

6. The Impact of Regional Operational Programme on the Economic Development and Regional Competitiveness of North-West region of Romania. Partial Findings and Emerging Challenges

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Romania, one of the newest European Union members, benefits from grants in order to implement projects in accordance to European Union's policies that should finally lead to economic development and social welfare. The regional development policy is one of the most important policies of EU that aims to reduce development discrepancies between regions by financing the less developed ones. Even though the aim of the EU funds is clearly defined, the actual impact of their implementation is difficult to appreciate despite the efforts that have been done up to present in order to identify the most appropriate evaluation method. In Romania, one of the programmes created in order to reduce regional disparities is the Regional Operational Programme (RO Programme), financed through the European Regional Development Fund (ERDF). However, trying to determine the economic and competitive effects of structural funds implementation encouraged the authors of the present paper to choose an ex-post evaluation, by applying a questionnaire to the beneficiaries of EU funding through RO Programme from the North-West development region of Romania. The main questions that the paper tries to answer to are How effective are the EU money spent in Romania? Which are the biggest obstacles in the process of EU funds implementation? Do the EU funds contribute to the increase of regional competitiveness?

The quantitative research taken in the purpose of identifying the impact of using EU non-refundable over economic development and regional competitiveness has been done on the basis of conceiving and applying of an on-line research and monitoring questionnaire, called Questionnaire of evaluation of the RO Programme impact on the North-West region of Romania, sent to be filled in to every RO Programme funding beneficiaries in the North-West region – the sample was formed of 155 beneficiaries who had implemented projects by 01 October 2012.

Keywords: regional economic development, regional competitiveness, North-West region, Regional Operational Programme

1. Introduction

The evaluation of regional policy has been given increasing attention in the European Union (EU), mainly due to the wide variety of projects and programmes with European funding, there is a growing emphasis in political debate on the need for evidence on the performance of EU cohesion policy, because policymakers want to know "What works?" and "Why?", especially in the *Central and Eastern Europe* (Warsaw Conference 2009, Armstrong – Taylor

2000). Scientific literature devoted to methods of evaluating public policies in general, EU regional policy, in particular, was enriched substantially in the last two decades (Patton 2002, Pawson 2002, Furubo et al. 2002, Nutley et al. 2003, Boyle – Lemaire 1999, Connell et al. 1995, Van der Knaap 1995, Wholey 1986, Shadish et al. 1991). Also, different methodologies with greater or lesser complexity have been developed by regional development agencies, research centres, institutions, government bodies, NGOs etc. in order to assess regional projects and programmes carried out in different countries, mainly due to on-going evaluation experiences of EU cohesion policy for 2007-2013 and ex-post evaluation of the period 2000 – 2006 (Varga – in't Veld 2011, EC 2013, 2012a, 2012b, 2010).

The Regional Operational Programme 2007-2013 (ROP) is one of the seven Operational Programmes established for Romania through the National Strategic Framework of Reference (RMRDT 2012). The main ROP objective is the equilibrate development of all the Romanian regions through exploiting the regional and local development potential, focusing on urban growth poles, improving regional and local transport infrastructure, improving social infrastructure, supporting the development of regional and local business environment, sustainable development and promotion of tourism, in order to transform these regions, and especially those lagging behind in more attractive areas for investment, tourism and residential.

Even though the aim of the EU funds is clearly defined, the actual impact of their implementation is difficult to appreciate despite the efforts that have been done up to present in order to identify the most appropriate evaluation method. However, trying to determine the economic and competitive effects of structural funds implementation at regional level encouraged the authors of the present paper to choose an *ex-post evaluation*, by applying a questionnaire to the beneficiaries of EU funding through RO Programme, beneficiaries from the North-West development region of Romania. The main questions that the paper tries to answer to are *How effective are the EU money spent in Romania? Which are the biggest obstacles in the process of EU funds implementation? Do the EU funds contribute to the increase of regional competitiveness?*

