

CAUSES THAT LED TO AN INADEQUATE IMPLEMENTATION RATE OF THE URBAN DEVELOPMENT PROJECTS IN THE NORTH-WESTERN REGION OF ROMANIA IN THE PERIOD 2007-2013 AND THE OBJECTIVES SET FOR 2014-2020

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Abstract

Starting from local and urban development concepts, cities become competitive through the implementation of large-scale projects that are financially supported by regional operational programs.

The present study proposes an analysis of the inadequate implementation rate of urban development projects, highlighting the main problems encountered with the implementation and development of these types of regional projects for the Regional Operational Program 2007-2013, taking into account the data provided by the regional bodies regarding some counties in the North-West region of Romania.

Thus, the problems identified during the implementation of the projects are highlighted, problems generating the main effects on the inadequate pace of adoption of the projects, for which, for the period 2014-2020, the authors, as recommendations, propose solutions to accelerate the rate of implementation of future regional projects.

Key Words: *local development, urban development, competitiveness, sectoral operational program*

Jel Classification: *A10, A23, B40*

1. INTRODUCTION

Local development [1] is the activity of economic expansion, in a certain area or administrative-territorial locality, which leads to raising the degree of the welfare of the inhabitants at the local level. It has as its main objective to raise the locality, the region, to a higher degree of financial prosperity and social welfare by creating the economic and financial levers necessary for the business environment to develop along with the integration into local businesses of the indigenous population, greater efficiency in using available resources and implicitly the development of the private sector that generates the largest share of the regional GDP.

Urban development [2] it is the form of local development that concentrates its financial means on its economic pole, namely the **city, the locality, the region**, pole that is the starting point of its regional development, where local prosperous businesses are gradually developing, leading to an increase in the social and economic welfare index.

It can be concluded that "*any act adopted or issued by the autonomous local authorities on the development of the territorial community will have to be in line with the legal provisions in the field covered by the measure.*" [3]

Dragoş Dincă, Cătălin Daniel Dumitrică and Teodora I. Bitoiu[4], in the analysis carried out regarding the **8 development regions of Romania**, concludes that "*from the perspective of the local administration, there are several discrepancies between the development regions, both in terms of quantity and quality of administrative acts.*

Thus, a possible administrative-territorial regionalization would be auspicious but in a formula that does not take into account the eight regions that currently exist, as there is no good communication and collaboration between the research entities and public authorities at county, town and commune level, let alone joint research."

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2. THE MANAGEMENT ORGANIZATION OF THE URBAN DEVELOPMENT PROJECTS IN NORTH WEST REGION OF ROMANIA

The *Regional Development Council* is the deliberative body that coordinates the regional development process within the *Northwest Development Region* of Romania. It consists of the county councilors of the 6 counties in the region (*Maramureș, Satu Mare, Sălaj, Cluj-Napoca, Bistrița Năsăud and Bihor*) and one representative of the local municipal, town and communal councils. The Council has the following main tasks:[5]

- ✓ *analyzes and decides the regional development strategy and programs;*
- ✓ *approves regional development projects;*
- ✓ *presents proposals to the Council for the establishment of the Regional Development Fund³;*
- ✓ *approves the criteria, priorities, allocation and destination of resources of the Regional Development Fund;*
- ✓ *monitors the use of the funds allocated to the North-West region from the National Fund for Regional Development;*
- ✓ *monitors compliance with regional objectives;*

2.1. THE REGIONAL OPERATIONAL PROGRAM (P.O.R.) 2007-2013

P.O.R. 2007-2013[6] is the strategic document that implements elements of the National Development Strategy of the National Development Plan (P.N.D.) and contributes, together with the other operational programs (e.g. *Sectoral Operational Program Transport Infrastructure, Sectoral Operational Program Increase of Economic Competitiveness, etc.*) at achieving the objective of the *National Regional Development Strategy and of the National Strategic Reference Framework, namely to reduce the disparities of economic and social development between Romania and the development average of EU member states.*

The Regional Operational Program is aimed at the **8 development regions of Romania**, established in compliance with the EC Regulation no. 1059/2003 on the establishment of a common statistical classification system for territorial units.

