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REGIONAL IDENTITY: A PREREQUISITE FOR ANY EFFICIENT CHANGE OF THE REGIONAL ECONOMIC STRUCTURE

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Abstract

Most of the territorial frameworks one could define as regions developed into coherent structures only when the multilayered functionality of those peculiar areas changed radically. While the lifespan of the very process of change depends on a plethora of factors such as social and political ones, the factorial core of the change always depends on identity, institutions and traditions born out of the historical evolution of a certain region. Our research goal within this paper would be to point to the fact that a certain regional economic structure is inevitably mirroring a specific economic culture, here defined as the sum of all human creations targeting economic purposes, focusing on the present day Romanian outlook of the issue of regionalization. Identifying and elaborating on those factors that basically illustrate the comprehensive and intricate concept of regional identity and eventually make a contribution to the better administrative shaping of the territory under scrutiny was attempted in chapters 2 and 3. In our own view, expressed in chapters 4 and 5 of this paper, such kind of investigations could contribute to the optimization of the EU regional policy design, to a better governance of the domain, as “Europe for Citizens” should become much more than a slogan in the years to come.

Keywords: Identity Factors, Regional Development, Regional Governance, EU Regional Policy, Romania

1. Research rationale

Between July 4 and 5, 2016 we could observe in Romania the proceedings of the *Forum of the Local Public Administration*, a nationwide reunion gathering most of the relevant political and administrative deciders in the country, a forum that launched the public debate concerning the options for a vision of medium and long term development of the public administration framework in Romania. Two were the pillars forwarded as critical for such a vision: *reducing the developmental gaps between regions* of the country and meanwhile *making the local administration more efficient*. The forum acknowledged the difficulty to accomplish simultaneously both targets, especially due to the fact that the Government does not want any pro-active involvement in the current affairs of the local communities. In a country with a long and strong tradition of centralized decision, counterproductive in many cases, we must move forward by changing this pattern, just as many European countries did. The emphasis put today on the role of the *Ministry of the European Funds* in this process, reflects precisely this willingness to adopt patterns that worked well elsewhere in EU. (MRDAP, 2016) It is precisely this kind of political and administrative approach that inevitably triggers plenty of questions about how this inevitably following step toward regionalization should be carried out. In this research we try to demonstrate that Romanian deciders should start, for mainly economic reasons, from the issue of identity and how should this, properly presented, enhance the chances to compete and develop of a certain territorial area.

Among the many ways we can define the economic structure of a certain economy would be the also the following: *the sum of constraints that were purposely conceived in order to allow a specific model of economic interaction between various stakeholders in that economy*. This approach refers to a comprehensive and somehow eclectic juxtaposition of categories such as social transactions, institutional buildups, firms, trade unions, public power or the complex term of population. But more important, it refers to both the formal and informal framework for all kind of social transactions, including the historical, cultural and behavioral issues, including here the peculiarities of the business environment (Keating, 1988, p. 27). Obviously culture plays a fundamental role in shaping

social, economic and political behavior and is reflected by the manner in which society operates, because *culture would be interpretation of the world according to the own experience, or collective name of human creations*. For instance competitive market cannot work without private property and free trade, pillars of capitalism, which cannot function properly as a system if it lacks a suitable legislation as well as solid social and moral customs. If these customs do not protect in fact property, as for instance in the disadvantaged areas controlled by the organized crime, the economic structure would mimic, more or less, the cultural one. Or, the historic social tradition of a certain society, would definitely impact the female ratio in various fields of activity or the labor market as a whole. If we agree over the fact that regional economy should be shaped having in mind the principle of efficiency above all, we should bear in mind that development factors depend a lot on the so called ground factors - traditions, trust, local tastes, common language, all sorts of bondages – or what we can describe as the *economic culture of regional actors*.

We are witnessing today an objective tendency towards accelerated globalization of various economic flows, in both developed and underdeveloped countries. But as globalization inevitably occurs, contrary tendencies, just as objective when considering the plethora of cultural arguments, emerge in various parts of the world. While the process of globalization was triggered by the process of *scaling the economy* and championed by the American MNCs, the opposite, not anti-globalization process, but casing the economy in sub-national patterns, could be observed throughout the world, notably in Europe. It here, within the EU, that national interests of historic consistence were exceeded by sub-national, more important in terms of efficiency interests (Hrbek and Weyand, 1994, p. 37). Our investigation of the regional economy, as it emerges in today's Romania, must focus on regional identity because we feel that the regionalization process, following the implementation of the NUTS II layer starting in 1998, was highly administrative, ignoring the cultural fabric of the Romanian regions and the consequence was the lack of economic performance, in terms of fulfilling rational expectations, as expected since designed more than 15 years ago.

It seems rational to state that the very purpose of establishing an administrative framework cannot be other but the overall development of that region, namely the public expression of *regional identity, with direct and measurable economic consequences*. *“People are eager to know precisely where from they are coming, as well as where they are heading to. They are searching identities that are ensuring on the long run, and not features that are perishable in time or only fashionable at certain moments”* (Benz, Fürst, Kilper and Rehfeld, 1999, p. 21). No matter where we look at today, in Europe or else, people are feeling more and more rooted to the region, the sentiment of belonging being such an important ingredient for the success of the “economic outflow” of that region in a comparative (with the neighboring or even other regions) framework. It is precisely this trajectory, of valuing Romania’s regional potential, that we are following through this research. We have plenty of proof that under the present day circumstances, this potential is far from being rationally exploited, but also and under the pressure of globalizing factors, could lose some of its centuries and even millennia old assets, to the loss of all. Somehow paradoxically said, regionalization would be from our perspective both a tool of preservation and meanwhile modernization of the country.

2. Cultural grounds for regional differentiation

Globalization is a phenomenon that constantly enhances the idea of cultural differentiation or lack of differentiation when it comes to a plethora of social aspects of life. A constant sprawl of market oriented values that emerged in a specific culture but are appealing to others due to their inner propensity of becoming more cosmopolitan, more open to the world, often materialize in embedded dual or even multiple identities. The present day situation of migrants in Europe, but also elsewhere in the world, point to the delicate issue of the once self-taken process of becoming “local” (Arnett, 2002, p. 778). Process, which due to obvious disfunctionalities, terrorism among, is considered to be a failure, just as institutional multiculturalism across EU, and accordingly exogenous means of inducing a such a layered multiple identities would be necessary. To what extent this cultural approach would induce mostly assets, from the economic, perspective and would

not mean on the long run a dilution of the features that actually were forged in time in that particular territory, this is of course debatable. But there plenty of arguments to consider that the present stage of *fuzziness* of this issue could be overcome in the case of EU by referring more and more, in terms of territoriality, to the regions of Europe, instead of countries.

