TERRITORIAL REGIONALIZATION, A CHALLENGE? TERRITORIAL REGIONALIZATION EFFECT ON REGIONAL ACCOUNTS, THE CASE OF ROMANIA

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Abstract: "This work was supported by CNCSIS – UEFISCSU, project number 861/19.01.2009, PNII – IDEI code 393/2008". Part of the national economy, regional economy of a country targeting both the region, as a part of geographical territory, and the enclosures of the free zones, warehouses and factories under customs control located in these regions. Although there are many difficulties in collecting and processing information needed in regional accounts, however, it can be determined by factors such as: regional gross domestic product, household regional accounts, regional accounts of public administration, gross fixed capital by regions balance of payments accounts at regional, national wealth account, etc. Regional accounts, developed by ESA' 95 methodology, are analogous to national accounts and reflects, in aggregate form, economic flows and relationships between them, studying intra and inter regional links while checking compatibility indicators.

JEL classification: E19, H70, J01, M48

Key words: region, zone, regional accounts, regional GDP, households

1. INTRODUCTION

One of the most important and complex policies of the European Union is the policy of regional development or regional policy which is geared towards significant domains such as: development, economic growth, small and middle sized enterprises, transportation, agriculture, urban development, environment protection, professional training and job allocation, education, etc., being conceived as a policy for financial solidarity at the European level, with the stated aim of reducing the social and economic disparities of the different European regions. This problem of reducing or avoiding existent disparities between the different regions was firstly raised at the European level in 1957, on the occasion of the treaty signing in Rome by Belgium, France, Germany, Italy and Luxembourg and the Netherlands and was subsequently materialised in 1958 by setting up the European Social Fund (ESF) with the purpose to improve the way in which the labour market functions in different countries and to reintegrate unemployed people on the job market. Furthermore, in 1962 the European Agricultural Guidance and Guarantee Fund (FAGGF) was created and in 1975 the third fund was created, namely the European Regional Development Fund (ERDF). In 1986 the Single European Act was ratified and for the first time the term economic cohesion was used as a new concept, which subsequently appeared in the community agenda at the ratification of the European Union Treaty in 1993.

2. OBJECTIVES

The definition of the regional policy objective – which "requires a reduction of the 'disparities between the levels of development of the various regions', i.e. the 'backwardness of the least favoured regions', which include rural areas" - is legally based on the XVIII title of the European Union Treaty (and the title XIV in Treaty of Rome) to which were added the rules and regulations regarding the functioning of the structural European and cohesion Funds. The institutional parties involved in the regional development policy at the European level are: The European Commission, the European Parliament, the Council of the European Union, the Regional Committee and the European Investment Bank.

1. What is regional policy?

The regional development in Romania has started to take shape since the initiation of the PHARE programme in 1996, and in 1998 the objectives of the national policy in the domain were established in Law 151/1998, subsequently completed and modified (later on revoked by Law 315/2004) in a series of other laws, ordinances and Government decisions with the stated aim to create and stipulate the means for the implementation of the regional policy.

The territorial regionalisation appears to be a priority objective of the European Union in the need to support a balanced and durable economic and social progress through the consolidation of the economic cohesion of the member states. The territorial regionalisation must be viewed as an administrative initiative to create on one hand larger cooperation areas and on the other hand to define new administrative-territorial units.

The Community Regionalisation Act defines the region as being "a territory that forms, from a geographical point of view, a unity or a similar territorial assembly in which their is continuity and in which the population is defined by common shared elements and the wish to maintain its specificity and to develop it so that to stimulate the cultural, social and economic process".

According to the view of the European Council, a territorial authority existing at the level immediately below that of the central government, with its own political representation in the form of an elected regional assembly and the financial means to support this representation.

In Romania, the regional development policy at the territorial level included the development region as an implementation unity, establishing the fact that such a region is organised in a voluntary association of geographically close counties, without being an administrative-territorial unity and without legal representation. Therefore, we mention that in Romania there are 8 development regions (Table no. 1).

As a consequence of territorial regionalisation and in accordance with the configuration established in the Regional Development Plan for the years 2007-2013, the map of Romania, representing the 8 development regions created, according to the data presented in Figure no. 1.

