

ROMANIA TOWARDS 2020 HORIZON

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Abstract

Romania, as EU Member State is an integral part of the Europe 2020 Strategy, which has as main objective a future smart, sustainable and inclusive development. It should be noted that in Romania the economic sectors with potential for smart specialization, and included in the Europe 2020 Strategy, are 11 and them reflect the ability of our economy to have (i) an important economic role and influence on employment, (ii) a strong competitive dynamics, and (iii) a significant capacity for innovation, technological development and providing a high level of the added value, which can support the European Commission's objectives of the Europe 2020 Strategy. This paper aims to present, on the one hand, an overview of the general state of Romania in the period 2010-2014 vis-a-vis the objectives of the Europe 2020 Strategy and, secondly, to point iterate through the Partnership Agreement objectives of our country for 2014-2020, and some of the actions needed to be developed by the Government in view to achieve them.

Keywords

education; employment; energy efficiency; European funds; GHG emissions; renewable energy; risk of poverty; smart, sustainable and inclusive development.

Introduction

On March 5, 2014 – was published the EC document entitled “Balance Strategy for Europe 2020 for intelligent and sustainable growth and socially inclusive (COM 2014). The main finding of the EC is that, overall, SM registered mixed results, as the global financial and economic crisis has had a negative impact on employment levels and increased labor poverty. However, the global financial and economic crisis has limited developments in terms of achieving objectives through "Europe 2020" Strategy. Also in the Balance "Europe 2020" the EC notes that there was a exept that referred to the objective of reducing emissions of greenhouse gases. At this last objective the positive impact was determined especially by reducing overall production and transport activities.

In this context, the Commission's assessments are that the more realistic scenario for the next period 2014-2020 will be the (i) slow economic growth and (ii) the progress in achieving the Europe 2020 objectives is mixed.

This paper evaluates the first four years of the effective implementation of "Europe 2020" in Romnia. Also, it put in evidence the most important directions for development during the period 2014-202. The article is a sinthesis of the main documents regarding our future development in a European context.

1. General state of RO during the period 2010-2014 vis-a-vis of the targets established by The Strategy Europe 2020

The assessments made in the document Balance "Europe 2020 Strategy" appears, clearly, that the European Union is currently in progress or very close to achieving its goals on education, climate change and energy, but it is not in terms of objectives achieving relating to occupation employment, R&D and innovation, reducing poverty, increasing performance gap between Member States and within the regions.

Concerning the assessments for Romania included in the document Balance "Europe 2020 Strategy " it shows that in view to achieve the targets set-out for our country it is necessary to orient the efforts to the target indicators (i) Reducing GHG Emissions and (ii) Early School Leaving.

For the other target indicators (Employment Rate, Share of GDP spent on R&D, Renewed Energy, Increase Energy Efficiency; Tertiary Education, Reducing the Population at Risk of Poverty or Social Exclusion) Commission appreciated that the situation is under control and there are real prerequisites to achieve them during the next time.

The state of the target indicators from "Europe 2020 Strategy" during the period 2010-2014 is presented below compared with the EU ones.

1.1. Employment Rate – in the year 2013 by ESF was financed 404 projects aimed to stimulate employment for long-term of unemployed people (in accordance with POS DRU – DMI 5.1. Developing and implementing active employment measures) so that active measures attended 70,432 people (of which 34,796 were women or 49.4% of total and 22,018 were young, or 31.3%). Also, to increase employment level contributed continuous training programs financed by the ESF, which was attended by 179,840 people, out of which 81,943 were women (45.6%).

Table 1 Current situation and targets from The Europe 2020 Strategy for the EU and RO

	EU Target for 2020	RO Target for 2020	Situation from RO, in 2013	Gaps between RO 2020 and RO in 2013, Percent points	Annual Growth Rate	
					2010-2013	2014-2020
Employment Rate, %	75.0	70.0	63.80	6.20	21.3	0.9
Share of GDP spent on R&D, %	3.0	2.0	0.48	1.52	0.2	0.2
Reducing GHG Emissions, compared with 2005, %	20.0	19.0	51.85	-32.85	-17.3	-4.7
Renewed Energy, %	20.0	24.0	20.79	3.21	6.9	0.5
Increase Energy Efficiency, %	20.0	19.0	16.6	2.40	5.5	0.3
Early School Leaving, %	10.0	11.3	17.40	-6.10	-5.8	-0.9
Tertiary Education, %	40.0	26.7	21.80	4.90	7.3	0.7
Reducing the Population at Risk of Poverty or Social Exclusion (no. of pers.)	20,000,000*	580,000	240,000	340,000	80,000	48,571

* Average is 740,741 persons per each MS.