The territory we call region is definitely a cultural, political, economic and social holistic concept. It refers to the actions and the identities generated there and nowhere else (Agnew, 1997, pp. 12-24). The economic relevance is indicated by the characteristics of the *sum of exchanges occurring in that territory as well of the ensemble of social bondages* born out of the process of creation of goods and services. It could be said that precisely these bondages generate the identity of the civil society and forge the solidarity sentiment that is a must in any healthy social environment. Interpreting the historical past would be critical in this respect. Obviously the endogenous process of creating regional identity cannot be complete without an exogenous one: a region cannot identify its features but in conjunction with other regions and areas, more or less different. So, one can conclude that there is a binomial way of interpreting regional culture and regional identity, both concepts generating in a reciprocal manner the other (Buss, 2002, p. 22). During a time when the process of unification and creation of the *Single European Market* brought inevitably various markets, both national and regional in a state of “cooperation in competition” all the factorial issues that illustrate the economy should be reinterpreted from this identity perspective. It is not only the switch from the traditional *comparative advantage* to the more appropriate today *competitive advantage*, but also a dramatic switch to what we may call *regional attractiveness* which embeds qualitative features such as life quality (as the *Human Development Index*) which becomes a crucial branding element with consequences in creating a *competitive identity*.

It is precisely this vision that allows us to see how we can maximize the territorial capacity to use local resources, especially human capital and educational and cultural assets. Regional culture should become more and more prominent and trigger efficiency on various markets or it could simply vanish in such a busy market today (Buss, 2002, p. 41).

We already have plenty of relevant examples of “winners” that are clustering not only strictly economically but also culturally: work ethic, seriousness, rightness, etc. are values that are shared among some, and implicitly not with others. Northern Italy, Lombardy first, strongly states how different would be from the South for various extra-economic reasons. “The increased competition pressure in Europe generates also a competition of reputation and identity. The mission of the regional policies should be grounded on the creation of a regional reputation and to promote the region only in correlation with this” (Buss, 2002, p. 44). During a time when sustainability, both within the natural and social environments becomes critical for many advanced societies, and meanwhile the process of globalization is characterized by the opposite tendency, sustainable development could be easier and better explained at the level of regions that had a “clean” evolution in various historical epochs, or at least that concentrate their effort, educationally speaking, in this direction.

There are many interpretations of the Romanian economic, political, social or cultural evolutions, following 1989. The “stampede” of Western liberalism, sometime with mimetic libertarian exaggerations was observed for a long time. While in terms of economics a *sui generis* neo Keynesianism was illustrative for the mid and late ‘90s, the perspective of EU significantly changed the theoretic background. But it did not stop the sustained switch towards a false cosmopolitanism that depreciated local identities as benchmarked to European and global ones, a process that would have dramatic consequences in terms of identity a decade later. The dramatic fact that no clear economic model could decently capture the essence of the Romanian economic environment during transition was quite often attributed to the reality that the domestic political establishment was poorly educated towards market economy mechanisms and, roughly said, too corrupt in order to manage professionally and ethically such a task. To a lesser extent this liability was attributed to the fuzziness of dealing with cultural concepts as specificity and identity. Such an approach would have caught historical, anthropological, sociological and overall cultural dimensions and would have framed them into a model that could be branded as heterodox, but could have had a stronger explanatory force for the economic setbacks of the last couple of decades. Therefore we believe that focusing on identity as a business

prerequisite for territorial competitiveness would be also a case of recovery of voluntarily but foolishly lost competitive advantage.

3. Identity seen from an economic angle

There is a burgeoning literature on regional identities in Europe. While some scholars defined identity as being a social process (Passi, 2003, p. 476), the regional identity refers to “the uniqueness of regions and/or to the identification of people with them” (Paasi, 2013, p. 206), to „the distinctive features of a group and the sense of belonging to a group represented by perpetuation of language, preservation of specific traditions, customs, way of life and recognition of a collective depiction” (Ancuța, 2012, p. 218), throughout their lives people identifying themselves increasingly with the region in which they live and with the cultural specificities which give them the sense of belonging. The traditional meaning of the regions tends to be replaced nowadays by a modern meaning, regions being seen more as an actor in the national and European politics, and less as a place of cultural and traditional lifestyle. As Michael Keating points, “the new regionalism” is stated as: “the linkage between the region and the international or European order, regions searching for their own place in the state, in Europe, and on the international market” (Keating, 1988, p.103).

No matter if our perspective would be from inside or from the outside of the region identity is a social feature indicating “the belonging” of people to a specific territory. Therefore it becomes a direct political resource and an indirect economic resource, due to the interwoven interests of politics and economics. It can open new perspectives to act for companies and organizations, it creates stability and it could be “felt” in many ways. The social relevance of the concept of identity is significantly increasing nowadays (Keating, 1988, p. 152) for at least the following three reasons:

- As a political value. A sharper identity embeds the chance of a better regard; as the public opinion is always attracted by clear categories, a region can adapt easier to the various situations due to a higher degree of social consensus which is sustained particularly by the better regard.

- As an economic value. A well contoured identity, no matter if in a positive or negative way, will attract customers and create niches for the goods and services that represent the main output of the region.
- As a motivational value. This cultural layer of the identity could make the difference between dynamism and lack of it, between a consistent public life grounded on a healthy civil society and the opposite. An increased level of civic involvement is always followed by the increase of the value of the social networks that are crucial for sustainable development.

It is a fact that contemporary huge flows of information tend to distort the peculiar historical identity, as built through centuries. The so called global leveling of consumer's tastes and accordingly choices has sometime a dramatic impact on both traditional output and on less prominent cultures, up to their extinction. Therefore permanent regeneration of this "frozen frame" seems a necessary action on behalf of the regional stakeholders. "Regions must permanently revive their history" (Hierl, 1995, p. 57). They should draw on the fact that "symbols and success stories have a strong integrative force...they truly build and express the authentic kernel of what that region means. A region that lacks history would be a faceless one" (Buss, 2002, p. 46). National pride but also regional pride gives people courage to act as dynamic civic actors, building a regional conscience seeming therefore a very pragmatic enterprise because "...when a person is proud about his region and origin, he would overcome indifference..." (Rorty, 1999, p. 71).