2. Methodology

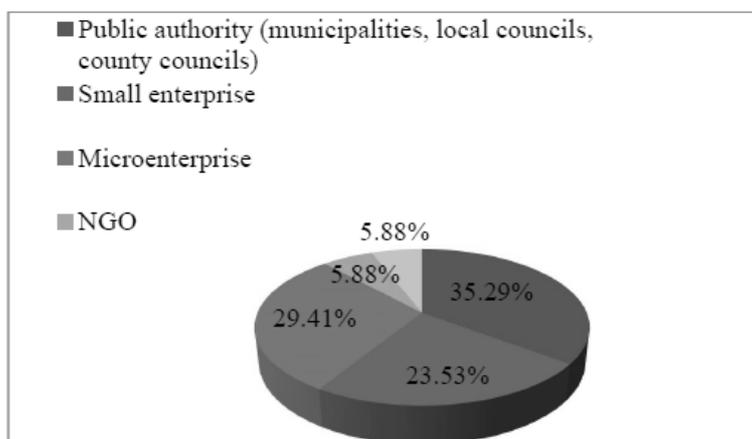
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The questionnaire comprises 45 questions, grouped by topics such as: *general economic profile of the beneficiary organisation, the main activities developed by the organization, general information regarding the project financed through RO Programme, the impact of the project implemented through RO Programme, information regarding impact over competitiveness and innovation of the organization, its products or its production process*. Data were analysed using SPSS software by testing the assumptions made in the field literature presented in the paper. Data collection was done by field research taken by the research team during February - April 2013. The sample includes recipients of funding from both the public sector, 35 beneficiaries (municipalities, local government units, etc.) representing 22.15% of the total sample, and from the socio-economic environment, 8 non-governmental organizations (associations, foundations, parishes etc.) representing 5.06% of the total sample and 115 beneficiaries were representatives of business environment, representing 72.78% of the respondents.

3. Partial findings

The results presented below are partial because the questionnaire is until now in process of implementation. The sample of respondents to date consists in the largest proportion of private companies 52.94% (small enterprises - between 10 and 49 employees, and microenterprises - from 0-9 employees) followed by public authorities 35.29% (municipalities, local councils, county councils) and other categories of public institutions 5.88% and NGOs 5.88% (Figure 1).

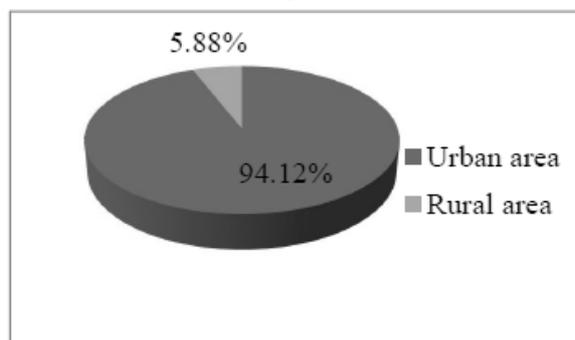
Figure 1 The type of organization funded by ROP 2007-2013 in the North-West region



Source: author's own construction

94.12% of the questionnaire respondents are based in urban areas while 5.88% are located in rural areas, which show a greater openness towards accessing European funds allocated through ROP of institutions / economic entities operating in urban areas, although this program addresses both the urban and rural environment (Figure 2).

Figure 2 The headquarters of the organizations funded by ROP 2007-2013 from the North-West region