Source: EC. 2010. Europe 2020.

From EAFRD dedicated to rural population, were financed projects for training, information and diffusion of knowledge. In order to support economic growth and social 25,456 or young owners took over a farm that participated in training programs. It should also be noted that investment in the setting-up and development of micro-enterprises led to

the creation / maintenance of 7,540 jobs, as well as providing of alternative income sources in rural areas. However, Romania is with 6.2 percentage points below the national target for 2020 established by Europe 2020 Strategy.

1.2. The Share of GDP Spent on R&D – increase the system performance of RDI and stimulating private investment in this area, reflected by 2007-2013 NPRDI or ERDF, materialized by funding 1,385 projects for human resource development-oriented research and by financially supporting over 1,000 companies involved in R&D projects. Also, were finalized 14 RD large infrastructures in the fields of environment, materials, products and processes, health care, exploratory and frontier research. Expenditure to support this RD large infrastructure projects accounts over 230 million RON, only during January-September 2013.

In order to strengthen the European dimension of the Romanian Research, it continued implementation of two projects Extreme Light Infrastructure Strategic Project and for the "International Centre Danube" a Project for advanced studies regarding the system of delta, rivers and seas. In 2013 Romania compared with the national target for 2020 registered 1.52 percentage points below the reference level set.

1.3. Reducing the GHG emissions - These initiatives include actions to combat climate change and promote sustainable development. Thus, between 1990 and 2011, total GHG emissions (including Land use, land use change and forestry - LULUCF) decreased by 54.84% (from 217,131.87 Gg CO₂ equivalent to 98,054.21 Gg CO₂ equivalent). The values of GHG emission recorded during the reporting period shows that Romania is in line with the assumed objective of reducing them.

1.4. Renewable energy – during the period January 1 to September 30, 2013, renewable energy sources (RES) were supported by applying the scheme of green certificates through the Environment Fund. Thus, the number of households which received financial support for installation of heating systems using renewable energy accounted 18,444 entities. Also, with funding from the Environment Fund were implemented 40 projects that will sustain the increase of alternative energy share from clean and free of GHG emissions in the total energy consumption (electricity capacity of the heating systems installed in these projects is 185.30 MW). Also for this area are underway by Sectorial Operational Programme for Environment, a number of 7 projects accounting 2,033.72 million RON for the refurbishment of large combustion installations and for increasing of energy efficiency. The power indicator Romania was renewed in 2013, with 3.21 percentage points below the national target for 2020.

1.5. Increasing energy efficiency - is achieved, mainly, through State Aid Scheme in view to promote high-efficiency cogeneration, by the Heat and Comfort Heating Programme, as well as actions to increase the energy performance of residential buildings. Thus, 37 entrepreneurs have received State Aid Scheme to promote high-efficiency cogeneration. In 2013, the amounts awarded as bonus for the period April 2011 - June 2013, by the State Aid Scheme to promote high-efficiency cogeneration, were 2.2 billion RON. Also, For The Heat and Comfort Heating Programme for 2006-2015 only in 2013 was allocated from the state budget 33.37 million RON. For eg. in 2013, to enhance energy performance of residential buildings on have made payments for 1,105 housing units (47,748 apartments), which worth 163.53 million RON.

1.6. Early school leaving - to prevent and combat this phenomenon, by Sectorial Operational Programme for Human Resource Development (SOPHRD) Projects have been undertaken measures: organizing preparatory class for children aged six years; continued implementation of annual social support programmes for pupils from disadvantaged backgrounds; continue to support vocational education and dual training (TVET); development of vocational education, secondary education (TVET) and of the post. However, in 2013, were developed 163 new curricula for primary education. Between

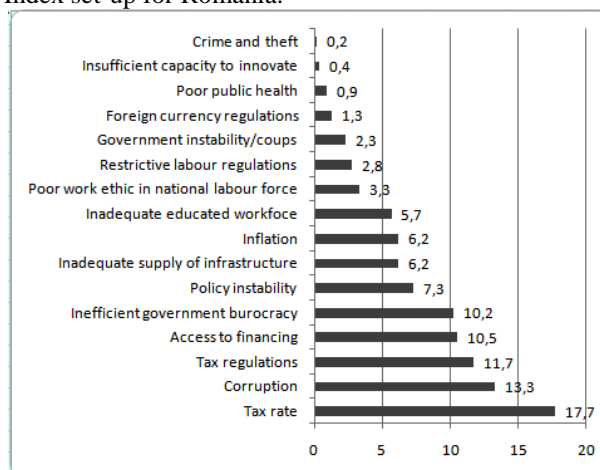
2011- 2013, the Rate of Early School Leaving has suffered a slight positive development - it decreased from 17.5% (in 2011) to 17.1% (first Q/2013).