No matter how much we enhance the historic input of the identity, the permanent change of the social, economic or political environments induces the necessity to balance properly between *real factors and imaginary ones*. Or this balance is better tackled nowadays through the means of PR and communication technology than through the classic "historical" channels. Investments and job creation, affluence of tourists or hosting various kinds of economic hubs depend more on a combination of regional marketing able to promote a specific *regional output*. Not to mention the potential "transfer" of assets towards the investor's brand, following relocation in a region that is properly identified as a risk free or a diminished risk one on the international market. Imaginary communities,

often idealized in many coordinates, generated by social and political mobilization in time could sell better, due the identity that is subliminally retrieved from the aggregated image of that specific territory. Just as well as the simple presence of reputed MNC's, the friendly attitude towards FDI and culturally speaking toward foreigners, the general work ethic or at least its public perception (Brossard, 1996, p. 141).

The peculiar situation of the EU, illustrated by the 276 NUTS II level regions, or what we assimilate to a regional territorial framework in this paper, induces the necessity of conceiving specific panoply of *regional identity communication tools*, for receivers both from inside and outside the region. *North Rhine-Westphalia* region in Germany conducted a strong campaign to change the traditional view of the *Ruhr Coal Basin* from an obsolete and polluted area to a dynamic, industrialized in the modern sense, polluted free region offering a higher than average standard of living. Or, again in Germany, the second largest city of the country, Hamburg, a major port, but somehow peripheral in the inter-German trade framework, started a campaign called "Hamburg is right in the middle!" Such approaches seem appropriate in a federalized country as Germany, where regions (*Länder*) are well individualized and accordingly perceived by the population. And not only due to their separate evolution in history, but also to their specific business life features. The cities' or regions' coats of arms are regional identity "vehicles" promoted through emblems such as those of the automobile makers BMW (featuring the colors of Bavaria) or Porsche (featuring the coat of arms of Stuttgart). Quite different outlook, though anthropologically speaking there are plenty of contrary arguments, in France: to overcome the situation the regions heavily promote via PR logos, coats of arms and emblems (Hesse, 1996, p. 74).

But to be fair, most of the European regions do not have such a prominent image in order to superimpose it on their output and increase sales. Or sometimes the use of historical features could be controversial, if not back triggering, such as the provincial historic brand name *Transylvania* for the North Western development region of Romania. The 8 development regions were legally approved in 1998, following an artificial pattern, namely of the French ones. And consequently they are struggling today to create their own

(economic) identity in connection with the potential output and the policy of local manufacturers. Again the French example is relevant: the regions in France are actually “selling themselves” along with their output, especially since the generalization since 1992 throughout EU, of the *geographic indication and denomination of origin system*. So, even lesser quality or tradition imprinted commodities have an unexpected commercial success, due to this superimposed branding (Hesse, 1996, p. 79). Moreover, the present day communication patterns generate also the reverse reality, that increasingly “the brands are structuring the public space” (Lendrevie and Brochand, 2001, p. 362) so these regions should keep the pace of building their identity with the pace of the regional business environment

4. Identity as an administrative – territorial structuring factor

“Before having a real life, social, administrative or state realities are encapsulated in a mental project, personal or collective, as a result of a certain kind of social imagination and specific manner to invent” (Pecican, 2003, p.14). Analyzing the social relations that occur in a determined area, Elisalde starts from the dimension of that particular space, building the so called “territorial geography” drawing the attention to the spatial structures. “The geography of the territory must consider these entities as organizations where a perennial character is conferred by the state of the relations between various actors. It is precisely this perennial feature that translates into specific configurations and identifiable spatial structures (Elissalde, 2002, p. 31). So, it could be said that individual and collective action are organizing factors, that impact the economic life through institutional structuring means. The capacity to coordinate all the actors involved turns therefore into a development engine and prints an evident mark on the territorial configuration of its social capital. “Social capital assigns the sum of the values and norms governing the social action, as well as its framework” (Elissalde, 2002, p. 31). Again, and according to Loudiyi, Angeon and Lardon, “social relations are the very expression of the societal territoriality” (Elissalde, 2002, p. 31). It is only a matter of inferential thinking to consider social relations that imprint the territory to be an *expression of identity, transforming society into*

community. Identity intermediates not only the structuring of the social transactions but also in the process of differentiation among various spatial structures.

The identity argument seems critical to us when debating the present day necessity to adopt a clear regional policy, essentially for developmental purposes, but also for increasing the regional competitiveness, during a time we witness the gradual decrease in European national level of competitiveness, as compared in a global business environment. How can states, or in the ideal case EU, impose a structure of the economy based on increased competition, grounded on its turn on regional identity features, without compromising the iconic EU target of real convergence? It seems to us that we are facing a dual process here: on the one hand each country should institutionalize a benchmark out of its most performing region, and design its domestic policies according to the convergence criteria. On the second hand EU should put in place those mechanisms that would allow the concept of *cooperation in competition* to overcome the stage of slogan and become a truly functional instrument for promoting European goods and services worldwide. If this second layer of the mechanism would be left to the political deciding factor in various countries, the outcome cannot be but further atomization, with significant negative effects on the long run. Of course this approach might be considered a sort of limitation of the free market principle, as inscribed in the founding treaties of EU, but in fact would be an adaptive measure in order to face properly the increased competition and entropy of the global business environment.

Though this dually layered approach is obviously not easy to implement and could generate an initial phase of administrative tensions, the economic structural changes of the last couple of years could significantly ease the process. It is a fact that the degree of *interdependence and inter-operability* of the present day post-industrial economy is much higher than any time in history, modern communication infrastructure and freedoms of movement of factors and output completely changing the European business pattern during the last decades. But meanwhile, different legal work frames, different social environments and even different PRs make that the European economic space to be fragmented to a degree that could be considered nowadays as a true economic brake for EU. Finding

complementarities between various areas of EU to the benefit of all would be not only a matter of better use of factors but also of discovering the degree of compatibility between various identities and generating the best inter-regional pattern for development. When complex industries, such as avionics (*i.e. Airbus Industries*) can operate efficiently in a territorial framework that is so diverse in terms of identity, and several other examples could be forwarded, why not continental scale? Of course if we consider the lesser scale industries, institutionally characterized mostly by the layer of SME, reality could be seen from another perspective, where the day by day cultural factor could be more significant than the state administrative regulating approach.