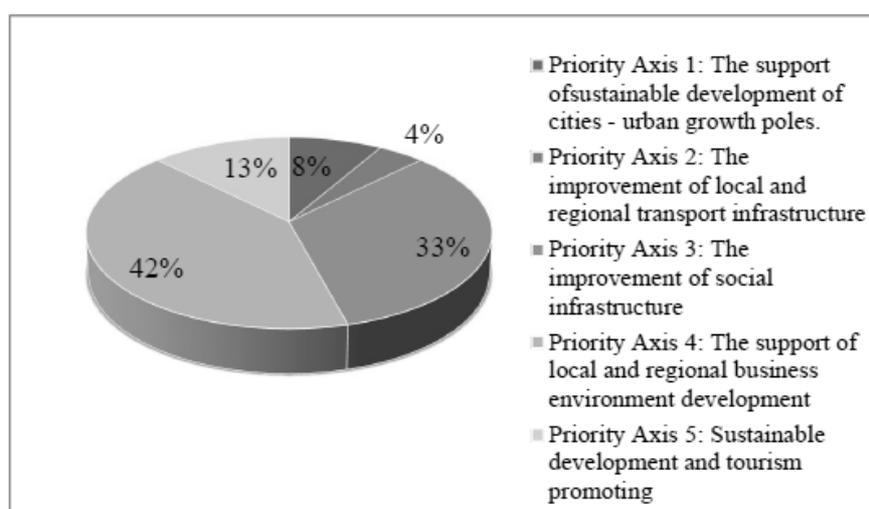
Source: author's own construction

The main fields of activity in which the questionnaire respondents perform their activity are the following: Activities specific to the local public administrations (municipalities, county councils); Activities of business and management consulting; Engineering activities and related technical consultancy; Catering – restaurants; Construction of residential and non-residential buildings; Activities of achieving software on demand (customer oriented software); Activities

of advertising agencies - advertising production, signage, branding, sales or spatial shops and corporate offices planning; Dental care activities; Activities of religious organizations, Wholesale of machinery for construction; Maintenance and repair of motor vehicles; Residential care center for the elderly, etc.

Among the projects implemented by 01.10.2012 through ROP, whose representatives have replied to the questionnaire so far are: *The rehabilitation and modernization of Body Clinic - Outpatient Municipal Clinical Hospital "Dr. Gabriel Curteanu" Building B, Oradea; The rehabilitation, modernization and expansion of day center for people with multiple sclerosis in Oradea; The rehabilitation and extension of the building in Louis Pasteur Street No . 42, for the objective: Ivy Day center for children with Down syndrome; The rehabilitation upgrading and equipping of the "Andrei Saguna" High School of Oradea City; The revitalization of the Oradea fortress to introduce the tourist circuit: Fortress of Oradea, European resort - Phase I; The rehabilitation, modernization, expansion and equipment of "Avram Iancu" School, grades I-VIII, Building B and Building C, Oradea; The development of business and management consultancy at SC ORGMAN SRL Baia Mare; The use of new technologies in SC PREFCON SRL Zalau Salaj – the guarantee of efficiency and competitiveness in design; Qubiz-"Quality Business" in IT outsourcing in North West; The acquisition of performing dental equipment for the endowment of DENTAL CLINIC LLC; The rehabilitation and modernization of ambulatory Corp. 'F' - Hydrotherapy of the rehabilitation of the Clinic Hospital of Cluj-Napoca, etc.*

Figure 3 The proportion of the priority axes accessed through ROP in the North-West region



Source: author's own construction

The classification of respondents in terms of priority axes accessed through the implemented projects in the North-West region of Romania is shown in Figure 3. Most of the respondents, respectively 42%, have received funding through ROP under Priority Axis 4 dedicated to supporting business development and particularly micro-enterprises. The second place in terms of access grade, among respondents, it is occupied by Priority Axis 3 dedicated to improving social infrastructure. The third place is occupied by the Priority Axis 5 designed to promote sustainable development and tourism, while the fourth is occupied by Priority Axis 1, which aims to support sustainable development of cities as growth poles. Finally, on the last place is Priority Axis 2 dedicated to improving regional and local transport infrastructure. Therefore, we conclude that the business environment is more dynamic and interested in the attraction of European funds under ROP, while public authorities should focus more toward axis such as sustainable development and promoting tourism and improving transport infrastructure that register serious problems in the North-West region of Romania in terms of absorption rate.

Among the main objectives of the projects implemented by ROP are included: creating jobs; increasing turnover; increasing the number of customers; developing new products; increase the number of tourists through valuing local and regional cultural tourism potential on the national and international tourist market - increasing the number of visitors to the objectives restored; health facilities rehabilitated; schools rehabilitated; social centers rehabilitated and expanded; streets, alleys and parking rehabilitated etc. The definition of the Romanian Ministry of Regional Development and Tourism (RMRDT 2012) given to regional development considers it a new concept that aims at stimulating and diversifying economic activities, encouraging private sector investment, helping to reduce unemployment and not ultimately lead to the improvement of living standards. We notice that each of the projects funded by ROP 2007-2013 contribute through their objectives to increasing North-West development region living standards and attractiveness by encouraging private sector investment, by extending the scope of the organizations receiving funding, by creating jobs and thus reduce unemployment, and improving infrastructure, also improving health and social services and transport infrastructure in the region, providing high welfare to the North West region inhabitants.