The strategic objective of the program is “*to support an economic, social, sustainable and balanced territorial development of all regions of Romania, according to specific needs and resources, with a focus on supporting the sustainable development of urban growth poles, improving the business environment and basic infrastructure in order to make the regions of Romania, especially the least developed, attractive places for investment*”[7]

In order to achieve the overall objective of regional development, the strategy aims at achieving the following specific objectives:[8]

- *increasing the economic and social role of urban centers through a polycentric approach to stimulate a more balanced development of the regions;*
- *improving the accessibility of the regions and, in particular, the accessibility of urban centers and their links with surrounding areas;*
- *increasing the quality of the social infrastructure of the regions;*
- *increasing the competitiveness of the regions as business locations;*
- *increasing the contribution of tourism to the development of the regions;*

2.2. THE ANALYSIS OF THE DEGREE OF IMPLEMENTATION OF THE URBAN DEVELOPMENT PROJECTS IN THE NORTH-WESTERN REGION OF ROMANIA DURING THE PERIOD 2007-2013 AND THE METHODOLOGY USED

The method of research that was used was the descriptive method by analyzing the data and information provided by the Ministry of Public Funds in Romania, data which were extracted from the reports on the implementation of European funds during the period 2007-2013. Thus, according to the *annual implementation reports of development projects for the*

period 2007-2013 [8], progress has been made to a lesser extent than expected, in terms of attracting EU funds for the urban development of the *North-West region of Romania*. Thus, according to the table below:

Table no. 1 Indicators used and stage of implementation during the period 2007-2013[9]

<i>AP/DMI¹</i>	<i>PROGRAM INDICATOR</i>	<i>TYPE</i>	<i>ESTIMATED BY SIGNED CONTRACTS</i>	<i>REALIZED BY FINALIZED PROJECTS</i>	<i>TARGET POR 2007-2013</i>	<i>DEGREE OF ACHIEVEMENT BY COMPLETED PROJECTS</i>
<i>Urban development</i>	<i>Urban development – PIDU</i>	<i>O</i>	<i>95</i>	<i>0</i>	<i>30</i>	<i>0%</i>
	<i>Urban development – Urban infrastructure</i>	<i>O</i>	<i>331</i>	<i>68</i>	<i>60</i>	<i>113%</i>
	<i>Urban development – Business infrastructure</i>	<i>O</i>	<i>24</i>	<i>24</i>	<i>15</i>	<i>13%</i>
	<i>Urban development – Social infrastructure</i>	<i>O</i>	<i>138</i>	<i>45</i>	<i>25</i>	<i>180%</i>
	<i>Inhabitants benefiting from the implementation of projects</i>	<i>R</i>	<i>8,061,340</i>	<i>5,137,522</i>	<i>400,000</i>	<i>1.284%</i>
	<i>Companies established in regional and local growth poles</i>	<i>R</i>	<i>329</i>	<i>13</i>	<i>400</i>	<i>3%</i>
	<i>Urban development – Jobs created</i>	<i>R</i>	<i>1,793</i>	<i>226</i>	<i>1,500</i>	<i>15%</i>
<i>Energetic efficiency</i>	<i>Apartments rehabilitated to increase energy efficiency</i>	<i>O</i>	<i>2,836</i>	<i>0</i>	<i>46,920</i>	<i>0%</i>
	<i>Total energy savings for rehabilitated apartments</i>	<i>R</i>	<i>12</i>	<i>0</i>	<i>256</i>	<i>0%</i>
<i>Road infrastructure</i>	<i>Rehabilitated county road (km)</i>	<i>O</i>	<i>2,482</i>	<i>1,171</i>	<i>1,080</i>	<i>108%</i>
	<i>City streets rehabilitated (km)</i>	<i>O</i>	<i>282</i>	<i>111</i>	<i>420</i>	<i>26%</i>
	<i>Ring roads constructed (km)</i>	<i>O</i>	<i>87</i>	<i>22</i>	<i>219</i>	<i>10%</i>
	<i>Increased traffic of goods transported or transited (%)</i>	<i>R</i>	<i>NA</i>	<i>NA</i>	<i>10</i>	<i>NA</i>
	<i>Increased passenger traffic (%)</i>	<i>R</i>	<i>NA</i>	<i>NA</i>	<i>10</i>	<i>NA</i>