Economic culture, at regional level, generally embeds common values such as free market, welfare, public and/or private services, continental and global institutions or main economic doctrines. It embeds also the national values, much more impregnated by traditions, customs, historical evolution, cardinal events that marked a certain society and country. But no matter to which level we refer, most of the creations of humankind are “flavored” by identity and in the following lines we will provide just some of the linkages that illustrate this paradigm:

- *Societal view concerning property and material possession.* This issue is significantly different in various areas due to the evolution of various typologies of property or socially accepted the degree of polarization of the society in terms of wealth. There plenty of examples of traditional communities, with strong beliefs, religious in most cases but not only, which value social capital much more than commodities and overall consumption. A so called “tragedy of the commons” cannot happen within such a community. This example of strong identity, dissociated from the cliché that modern societies are 100% materialistic and the identity of individualistic capitalism forges a peculiar way to deal life and its material aspects. Expressions such as “Time is money” could be just as obsolete from a social standpoint as “fast food”, from an anthropological perspective, in a post-industrial economy and post-materialistic society. Moreover, a society that undergoes a process of rapid polarization will objectively lose many social

assets that were the binding element in a previous phase, just as the relatively recent process of transition in Central and Eastern Europe demonstrates.

- *Risk related attitudes.* A stronger identity always means self-esteem and trust in one's own potential and forces, therefore an open attitude towards (properly evaluated) risks or at least a significant level of diminishing of the societal distaste towards risk. The way the American political establishment dealt with the bailout of the banking system and automotive industry as opposed to the European reluctance to undertake the same kind of approach during the crisis in 2007-2010, illustrates this culturally induced feature of identity.

- *Public service related attitudes.* A truly strong society, benefitting from a clear cut identity, will differentiate between the advantages forging a system of services grounded on efficiency. Pure public service, cannot exist without inducing counterproductive monopolies, therefore adjusting the private sphere to solve public issue in areas such as education, research, health or transportation could be done properly only in a more or less corruption free society. Meanwhile these societies support the attitude best described as "being a public servant" for a large part of their public apparatus. The fuzzier a certain society would be from the identity perspective, the more amalgamated the public and private spheres, sometime with solid theoretical justifications, such as the public-private partnerships, the more "free riders" in that society.

- *Entrepreneurial related attitudes.* The entrepreneurial environment would be a result of many components, no matter if we are taking into consideration the overall business environment and attitudes, or only the bureaucratic framework of a certain economy. If a certain society does not have a distinctive identity the tendency to adopt and adapt easy going cost diminishing patterns, such as corruption and criminal associations could surface much easier than following the long run educational pattern. Of course one could say that "criminal communities" do have a strong peculiar identity, but it is of course not this kind of peripheral specificity that we are dealing with when investigating regional identity.

- *Identity symbolism*. Not always the identity that is communicated and perceived by others would be also the real one. This change could be deceptive in many ways, both for the transmitter and the receiver: a society that is under the process of issuing false signals about its identity gets alienated sooner or later (the Greek “almost default case” seems indicative indeed for illustrating this process within EU) while the receivers of the message tend to exacerbate the negative features of the distorted identity message, always to the loss of the transmitter.

5. Romanian Outlook. The North-Western Development Region

For most of the above mentioned reasons regionalization policy would be one of the main topics of the domestic political agenda today. But one should acknowledge a starting liability of historical consistence. The current Romanian territory was neither united prior to modern history, nor unitary, in full cultural sense, throughout history. After the First World War, with the creation of the Romanian national state, the marginalization of regionalisms, following the French centralized model was attempted, and after the Second World War, communism largely managed to destroy the idea of smaller and/or autonomous communities. At the same time, it had a bad influence on people’s social behavior (less independent, less trustful) and in the context of the country’s evolution after 1989 an important question raised: whether Romania could develop energies and solidarities mobilizing regional identities as engines of development, or simply abandon this challenging trajectory. It is mainly for reasons that could be attributed to EU’s cohesion policies through structural funds dedicated to NUTS II type of territorial units, Romania speedily adopted in 1998 a regional framework consisting of 8 development regions, roughly of the same size and bluntly said barely reminding of the historical aspects that actually build identity in time. But can we honestly speak about regional structures grounded on identity in a country that has a strong modern centralized administrative culture such as Romania?

We believe there are sufficient arguments of historical consistence, as well as culturally induced differences among the Romanian provinces, in order not to consider this

view out of place. There is no more relevant benchmark in this respect for Romania than Poland. Since 1999, but after heavy and tensioned debates, in many cases focusing on the specific coordinates of territorial identity, Poland adopted the 16 regions (*voivodships*) framework that allowed since implementation the increase of the overall competitiveness and a rapid pace of development throughout the Polish territory. With full swing when it comes to EU funds absorption. These regions are fully empowered to tackle major economic and social issues in a true subsidiary manner. Meanwhile, the Romanian regions were conceived mostly as “empty shells” in terms of decision power, the counties (41, NUTS III equivalents, grouped 5-6 on average per region) being the administrative bodies that eventually gather to form the apparently decisional bodies of the regions. This kind of “birth sin” led to a major setback in funds’ absorption, a permanent inter-counties political competition, which often jeopardized most of the trans-counties infrastructural projects. Not to mention the lack of appeal of the branding of these regions according to their cardinal positioning within the country.

North Western Development Region is administratively reuniting 6 counties (Cluj, Bistrița, Sălaj, Maramureș, Satu Mare and Bihor) of *Greater Transylvania*. It always was and still is one of the most developed regions of the country in a comparative, nationwide assessment. The essence of the regional approach in this region since inception was embedded in the main idea to increase the attractiveness of the whole region and provide a reasonable ground for foreign direct investments in clustered areas. Again, in a comparative (national) framework the operation seems to be a success. But extending the comparison across CEE, we can only observe the inability to perform essentially as vehicle for the re-distribution of wealth in order to build a more or less economically homogenous region. The region remains highly polarized in terms of GDP and income/capita and though several regional poles for economic development proved effective, the dissemination effect was fatally jeopardized by the centralized administrative framework. Beyond significant industries (automotive, IT, machine building, etc.) that moved in along the FDI, infrastructure (except for telecommunication) stagnated, with plenty of negative economic consequences.

