

**THE ROP INDICATIVE FINANCIAL
ALLOCATION MECHANISM: RESULTS
AND PROSPECTS IN THE NORTH-EAST
REGION OF ROMANIA**

Abstract

Starting from the applying of the indicative financial allocation mechanism in the case of the Regional Operational Programme in Romania, this paper proposes an inquiry into the implementation results in the North-East region, the least developed among the NUTS 2, with a focus on Suceava county. The examination and interpretation of the data provided by Info regio are accompanied by the discussion of the answers to in-depth interviews carried out in this respect within the GRINCOH FP7 project.

Keywords: ROP, implementation, North-East region, Suceava county, interviews

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**MECANISMUL ALOCARILOR
FINANCIARE INDICATIVE DIN
POR: REZULTATE SI
ASTEPTARI IN REGIUNEA DE
NORD-EST**

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Rezumat

Pornind de la mecanismul de alocare indicativă al Programului Operațional Regional, această lucrare propune o incursiune în rezultatele implementării programului în regiunea Nord-Est, cea mai slab dezvoltată regiune a României, cu accent pe județul Suceava. Examinarea și interpretarea datelor furnizate de Info regio sunt însoțite de comentariile privind răspunsurile la interviurile în profunzime efectuate în cadrul proiectului FP7 GRINCOH, în care ASE București este unul dintre cei 12 parteneri.

Cuvinte cheie: POR, implementare, regiunea de Nord-Est, județul Suceava



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1. INTRODUCTION

The entire regional development policy in Romania gravitates around the EU Cohesion Policy. Not only the policy statements but also the financial allocations are established in correlation with the co-funding levels resulted from the requirements regarding the implementation of the Structural Instruments. As far as the Regional Operational Programme (ROP) is concerned, the indicative financial allocations established for the eight NUTS 2 regions give priority to the less developed ones: thus, these allocations are calculated in inverse proportion to the GDP per capita of each region and adjusted by the density of population. As a result, the main beneficiaries are the less developed regions, with the North-East region ranking first.

This paper aims to examine the results obtained by the North-East region in the implementation of the ROP 2007-2013 as well as the effectiveness of the current governance model and the outcome of the interventions coming from national policies and EU cohesion policy. Prospects derived from the opportunities (associated with strengths) of the region's development are also addressed. With this aim in view data provided by Inforegio have been employed, accompanied by the opinions expressed by local policy makers and experts with regard to the issues mentioned above. The latter have been collected by means of in-depth interviews which were carried out in 2013 with representatives of city hall, national and regional authorities, chambers of commerce, business associations, higher education institutions, and implementing authorities within the GRINCOH FP7 project (GRINCOH, 2014), in which the Bucharest University of Economic Studies is one of the 12 partners involved. A special emphasis has been put on Suceava county, as a relevant case study within the North-East region.

The paper is organized as follows. First, the ROP indicative allocations and implementation results are examined, highlighting facts and figures pertaining to the North-East region (NUTS 2) and Suceava county (NUTS 3). Then, the interviewees' opinion with regard to the outcome of the EU-supported regional policy is examined, keeping the same focus. Finally, a look forward is provided, highlighting future prospects with regard to the opportunities and strengths of the North-East region and Suceava county in the context of the 2014-2020 Cohesion Policy.

2. The ROP – indicative allocations and implementation results. A focus on the North-East region and Suceava County

As previously mentioned, the North-East region received the highest allocations from the ROP 2007-2013 as a result of two interrelated facts: on the one hand, it has the lowest GDP per inhabitant (27% of the EU-27 average in 2004, when the allocations were established); on the other hand, its population density (99.7 people per square km) is higher than the national average (90.9 people per square km). Table 1 presents the distribution of the European Regional Development Fund (ERDF) for ROP by NUTS 2 region, confirming the inverse proportion between the GDP per inhabitant and the region's share in the ERDF for ROP.

Table 1. The ROP related ERDF distribution by region

NUTS 2 Region	GDP per capita in 2004, PPS	Population in 2004	ERDF for ROP	
	% (comp. to EU27 average)	% in total Romania	million euro	%
North-East	24	17.2	724.09	16.32
South-East	31	13.2	587.88	13.25
South Muntenia	28	15.4	631.36	14.23
South-West Oltenia	28	10.7	621.60	14.01
West	39	8.9	458.77	10.34
North-West	33	12.7	536.41	12.09
Centre	34	11.7	483.62	10.90
Bucharest-Ilfov	68	10.2	393.10	8.86

Source: Calculations of the authors using Eurostat and www.inforegio.ro data

The ROP priority axes envisage the support to sustainable development of urban growth poles, the improvement of regional and local transport infrastructure, the improvement of social infrastructure, the strengthening the regional and local business environment and the sustainable development and promotion of tourism (Government of Romania, 2007).

As far as the ROP implementation is concerned, the domestic data on financial absorption shows considerable variation across the NUTS 2 regions (see Table 2).