It is noticed that by the end of **2013**, in the field of urban development, by finalizing the 1,681 projects financed from the POR, only 226 jobs were created from the target of 1500, representing a degree of achievement of only 15%, and none of the integrated urban development plans of the proposed target of 30 have materialized, accounting for 0%.

¹ ”regarding the notion of **AP** we refer to **public authority**, regarding the concept of **PIDU** we refer to the **integrated urban development plan** and the concept of **DMI** we refer to the **major field of intervention**”

Since the launch of the POR negative values have been registered regarding the energy efficiency field (e.g. rehabilitated apartments register 0%), as well as in the field of road infrastructure, where "modest" values were recorded, respectively construction of ring roads - only 10%, city streets 26% etc.

Table no. 2 Funds allocated for the period 2007-2013[10]

Priority axis	Payments made by AMPOR ¹ to beneficiaries (Euro)			
	Prefinancing	Refunds		Total payments
		EU contribution	State budget	
AP 1: Urban development	86,505,336	283,313,284	78,084,119	447,902,739
AP 2: Road infrastructure	251,129,306	311,810,217	68,468,465	631,407,987
AP 3: Social infrastructure	105,936,226	224,793,117	49,055,534	379,784,876
AP 4: Business environment	25,974,571	250,910,620	16,626,583	293511,775
AP 5: Developing and promoting tourism	68,904,939	160,917,138	18,972,797	248,794,875
AP 6: Technical support	15,044,104	36,843,403	15,745,447	67,632,953
Total	553,494,481	1,268,587,779	246,952,945	2,069,035,205

Concerning the allocated funds for the six priority axes, it can be noticed that the highest value was allocated to the road infrastructure, i.e. 30.51%, followed by the urban development with 21.64%, social infrastructure 18.35%, business environment 14.18%, development and promotion of tourism 12.02%, and technical support 3.26%.

The largest amount was allocated to the rehabilitation of transport routes, while tourism was very poorly promoted, even if there is the possibility of capitalizing and attracting funds for a broad development.