We consider that from a tactical perspective a better identification, country branding style, of the region with the historical province of Transylvania, name with both positive and negative historical connotations, would enhance the business chances of the area, when it comes to “packaging”. But the real issue is the content of regionalization, namely the idea of forging a spirit of common identity of the population and how to translate this on the long run into an economic asset. One cannot perform such a task without a proper strategic plan, country wide and regional, without *de facto* decentralization. But beyond this the demand for effectiveness pushes towards a different approach, drawing on the fact that there will be always a mental-cultural ranking of territories implying a “symbolic capitalization of the centre as opposed to the periphery” and “a zonal hierarchy computed in respect with the distance to the centre” (Casteigts, 1999, p. 89). Such an approach could allow identifying in a better way the morphology of that economic space, Transylvania in our case, the status of its citizens and taxpayers generating on the long run a will to inhabit the region, but gradually also specific and benefic in terms of economic convergence, sprawl of the regional material and spiritual values.

As Schoales (2006, pp. 162-167) underlines the existence of the so called *location share differential*, practically imposing to regions to be different and get more different as benchmarked to different national or international entities, belonging to an emerging centre motivates people, organizations, businesses, to perform better and to sustain a certain status. It is precisely what we would like to see in terms of piloting the regionalization process in the North Western region via to what we call the *alpha cluster* of the region, the *Cluj Metropolitan Area*. Initiated back in 2007, after Romania’s EU accession but at the height of the economic boom in Romania, this would be an area of about 1500 square kilometer and about half a million of inhabitants in the city of Cluj-Napoca and other 16 relatively small neighboring communities. The business environment is rampant in the good sense of the word, with a spearhead in IT reasonable well developed infrastructure, educated workforce, competitive RD facilities, decent educational and health services and a pleasant environment. The project got frozen in 2009, and cannot be resuscitated without

proper administrative measures that would support urban clusters as poles of development of regional importance.

As Hilpert (2003, pp. 6-10) points, diversity and initial disparity are prerequisites for a successful regional track, but in the present day EU integrative juncture the initial conditions could not matter less, if a “smart and innovative” policy framework is put in place. Meanwhile the ever present global FDIs could play during determined periods of time a larger role than domestic, governmental policies of the kind. That was probably the case for the North Western Development Region. But one cannot overcome the developmental limits of today’s economic outlook without the complete re-structuring of the administrative “decision taking” levels. Just as across EU we can notice various administrative means such as *The European Charter of Local Self-Government*, *The European Outline Convention on Trans-frontier Cooperation*, *The European Urban Charter*, *The European Landscape Convention*, or various regulations supported by the *Committee of the Regions*, Romania must produce as soon as possible its legal frame for effective regionalization. During recent history the country witnessed too many “losses of momentum”; therefore a coherent macroeconomic territorial approach was not possible in order to counterbalance unilateral moves of the economy. We believe that nowadays the necessary and sufficient conditions for a major administrative re-structuring of the regional framework are substantially met and the political deciders should move forward at accelerated speed.

7. Prospects

The issue of *European identity* was under heavy scrutiny since the *Treaty of Maastricht* gave perspective, back in 1992, to the potential *European citizenship* (Cederman, 2001, pp. 7-12). Until the late 80s integration within EU structures was naturally conceived mainly in the economic frame, to promote the common market, the gradual convergence and not much beyond. Starting with the 90s, social, cultural and political issues became critical, especially after the enlargement to the geographic Centre and Eastern territorial units of the continent, areas with a significantly different cultural

background than Western Europe, but sharing to such an extent the common European values. The fact that today we witness a strong rebound throughout Europe of the concept of identity could be also attributed to the fact that regional identities have been wrongly interpreted, if not mistreated in many countries, Romania included. At least this is the communicational outlook of the issue. Those European regions that managed to build a consistent *regional brand name* managed to perform better over the *European Single Market* or elsewhere. In a world dominated by ICT that embeds every aspect of social life in the so called *video-sphere*, enhancing territorial identity seems a winning answer from many perspectives.

The Romanian case seems peculiar within this juncture. Not only because the culture of *self-promoting* would be a rather alien concept and operational procedure in this country, but mainly due to the culture of centralized decision (Ashead, 2002, pp. 153–163) that induces a certain reluctance towards autonomous decisions and for risk, or even for pursuing risks under rational expectation conditions. We believe there is a strong need for a proper legal frame of the identity related competition and competitiveness, which we believe cannot be forged under the present day conditions but resonant with the EU legislation of the kind. True, to put this issue in Edmund Phelps terminology “EU institutions are not allowing us a great deal of hope as long as specific cultural features generate competitive advantage despite an institutional framework in place” (Phelps, 2007). Or, bluntly said, there is no decent hope to see this problem solved in EU from above, each country should act according to its traditions and cultural background. The recent moves towards “lesser Europe”, culminating with the *Brexit* would be a significant indicator that countries should act on their own in this respect if they want results. It is a trajectory which paradoxically could bring more arguments in favor of the pragmatism of the slogan *Unity in Diversity*.

We strongly believe that coherently developing regional identity is a must in nowadays Romania. We cannot assess the level of improvement of the quality of local administration following such a process, but we can clearly state that switching gradually from the traditional emphasis on national identity towards the regional one is validated by

the increased regional competitiveness that such an approach induced in many European countries. This hopefully will be also the case for this country in the years to come.

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FORMAL VERSUS SUBSTANTIVE REGIONALIZATION IN EU SEEN THROUGH THE RULE OF LAW PERSPECTIVE

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Abstract

The paper targets a policy problem concerning the EU's changing approach to the rule of law (RoL) – from lip service in its constituting documents to a major accent in the current enlargement policy towards new candidate states. More to that since 2014 the EU has launched a new policy to safeguard the RoL. However the effectiveness of the policy depends on the adequacy of the identification of the social problem which finds a huge variety of forms of manifestation. Here a novel analytical instrument is proposed whose implementation reveals that in a conventional European anti-corruption 15-thlon the participants show results so various as to be hardly comparable: the differences between the top positions and the lowest are of the order of 5 times. The results of comparisons between EU member states, based on quantitative indicators regarding the “political geography” of the affirmation of RoL, have made evident that the usual clichés of European regions are meaningless in this particular regard: the former communist countries may have once been tied together in a common military-political bloc but today they are national societies that differ significantly from one another. The CEECs are actually more diverse than homogeneous; in terms of RoL the Balkan countries (and the Baltic countries as well) do not belong to an integral region in the way the Scandinavian counties do. Hence, a typologically diversified policy approaches are most needed if the effectiveness is what the European citizens require.