Table no. 1. Development regions in Romania

Development region	Districts components
1. North-East	Bacau, Botosani, Iasi, Neamt, Suceava, Vaslui
2. South-East	Braila, Buzau, Constanta, Galati, Tulcea, Vrancea
3. South-Muntenia	Arges, Calarasi, Dambovita, Giurgiu, Ialomita, Prahova, Teleorman
4. South-West Oltenia	Dolj, Gorj, Mehedinti, Olt, Valcea
5. West	Arad, Caras-Severin, Hunedoara, Timis
6. North-West	Bihor, Bistrita-Nasaud, Cluj, Maramures, Satu Mare, Salaj
7. Centru	Alba, Brasov, Covasna, Harghita, Mures, Sibiu
8. Bucharest-Ilfov	Municipiul Bucharest, Ilfov

Source: Law 315/2004 regarding the regional development in Romania (OM no. 577/29 June 2004)

Source: The Regional Development Plan 2007-2013

Figure no. 1. The eight development regions in Romania

These development regions in Romania are established based on the existent system at the community level, namely of the classifying system of the territorial units NUTS. According to this, these are regions at the NUTS 2 level (with a population of 2.8 million inhabitants).

From the analyses done by the Romanian Government, the following conclusions were drawn:

- the North-East region is the second poorest region in the EU-27 in terms of Gross Domestic Product (GDP)/inhabitant calculated at PPP[1] in 2008, with 29% of the EU-27 average;

[1]PPP = Purchasing Power Parity.

- out of all the 8 NUTS 2 regions of Romania, 6 are among those in top 20 the poorest regions of EU-27. Regions West and Bucuresti-Ilfov are not included in this classification, due to their having 51%, respectively 113% of the EU average regarding the GDP/inhabitant calculated at PPP in 2008;
- the least developed regions in Romania are allocated larger amounts of the European Funds: 16,32 % for the region North-East, 14,23% for the region South, in comparison with 8,86% for Bucuresti-Ilfov and 10,34% for region West.

Romania became finally aware in 2006 about the necessity to start an elimination process of the development disparities among its regions. However, the priority in Bulgaria and Estonia was to eliminate the disparities between the regions in 2003, in Poland in 2004, and in Slovakia in 2005.

If we take into consideration the type of the regional government, we may classify the European countries accordingly. Thus, we have:

- the federal state model: Germany, Austria, Belgium (mezzo level presents some of the characteristics of an independent state – legislation, local council);
- the regional state model: Italy, Spain and, according to some classifications, Portugal (the territorial units from the mezzo level are stipulated in the Constitution, having a broader autonomy and legal competence, although the autonomy is not complete);
- the decentralised state model: France, the Netherlands, Sweden (at the regional level, there are administrative units elected by vote by the citizens, which fulfil the duties independently, in some cases under the constitutional protection. The activity unfolds partially on self-financing);
- the unitary state model: Denmark, the United Kingdom, Finland, Greece (strict central control at the mezzo level whose activity is mainly financed from the state budget).

2. What is NUTS 2?

The NUTS concept was established at the beginning of the 70's so that to create a coherent and unitary system of dividing and reporting the regional strategies. For over 30 years, the NUTS classification functioned as "gentlemen's agreements" between the member states and EUROSTAT. The legal bases of NUTS were set in 2003.

At the regional level, the solidarity elements function in accordance with the NUTS system (Nomenclature of Territorial Units for Statistics) of the European Union. Accordingly, the EU regions are divided in three NUTS regions, established in accordance with their population.

Table no. 2. The NUTS classification according to the population

NIVEL	Minim	Maxim
NUTS 1	3.000.000	7.000.000
NUTS 2	800.000	3.000.000
NUTS 3	150.000	800.000

Source: Regions in the European Union– Nomenclature of territorial units for statistics –NUTS 2006 /EU-27

There must be noted that NUTS 2 is the level at which the regional development policy is applied in the member state of the EU.

3. Why is regionalisation necessary?

Regionalisation is described as a priority objective of the European Union to enhance the economic and social development in a balanced and durable manner, by consolidating the economic and social cohesion of the member states. From this perspective, the money allocation in EU-27 is done based on the administrative aspect, on structures similar to the regional ones. The development regions established at the Romanian level, in accordance with the current legislation, are not administrative territorial units and do not have legal power representation. The new territorial and administrative division of the country was necessary under present circumstances not only for enhancing the absorption level of the European Funds, but also for:

- reducing the existent regional disparities, by stimulating balanced development, accelerated recovery of economic and social drawbacks of the least favoured areas, as a result of historical, geographic, economic, social and political circumstances, as well as for preventing the spread of new disparities;
- handing over the responsibility from the Government to the regional county councils, of all the problems related to the European funds absorption and the regional development;
- correlating the governmental regional policies, at the regional level, by stimulating the initiative and by valuing the local and regional resources with the stated purpose of economic growth and cultural and social development;
- reducing the administration personnel by diminishing the number of the local councils to 8 with less councillors, subsequently resulting in an excess of resources at the state budget (reducing the number of municipalities-county units and the number of decentralised institutions);
- stimulating inter-regional, internal and international and transborder cooperation, especially within the Euro-regions, and the participation of the development regions at the European structures and organisations that promote the economic, social and institutional growth, in order to accomplish commonly shared projects in accordance with the international agreements that Romanian is part of;
- drawing up more easily the regional national accounts.