1.7. *Tertiary education* - were continued efforts to modernize the system of qualifications in higher education and to its correlation with labor market needs. Also, continued operational National Register of Qualifications in Higher Education (NRQHE) ensuring to users the ability to consult it. Ministry of Education try to continue the studies regarding the labor market, started in previous years, both through the submission of projects financed through SOPHRD and the analytical work of recently established of National Council for Higher Education Statistics and Forecasting.

1.8. *Reducing the Number of Population at Risk of Poverty or Social Exclusion* - in this area were awarded funds totaling 155,239 million RON (during the first 9 months of the year 2013), the average monthly number of beneficiaries being 266,130 families. Also funded by the ESF were: 52 projects / retraining and professional reconversion, involving 9,955 persons from vulnerable groups (out of which 32% by Roma people; 19.8% of persons with disabilities; 45.6 % drug addicts / alcohol dependents; 2.6% of young people leaving the child protection system); were created 285 social economy start-ups, which allowed the emergence of 1,305 jobs; national programs have continued in view to improve access to health care for vulnerable persons - 18 interventions were performed in the area o prophylactic and curative health of women and children and 987,246 pensioners (with a monthly income under 700 RON), who have benefited from the program to compensate 90% of price drug reference

2. The factors which influenced the performance of the Romanian economy during the period 2010-2014

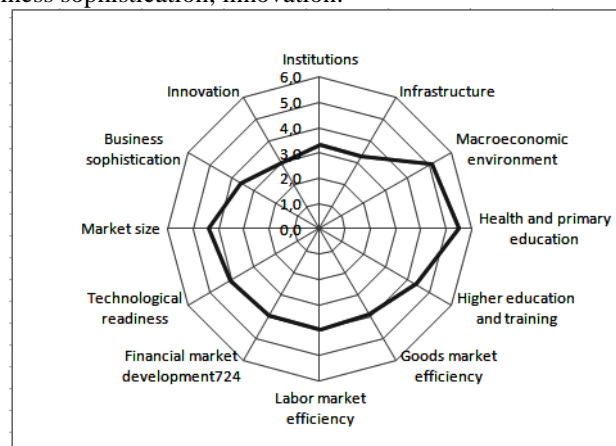
With all these achievements, the business environment from Romania is still affected by different factors mentioned in the Global Competitiveness Report 2013-2014, of The World Economic Forum, among which: the large number of tax regulations, their unpredictability and the relatively high rate of taxation; instability of economic policies; difficulties in access to finance for entrepreneurs. All these components hold 63.4% of the Global Competitiveness Index set-up for Romania.



Source: World Economic Forum. 2013. The Global Competitiveness Report, 2013–2014. Pg. 324. Editor Schwab, Klaus. Geneva

Fig.1 The most problematic factors for doing business in RO during 2013-2014.
Percent

According to the Global Competitiveness Report 2013-2014 Romania is currently ranked on the place 76 of 148 countries in the global ranking of competitiveness. In this context on mention that the country's competitiveness is measured by a combination of 12 criteria/ pillars of competitiveness which are: institutions; infrastructure; macroeconomic environment; health and primary education; higher education and training; goods market efficiency; labor market efficiency; financial market development; technological readiness; market size; business sophistication; innovation.