Keywords: Rule of law; anticorruption policy; clustering; quasi-regions

1. Introduction: The EU's Policy Concerns in the Realm of Rule of Law

This paper targets an important policy problem, namely the EU's changing approach to the rule of law (RoL) – from lip service in its constituting documents to a

major accent in the enlargement policy towards new candidate states (Fagan/Sircar 2015; Gateva 2015). More importantly on March 11, 2014, the European Commission made official a new political initiative, awkwardly entitled “A New EU Framework to Safeguard Rule of Law”¹. For the first time the EU not only admitted that safeguarding the rule of law is an enormous problem but actually undertook political action for solving it (Kochenov/Pech 2015; Poptcheva 2015). This is not surprising having in mind the growing body of academic literature which voiced out very serious concerns about the inadequacy of the EC’s approach to RoL promotion in CEECs².

Notwithstanding the fact that there are *ad hoc* operational definitions of RoL for the practical needs of the Council of Europe and the EU, to date no unambiguous definition has been given, legal or academic, of what “rule of law” exactly means. On the contrary, many research efforts are invested in explanations of the reasons because of which *there could not be an agreed upon universal definition of RoL* (Carothers 1998, 2006; Chesterman 2008; Endicott 1999; Fallon Jr., 1997; O'Donnell 2004; Tamanaha 2005; Zywicki 2003). I would argue that Rule of law is an exceptionally challenging object of study for the social sciences as it is a phenomenon essentially defined by three characteristics - vagueness, diffuseness and a high degree of dependence on specific contexts (Fallon Jr. 1997; Carothers 1998; Endicott 1999; Zywicki 2003; Tamanaha 2005; Chesterman 2008; Zywicki, 2003.). The three main features are interconnected and they do not represent defects of the subject matter but serve as a key to understanding the essence of the phenomenon:

¹See EC’s press release from 11 March 2014, Strasbourg, “European Commission presents a framework to safeguard the rule of law in the European Union”, as well as the published later “Communication from the Commission to the EP and the Council. A new EU Framework to strengthen the Rule of Law.”

² Here is an abridged list of very representative titles - (Ágh 2015; Alegre et al. 2009; Chiva/Phinnemore 2009; Coman 2014; Dallara 2014; Dimitrov et al. 2014; Ganev 2012; Ivanov 2012; Kochenov 2008, 2014; Mendelski 2015; Muniu-Pippidi 2011, 2011a; Papakostas 2012; Papadimitriu & Gateva 2012; Parau 2015; Piana 2010; Racoviță 2011; Sadurski et al. 2006; Schönfelder, 2005; Slapin 2015; Steunenbergh & Dimitrova 2007; Tanasoiu 2012; Tanasoiu & Racoviță 2012; Tomini 2015; Toneva-Metodieva 2014).

- **Vagueness** – this is a trait that directly refers to the parallel validity of a series of alternative paradigms for interpreting rule of law it stems from the historical origin of the supremacy of legal regulation of public relations in the course of Modernity. This means that rule of law is not limited to the creation and application of legal decrees before which all are equal (nor is it limited to the administrative apparatus and practices required for this purpose) but refers to the integral design of the system of public institutions in modern societies and the direct dependence of this design on specific cultural values (rationalism; respect for the individual person; the contract character of public order; the principle of competition; principle of decentralization of public life; principle of economic and political liberties, etc.)³.
- **Diffuseness** – this second particularity of rule of law, which creates the grounds for the first one discussed above, means that the system of social relations and values that construct rule of law directly is in a kind of osmosis with a series of economic, political, administrative and cultural practices that both depend on, and support, the application of rule of law. Not accidentally, rule of law in a national society is an integral factor of the quality of that society, a factor that is correlated to the highest degree with a very large number of other ingredients of the whole society.⁴ In a sense, *rule of law designates a characteristic type of society, not a separate element/sector of that society*.

³ “The rule of law is therefore inherently a classical liberal concept that presupposes the need and desirability to constrain governmental actors and maximize the sphere of liberty for private ordering, both in economic exchange as well as in the voluntary institutions that comprise civil society” (Zywicki 2003: 5).

⁴ Within the framework of the MAXCAP FP7 project [*Maximizing the integration capacity of the European Union: Lessons and prospects for enlargement and beyond 2013-2016*], aimed at studying the experience gained from past EU enlargements in order to make policy recommendations for future ones, an analytical instrument was devised to measure the social-economic and political distances between any of the separate member states and candidate members. The new instrument leans on the data, provided by the Catch-up Index of the Open Society Institute, Sofia, for comparing the countries by four categories – economy, governance, democracy and quality of life – constructed by means of 47 initial indicators relevant to a great

- **Contextuality** – is also a direct continuation of the preceding two characteristics.

The historical process of the formation of rule of law, which comes to permeate the whole range of public life in modern societies, implies that the form of implementation of the principle cannot be narrow, simple and constantly self-identical. On the contrary, a large number of complementary social components have been formed in the last 400 years in West European societies, which include (but are not limited to) the market economies, different forms of representative democracy, and a variety of mechanisms for balance of powers, accountable judiciary, etc., in combination with the values of rationalism, personalism, Christianity, personal liberties; and this multiplicity determines the various national specificities in the way the principle of rule of law is practiced.

This short description helps us understand why the EC has always considered RoL a fundamental value which is reiterated not only in the Copenhagen accession criteria⁵ but in the Treaty of Lisbon as well⁶. It is meant to be “at the heart of the EU” – it is only on its

variety of measurements of social life in the respective national societies – the data for measuring them are drawn from most authoritative international institutions. Among all the initial indicators, which give a sufficiently detailed, thick description of the national societies, it has been proven that rule of law is the indicator that strongly correlates ($\geq 0,67$) with 33 out of the 47 indicators (Haralampiev et al. 2015).

⁵ “Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union” (Presidency Conclusions, Copenhagen European Council – 21-22 June 1993, 7iii. Relations with the Countries of Central and Eastern Europe).