The regionalisation process that took place at the European level, coincided with decentralisation, which shifted from the Government to the local authorities the decision regarding tax collection and resource allocation. It was noted that, in many European states, the decentralisation process has had the tendency to regionalisation, thus creating the regional territorial level (Czech, Slovakia, Denmark, Slovenia), or consolidating the already existent regions (Germany, Spain, Italy, France, Poland), and the creation of regions in the new European states (Hungary, Lithuania, Romania) brought along new challenges.

Regionalisation models in the European Union

Out of all the studies elaborated in the European Union regarding the administrative division, four regionalisation models emerged, namely:

- the Napoleonian tradition, based on the centralisation of the authority, unity and symmetry, which is present in: France, Italy, Spain, Greece, Central and Eastern Europe.

- the German tradition, which acknowledges – besides a powerful state – intermediate authority entities, present in: Germany, Austria, the Netherlands.
- the Anglo-Saxon tradition. According to this model, the state as a legal person is not acknowledged and it is present in the United Kingdom.
- the Scandinavian tradition. It is a model that took over from the French model the principle of uniformity, but applied it in a more decentralised framework. This model is applied in Sweden and Finland.

4. How does regionalisation affect the regional national accounts?

The regional account represents a version, at the regional level, of the national economic accounts and respects methodological principles of the European System of Accounts (ESA) 1995. These are drawn up in accordance with Nomenclature of Territorial Units for Statistics of EU (NUTS), which states that the development region corresponds to the NUTS 2 level. It was noted that the means of calculating the gross regional domestic product (GRDP), in Romania is realised both for the 8 development regions and for the extra-regions (the continental platform in the Black Sea and the territorial enclaves, the Romanian embassies and consulates from abroad).

We observe the following methods of regionalising the indicators:

- the ascending method ("from bottom to top") presupposes the sum of relative information of the residential units in a region until the total regime of that aggregate is obtained;
- the descending method ("from top to bottom"), frequently used in the Romanian practice, which refers to the allocation of the national value of the gross VAT to regions, using different distribution means;
- the mixed method implies the combination of the two methods mentioned above according to the data reliable and available at the regional level.

3. METHODOLOGY

This paper aims at interpreting the data and information collected and interpreted from manuals, studies and articles in the domain, as well as from statistical studies elaborated at the national level, with reference to the territorial regionalisation, with a special view to the region South-West Oltenia.

4. ANALYSES

An important role in formulating, implementing and evaluating the regional policies is attributed to regional economic statistics whose main purpose is to analyse the regional disparities and the eligibility of the regions objectives.

The regional accounts include the calculus of the gross regional domestic product, the estimation of the regional gross added value for every branch of activity and the calculus of the regional accounts population and the public administration.

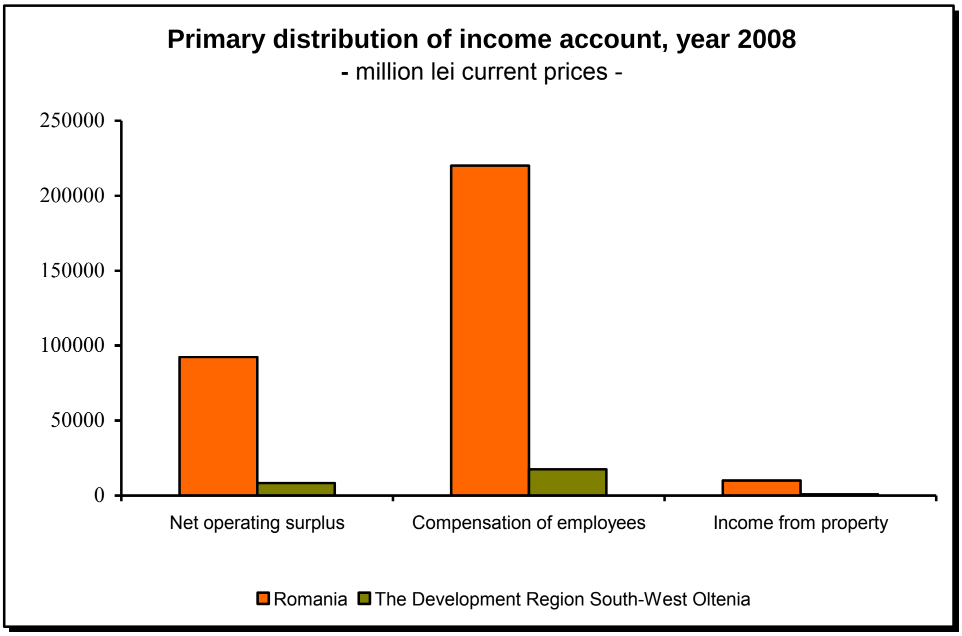
The regional accounts population represents the regional variant of existent accounts at the national level and, for practical reasons, there are the following accounts:

- the primary distribution of income account;
- the secondary distribution of income account.

