

# The role of local authorities in rural development in the current period in Romania

**Cristina FILIP MAVRODIN, PhDs**

*The Bucharest University of Economic Studies, Romania*

*Email: cristinafilip75@yahoo.com*

## **ABSTRACT**

Rural development is a major problem in our country. EU Member, Romania has formally aligned its policies in regional, local, agriculture (economic) and administrative-territorial areas to the EU regulations; we point out, however, that between European norms set and their implementation, a considerable distance remains still pending. Our brief analysis cannot exclude the context of economic, social and institutional crisis in the EU.

1. **The Analysis**, even a relatively superficial one, emphasizes a weak political will to modernize the economy, reflected in the manifest formalism of the public policies; the clearly conservative current elites focused on wealth accumulation, mainly through the exploitation of the power levers holding; deliberate or not giving up of the main economic and financial-banking levers to the EU corporations; the anemic society pressure on the ruling elites; widespread corruption and tax evasion. In the administrative field, a reform is formally applied, with the assistance of the World Bank. We cannot ignore, however, the marked influence of political factors on the administration, expressed in staff selection and promotion and resource allocation. Against this background, the current approach of decentralization seems to lead only to strengthen the local barons". We recall that in Romania almost 50% of the population lives in rural areas.

## **2. EU regional policy, the common agricultural policy and rural development**

"Predominantly rural regions covering half of Europe represent approximately 20% of the population. According to the European Commission projections, by 2014 5 million jobs will disappear in rural areas. Diversification of economic activities and improve the quality of life in rural areas is a joint mission of the rural development policy of the European Union and the Cohesion Policy. European Regional Development Fund (ERDF) and European Social Fund (ESF) complete the European Agricultural Fund for Rural Development (EAFRD)"<sup>1</sup>.

EAFRD key areas for action include creating jobs outside farming (new companies, development of touristic activities etc.), improved access and linkages between cities and rural areas, especially in the international society context, support for small and medium enterprises (SMEs) in agriculture (support for innovation and product development), agri-food and forestry and the development of basic infrastructure in villages, especially in the new Member States.

Within the cohesion policy there is no distinction between cities and villages. Between 2007 and 2013, 344 billion euro was allocated to the Member States as Structural Funds. (2)

Brussels promotes integrated investment strategy (European Regional Development Fund and European Social Fund). The European Agricultural Fund for Rural Development is added and

---

<sup>1</sup> [www.europa.eu/regional-policy](http://www.europa.eu/regional-policy)

Romania received (2007-2013) almost 2 billion euro. Note that between 2007 and 2013, 344 billion euro was allocated to the Member States as Structural Funds<sup>2</sup>.

Rural development issues are also addressed in the European Charter for Regional Planning, the Territorial Agenda of the European and the Principles for sustainable development of the European continent, the EU (successive) Strategies for sustainable development etc.

EU Common Agricultural Policy (CAP) focused on financing development programs in rural areas and in increasing complementarities between agricultural financing through other funding policies (mostly regional). PAC programs may correlate with regional policies, environment, business, education etc. But funding opportunities must be identified, portfolios of projects must be developed, supply sources of financing must be found etc. It is required that local administrations develop as many joint projects as possible. Public administrations have a major role in this context, given the fragmentation of ownership, low level of education and training, stiffness to changes and reduced elasticity of supply. We note the importance of the Operational Program for Building Administrative Capacity and of the growing competitiveness; improve the life quality, infrastructure modernization Programs etc.

### 3. EU documents implementation

Between 2007 and 2013, official efforts were made in order to fulfill the National Rural Development Program (RDP). The application of the following measures was intended: increasing the agriculture and forestry competitiveness; support for semi-subsistence farms, setting up producer groups, rural economy diversification; micro-enterprises creation and development, tourism encouragement, basic services in rural areas improvement, public-private partnership development. Some parts of the Sectoral Operational for Program Human Resources Development (SOPHRD) and the Operational Program for Administrative Capacity Development (OPACD) can also be applied in rural areas.

Since 2005-2007, Romania has adopted in the EU system several public policies, public policy strategies, sectoral policies; a Department of Public Policy was established at the Government General Secretariat level and Public Policies Units in Ministries. With some exceptions and hesitations, The National Strategy for Sustainable Development (2013-2030) is applied, with 7 years planning, 4 years convergence and reform programs, environment plans and strategies, territorial planning, energy, industry, mining and SME development, water management strategies and plans for public utilities communities' services. Today, the Romanian development strategy is the 2020 Europe Strategy; since 2008, all strategies, policies and development programs are approved by the EU Council<sup>3</sup>.

Romania is still far from the **New Public Management** that would suppose: competition between the public services suppliers, control de-bureaucratization and citizens' control generalization, result-based public agencies' evaluation; public institutions' management according to precise missions and objectives (and less upon rules and regulations); public institutions focusing upon tax collection; public institutions should be oriented to solve communities' problems, not only to supply public services. Private management strategies may also be used: task separation between one way qualified clerks and multi-qualified ones; focusing upon efficient zones and externalization of un-effective activities etc.