Table 2. The situation of the ROP implementation by region on October 18, 2013

Region	Population (million pers.)	Financing contracts	Payments to beneficiaries	
		(million euro)	Value euro	(million Share of eligible value (%))
North-West	2.7	463.89	191.86	45.30
Centre	2.63	417.54	187.82	49.20
North-East	3.8	632.67	315.00	55.02
South-East	2.8	458.53	217.18	46.80
South-Muntenia	3.45	571.71	207.26	41.60
Bucharest-Ilfov	2.2	301.92	83.43	26.90
South-West	2.4	536.04	247.82	50.50
West	1.9	422.95	166.33	46.00

Source: Processed by authors using <http://www.info regio.ro> data

One can notice that the North-East region has recorded the highest absorption rate, indicating a promising response to the prospects in terms of support to urban development, regional and local transport infrastructure, social infrastructure, regional and local business environment, tourism promotion and development, as priority axes of the ROP. An important role in the good results of the North-East region with regard to the EU Funds absorption rate has been played by the North-East Regional Development Agency, which is the Intermediate Body for the ROP implementation. The number of projects in Suceava county, the subject of our case study, counts for approximately 20 % of the total number of projects implemented or under implementation in the North-East region, indicating partial results above the average (Table 3).

Table 3. Projects implemented or ongoing

	Number of projects	% county	% region	% Romania
Suceava – capital city	34	32.7	6.6	1.0
Suceava county	104		20.23	3.0
North-East region	514			14.6
Romania	3524			

Source: own processing

The top 10 projects (in terms of value) implemented or ongoing in Suceava county are presented in Table 4. One can notice that many of them envisage the improvement of regional and local transport infrastructure, which can create synergic effects between this axis and the other axes of the ROP via increasing accessibility.

Table 4. Top 10 projects in Suceava county (based on the project value)

Rank	Project	Key area of intervention	Beneficiary	County	Total value	ERDF
1	Street rehabilitation, bridge and passage, park modernisation, creation of module stops of public transport in Suceava municipality Street, bridge and passage rehabilitation, modernization of parks and creating modular stations for public transport in Suceava municipality	1.1 Integrated urban development plans	Suceava Municipality	Suceava	66,511,712	44,692,798
2	Rehabilitation of the Suceava fortress and its protection area	5.1 Restoration and sustainable valorization of cultural heritage and setting up/ modernization of related infrastructure	Suceava, Stefan Cel Mare No.36 Str.	Suceava	52,598,065	35,589,078
3	Modernization of the county road 174, VATRA DORNEI - SARU DORNEI - PANACI, KM- 0+000 - 22+000	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/r ehabilitation of ring roads	Suceava County Council	Saru Dornei, Panaci, Vatra Dornei	38,720,078	28,187,286

4	Rehabilitation of the central area of Suceava city by creating underground passages, rehabilitating pedestrian ways and street	1.1 Integrated urban development plans	Suceava Municipality	Suceava	37,807,346	24,460,915
5	Modernization of the county road 178, Ilisesti - Ciprian Porumbescu, KM 36 + 150 - 44 + 000, Suceava county	2.1 Rehabilitation and modernization of the county roads and urban streets network-including construction/rehabilitation of ring roads	Suceava County	Ilisesti, Ciprian Porumbescu	34,431,586	23,912,321
6	Modernization of the county road 175B (reconsidered from DIN DC 90 A, based on H-G- NR-540/2000), KM 0+000 - 15+800, POJORATA – RARAU	2.1 Rehabilitation and modernization of the county roads and urban streets network-including construction/rehabilitation of ring roads	Suceava County Council	Pojorata	31,180,788	22,687,218
7	Modernization of the county road 209D, DARMANESTI - CALAFINDESTI - SIRET, KM 21+500-48+340, SUCEAVA county	2.1 Rehabilitation and modernization of the county roads and urban streets network-including construction/rehabilitation of ring roads	Suceava County Council	Gramesti, Darmanesti Serbauti, Calafindesti	26,597,694	19,344,688
8	Restoration and conservation of the cultural heritage and modernization of the related infrastructure at Dragomirna Monastery, Suceava	5.1 Restoration and sustainable valorization of cultural heritage and setting up/	Dragomirna Monastery, Mitocu Dragomirnei, Suceava County	Mitocu Dragomirnei	25,722,330	17,819,133

	County	modernization of related infrastructure				
9	Modernization of the urban public areas in the districts Stadion, Centru and Bodea – Campulung Moldovenesc, Suceava County	1.1 Integrated urban development plans	Campulung Moldovenesc Municipality	Campulung Moldovenesc	24,974,629	15,731,133
10	Modernization of the county road 177, POIANA MICULUI - SUCEVITA, KM 10 + 000 - 20 + 875, Suceava county	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/r ehabilitation of ring roads	Suceava, Stefan Cel Mare No.36 Str.	Gura Humorului, Sucevita	20,982,340	14,572,159

Source: authors' processing based on www.inforegion.ro

The European funding will continue to support tourism development, Suceava county being one of the most important tourist destinations at national level. There are important ongoing projects, for example the modernisation of Rarau and Campulung Moldovenesc ski slopes while others are in preparation phase (e.g. Safari Adventure Park Paltinoasa).