In the primary distribution income account, in the resources section, it is included gross profit in exploitation, the salaries and the property revenues, and in the section usage the property income is included.

In 2008, at the level of the Region South-West Oltenia, the resources of the primary distribution of income account were 8279.9 million lei current prices resulted from the gross profit, 17525,5 million lei current prices from the salaries and 849,4 million lei current prices from property revenues.

Within the region, the property revenues amounted to 442.0 million lei current prices. The primary gross income was 26232.8 million lei current prices (Figure no. 2).



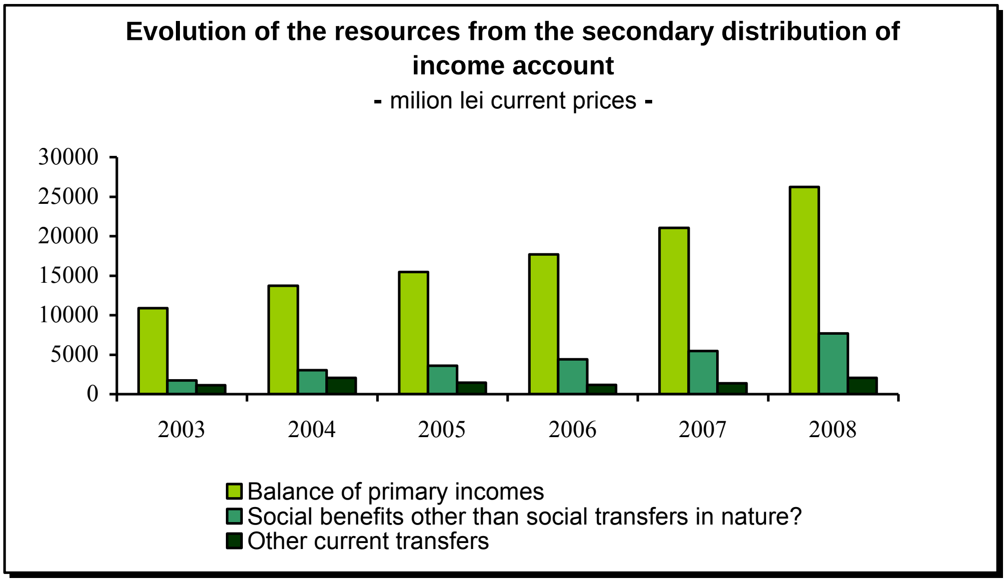
Source: Regional Institute for Statistics Dolj – Regional national accounts during 2003-2008

Figure no. 2. Primary distribution of income account

The secondary distribution of income account of the population regards the operations which represent cash income and result from: current income taxes and patrimony (income taxes and other current taxes), social security taxes (effective social security taxes for the employers and social security taxes of the employees, social security taxes of independent persons and social security taxes of the unemployed); imposed social security taxes; social service provisions, different from the social transfers in kind and other current transfers (net insurance premiums, insurance damages bonuses, other current transfers).

At the level of the development region South-West Oltenia, in 2008, the resources of the secondary distribution of income account consisted in the balance of the primary income (26232,8 million lei current prices), social services provision, different from the social transfers in kind (7706,4 million lei current prices) and other current transfers (2081,3 million lei current prices).

The positive evolution of the resources from the secondary distribution of income account of the income during 2003 - 2008 was presented in the following way: the balance of the primary income increased with 141,8% in 2008 compared to 2003, the social services provision, different from the social transfers in kind, with 353,7%, and the account with other current transfers with 80,0%.