More, C. Rudnețchi emphasized that "institutions' un-efficiency, the lack of force to fulfill the objectives, the un-capability to produce changes based on thorough analyses and lack of dialogue led to the most simplistic state reform"<sup>4</sup>.

---

<sup>2</sup> Ibidem.

<sup>3</sup> Sorin Opreșcu (coordonator), *Dezvoltare durabilă, politici publice și administrație în România*, Editura Top Form, București, 2013, p. 97.

<sup>4</sup> [www.wikipedia.org](http://www.wikipedia.org)

**The fiscal consolidation program 2010-2011** directly affected the local administration. They cut spending, primarily with staff (25% in 2010); slowly increased the social assistance expenses and those with goods and services remained constant. The transfers to local authorities decreased while they received new responsibilities in the organization, operation and financing of secondary schools, vocational and post-secondary education units. Local authorities are part of the school boards.

Local authorities issue the payment provisions for social benefits. They are performed by county agencies in the field. The decentralization of health (374 public hospitals passed to the county and municipal administrations) was added; part of the expenditures is locally co-financed. Also the local police are paid by municipalities. Since 2010 local administrations received the maximum legal staff. It was set up that the amount of premiums, bonuses and individual allowances must not exceed 30% of the basic wage. All available execution jobs were blocked. Wage reduction in public administration caused a major crisis in the State current operation.

The application of Law no. 69/2010 for fiscal accountability was added; the local autonomy was reduced; by GEO no. 63/2010, budgets were divided into sections of operation and development; the rates of deducted income tax were reduced (to 41.75% from 82%); goods and services purchase was significantly reduced; the Advisory Committee on Local Public Finance functioning was only symbolic<sup>5</sup>. We may add also an unclear (unpredictable) evolution of the communes' income (from taxes, reduced amounts deducted from VAT); the discrepancy between communes population (45% of total) and the budget incomes (23% of the administrative units).

Likewise, we emphasize that the current governing coalition undertook an ambitious program to revise the Constitution and to renew the administration. Within this state and society modernization program, the executive issued a Decentralization Law draft project (GEO) with the stated intention of improving the central administration, to strengthen the local administration and to open them both towards citizens. Thus, since May 2013 the local authorities presented their views in the so-called Advisory Council for Regionalization. The debates on the subject of powers division and patrimonial inventory were considerable.

For 2014, the amounts provided by every ministry's budget for the institutions to be decentralized and their powers must be distinctly stipulated as annexes to the state budget, so that, together with the institutions' transfer to the local administrations, the financing sources be assured. For 2015, during the next year, by normative documents, standard costs will be established for each decentralized task, so that, every year, the necessary amounts will be insured by the state budget. On October 11, 2013, some heads from the Ministry of Agriculture complain the Ministry of European Funds disregarded the observations made in April by the Ministry of Agriculture about the institutional architecture 2012-2020, which offers to the Ministry of European Funds powers over the funds managed by the Ministry of Agriculture. The Agriculture Minister, Daniel Constantin, argued that the institution should discuss the issue with the Ministries involved<sup>6</sup>.

At the same time, it became clear the national policies, their coordination and monitoring, following up the implementation of the national programs, the inspection and control tasks remain in the central structures of the Ministries.

In parallel, we note that the local authorities have the exclusive jurisdiction under the law (2006-2013) regarding the establishment, organization, coordination and operation of public utilities, as well as in the creation, development, modernization, management and operation of the public property or private administrative units related to the public utility systems. The competences are shared with the public authorities, central and competent regulatory authorities regarding

---

<sup>5</sup> V. Crăciuneanu, *Asigurări și protecție socială*, Editura Universitară, București 2013, p. 144.

<sup>6</sup> [www.hotnews.ro](http://www.hotnews.ro)

regulation, monitoring and control of the public utilities services. We must add the actions for reorganization of the Agricultural Chambers and re-establishment of the Agricultural Consultancy. The Minister of Agriculture and Rural Development encourages the development of Local Action Groups (financed by the Regional Centers of the Paying Agency for Rural Development and Fishery).

Regarding the EU funds, this Agency warned that Romania spent only 20% of its European funds for agriculture and rural development investments. Among the causes that generated this situation<sup>7</sup>, there are: lack of private co-financing; lack of approvals and certificates required due to late submission of the documents to obtain them; lack of documents proving ownership or use; failure to submit all requested documents on file; financial oversized projects etc. The Local Development Plans will gain an increased importance.

Also, there are to be highlighted such initiatives as **Civitas Foundation for Civil Society** which promotes the entrepreneurial spirit by developing associative forms (producers' associations and set up of storage services and processing, packaging and selling of agricultural products). Thus, the knowledge assimilation is stimulated in order to develop business plans for ventures or professional training. Various forms of collaboration with local authorities are essential.

