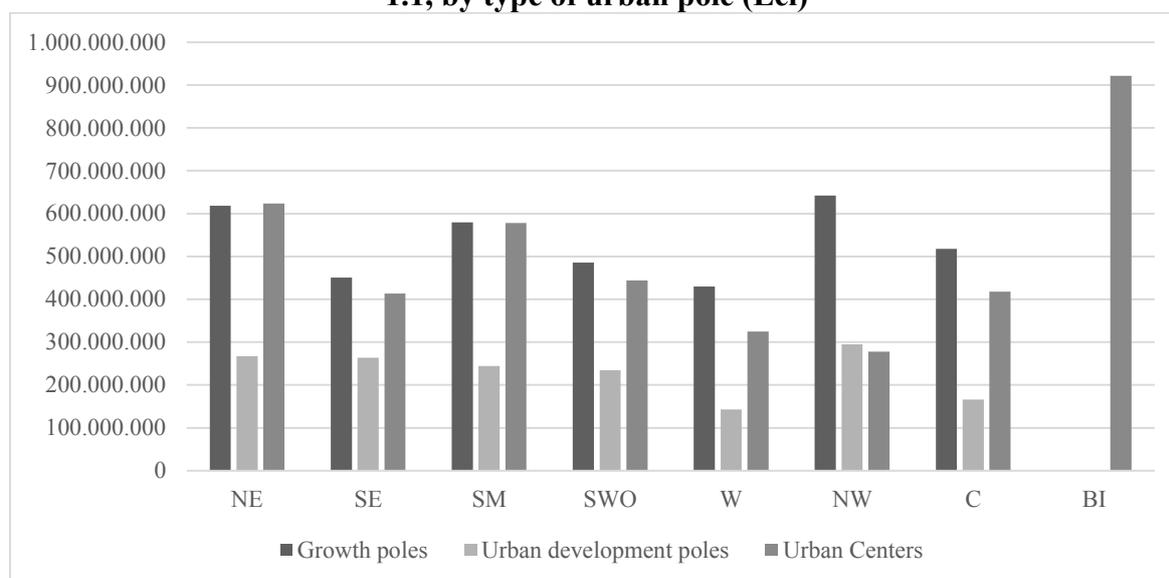
³List of contracted projects, 28th of February 2015, available on the MA for ROP website: <http://info regio.ro/ro/implementare/proiecte-finantate.html>

⁴ According to the SMIS database available on the site of the Ministry of European Funds

lowest. Constanta and Brasov growth poles contracted the highest number of projects (32, respectively 25) and Iasi contracted only 13 projects. There were four growth poles that registered a higher average sum reported to a project than at national level: Iasi, Ploiesti, Cluj-Napoca and Craiova. One more remark has to be made concerning the localities that form the metropolitan area of the growth poles. In the case of Constanta and Brasov growth poles, an important number of the projects have been contracted by the component localities of the urban area (22 out of 32 projects for Constanta growth pole – Agigea, Corbu, Cumpana, Eforie, Lumina, Mihail Kogalniceanu, Murfatlar, Navodari, Ovidiu, Poarta Alba, Techirghiol, Tuzla and Valu lui Traian - and 8 out of 25 projects for Brasov growth pole – Codlea, Ghimbav, Predeal, Rasnov, Sacele and Vulcan). In the case of Iasi growth pole all the projects were contracted by Iasi municipality and only one other municipality contracted projects in the case of Cluj-Napoca and Craiova growth poles. This shows that the interventions were focused mainly on the capital city and did not have an integrated approach at metropolitan level. This fact led to negative reactions from the component localities which didn't see the benefits of the metropolitan area and in some cases they left the association.

In what concerns the urban development poles one can notice that there have been contracted 107 projects with a total value of 1.6 bn. lei, with Sibiu on the first place with 6 finished projects (out of 8 contracted projects). The highest amounts have been contracted in Pitesti and Ramnicu Valcea (with over 200 mn. lei each) and the lowest in Deva (around 42 mn. lei). Deva also registered the lowest average sum contracted per one project. The highest number of projects were contracted in Braila (15 projects) but with a low average sum/project, Pitesti and Ramnicu Valcea (12, respectively 13 projects) which also registered a high average value/project. Higher average values/project than the national one were also registered in Suceava and Oradea. Targu Mures is the urban development pole that even though it only contracted 3 projects it registered the highest average value per contracted project (over 24 mn. lei/project). These three projects contracted by Targu Mures municipality were destined for the modernization of the streets network and creation of a monitoring system for people safety in the areas with high social risk.

