

THE REGIONAL STATE AID SCHEMES AS A SUPPORT TO SUSTAINABLE URBAN DEVELOPMENT

Abstract

This paper proposes a discussion on the regional aid schemes in Romania with a particular emphasis on those aiming to offer support to the sustainable urban development. The basic components of their mechanisms are analysed in terms of eligible activities, beneficiaries, annual allocations and estimated outputs. A brief look-forward is also provided.

Keywords: regional aid schemes, urban sustainable development, urban growth poles, Romania

JEL CODES: R11, R38

AJUTOARELE REGIONALE, SUPTOR PENTRU DEZVOLTAREA URBANĂ DURABILĂ

Daniela-Luminita CONSTANTIN

Professor Ph.D., Administration and Public
Management Faculty, Bucharest University of Economic
Studies

E-mail: danielaconstantin_2005@yahoo.com

Rezumat

Aceasta lucrare discuta problematica ajutoarelor de stat regionale in Romania, cu accent pe schemele care sprijina dezvoltarea urbana durabila. Componentele de baza ale mecanismelor acestor scheme sunt analizate in termenii activitatilor eligibile, beneficiarilor, alocarilor anuale si output-urilor estimate. O scurta abordare a propunerilor Comisiei Europene privind reforma in domeniul ajutoarelor de stat este de asemenea inclusa in finalul lucrarii.

Cuvinte cheie: ajutoare de stat regionale, dezvoltare urbana durabila, poli de crestere urbana, Romania



Proceedings of the eighth Administration
and Public Management International
Conference

1. INTRODUCTION

In the 2007-2013 programme period the sustainable urban development represents a priority explicitly mentioned in both the National Reference Strategic Framework and the corresponding Regional Operational Programme.

The general objective of the ROP is "the sustainable, territorially balanced economic and social regional development, concentrated on urban growth poles support, infrastructure and business environment improvement, so as to make the Romanian regions attractive for investors and inhabitants" (Government of Romania, 2007, p. 120). The five priority axes derived from this objective refer to: Supporting the sustainable development of the urban growth poles; Improving the regional and local transport infrastructure; Improving the social infrastructure; Supporting the regional and local business environment; Tourism's sustainable development and promotion.

Considering the important emphasis put in the current programme period on the territorial dimension of the cohesion policy, the policy focus on the areas designated as targets for various measures in this respect has got a special significance. Such a focus can be found in the ROP, mainly within the Priority Axis 1 - Supporting the sustainable development of the urban growth poles. It has been allocated 30% of the ROP budget and is designed to underpin the development of urban centres in order to improve the quality of life and increase employment.

Two categories of urban poles have been agreed, namely national growth poles ('poli nationali de crestere') and urban development poles ('poli de dezvoltare urbana').

The former have received 50% of the PA1 allocations, which are mainly oriented to investment projects resulted from the integrated development plans of the national growth poles. Brasov, Cluj-Napoca, Constanta, Craiova, Iasi, Ploiesti and Timisoara cities have been declared national urban pole status (Government of Romania, 2008a).

The latter, subsequently established, are distributed 20% of the PA1 allocations. The urban development poles are conceived as 'binders' between the national growth poles and the small and medium towns, in order to alleviate and prevent from the imbalanced development tendencies within the regions they belong to. They are also supposed to contribute to reducing the population and labour force concentration in the big cities and to creating spatial structures able to support the territorially balanced economic development. The cities selected as urban development poles are Arad, Baia Mare, Bacau, Braila, Galati, Deva, Oradea, Pitesti, Ramnicu Valcea, Satu Mare, Sibiu, Suceava, Targu Mures

(Government of Romania, 2008b). The criteria focused on economic development potential, R&D and innovation capacity, adequate business infrastructure, accessibility, public services offered, administrative association capacity. Another ROP axis, PA4 - Supporting the regional and local business environment via PA 4.1 - Business support structures aims at contributing (inter alia) to the development of industrial and technological parks. At present there are over 40 industrial and technological parks, a couple of them being the result of former armament enterprises restructuring (e.g. Mija, Plopeni, Moreni Parks).

In order to fulfill the ROP objectives, the sums received via the European Regional Development Fund and national co-financing are accompanied, in clearly specified situations, by allocations from the state budget via the regional aid schemes.

This paper aims to discuss the main aspects entailed by the implementation of these schemes, highlighting the basic components of their mechanisms. First, a general outlook is provided, followed by insights into the eligible activities, beneficiaries, annual allocations and estimated outputs.