In total, 59% from the European funds for rural development were absorbed (5.5 billions by August 2013). The system is slightly more difficult due to the latest standards of the Ministry of Finance, through which only one payment per month can be made, consequently to the introduction of legal deadlines for the account opening and so it is impossible to fulfill two requests per month<sup>8</sup>.

1,800 projects were canceled due to lack of co-financing.

## CONCLUSIONS

Rural development - in its local dimension – and local administration should be addressed in close correlation. Thus, there still is a faulty reporting between the National Development Program to the Regional Operative Program; at the regional level, the strategic documents were not turned in regional and county level projects. Also, the specific future economic impact assessments are lacking (the specific real social-economic assessments are not yet elaborated). Some shortcomings of administrative nature must be highlighted, resulting in cumbersome coordination between Regional Development Agencies and Intermediary Body. The Management Authorities often introduced adversarial procedures.

In the context of the excessive politicization of the European funds absorption, it comes to some programs lock by the European Commission (due to irregularities in the procurement area). It was also rashly appreciated that a great part of the European funds be directed to urban centers and growth poles. In another context, we point out that regional disparities have increased<sup>9</sup> with 36% from 2004 to 2011.

On a closer examination, it appears that Romania socio-economic development could become “chaotic” in 2012-2020. An important 2011 SAR Report shows that in our country the “clienteles and lack of local responsibility” have proliferated and they created fundamental problems and neither the access to European funds, or hurried regionalization will contribute to improve the situation. At the same time, it is estimated that over 50% of local public institutions didn't draw annual activity reports. “These reports are practical the assessment tool for local and regional public administrations activity, as they describe the undertaken programs, the performance, the achievements and the future goals”<sup>10</sup>.

---

<sup>7</sup> [www.evz.ro/detalii](http://www.evz.ro/detalii)

<sup>8</sup> Ibidem

<sup>9</sup> [www.fonduri-ue.ro/res](http://www.fonduri-ue.ro/res)

<sup>10</sup> [www.romaniacurata.ro](http://www.romaniacurata.ro)

On the other hand, it is known that economic productivity depends directly on the **local administration capability**. In the case of so-called Romania's regionalization, we mention that the EU didn't insist on its speed. But **multi-level governance** cannot be exercised primarily through a better absorption of EU funds, but through **efficient administration**. The **Advocacy Academy** believes that any hasty administrative reform may lead to "**local fiefdoms**" formation. Bureaucracy and corruption may increase. The possibility of supplying some **ethnic conflicts** is to be added.

Local administration can become an important development tool for Romania if: a real financial decentralization would be applied; the limit of 20% to which the local authorities are allowed to increase the local taxes would be eliminated; decentralization of some taxes to the local authorities (individual and familial enterprises); decentralization of all penalties to individuals and to some businesses, depending on their residence; revision of local budgets balancing systems; providing means to reduce the counties and communes arrears; revision of the system of fixing the indebtedness limits of the local authorities level; measures to correct staffing of local administrations etc. But an **initiative to reduce the communes' number (from 3,000 to about 1,500) experience further serious opposition at central and local level**. The mediocre stage of local IT systems is to be added.

From our point of view, rural development would mainly involve overcoming some still huge obstacles and important government funding allocation - local and European – which is difficult in the conditions of the actual economic crisis.

Another problem relates to the infrastructure development (routes, irrigation networks, water and gas networks etc.). A coherent correlation should, however, be established between central and local authorities.

A very important issue is also ensuring the necessary specialists at the local level. The territorial population fixing cannot be separated from a serious encouragement of SMEs and other economic and financial measures to counteract the population decline and aging. Nor the environment issues can be neglected. A simple administrative decentralization will not solve these problems. Equally, we should envisage serious changes of cultural values and mentalities, to promote community engagement strategies in the local problems management and resolution etc.

## REFERENCES

1. D. Camelia, Iancu, *Uniunea Europeană și administrativă publică*, Polirom, București, 2010
2. C. Crăciun, P.E. Collins, *Managementul politicilor publice*, Polirom, București 2008
3. Guvernul României, *Strategia Națională pentru Dezvoltare Durabilă a României "Orizonturi 2013-2020-2030"*, București, 2013
4. Sebastian Oprescu (coordonator), *Dezvoltarea durabilă, politici publice și administrație în România*, Editura Top Form, București, 2013
5. I. O. Păun (coordonator), *Alternativele economiei rurale a României. Dezvoltarea agriculturii sau insecuritatea alimentara si deșertificarea rurala severa*, Editura Academiei Romane, București, 2011
6. F. Teodoroiu, E. Sima, I. O. Păun (coordonatori), *Cercetări de economie agrară și dezvoltare rurală 1990-2010. Realizări si perspective*, Editura Academiei Române, București, 2011