To the question: "What were, in your view, the main achievements / benefits you obtained through the implementation of the project / projects?", the most frequently answers mentioned organizational development and achieving competitive advantages through product and services

diversification and improving the quality of existing ones, providing better working conditions for employees, increasing labor efficiency, ease employees' work and shorten processing, the increasing of the turnover, the increasing of the operational capacity and of the number of employees, rehabilitation and construction of buildings for carrying activity (be it profit organizations - manufacturing, services, tourism, or for nonprofit purposes), the increasing of the capacity of the buildings of social care, etc.

According to the respondents, the most important indicators expressing the impact of projects financed under ROP implemented at regional level are: investments in the region and jobs created, the number of micro-enterprises supported, improving the supply of medical services available to the population of North-West regions by bodies of hospitals rehabilitated, the valuing and protection of the environment and natural resources.

Regarding the added value of the project / projects implemented through ROP at local / regional level, the main responses were: attracting grants for SMEs, increasing the quality of the services, increasing the performance and competitiveness of companies, the development of manufacturing transport, social and tourist infrastructure.

Asked about the biggest problems encountered in the implementation of the ROP project/projects, the respondents mentioned the excessive bureaucracy, the amending of the legislation during project implementation, struggles regarding the co-financing and the big delay in reimbursement. Even so, almost all the beneficiaries declared that through the project implemented the competitiveness of their organization increased, especially through acquisition of foreign knowledge, machines, equipment and software.

To the question "In what way has increased the competitiveness of your organization?" - the answers were different according to the characteristics of each organization. We mention the following: "because of higher technical and professional capacity the company meets better the customer needs who call for the developing in a short time of large and complex investment projects in the county and beyond"; "We were able to make a bigger number of grant projects for private clients in urban and rural areas"; "It increased the number of patients due to equipment purchased and improve patient responsiveness to new and modern treatments"; "the increasement of firm productivity"; "the equipment endowment ensures greater efficiency and because of this the services of our firm are more often requested"; "it increased the number of contracts, we have diversified the activity"; "lessons learned from implementation resulted in a

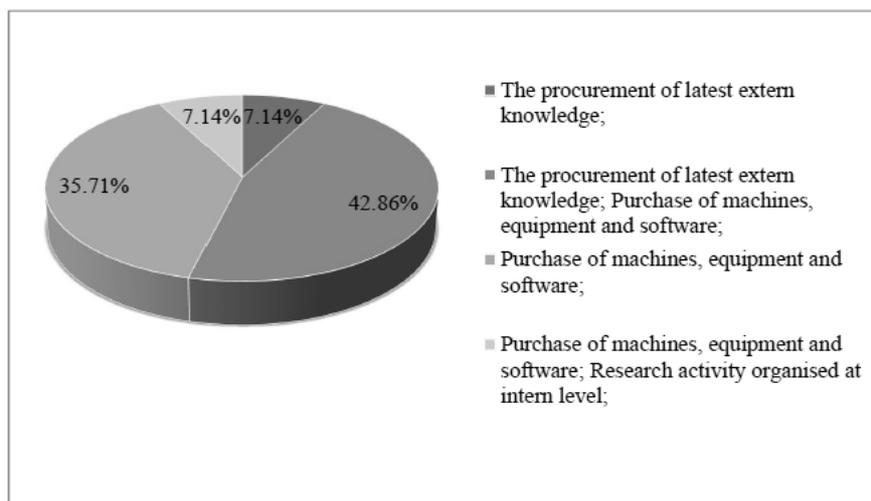
more effective management of available resources, leading to a new vision regarding the efficiency and effectiveness of our organization"; "along with the purchase of a next-generation equipment has expanded the range of products offered on the market, which resulted in an improved customer portfolio, and increasing turnover. In addition it has increased the access to new orders due to prices charged and quality of new products. Also through the modern technology the company manages to protect better the environment and to streamline costs"; "our organization's standards were raised in particular by streamlining medical services of the elderly center"; "through promptitude, shortening response controls, high quality of services offered"; " we can achieve earthworks and excavation projects at competitive prices due to the new equipment purchased ", etc.