2. THE STATE AID AND THE REGIONAL AID SCHEME

According to the Treaties of the European Communities, the state aid is defined as “an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities” (European Commission, 2012a). The control of the state aid aims to guarantee that the competition and trade within the EU are not distorted. The selective basis of the advantages conferred is the main feature of the state aid: as a consequence, “subsidies granted to individuals or general measures open to all enterprises are not covered by the Article 107 of the Treaty of the Functioning of the European Union and do not constitute state aid” (European Commission, 2012a).

In accordance with the EU regulations, in 2006 the Government of Romania adopted the Decision No. 946/July 19, 2006 regarding the regional state aid's maximum ceiling for initial investments.

The regional aid scheme is applied only for initial investments in the eligible regions, in accordance with the 2007-2013 regional aid map approved by the EC for Romania (European Commission, 2007). For all Romanian development regions a 50% ceiling has been adopted. The exception is the Bucharest-Ifov region, which has a 40% ceiling. This difference has been determined by the development gap between Bucharest-Ifov and the other Romanian NUTS 2 regions. These ceilings are valid only for the firms which are not included in the SME category, as defined in the regulations regarding the state aid. In the case of small and medium firms the above percentages are added 10%. In the case of micro-

firms the same ceilings are raised by 20%. Besides SMEs the transport sector benefits from this aid as well.

For the ROP there are three available schemes, namely: the state aid scheme for regional development through the creation and development of business support structures, the state aid scheme for regional development through the support to tourism investments and the 'de minimis' aid scheme for micro-enterprises support. For this paper the first of these schemes has been chosen for an extensive discussion.

3. THE STATE AID SCHEME FOR REGIONAL DEVELOPMENT THROUGH THE CREATION AND DEVELOPMENT OF BUSINESS SUPPORT STRUCTURES

The state aid scheme for regional development through the creation and development of business support structures (Minister of Regional Development and Tourism, 2010)¹ has as the main objective the stimulation of the sustainable regional and local development via supporting the creation and development of modern structures for local and/or regional interest businesses. This scheme is valid for all eight NUTS 2 regions.

It is applied to all business support structures financed within the following priority axes and key areas of intervention of the ROP:

- Priority axis 1: Support to sustainable development of urban growth poles

Key area of intervention 1.1 – Integrated urban development plans

- Priority axis 4: Strengthening the regional and local business environment

Key area of intervention 4.1 – Development of sustainable business support structures of regional and local importance

Key area of intervention 4.2 – Rehabilitation of unused polluted industrial sites and preparation for new activities

The main eligible activities refer to:

Construction/rehabilitation /extension of buildings only for productive and services activities;

¹ The Order No. 1878/2010 of the Minister of Regional Development and Tourism issued on July 20, 2010 updates the rules previously specified in the Order No. 287/2008 of the Minister of Development, Public Works and Housing issued on March 6, 2008.

- Rehabilitation/extension of the internal road system inside the location and also the access roads;
- Set up/rehabilitation/ modernization/extension of the basic utilities (water, sewage, natural gas and electricity networks);
- Cabling, internet broadband networks etc.;
- Endowment with equipment of the built/rehabilitated/extended business support structures.

Within this scheme the state aid is offered as grants differentiated depending upon the beneficiary category, as follows:

- for the territorial administrative units (local authorities) or partnerships between them the ceiling is 50% of the eligible expenditures for all development regions, except for Bucharest-Ilfov which has a 40% ceiling;
- for economic operators, chambers of industry and commerce or associations representing the business environment the ceiling is 60% and 50% respectively (for Bucharest-Ilfov) in the case of medium firms and 70% and 60% respectively (for Bucharest-Ilfov) in the case of small and micro- firms.

The annual allocations established by the Order of the Minister of Regional Development and Tourism in 2010 are presented in Table 1.

TABLE 1 - THE ANNUAL, ORIENTATIVE DISTRIBUTION OF THE SUMS ALLOCATED VIA THE STATE AID SCHEME FOR REGIONAL DEVELOPMENT THROUGH THE CREATION AND DEVELOPMENT OF BUSINESS SUPPORT STRUCTURES

Year	Sums allocated from the ERDF (million euro)	Sums allocated from the state budget (million euro)
2010	221.76	54.40
2011	133.06	32.65
2012	44.35	10.88
2013	44.35	10.88
Total	443.52	108.81

Source: Minister of Regional Development and Tourism, 2010

The pre-financing that may be offered should not exceed 35% of the total financing for the beneficiary according to the contract. The estimated number of beneficiaries of this scheme is 30. The scheme is valid until 31 December 2013. In accordance with the cumulating rule the grants allocated via this scheme may not be cumulated with other state aids.