Source: World Economic Forum. 2013. The Global Competitiveness Report, 2013–2014. Pg. 324. Editor Schwab, Klaus. Geneva

Fig. 2 Global Competitiveness score for main objectives in the case of Romania, during 2013-2014

Concerning the he place took of Romania within Global Competitiveness Report 2013-2014 on can mention that it is slightly higher than the one held last year. Analyzing the level of the scores take into account in setting up the future position in the world taking into account the 12 pillars on can suggest the folowing recomments:

- i. To strengthen the state of the most important pillars that influnced the performance and that achieve over 50% of the score; on can stress that the score have the range between 0 and 7; the pillars which must be reinforced are: Business Sophistication – Romania has the score 3.6 ant it represents 51.4% of the total score; Good Market Efficiency - scoring 3.9 or 55.7 %; Labor Market Efficiency - score 4.0, respectively 57.1%; Financial Market Development - score 4.0, respectively 57.1%; Technological Readiness - score 4.1 or 58.6%; Higher Education and Training - score 4.4, respectively 62.9%; Market Size - score 4.4, respectively 62.9%; Macroeconomic Environment - score 5.1, respectively 72.9%; Health and Primary Education - score 5.5, 78.6%, respectively);
- ii. To identify the best solutions to increase the output in the other areas that can become strengths and where Romania are in the second half of the rankings, such as: Innovation – actually score is 3.0 or 42.9% of the total score; Institutions - 3.3 score and respectively 47.1%; Infrastructure - 3.3 score and respectively 47.1%. In this context it is importnt to identify the national directions for industrial policy and to look after inside of them to establish smart specialization areas which can be developed in Romania.

However, there are areas in which Romania is a performer at the international level - for example within the IT sector. It should be noted that on the Romanian market in this area there are Western and Asian competitors who are leaders in the field of IT, also. Romania is still no sufficiently exploited its potential from agriculture and food industry, also.

3. Objectives for 2014-2020 iterated by the Romanian Partnership Agreement 2014-2020

Partnership Agreement (PA) of Romania for 2014-2020 with the EC is based on 11 thematic objectives (OT), which are similar with main investment directions as follows:

- i. Stimulate innovation and competitiveness of enterprises in view to increase their added value;
- ii. Stimulate growth and create new jobs;
- iii. Improving research and innovation system performance - including the quality of higher education; enhancing cooperation with business and attract within the research and innovation system private investment on the basis of strategic partnership between public and private sector;
- iv. Developing and enhancing agricultural potential and orientation of the sector towards higher value added activities;
- v. To support the restructuring of farms and increase the role and importance of family farms;

Table 2 Financial allocations by programs included in the Romanian PA for 2014-2020

	Programme	SIF*	Allocations	
			Eur	%
1.	OP** dedicated to scale infrastructure	ERDF+CF	9,418,524,484	30.7
1.1.		ERDF	6,934,996,977	22.6
1.2.		CF	2,483,527,507	8.1
2.	OP dedicated human capital	SEF+YEI	4,326,838,744	14.1
3.	OP dedicated administrative capacity	SEF	553,191,489	1.8
4.	OP dedicated competitiveness	ERDF	1,329,787,234	4.3
5.	OP dedicated technical assistance	ERDF	212,765,960	0.7
6.	OP for regional development	ERDF	6,700,000,000	21.8
7.	National Programme for Rural Development	EFARD	8,015,663,402	26.1
8.	Progr for Maritime Affairs and Fisheries	EFMAF	168,421,371	0.5
9.	TOTAL SIF	x	30,725,192,684	100

*SIF – Structural Investment Funds, out of which: ERDF – European Regional Development Fund; YEI - European Fund for Young Entrepreneurs; CF - Cohesion Fund; ESF - European Social Fund; EFARD - European Fund for Agriculture and Rural Development; EFMAF – European Fund for Maritime Affairs and Fisheries;

OP** - Operational Programme;

Source: PA of Romania, June, 2014, MEF, Romanian Government

- vi. In fisheries and aquaculture sector investment will be conducted to projects that have the following objectives:
 - o Limiting the impact of fishing on the marine environment,
 - o Identifying and promoting new forms of revenue for the employment by diversifying the products and increasing the added value of products offered to the market;
- vii. Supporting people's access to the labor market, improving skills, as well as combating youth unemployment; ensure a better connections between the skills of the workforce and labor market needs, particularly in tertiary education and vocational education;
- viii. Intensify education and care for preschool children, those in primary and secondary education, especially for disadvantaged minority communities and set-up projects that will have the following objectives:
 - o The transition from a centralized institutional structures for children, the elderly and people with disabilities to the systems placed under the responsibility of local communities;
 - o Health support and help disadvantaged communities by promoting primary health care units and outpatient and / or e-health services;
- ix. Coordination of transport infrastructure from Romania with the General European Plan; this priority will be extended until 2030;
- x. Investing in waste, drinking water and wastewater - as general environmental requirements to which the EU is a party;
- xi. Improving the quality of national public administrative activities by initiating and implementing structural reforms.