Starting from the premise that the more innovative a region is and discovers new products, new services, new market entry and promotion strategies, the more competitive that region is and provides a level of higher social and economic welfare for its citizens, we wanted to identify the extent and manner in which the projects financed under ROP 2007-2013 in the North-West region of Romania contribute to strengthening and increasing innovation activity of the beneficiary organizations. So the next questions concern the evolution of innovation in the beneficiary organizations.

To the question whether the level of innovation of the organization's activity has increased following the implementation of the project financed through ROP, 80% of the respondents said that the level of innovation has increased as a result of project implementation, while 20% consider that the innovation level of the organization did not increase due to funding through ROP.

The increasing of the degree of innovation of the organization as a result of implementation of the project / projects with European funding through ROP among responding organizations, is due to external knowledge acquisition and procurement of latest equipment and software, amounting 42.86%. The second type of investment in innovation among respondents was the purchase of machines, equipment and software at a rate of 35.71%, while the third position in ranking is divided between two types of action with an equal percentage of 7.14% each, namely: acquisition of external knowledge and acquiring latest equipment and software accompanied by research organized internally (Figure 4).

Figure 4 Type of investment in innovation

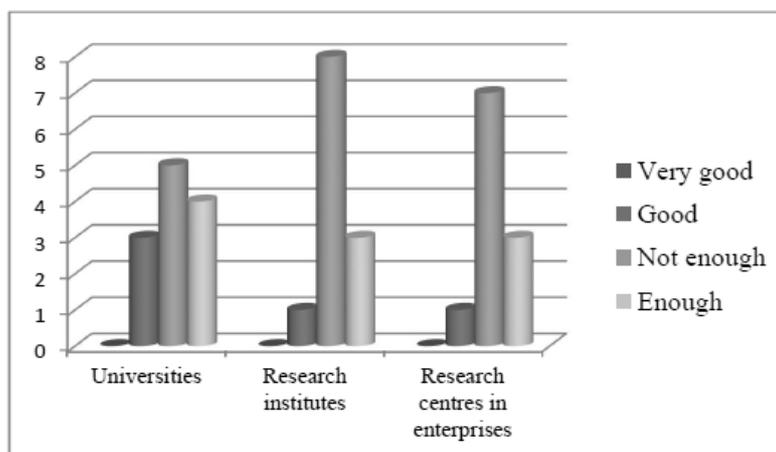


Source: author's own construction

Regarding the overall situation of investment in innovation, we notice that the overwhelming majority (80%) of the projects financed under ROP contributed to increasing the competitiveness of the organization by strengthening the most important pillar, innovation. The most common means of increasing innovation was the purchase of machinery, equipment and software found in 92.86% of cases. This type of innovation has been accompanied in some cases by latest external knowledge acquisition (in 42.86% of cases) or research organized internally (in 7.14% of cases).

We note that in the case of North-West region of Romania, through the projects financed under ROP, the general trend of beneficiaries is to invest in innovation systems (machinery, equipment and software), a weakness identified Romania in the report issued by the European Commission on the state of innovation in the Member States (EC 2011). Even if it is good to adopt and import technology and knowledge discovered and implemented by developed countries in the European Union Romanian companies and institutions should begin their own research to individualize and have a particular area of specialization at regional level. Only 7.24% of respondents conducted a research internally in the purpose of obtaining individualized products / services.

Figure 5 The involvement of the research, development and innovation sector in the specific economic activities of the organization