The estimated outputs are included in the Regional Operational Programme – Priority axis 1 - Support to sustainable development of urban growth poles and Priority axis 4 - Strengthening the regional and local business environment. The former are presented in Table 2.

TABLE 2 - EXPECTED OUTCOMES OF THE PRIORITY AXIS 1 OF ROP - SUPPORT TO SUSTAINABLE DEVELOPMENT OF URBAN GROWTH POLES

Indicator	Unit	Baseline	Baseline Year	Source	Target (2015)
OUTPUT					
Integrated urban development plans accepted	No	-	-	ROP Monitoring System - SMIS/IB/MA reports	30
Projects ensuring the improvement of the urban infrastructure and urban services, including urban transport	No	-	-	ROP Monitoring System - SMIS	60
Projects promoting the development of sustainable business environment	No	-	-	ROP Monitoring System - SMIS	15
Projects ensuring the rehabilitation of social infrastructure, including social housing and improvement of social services	No	-	-	ROP Monitoring System - SMIS	25
RESULT					
Inhabitants benefiting from the implementation of projects within integrated urban development plans	No	-	-	ROP Monitoring System - SMIS	400,000
Companies established in the regional and local growth poles	No	-	-	ROP Monitoring System - SMIS	400
Jobs created / saved	No	-	-	ROP Monitoring System - SMIS	1,500

Source: Regional Operational Programme of Romania, p. 126,
http://www.mie.ro/_documente/POR/ROP%20Final%20Version.pdf

4. A LOOK FORWARD

The expected outcomes of the regional aid schemes will be possible to be fully evaluated only at the end of the implementation period. However, the drawbacks already identified has determined the EC to propose a state aid reform programme in May 2012. A more effective way of targeting the sustainable growth-enhancing policies at the same time with a stronger budgetary consolidation, the competition distortion limiting and the emphasis on the open single market are envisaged. The proposals refer to the

principles which assess the compatibility between aid and the internal market, the consolidation of the state aid guidelines, the clarification and the better explanation of the state aid notion, the modernization of the procedural regulation regarding the market information tools, etc. (European Commission, 2012b).

ACKNOWLEDGEMENT

This paper draws on research relating to regional policy in Romania conducted under the European Regional Policy Research Consortium (EoRPA), managed by the European Policies Research Centre (University of Strathclyde, Glasgow), see <http://www.eprc.strath.ac.uk/eorpa/default.cfm>.

REFERENCES

- European Commission (2007). "State aid N 2/2007 – Romania". Retrieved 12 May, 2012 from: http://ec.europa.eu/competition/state_aid/register/ii/doc/N-2-2007-WLWL-en-24.01.2007.pdf.
- European Commission (2012a). "Competition – State Aid Overview". Retrieved 2 April, 2012 from: http://ec.europa.eu/competition/state_aid/overview/index_en.html.
- European Commission (2012b). "Competition – State Aid Modernisation". Retrieved 12 April, 2012 from: http://ec.europa.eu/competition/state_aid/modernisation/index_en.html.
- Government of Romania (2007). "Regional Operational Programme of Romania". Retrieved 12 May, 2012 from: http://www.mie.ro/_documente/POR/ROP%20Final%20Version.pdf.
- Government of Romania (2008a). "Decision No. 998/ 9 August, 2008 regarding the national growth poles". Retrieved 12 March, 2012 from: http://www.dreptonline.ro/legislatie/hotarare_prioritate_investitii_programe_finantare_comunitara_nationala_998_2008.php (in Romanian).
- Government of Romania (2008b). "Decision No. 1149/ 18 September, 2008 for updating the Decision No. 998/ 9 August 2008 regarding the national growth poles". Retrieved 12 May, 2012 from: <http://www.regiuneavest.ro/stiri/page/id/25/> (in Romanian).
- Minister of Regional Development and Tourism (2010). "Order No. 1878/ 20 July, 2010, regarding the state aid scheme for regional development through the creation and development of business support structures". Retrieved 29 May, 2012 from: [http://legestart.ro/Ordinul-1878-2010-modificarea-completarea-anexei-Ordinul-ministrului-dezvoltarii-lucrarilor-publice-locuintelor-287-2008-aprobarea-Schemei-ajutor-stat-dezvoltare-region-\(MzU4MjQy\).htm](http://legestart.ro/Ordinul-1878-2010-modificarea-completarea-anexei-Ordinul-ministrului-dezvoltarii-lucrarilor-publice-locuintelor-287-2008-aprobarea-Schemei-ajutor-stat-dezvoltare-region-(MzU4MjQy).htm) (in Romanian).