Table 3 Romanian economic sectors with potential for smart specialization during the period 2014-2020

Smart Specialization Areas RDI Strategy 2014-2020		Bioeconomy	Information Technology and Communication, Space and Security	Energy, Environment and Climate Change	Eco-nano-Technologies and Advanced Materials	Health Care
Directions of industrial policy						
Important economic role and with influence on employment	Tourism and Ecotourism	√		√		√
	Textiles and Leather				√	
	Wood and Furniture				√	
	Creative Industries		√		√	√
Competitive Dynamics	Automotive and Components		√		√	
	Information and Communication Technology		√			
	Food processing and Beverage	√			√	√
Innovation, Technological Development and Value-Added	Health and Pharmaceuticals				√	√
	Energy and Environmental Management		√	√		
	Bio-economy (agriculture, forestry, fisheries and	√		√	√	√

Smart Specialization Areas RDI Strategy 2014-2020		Bioeconomy	Information Technology and Communication, Space and Security	Energy, Environment and Climate Change	Eco-nano-Technologies and Advanced Materials	Health Care
Directions of industrial policy	aquaculture), Biopharmaceutical and Biotechnology					

Source: Basis Document, Ministry of Foreign Affairs, Report on the Implementation of the National Reform Programme 2013

By The Romanian Partnership Agreement 2014-2020 were defined priority areas for the competitive development of our country, which is the synthesis of a strategic choice to concentrate all efforts in those directions which are able to provide the best results. It should also be noted that on not neglect other branches. In this moment Romania identified its own economic sectors with potential for smart specialization during the period 2014-2020. The directions for industrial policy are: (i) the industrial branches with an important economic role and with influence on employment; (ii) competitive industries; (iii) innovation, technological development and added-value.

On is estimated that the synergistic effects from sectors considered priorities for the competitive development of the country will be able to achieve the targets allocated to Romania by The Europe 2020 Strategy for a smart, sustainable and inclusive Romanian society.

Conclusions

The positive issues, but also the less solved problems by Romania during the period 2010-2014, were mentioned by the National Bank of Romania, chief economist Valentin Lazea, which mentions: "... Romania has a very good situation.... but macro indicators which are contributing factors of GDP are deteriorating... and for capital recovery is needed: to accelerate the absorption of EU funds; to initiate and introduce in practice some incentives for foreign direct investment; to develop for the workforce pro-natalist policies and to establish immigration policies more efficient; productivity can not be increased without substantial reform in education...".

Several analyses regarding the implementation of European Programmes in Romania in terms of achieving the optimum strategic targets for the period 2014-2020 dived to a series of actions, out of which are worth to mention:

- Development of public policies based on (i) socio-economic preliminary research project and (ii) on intermediate assumptions in view to realize necessary corrections for ongoing global developments, European ones, including European, regional and national, also. Such panoramic analyzes represent a new approach which can put in evidence the experience accumulated and new knowledge's. They are designed to serve as a basis for consultation and dialogue with European and national partners in order to achieve the proposed strategic targets with maximum efficiency.
- A rethinking of the current complex system of eligibility rules and other conditions imposed to achieve the European funds in order to avoid, in the future, some poor targeting of EU funds and sub-optimal use of the EU budget. This proposal is based on finding of the European Court of Accounts "... Many of the errors identified by the auditors are related to poor implementation of procurement

rules and procedures that may occur deliberately or inadvertently, when the rules are not well understood..." (ECA.2014).

- Reorient targeting and public funds management in view to ensure a European dimension, to ensure real and visible effects for the Romania and its citizens, for those benefits that could be achieved only with costs incurred at national, regional or local level. In this way on not only will reduce the risks of error of different interpretations and therefore of inconsistent application of the law, but it will also create real conditions to use of EU funds to finance activities in full compliance with Europe 2020 objectives avoiding the "deadweight effect"(EU funds are used to finance activities anyway as implemented by the Member States and other beneficiaries or funds are insufficient to achieve the desired effects).
- Regarding the economic sectors with potential for smart specialization during the period 2014-2020 it is necessary to design a global strategy with specific targets and financial allocations for the next periods, because on appreciate that only Strategies for the European funds are not enough and the local public-private initiative needs a wide framework or action.

With such tools to support future socio-economic decision policy on will be able to deliver quality results, with a positive impact on people's lives and able to adjust the desired changes in the real world. On consider that it is necessary that the main findings of actions above to be published in a periodical news-letter of the Ministry of European Funds.

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