⁶ “[...] there is by now no shortage of formal EU commitments to the Rule of Law as a normative good nor, more controversially, to the goal of promoting it abroad [...]. The Union collectively and each individual Member State have vowed to safeguard the Rule of Law internally and to advance it externally as a matter of EU treaty law[...]

Still, Europe’s ebullient normative attachment to the Rule of Law should not be mistaken for conceptual clarity regarding the scope and content of the term, let alone its successful translation into a coherent external action strategy. The Union’s founding treaties lack any definition of what the Rule of Law actually entails

basis that all other mechanisms guaranteeing the free market, effective democracy, the common area of freedom, security, and justice can operate⁷. Until recently it has been tacitly implied that this fundamental value is automatically guaranteed for every EU member, since it is a preliminary condition for membership by virtue of the founding agreements. But now it becomes clear that a purposeful policy, supported by EU political institutions, is needed to safeguard the rule of law, foremost but not exclusively, through systematic fight against corruption.

In the course of time, especially after the unexpected helplessness of the Cooperation and Verification Mechanism used in Bulgaria and Romania as a post-accession conditionality instrument (Ganev 2012; Toneva-Metodieva 2014; Dimitrov et al. 2014; Dimitrov et al. 2016), the EC understood two very important things. First, nothing will change as long as there is no mechanism for sanctioning the eventually mischievous governments.⁸ Secondly, and more importantly, the problem is not limited to these two societies (Ágh 2015; Mendelski 2015; Müller 2015 Parau, 2015 Slapin, 2015). The developments in Greece, with its ubiquitous practice of large-scale governmental cheating,

[...] and the practice of EU Rule of Law promotion has, with a high degree of justification, come under scathing criticism for its rigidity [...], inconsistency [...] and ineffectiveness[...]" (Magen 2015: 2).

⁷ See for example the July Reports under CVM in 2008: "The Bulgarian authorities and the other Member States recognized that far reaching judicial reform and a concerted effort to fight corruption and organized crime were necessary if Bulgarians were to be able to exercise their rights as EU citizens and benefit from all the opportunities, including financial support, which EU membership would bring. More broadly, they recognized *that principles which are at the heart of the EU – respect for the rule of law*, mutual recognition and cooperating on the basis of a fundamental bargain of trust – could only be put into practice if these problems were tackled at source" (Report from the Commission to the European Parliament and the Council. On Progress in Bulgaria under the Co-operation and Verification Mechanism").

⁸ For instance, after M. Barroso's addressed an unprecedentedly strict remark to V. Ponta, saying that the latter, in his capacity as prime minister of Romania, by his conduct towards the Constitutional Court had in fact abolished the rule of law in Romania, Ponta was reelected by the Romanians in a fully democratic procedure and once again headed the government just to be taken down by mass protests in November 2015 against the thorough corruption of the entire political class.

as well as in Hungary, which recently provides numerous reasons for concern about the implementation of the rule of law (Bugaric 2014), and even in Poland which happened to be the first EU-member state to which the new mechanism safeguarding the RoL was implemented, indicate that there is sufficient ground for questioning whether in the EU there is real division between “old” and “new” countries, between “classical democracies” and “post-communist societies” or whether safeguarding the RoL is a specific regional concern.

Here lie the advantages of the EC’s new political mechanism: first, it can be universally applied to each of the EU member states; second, the mechanism has elaborated a clear cascade of measures ranging from identification of the systemic problem in field of RoL to imposing the severest political penalty. The excellence of the mechanism resides in its balanced combination of goodwill and partnership with the countries’ governments (upon which depends the successful solution of the problem), and firm resolve to go as far as the heaviest penalty providing the milder intermediate steps produce no results.

In early 2014 the European Commission issued its first EU Anti-corruption Report which turned out to be a major component in the implementation of the unprecedented political initiative of the EC to establish a framework to safeguard the rule of law in the EU. However, the relationships between these two EC’s initiatives are just implied but not theoretically argued or legally settled. The text of the Anti-corruption report tentatively emphasizes the universal validity, in one form or another and to varying degrees, of the abuses of the very fundamental principle of the EU in all member-states – RoL. Subsequently, the universality of the problem seems to require a general policy solution, yet tailored to the specificities of the respective national cases by the national authorities.

It appears that we face a hidden dilemma here. An all-European problem would require a need of measures at the EU level predominantly. Conversely, the eventual overwhelming domination of national specificities would necessitate mainly national policy solutions. This alternative, however, could be a false one because the actual case could be of a different nature – a substantial and substantive divergence among the

countries which clusters them in a number of different societal types beyond the uniqueness of the national cases. Are these clusters regional in character? How many are the types and the respective clusters and which countries belong to each one of them – these are not questions which could be resolved by theoretical speculations; they need empirical testing and proofs.

2. Making Empirical Facts Speak in One Voice for a RoL Diagnosis

In order to find an integral ranking of all EU countries we should exclude those indicators used by the EC in its Anti-corruption report that do not permit direct comparisons (the general amount of funds distributed through public tender when these are not calculated per capita, and the total GDP presented in current market prices). After exclusion, we still have a list of 15 indicators.

What we have as a starting point is something like an anti-corruption competition, an EU “15-decathlon”. Each “national contestant” gets a place, from 1 to 28, in the ranking by “anti-corruption disciplines”, and finally receives a total score for all the country’s achievements; its final rank in the multiple competition is determined on the basis of the country’s aggregate score. After the descending ranking is completed, the ranks received have to be summed up.⁹

The ranking results are presented in the table and the subsequent figure¹⁰:

⁹As regards Croatia, three indicators are missing, so the sum of its ranks is not calculated by simple addition of available ranks for this country, which would distort the final result. In the Croatian case, admitting the liability of the procedure, the average score was calculated for the thirteen available indicators, and then this average score was multiplied by 16, so as to make it comparable to the sums of the states in which all 16 indicators are available.

¹⁰ The computation work and the visualization of the obtained results is done by Kaloyan Haralampiev.