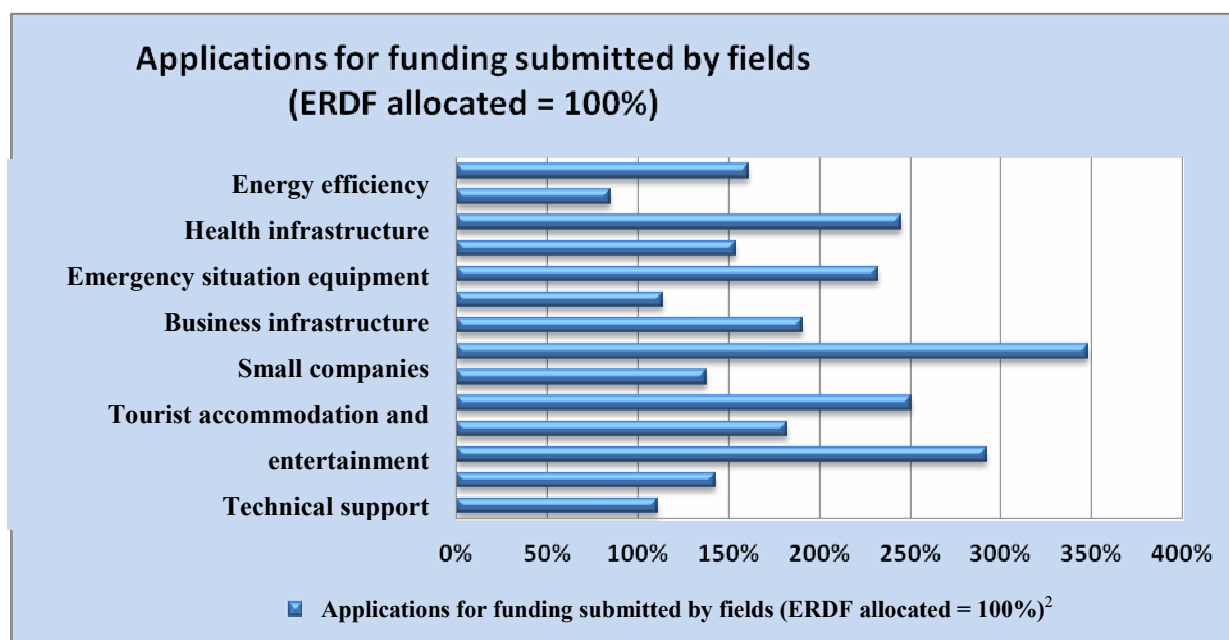


Figure no. 1. Requests for funding submitted for the period 2007-2013[10]

¹ "regarding the notion of AMPOR we refer to the Managing Authority for the Regional Operational Program"

² "regarding the notion of ERDF, we refer to the European Regional Development Fund"

As regards the submission of applications, it can be observed that the business infrastructure has the highest degree of implementation of 348%, following the economic development in different environments, both in production, services, urban and rural areas, by capitalizing each element identified as bringing profit, promoting the area, and also modernization, employment, reduction of the unemployment rate, professional retraining and diminishing travel to other cities in order to have a job.

Social infrastructure is a key element towards a better, prosperous environment, equal access to education, health care, social security, uniformity of distribution of progress within different groups, equal access to various basic opportunities in the sustainability of social development with 232% of applied applications.