Figure 2 - Regional distribution of contracted projects on ROP, Axis 1, Key intervention area 1.1, by type of urban pole (Lei)



Source: Own calculation based on the List of contracted projects, 28th of February 2015, MA for ROP

Urban centers contracted 274 projects with a total value of 4 bn. lei. Another city from Center region, Alba-Iulia, registered the highest number of finished projects (6 out of 7 contracted projects) among the urban centers. The highest amounts have been contracted by urban centers in Bucharest-Ilfov (over 900 mn. lei) and North-East (over 600 mn. lei) regions and the lowest in North-West region (around 300 mn. lei). Taking into consideration the number of contracted projects one can notice that 50 projects were from North-East region (with 15 beneficiaries) and only 19 projects from Center region (with 5 beneficiaries). The average value of the contracted projects varied between 22 mn. lei in South-Muntenia region and 9 mn. lei in North-West region.

For a deeper analysis⁵ concerning the types of interventions contracted, the authors took into consideration the growth poles, the urban development poles and the capital cities among the urban centers. On the whole one can notice that most of the contracted projects aimed urban infrastructure rehabilitation (251, out of which 67 were finished), and only 23 of the contracted projects aimed business environment improvement (only 2 were finished). For social infrastructure there were 84 projects contracted out of which 37 projects were finished. Growth poles registered the highest number of contracted projects for all three areas, but urban centers managed to finish the highest number of projects. From the presented data one can notice the low number of projects that aim at business environment infrastructure. All growth poles applied for this kind of support, but a higher interest was registered in the case of Cluj-Napoca and Timisoara with 5, respectively 4 contracted

⁵ Based on the SMIS database available on the site of the Ministry of European Funds

projects. Only 4 urban development poles and urban centers contracted economic projects: Ramnicu Valcea, Satu Mare, Suceava and Slobozia (one project each). Constanta (among the growth poles), Braila (among the urban development poles) and Bucharest (among the urban centers) contracted the highest number of social projects (10, 7, respectively 2). In what concerns urban infrastructure, the highest number of contracted projects was registered in Constanta (22), Brasov (16), Timisoara (14), Pitesti (11), Bucharest (14) and Slatina (12). Out of the total analyzed cities Craiova, Baia Mare, Drobeta Turnu Severin and Targoviste didn't manage to finish any of the contracted projects and 4 urban centers finished all of the contracted projects (Alexandria, Botosani, Miercurea Ciuc and Zalau).

4. Main problems regarding the financing of projects within Axis 1 of the ROP

The economic and financial crisis affected the urban development due to the fact that it led to decreases in the level of revenues and expenses of the public administration and it also had important negative effects on the urban enterprises. Urban infrastructure projects were cancelled, postponed or resized due to the decrease in capital expenses carried out by public administration.

Some problems been identified during the entire process of programme implementation:

- delays in the launching of the calls for projects (two years after the beginning of the period) due on the one hand to the prolonged time needed to discuss with the European Commission aspects concerning the practical method of financing the growth poles and the urban development poles, and on the other hand on the difficulties encountered in the process of elaborating the Applicant's Guide;
- the novelty of the approach promoted by this axis represented a real challenge for most of the cities; this factor had a negative impact on the implementation of the project leading to a slow process in elaborating urban plans and also applying for funds;
- the evaluation, contracting, payment and verification stages, the low capacity of the beneficiaries and of the evaluators created a high pressure on the institutional capacity, leading to lower quality results;
- during 2012 the programme was suspended due to the noncompliance of the management and control system, thus affecting the financial flows and leading to delays and cessation of internal payments;
- beneficiaries elaborated pre-financing applications with delays;

- fluctuation of the personnel employed by the beneficiary which led to project management difficulties;
- important delays were registered in the initial schedule of implementation for some individual projects from the integrated urban development plans of the growth poles which led to a low level of reimbursement; also the repayment schedules did not match the real technical and financial implementation of the projects
- an important problem was generated by the difficulties experienced by beneficiaries in applying the public procurement legislation and the high number of contestations, which represented a major impediment for project implementation in good conditions in terms of time, resources and indicators; this legislation is heavy to understand, can be interpreted and is time consuming;
- financial corrections applied due to incorrect procedures implemented during the public procurement process led to disruptions in cash-flows;
- long period of time elapsed between the moment in which the project was submitted and the moment it started (sometimes up to 2-3 years);
- low quality of the technical and economic documentation; technical projects needed to be reviewed after contracting which led to supplementary works and higher ineligible expenses;
- most of the procedural steps registered delays; higher delays appeared later, during the implementation of the projects, mainly in what concerns the verification and processing the reimbursement applications and the payment stage; these delays were generated by more factors such as: double verification of the documentation (intermediate bodies (IB) and managing authority (MA)), low quality of the documentation (review), excessive number of supporting documents;
- deficiencies regarding the institutional capacity of the MA and IB in terms of human resources' availability and qualification;
- beneficiaries encountered difficulties in assuring the necessary co-financing and cash-flows due to the lack in financial resources.

