THE NEED OF REGIONAL LEADERSHIP IN ROMANIA, AFTER 10 YEARS OF EU MEMBERSHIP

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Abstract:

The shift from "government" to "governance", from traditional bureaucratic and hierarchical models of policymaking to the new models that are based on shared interests and cooperation that transcends various borders and takes many goals into consideration and involves active participation of different stakeholders that constantly evolve according to circumstances, has profound implication for the exercise of local and regional leadership.

After 10 years of EU membership, Romania is still learning new policy content and ways of implementation. Meanwhile, the rapid change of European socio-economic environment, characterized by the way network membership and relationships adapt to changing circumstances imposed by the dynamics of globalized world, requires to learn different thinking and behavioral patterns and values.

Regional development is a collective process that involves a wide range of networks of public and private actors. In order to achieve a cohesive and coherent regional development in Romania, it is very important to have the capacity of mobilizing different stakeholders for sustainable development. This requires to have the ability of building trust among different actors, developing new systems of cooperation and leading different kind of networks. In other words, it is necessary to enhance leadership in the context of regional development.

The central idea underpinning this paper is that Romania needs to learn the lesson of leadership in the context of multi-level governance, which implies a more realistic and sensitive view of the complexity of local and regional development.

Keywords: multi-level governance; sustainable development; leadership.

JEL Classification: R50; R58; R59.

Introduction

Romania joined European Union on January 1, 2007. Since then, the policy of regional development was designed as an answer-option to the EU financial assistance available for Central and Eastern Europe Countries. Meanwhile, the complexity of EU policy for regional development increased due to the large number of members and the wide range of patterns of development, but also because of the lack of financial resources, that was strongly felt during the crisis.

After 10 years of EU membership, Romania needs to redefine its approach regarding the policy of regional development. The world is changing, EU is changing and in this context, Romania needs to evolve and permanently adapt, in order to become a net beneficiary of these opportunities cropped up around demographic change, technology shifts, food security, and energy security and so on.

In order to achieve a sustainable regional development, Romania has to understand that these new forms of governance require for a new type of leadership both, at local and regional levels.

Meanwhile, it should also be clear that "*one of the major aims of the process involved in accession to the EU is to ensure that **the rule of law, equality before the law and non-discrimination** are firmly entrenched in the legal framework and practices of the countries applying for entry. These conditions for membership continue to apply after accession and all governments are expected to make sure that they do so*" (6th Report on Economic, Social and Territorial Cohesion, 2014).

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This paper intends to investigate who are the main actors that has an important influence on regional development and who are the most relevant stakeholders, together with sustainable regions can be construct.

A good governance is a "must" for sustainable regional development

The link between good governance and economic and social development is highly recognized by the scientific community and it is investigated by scholars from different perspective.

For instance, Acemoglu and Robinson in their masterpiece ***Why Nations Fail: The Origins of Power, Prosperity, and Poverty*** have made an important contribution explaining the main reasons why similar-looking nations differ in their economic and political development: *institutional developments*; *the openness of the society* and *politics*. Among these factors, can be distinguished: "*the rule of law [that] appear to be decisive for economic development*" (Kenneth J. Arrow, Nobel laureate in economics, 1972), and "*an open pluralistic political system with competition for political office; a widespread electorate, and openness to new political leaders*" (Gary S. Becker, Nobel laureate in economics, 1992).

A ***new mode of governance*** is required in this fast-changing world and it calls for a better understanding of **informal interactions and interconnections** beyond the traditional frameworks of formal and hierarchical mode of cooperation. With this regard, Frans J. G. Padt (2012) argues that 'Managerial State'[1] tends to consider the <u>regional policy as a tool for national policy delivery</u> and this approach is inappropriate because regional leaders, in order to be successful at national level tend to be very 'governmentalized' and this behavior is "*fatal for achieving sustainability*" because it does not take into account the voice of citizens (community groups, individuals, local politicians, local entrepreneurs, and so on). Therefore, managerial leader, as in 'Managerial State' approach, will be efficient only on short-term in achieving regional development, frustrating sustainable development of the region. Consequently, "*a new form of leadership, that transcends the typical managerial approach*", is needed.

"***Sustainable development*** *is a normative concept referring to the responsibility to make short-term decisions from a long-term perspective on sustainability, taking the effects on future generations and a range of geographical scales into account.*" (Horlings L., 2012)

A successful governance structure involves a strong cooperation and partnership between ***local government*** and ***the community***. Sustainable development entails the improvement in the quality of citizens' life and also contributes to the global environment protection.