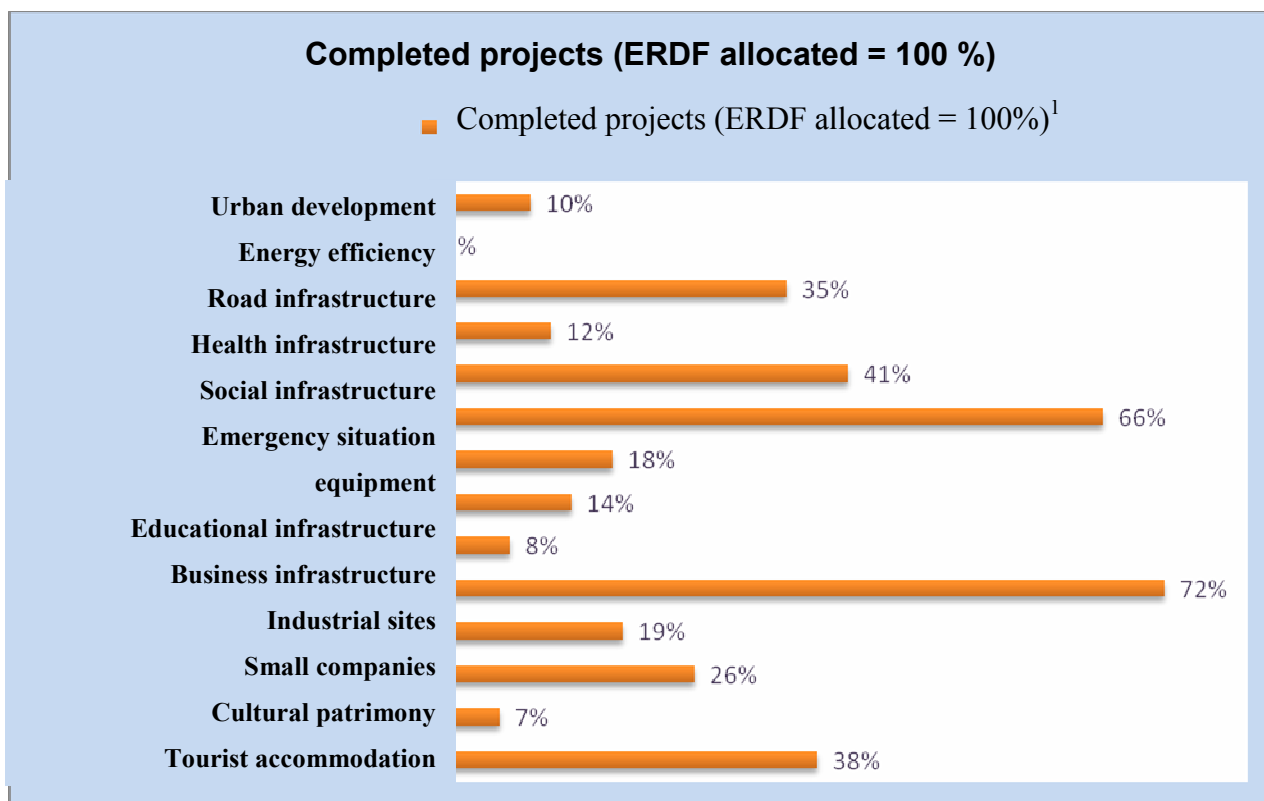


Figure no. 2 The level of contracting of community funds by domains in the period 2007-2013^[10]

PRIORITY AXIS 5 - Development and promotion of tourism (budget, Key area of intervention 5.1 and 5.2 - EUR 62.58 million and Key area of intervention 5.1 - Restoration and sustainable valorisation of cultural heritage and creation / modernization of related infrastructures.

The open call for projects for domain 5.1 was launched on 14 March 2008 and the budget allocated to the domain for the period 2007-2013 was 25.30 million euro. Key area of intervention 5.2 - Creation, development, modernization of tourism infrastructure for capitalizing on natural resources and increasing the quality of tourism services.

The open call for applications for domain 5.2 was launched on 29 April 2008 and the budget allocated to the domain for the period 2007-2013 was 37.28 million euro. The

¹ "regarding the notion of ERDF, we refer to the *European Regional Development Fund*"

project application was initially suspended on 19.12.2008, and on 23.10.2012 the project submission was reopened.

Thus, it can be noticed that in the area of urban development only 10% of the projects were finalized, on the basis of the amounts allocated by the European Regional Development Fund, thus registering a lower degree than the established target.

2.3. THE MAIN PROBLEMS ENCOUNTERED REGARDING THE IMPLEMENTATION OF THE REGIONAL PROJECTS OF THE PERIOD 2007-2013

The most significant problems during the development of these urban development projects, by the representatives of the business environment and of the public institutions, are:

- *staff shortage;*
- *poor staff motivation from a financial point of view and career development potential and acquiring new skills;*
- *fluctuation of staff - from one job to another according to the company's need;*
- *difficulty of technical evaluation of projects due to reduced competencies at the level of evaluators;*
- *lack of staff with IT skills;*
- *lack of guides and good practices;*
- *bureaucracy of the system;*
- *rigidity of project implementation parameters;*
- *delayed calls (compared to the announced deadlines);*
- *poor quality of submitted projects;*
- *low skills of beneficiaries;*
- *long project evaluation duration;*

With all these inconveniences, by **P.O.R. 2007-2013**, according to *Priority Axis no. 1*, large investments were made, covering the *street network, public transport, investments that created access to the tourist area of Cluj County*, as well as the growth and access of investors in the business area, thus accessing **17 projects**, the total value of the projects being **590,308,585 lei**, of which the non-reimbursable amount is **387 million lei**.