There are also some issues regarding the achievement of the targets established for the programme indicators. Problematic indicators are the ones that take into consideration the number of projects that promote sustainable development of the business environment, number of companies located in the regional and local poles and number of jobs created/maintained.

Even for the indicators which show progress, such as the number of inhabitants that benefit from the implementation of the integrated urban development plans, there are some issues regarding the way they are collected. Most of the time it was calculated as the total stable population of the city/town in which an individual project is implemented. That led to the fact that the population was counted for each individual project of a city.

Conclusions

EU experiences have shown that in order to achieve a sustainable urban development there is a need of an integrated approach to economic, social, environmental and cultural problems especially within the deprived areas. An integrated approach means to simultaneously support interdependent problems such as: the physical renovation of the urban environment, the rehabilitation of basic infrastructure, actions concerning economic development and the integration of minorities, all taking into account environmental protection.

Romania's urban policy has to be correlated with other sectoral policies in the way that every strategy should include a component on urban development and urban strategies should also address issues concerning social or environmental aspects, not only economic.

Approximately 50% of the total allocated funds for priority axis 1 of the ROP were destined for investments in growth poles and only 20% for investments in the 13 urban development poles. All urban centers competed for the remaining funds and localities with less than 10.000 inhabitants could not benefit from funding within ROP. The argument for fostering growth poles is that these cities are able to spread wellbeing to their smaller neighboring areas.

For the next programming period, it is considered that for a more balanced development in Romania, the capital cities should be better used as motors for the socio-economic development. In accordance with the draft of the Regional Operational Programme for 2014-2020 (April 2015) the priority axis 4 (replacing Axis 1 of the 2007-2013 programming period) will support sustainable urban development and the beneficiaries will be 39 capital cities out of 41⁶. Also, for the 2014-2020 programming period, the Romanian Government is considering a new approach proposed by the European Commission – Community-Led Local Development (CLLD) which will be financed through ROP 2014-2020 Axis 9. Supporting economic and social regeneration of urban marginalized communities. This concept is very similar to the approach already taken in the previous programming

⁶Tulcea municipality is excepted from financing as it has a dedicated allocation through the Danube Delta ITI Strategy and Bucharest because it's included in the high developed region category

period 2007-2013 through integrated plans within ROP and also to the Leader approach in rural areas within National Programme for Rural Development.

There was high interest for urban infrastructure investments and a low interest for business related investments. The reason given by public administration was that the co-financing of the business investments is higher than the rate used for urban or social infrastructure. The territorial distribution of the contracted projects that aim at promoting sustainable development of the business environment shows a high concentration in North-West and West regions. Most of the beneficiaries preferred investments in social infrastructure, but only at a minimum level and because it was compulsory to have one more type of intervention along the ones in urban infrastructure. Taking into consideration the degree of satisfying the programme indicators, one can notice that priority axis 1 will succeed in reaching the targets set for 2007-2013 with one exception, development of business environment. One can conclude that the integrated approach was not really achieved. In this context, the integrated approach should envisage a diversification of financed operations taking into consideration the specific socio-economic needs of different types of cities.

An important role in this process was attributed to the Inter-municipal Development Associations (IDA) and the Coordinator of the growth pole. These two structures should be maintained in the following programming period due to the fact that they stimulate communication with the Regional Development Agencies/MA and among actors and also the identification and development of common projects. IDA can also simulate the integrated approach at territorial level by applying for funding for projects that cover all of the localities in the functional urban area (metropolitan area) and in this way the smaller communities could also benefit. The Coordinator of the growth pole could receive more power (eg. regional coverage) as it can prove to be very efficient in offering technical assistance for integrated strategy development and project identification, analysis of the projects' documentation, technical assistance in selection, evaluation, contracting and implementation stages.

For the future, the MA must have in mind that the Applicant's Guide is crucial for eliminating delays at all stages of the process, the contracting and implementation procedures should be simplified (eg. reducing the number of supporting documents) and the risk of discretionary interpretation should be reduced. Also the public procurement legislation should be clearer, some guidelines should be elaborated and some contract models and specification models should be provided to the beneficiaries.

Even though this new integrated approach generated delays one can notice that some benefits came out of it. For example the public administration of the beneficiary cities improved their

programming capacity, developed competences in elaboration and implementation of complex projects and partnership management. One the main benefits of this axis is connected to the fact that local authorities have been given the chance to plan and implement complex projects that couldn't have been done without external funding.

The Impact evaluation of ROP priority axis 1 underlines the fact that the net effect of the financed investments is positive for all the indicators used in the analysis. This means that the cities that benefited from funding within this axis have registered increases in the quality of life and job creation.

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