The OECD emphasized that a successful governance of a region has three dimensions: "***economic*** (e.g. growth and competitiveness in the broad economy, fostering innovation, efficiency and effectiveness in government services), ***social*** (e.g. promoting citizens' self-empowerment, social participation and public engagement in policy making and service delivery), and ***public*** (e.g. accountability, transparency, responsiveness and democratic control)." (Ubaldi B., 2013)

The central idea is that ***a good governance***, together with ***legal certainty and high quality regulations*** are essential for a sustainable development at local and regional level.

Leadership – a driving force for sustainable development.

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[1] The term "Managerial State" was defined by Clarke J. and Newman J. (1997) as "a state that delegates – through a variety of means – its authority to subaltern organizations that are thus empowered to act on its behalf".

Regional development is a complex and collective process that includes a wide range of networks of public and private actors. The role of leaders consists in building trust between these actors and mobilize them in order to develop different systems of cooperation and networking.

Sustainable development of a region is a multi-scalar process, by its very nature, incorporating the relations between the economic, social, ecological, political and cultural dimensions of development. (Pike A. *et al.*, 2007)

This concept become a central theme in regional development, and includes a broad set of notions like: *social inclusion*, *health*, *wellbeing* and *quality of life*.

The academic and policy literatures (Hirschman, 1958; Storper, 1997; Haughton and Counsell, 2004; Morgan, 2004; Pike, 2007, Horlings, 2012) point up that **sustainability** is potentially progressive if it prioritizes the *values* and *principles of equity* and *long-term thinking* in access to and use of resources within and between current and future generations. Moreover, sustainable development, refers also to *human development*, including *human rights*, *good governance* and *solidarity*. (Quental et. al., 2011).

Leaders have to have a value system that convince people to quest the sustainability. Furthermore, regional leaders are not responsible only for their regions but also for other people 'downstream and upstream' of their decisions, and of course for future generations.

The key role of regional leaders is to promote **development** and **good governance** with the aim of building social capital that enhances sustainable regional growth.

The complex and rapidly changing social and economic circumstances of the modern world requires that regional leaders, besides being visionary, to have the ability to deal with different institutional contexts, even at international level. Recent contributions in the academic literature (Peters K., 2012) show that "*international leaders, who purposely use their social capital networks to develop and maintain strong group norms, are more likely to produce sustained behavioral change […] that leaders who have an arbitrary approach to networks and information exchange*". As it may be observed, leadership plays a crucial role in building and maintaining the human capacity to act in order to face the fuzzy situations that arise from complex social, economic and technological transitions and moreover, from the need to better accommodate the social cohesion and economic sustainability agendas.

Nowadays, knowledge-based economy assume the development of **creative-knowledge regions**, which are characterized by high technology corridors, competitiveness poles, clusters, Digital Cities and Science Cities. This process of economic change is possible to increase the intra and inter-regional disparities, if some of 'traditional' industries, places and communities remain behind and do not align to the new technologies. Under these circumstances it is obvious that the human dimension in sustainable regional development cannot be ignored. In a rapidly changing world, the role of **regional and local leadership** is "*to respond to external competitive shocks while at the same time, exploiting new development opportunities around environmental challenges, demographic change and technology shift*". [Gibney J., 2012].

In this context of policy networks, a shared-leadership approach may be the solution in order to find strategies that turn external stimuli into internal responses. Horlings (2012) highlights that **sustainable regional development** is based on "**share-leadership**, *where collective values, feelings, trust, commitment and energy forms the basis for mobilizing private and public actors around a joint agenda in regional networks*".

Lessons for Romania

Romania needs to reinvent its regions, but these long-process involves knowledge, time and energy. Therefore, leadership capacity plays a central role in reinventing the regions so that these areas will be able to adapt rapidly to this changing world, working together at the European level in an integrative manner, in order to achieve social cohesion and economic sustainability as it was estimated in EC's 6th Cohesion Report from 2014.

After 10 years of EU membership Romania is still struggling 'to do things better' at regional level, but the real challenge, under the aegis of sustainable development is 'to do better things'. The 'human factor' plays a major role and leaders' duty consists in mobilizing all the important 'actors' by raising social awareness on regional well-being. Thus, new forms of leadership should emerge if we want to build citizens' awareness and engagement in local government.

In this light, besides leading networks, creating territorial branding strategies intended to attract investments, developing clusters and innovation systems, an effective leader should be able to influence the actions of other leaders and to identify and predict how the multitude of stakeholders will be influenced by or will influence the process of decision making. So, leaders need to be *systems thinkers* and also to be *visionary* in order to respond with promptitude to the politics of situations with a long-term perspective.