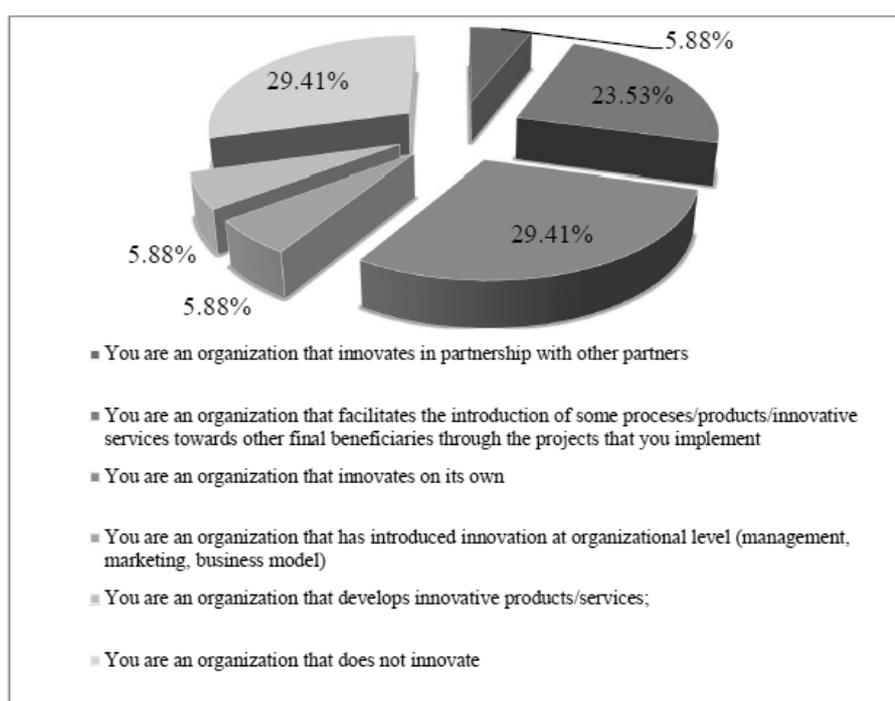


Source: author's own construction

Asked how they appreciate the involvement of the research, development and innovation sector in the economic activities developed in the field of activity of the organization they represent, the ROP funding recipients respondents find in the most part the involving of universities, research institutes and research centers insufficient (not enough), which sets a warning regarding the activity of the sector and its collaboration with the private sectors and even with the public administrative sector (municipalities, county councils and other agencies) (Figure 5). It is therefore confirmed for North-West region the insufficient involvement of the research, development and innovation sector and the need to create research centers that work in addition to industrial parks set up in the North West region, businesses ranging from the textiles industry to the software and electronics field, so as the collaboration between researchers and businesses environment to be a tight one. Of course, for these research centers and industrial parks to operate efficiently the purpose for which they were created, there must be a good communication channel between companies and researchers and professional relationships based on trust and confidentiality, and strong support and strategic vision from regional and local government. This means a collaboration known as *triple helix*, where the mission is defined, usually by government, and under this mission, the research, development and innovation sector collaborate with the industry sector of any field in order to create new knowledge, products, services and so on that are transmitted to intended final users in fulfillment of a social need.

The next question concerns the level of investment in research and development of the organization funded by ROP for the years 2010, 2011 and 2012. Only 17.65% of respondents said that they invested in research and development, while 82.35% of respondents do not invest in research and development. However, the trend of investment in research and development in the period analyzed within the organizations that declared they invest in research and development is to increase (Figure 6).

Figure 6 The state of innovation within the organization



Source: author's own construction

In terms of industrial property, the same percentage of only 17.65% who said they invest in research and development stated this time too that they have patents, trademarks, registered designs or models. So, another point that needs to be strengthened to increase regional competitiveness is to encourage research within companies for the growth of their industrial property and regional industrial property as well.

4. Emerging challenges

In order to increase its regional competitiveness Romania needs to evaluate the opportunities that European non-refundable funds offer. All the Operational Programmes established for Romania are meant to reduce disparities and increase regional development and competitiveness. Even so, we should pay more attention and try harder to increase the absorption rate if we want the benefic effects to be felt. Even more, in the next programming period, from 2014-2020 Romania should focus more through the Operational Programmes it will establish on the funding of innovation processes. We also consider that a administrative regionalization and the introduction of regional levels of governance would be of great help for Romanian regions as it would allow to create systems of triple helix innovation, that would include the academic environment, the industrial sector and the government. There should also be a focus on the rural areas, where the number of beneficiaries of funding through ROP 2007-2013 is very low. The regional development is directly linked to the rural and urban areas, and, in order to have developed regions we should focus on urban areas, but not lose focus on rural areas either.

Also the tourism, health and transport infrastructure, areas that at present have low absorption rates and whose main beneficiaries are public institutions, should be paid more attention and accessed as those aspect are crucial for the regional development and attractiveness.

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