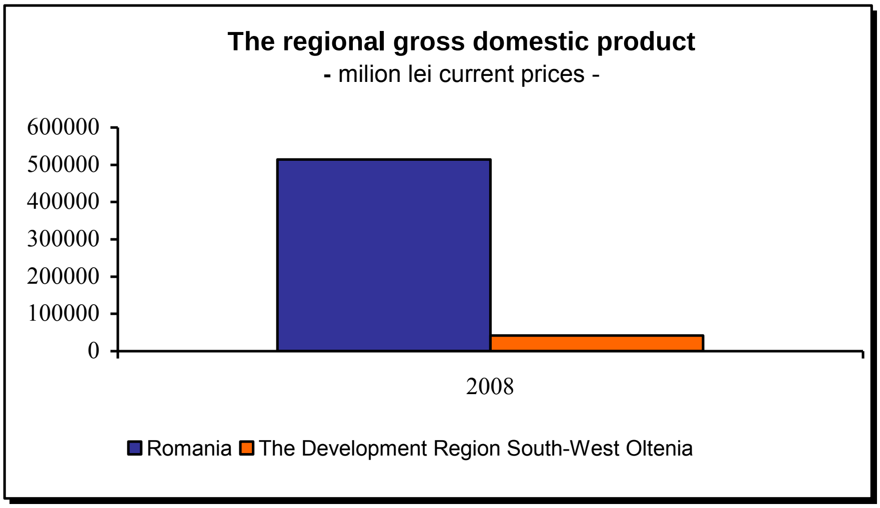


Source: Regional Institute for Statistics Dolj – Regional national accounts during 2003-2008

Figure no. 3. Evolution of the resources from the secondary distribution of income account

Regionalisation of the gross domestic income presupposes the regionalisation of the regional gross added value, of the product income tax and the product subsidies. Furthermore, we will present the regional accounts established at the level of the development region South-West Oltenia in accordance with the methodology SEC95.

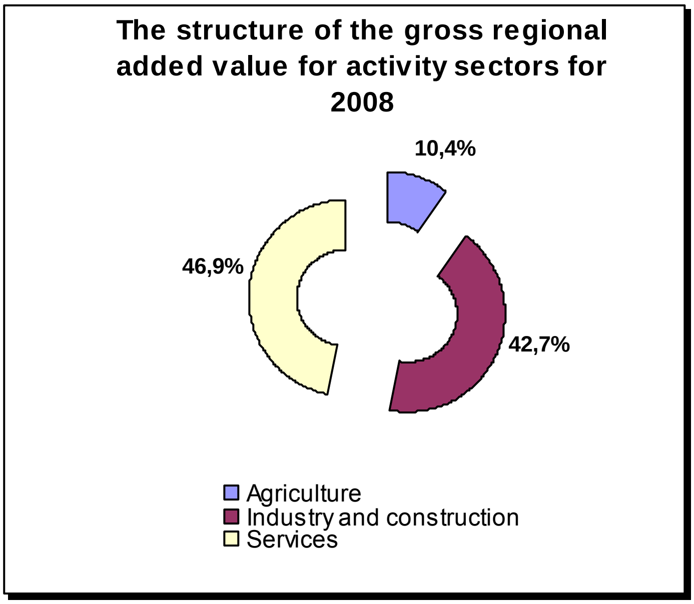
The gross regional domestic product for the year 2008 reached the value of 41.921,9 million lei current prices, and the contribution of the development region South-West Oltenia at the gross national domestic product in 2008 was 8,1% (Figure 4).



Source: Regional Institute for Statistics Dolj – Regional national accounts during 2003-2008

Figure no. 4. The regional gross domestic product

Analysing the statistical studies drawn up for the regional accounts at the level of the development region South-West Oltenia, we observed that in the structure of the gross regional added value for the year 2008 the balance was in favour of the services (46,9%), followed by industry and constructions (42,7%) and agriculture (10,4%), according to the data presented in Figure no. 5.



Source: Regional Institute for Statistics Dolj – Regional national accounts during 2003-2008

Figure no. 5. The structure of the gross regional added value for activity sectors for 2008

5. CONCLUSIONS

The regional accounts of the institutional sector "Population household" represents a regional variant of the accounts existent at the national level and allow both the evaluation of the primary income and of the available income of the population from the region and the possibility to make comparisons between regions based on operations with population household income.

The balance of the secondary distribution of population household income account is represented by the available income of the population resident in that territorial region and does not include the social transfers in kind that come from the public administration and the institutions with non-commercial purposes that provide services to the population.

At the regional level for the institutional sector, the population households the next two account could also be elaborated: the redistribution account for the income in kind and the usage account of the available income (the latter presents the way in which the residential households in that territorial region allocates the available income between final expenditure and economy).

At the regional level, there can also be elaborated the regional accounts of the public administration that envisage: the gross added value and the generated income; the gross realisation of fixed assets and the investments of the public administration, the distribution of income.

In practice, it is difficult however to regionalise the numerous sub-sectors transactions of the public administration, so the ascending method is recommended for the local administration and the descending method for the central administration.

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