Also, besides the support offered by the ROP to regional and local transportation infrastructure, there are major projects funded via the SOP – Transportation which help at a better connectivity between Suceava and international destinations. For example, the National Road 2: Bucharest – Suceava – Siret – Ukraine, NR 17: Moldova – Transylvania – Hungary, NR 18: Suceava – Maramures – Hungary – West Ukraine, NR linking Suceava – Botosani - Republic of Moldova, etc. There is also a major project for the rehabilitation of the "Stefan cel Mare" international airport, which will be able to operate short and medium courier flights with Boeing 767 airplanes.

3. Interviewees' opinion with regard to the outcome of the EU-supported regional policy

In the opinion of the interviewees, the regional and local policies have increased the FDI attractiveness, supported the boosting of exports, innovativeness, entrepreneurship, changes in the economic structure, labour markets, human resource development, social cohesion. They revealed how much influence the fiscal policy has on FDI, entrepreneurship, labour markets, etc. and also the positive impact that the level of local taxes and the legislative stability have on the development of business environment. A series of interventions were made by the local administration, such as development aids, support for companies in difficulty, assistance for poor families and pensioners. In terms of projects initiated, the Suceava County Council holds a top position among the county councils in Romania. Its projects have primarily contributed to the overall development of localities, to raising the living standards, to improvements in agriculture, tourism, and growth of various industries. The local chamber of commerce and industry has initiated various programmes for professional reconversion and training, has established contacts between companies and facilitated various opportunities for them. Also, it has stimulated public-private partnerships.

To a considerable extent, the national and EU interventions are believed to address the regional needs. The most relevant examples concern the industrial parks policy, the environmental protection, the farmer support policy, forestry and timber processing, the sustainable development of tourism in the Bucovina area, etc. The lower taxation policy, applied in the second half of the 1990s to aid the disadvantaged areas, was also mentioned, the Suceava county being one of these areas because of closing the non-ferrous mining at that time. Nonetheless, the policy failed to bring the expected results because many companies acting in the disadvantaged areas did not use local material resources and local labour force.

Even today, Suceava is still lagging behind other counties, the poor prioritisation from the needs and zone specificity point of view being considered as one of the reasons in terms of regional strategies. Some pessimists believe that the only decision with a real impact has been to include the Suceava municipality among the urban development poles, as a ROP-related national decision. However, as far as the EU funds distribution by county in the North-East region is concerned, it is considered to be a quite balanced one, the Suceava county having an absorption rate above the region's average. Furthermore, the pre-accession funding played an important part, as well. For example, rural infrastructure development was the object of more than 50 SAPARD projects.

Most responses report that the main directions of the accessed funds and the most important results of implemented projects relate to the infrastructure development, the support to tourism promotion and human resource development. However, some drawbacks have been identified in connection to the deficient correlation between various regional policies, the insufficient consideration of territorial potential (capital), and the poor consultation and collaboration between the actors interested in the county development. For example, the tourism policy has not been truly supported by the improvement of the real transportation infrastructure, as an essential requirement for its success. Likewise, the stimulation of certain industrial sectors should have been distinctly, directly correlated with professional training programmes especially conceived for those sectors.

4. Future prospects

The main opportunities of Suceava county, that the interviewees correlate with the strengths, envisage the development and promotion of a sustainable tourism by exploiting the natural attractions and the exceptional historical monuments, as well as the rural tourism basis, high quality of human capital, the ecological orientation of agriculture, cross-border cooperation, collaboration with other local public administrations of Romania.

The threats, correlated with the weaknesses, are more numerous. They refer to economic instability and the lack of trust in region's potential among investors, improper changes in the ongoing processes of decentralisation and regionalisation, the economic dependence on the wood market, the more intense ageing phenomenon and emigration of the skilled labour force (both to other countries and to other Romanian regions), the lack of interest and demotivation as regards professional training, high rates of school abandonment because of poverty and lack of perspective on the labour market, the increasing pressure on the natural environment and biodiversity (pollution of the air, water, and soil, the question of deforestation, etc.), the poor attractiveness of rural areas and small towns, the deepening of the urban-rural gap, and so on.

The respondents emphasized the need of improving the legal framework so as to attract foreign investors and encourage local entrepreneurs, to provide financial and fiscal incentives for the creation of new SMEs. They also mentioned objectives focusing on competitiveness and economic growth, enhancing the quality of life, creating more jobs and raising the quality of education. Unexpectedly, nothing was said about the development of economic and social infrastructure, but it certainly remains one of the highest priorities. In a larger context, the stress was laid on balanced regional development and reinvigoration of the disadvantaged areas, on the relationship between regional and sectoral

policies and the support to interregional cooperation. Also, they pointed to the consideration of the alignment to EU policies and the compliance with the regulations in the field.

With regard to the future EU cohesion policy the envisaged objectives refer to the support to lagging regions, increasing regional competitiveness and employment, improving the access to professional training, viable solutions for economic and social integration of the disadvantaged categories of population, especially the Roma minority. It can be easily concluded that the respondents in Suceava county address the future of the cohesion policy in close relation to the needs identified in their own county and region.

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