Taking all these into account, we can synthetize that a simple bureaucratic and hierarchical models of policymaking is no longer working because "*governance is concerned with cooperation that transcends various borders, takes many goals into consideration, and is based on constantly evolving combinations of teams that develop according to circumstances*". (Sotarauta M., 2012)

In order to boost sustainable development in all its complexity, a regional leader has to prove his ability to understand the complexity of *modern governance* and to be able to create new forms of cooperation and partnership that increase the capacity to act within the *institutional context*.

Experts have demonstrated that "*regional institutions in Europe are key shapers of economic performance*" [Beugelsdijk and van Schaik (2005a, 2005b) and Tabellini (2010)]. Thereto, the pattern of V-spirals (circle) was extensively analyzed by Acemoglu and Robinson (2012) who have demonstrate that the key to sustained prosperity is a matter of *institutions* and *politics* (figure 1). The logic of V-spirals in sustainable regional development consists in promoting *creative destruction*, and creating *strong political institutions that share power*. Likewise, the World Economic Forum's Global Competitiveness report has '*quality of institutions*' as the first pillar of assessment. The 'quality of institutions' is measured based on set of key criteria: the absence of corruption, a workable approach to competition and procurement policy, an effective legal environment, an independent and efficient judicial system. According to the latest report (2016-2017 edition) Romania is ranked 92 from 138 countries, its score on institutions' performance being 3.6 on a scale from1 to 7.

Virtuous spiral	**Vicious spiral**
High quality governance creates a virtuous cycle, in which people trust the government to make the right choices and to spend their taxes in the most cost-effective way which leads to wide participation in public calls for tender, so keeping down costs, and to business investment taking account of government policy.	*Low quality governance* creates a vicious cycle, in which trust in government breaks down, taxes are evaded, corruption is no longer reported, participation in public calls for tender declines as businesses assume they need the right connections or bribes to get contracts and the climate for investment is uncertain because of the unpredictability of government policy. To break such a vicious cycle, an outside shock or external support for local forces seeking to improve the quality of governance is often needed.

Figure 1. V-spirals in regional governance
Source: Inspired by and builds on the writings from *6th Report on Economic, Social and Territorial Cohesion* of European Commission (2014)

A Commission' Working Document {SEC (2010) 1272}, that had accompanied the document "An integrated Industrial Policy for the Globalisation Era Putting Competitiveness and Sustainability at Front Stage" {COM (2010) 614} list some **key elements that can promote regional development in Romania**: "*Upgrading productive capacities and processes, investing in environmentally friendly, eco-efficient technologies, increasing the innovative potential of enterprises, and addressing the shortage of highly skilled labour force available due to an inefficient high-education system not yet reformed and substantial brain drain and migration, will be essential for the competitiveness of the Romanian industry at 2020 horizo*n." (SEC/2010/1272, pp.172).

In order to succeed, Romania needs an ***adequate area*** for regional development, characterized by appropriate institutions, governance and planning. Undoubtedly, the 'human factor' plays the central role. Paraphrasing Simon Johnson[1], regions "*rise when they put in place the right pro-growth political institutions and they fail—often spectacularly—when those institutions ossify or fail to adapt. Powerful people always and everywhere seek to grab complete control over government, undermining broader social progress for their own greed. Keep those people in check with* **effective democracy** *or watch your nation fail*".

Conclusion

A good governance and efficient institutions are necessary conditions for a strong economic and social development of regions.

Effective reform of public administration at central and local level would be a key undertaking for Romanian economic structure. "*The* **quality of the local government** *becomes a vital factor in determining the extent to which the regional development investment is transferred into economic growth*" (Rodriguez-Pose A., Garcilazo E., 2013) The weak administrative capacity limits possibilities for reform, hinders the absorption of EU funds and is, in general, dissuasive for all economic investors.

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[1] Co-author of *13 Bankers* and professor at MIT Sloan.

Moreover, **transparency in the decision-making** process and **accountability of public resource mobilization and use** are essential cross-cutting issues to consider. "*Simply throwing greater amount of funds at areas with inefficient and/or corrupt governments will lead to waste, unless the quality of government is seriously improved*". (Rodriguez-Pose A., Garcilazo E., 2013)

Improving the heavy regulatory environment and **reducing the significant red tape** in all sectors of the administration would contribute to unlocking the business potential and reducing costs of doing business. Furthermore, **developing the weak transport** (especially motorways) and **communication infrastructure** would be critical to improving competitiveness and attracting investments.

To conclude, "*if development policies are to be successful, they should build in an institutional component, including promoting transparency and accountability and dealing with corruption as ways to improve the quality of government, as an essential part of the strategic planning process. Otherwise the implementation of one-size-fits-all policies may not yield the expected results*." (Rodriguez-Pose A., Garcilazo E., 2013)

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