For the city of **Oradea**, under the Integrated Urban Development Plan, a number of **6 projects** have been contracted, focusing on integrated urban development, targeting areas related to road, tourist and social infrastructure, leading to a sustainable development of the city, with a total value of the implemented projects worth **129 million lei**, of which the amount of **99 million lei** is the amount of non-refundable financing.

At the same time, for the city of **Baia Mare** - urban development pole with an inter-county polarizing role attracted through the implementation projects the sum of **73 million lei**, representing non-reimbursable financial support. And the total value of the projects was **101 million lei**, thus signing a number of **8 financing contracts**, out of which, by the end of October 2015, four were completed.

3. THE REGIONAL OPERATIONAL PROGRAM (P.O.R.) 2014-2020

P.O.R. 2014-2020[11] is one of the programs by which Romania will be able to access European structural and investment funds from the European Regional Development Fund (ERDF) in the current programming period.

It is managed by the POR Managing Authority within the Ministry of Regional Development and Public Administration and was adopted by the European Commission (EC) on June 23, 2015.

The new proposals are designed to strengthen the strategic dimension of policy and to ensure that EU investment is geared to the long-term European growth and jobs objectives in line with the *Europe 2020 strategy*.

To help achieve the objectives of the **Europe 2020 Strategy** [12] on smart, sustainable and inclusive growth, the new regulations target the following **objectives**:

- ✓ *strengthening research, technological development and innovation;*
- ✓ *improving access and use, as well as increasing the quality of information and communication technologies;*
- ✓ *improving the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector;*
- ✓ *supporting the transition to a low-carbon economy in all sectors;*
- ✓ *promoting adaptation to climate change, prevention and risk management;*
- ✓ *protecting the environment and promoting the efficient use of resources;*
- ✓ *promoting sustainable transport systems and removing bottlenecks in major network infrastructures;*
- ✓ *promoting employment and supporting labor mobility;*
- ✓ *promoting social inclusion and combating poverty;*
- ✓ *investment in education, skills and lifelong learning;*
- ✓ *strengthening institutional capacity and efficient public administration.*

Within these regulations, new types of instruments are proposed for the 2014-2020 period, respectively:

- ✓ *a **joint action plan** representing a "group of projects implemented under the responsibility of the beneficiary, as part of the operational program or programs"*
- ✓ ***local development under the responsibility of the community**, which is "achieved through local development strategies on integrated and multisectoral areas, being placed under the responsibility of the community, of local action groups made up of representatives of the local socio-economic interests of the public and private sectors"*

Under the **POR 2014-2020**, for the **North-West development region of Romania**, until 30.12.2016, projects were submitted on the following priority axes [13]:

- *Axis 2 - Improving the competitiveness of small and medium enterprises with investment priority 2.1, 329 projects with a requested value of 217 million lei, all projects are in selection and have an allocation / region coverage ratio of 143.8%;*
- *Axis 3 - Supporting the transition to a low-carbon economy with investment priority 3.1 A, 50 submitted projects with a requested value of 131 million lei, out of which 28 projects were rejected and 22 projects are in the selection and have An allocation / region coverage percentage of 23.5%;*
- *Axis 5 - Improvement of the urban environment and preservation, protection and sustainable valorisation of cultural heritage - having investment priority 5.1, 52 submitted projects with a requested amount of 608 million lei, of which 14 projects were rejected and 38 projects are in the selection And have an allocation / region coverage ratio of 265.6%, and on the investment priority 5.2, 9 submitted projects with a requested value of 78 million lei, of which 2 projects were rejected and 7 projects are in the selection and have An allocation / region coverage ratio of 97.5%;*
- *Axis 6 - Improvement of the regional infrastructure infrastructure - having the investment priority 6.1, 8 submitted projects with a requested value of 895 million lei, of which 3 projects were rejected and 5 projects are in the selection and have a percentage allocation allocation / region Of 130.45%;*
- *Axis 7 - Diversification of local economies through the sustainable development of tourism - having investment priority 7.1, 6 submitted projects with a requested value of 90 million lei, of which 1 projects were rejected and 5 projects are in selection and have a percentage allocation allocation / Region of 115.8%;[14]*

4. CONCLUSIONS

During **2007-2013** there were some inconsistencies in the *management system for structural instruments, control systems at the level of managing authorities and structural instruments at the level of ministries*.

One element that led to a low implementation of projects was the **human resource**, starting from the fact that *their number was rather low, less prepared and the bureaucracy of the institutional and financial system was not motivated to apply for these projects with a high volume of work, a high degree of responsibility, and thus led to an oscillating fluctuation of human resources experienced in fund management*.

A major problem was the **preparation of the financing file**, noting that the staff did not have the necessary experience or specialized firms were not contracted, which led to the rejection of the files because many beneficiaries overestimated the financial and technical implementation capacity. Other problems encountered in implementing the projects were:

- ✓ *instability of the legislative framework;*
- ✓ *rigidity of project implementation parameters;*
- ✓ *very long evaluation of submitted projects, formal communication;*
- ✓ *long repayment time;*
- ✓ *refusal of some banks to finance the project until the reimbursement is received;*
- ✓ *slowing down the information process as they had to be physically;*
- ✓ *the lack of specialization courses and, last but not least, lack of adequate software;*

However, by implementing the **1,681** [13] projects finalized by the end of 2013, 661 received funding, 538 were completed, with a concentration of 130,24% and an absorption of 70,44 %, EUR 522.19 million allocated to the region and EUR 367 million payments made.

Financing applications have been submitted in percentage of 203.4%, of which 112.9% have been approved, 104.7% have been signed, of which 45.9% have been paid and 41.5% have been received from the EC. Only 21.7% remain to be completed in the next contract period, and in the middle of 2014 the rate of debt recovery was 84.4%, projects which resulted in the following:[15]

- *122 signed urban development projects;*
- *over 200,000 inhabitants benefiting from the 29 urban development projects;*
- *10.3 km rehabilitated / upgraded urban streets;*
- *218 km of rehabilitated / upgraded county roads;*
- *10 rehabilitated and equipped medical units;*
- *1800 people are cared for every day, 12 mobile units in the rural area and 8 in the urban area in addition to the 241 existing ones;*
- *28 social centers, 46 schools;*
- *2 rehabilitated / updated university campuses, 10 business infrastructures;*
- *over 1500 jobs created, 8 completed cultural heritage rehabilitation projects and 6 tourism infrastructure projects;*

For the period **2014-2020**, the following development axes are considered:

- ✓ *intelligent economic growth: developing an economy based on knowledge and innovation;*
- ✓ *sustainable economic growth: promoting a more resource efficient, greener and more competitive economy;*
- ✓ *inclusive growth: promoting a high-employment economy ensuring economic, social and territorial cohesion;*

Thus, we consider as solutions to solving the aforementioned deficiencies, and implicitly to increasing the degree of implementation of regional projects, **supplementing the specialized personnel, achieving higher financial motivation of the employees, identifying methods for detecting the career development potential of the specialists, the acquisition of**

new professional skills, stricter regulations on the high fluctuation of the specialized personnel, the development of guidelines for application, constant updates of the management system, of the web sites, the elimination of delays in the elaboration of guides for applicants, reducing the evaluation period for projects and reimbursement requests.

In order to improve the current situation it is also necessary to carry out *an analysis of the beneficiaries' options on sustainable impact and an outsourcing of evaluation services, the development of vocational training programs, but also the creation of an online newsletter system to be transmitted frequently to the subscribers with the information relevant to the implementation.*

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