Table 2 here Figure 2 here

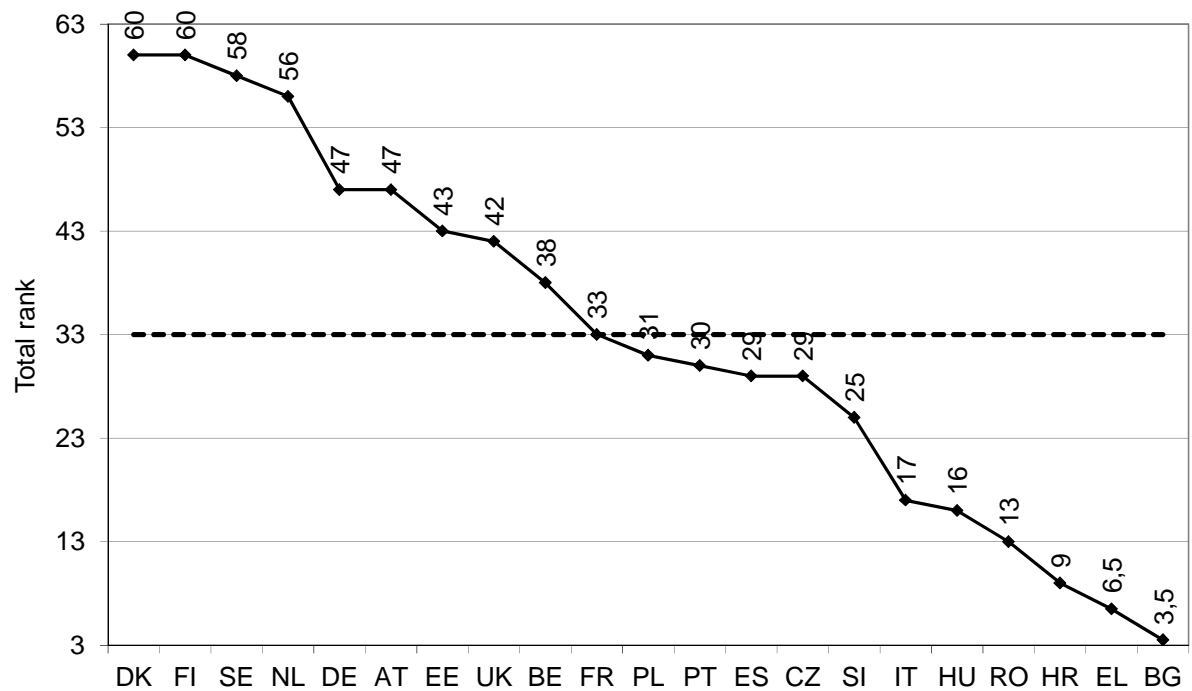
Total rank and average place by states

State	Total rank (15 indicators)	Average “place” ¹¹
DK	386,5	3,2
FI	381,0	3,6
SE	365,0	4,7
NL	343,0	6,1
UK	329,5	7,0
DE	318,0	7,8
LU	317,5	7,8
AT	316,5	7,9
BE	294,5	9,4
IE	277,5	10,5
EE	254,0	12,1
FR	241,5	12,9
MT	195,0	16,0
PT	192,0	16,2
CY	184,0	16,7
ES	178,5	17,1
SI	172,5	17,5
LV	170,0	17,7
PL	160,5	18,3
IT	157,0	18,5
HU	149,5	19,0
LT	148,0	19,1

¹¹ Since $\text{Rank}_{\text{ascending}} + \text{Rank}_{\text{descending}} = 29$ then $\text{Rank}_{\text{ascending}} = 29 - \text{Rank}_{\text{descending}}$. The rank in ascending order could be interpreted as average “place” of the country.

State	Total rank (15 indicators)	Average “place” ¹¹
SK	125,5	20,6
CZ	120,0	21,0
HR	111,9	21,5
RO	84,0	23,4
BG	65,0	24,7
EL	65,0	24,7

Total rank of states



The data are astonishing: the participants in this competition show results so various as to be hardly comparable: the differences between the top positions and the lowest are of the order of 5 times!¹²

If this were a real athletic competition, it would hardly be the same sport for all: for the contestants seem to be playing several quite different games. The results are even more interesting when, instead of focusing parochially on one's separate "achievement", we consider the *structure of the general European ranking* on anti-corruption.

It immediately strikes the eye that the EU member states participate in two very different "teams". There are two distinctly separate groups: the 12 countries in which the situation is prevalently higher than the EU average, and the other 16 countries in which it is lower. Curiously enough, the dividing line between the two groups passes far down in the European South and, in fact, divides France from Portugal and Malta. In the group of the best players the winning trio stands out clearly: Denmark occupies the first position with seven first places, one third place, one second and third place shared with the third country on the ranking scale, Sweden, and one first-fourth place shared with three other states. Then comes Finland, with a negligible difference, compared to Denmark, (with two first places, three second places, two third places; it has also shared first-fourth place with three other states, and twice shares second and third place with another "contestant"); Sweden has one first place, two second places, once a shared first-fourth place, and twice a shared second-third place. These are what we figuratively call the "medal winners". But the important aspect begins downward from there.

¹² The empirically registered distribution of the cases is not one which could be figured out theoretically. Hypothetically all the countries could have their chances to outscore some competitors in a respective discipline and, hence, the final ranking would be somewhat homogeneous, despite the fact that again we would have winners and laggards. But if the national corruption sites were similar, then the majority of the national cases would be around the average score. Since the social world is systematically organized the independent indicators in fact resonate with one another and the end result of the ranking proves that the empirically identified types of countries are actually incommensurable.

The mathematical calculations indicate the presence, within this general demarcation, of distinctly different structural subgroups – in other words, of empirically identifiable “packages” or types of countries. For instance, the structural division of subgroups shows that, despite different achievements in terms of number of points scored, the first three countries are in fact the same type of societies, conventionally designated as “Scandinavian”. (The Netherlands and Great Britain also pertain to this conventional class of excellent performers, though with lower results.)

But this is the only obvious, “pseudo-geographical”¹³ configuration confirmed by our research. In this sense, a far more interesting empirical proof is that **in the political sense, as concerns rule of law, there is simply no group of Baltic states** (otherwise figuring prominently as a homogeneous, single block of countries in literature on Europeanization, for example). Estonia has a decent score as a middle-position country within the general bloc of what we may conditionally call “Charlemagnia” (which includes Germany, Austria, Luxembourg, Belgium, Ireland, and France, in the last position). While Lithuania, in the specific political aspect we are considering here, neighbors Italy, in other words, it is in a middle position within the group of starkly problematic countries. Within this last group there is a distinctly recognizable “micro-group” of countries that are typically of the same order: at the bottom of the ranking is Bulgaria, joined by Greece.

Yet the question whether the indicators chosen by the EC in its anti-corruption report are pertinent to the RoL requires an answer based on evidence. The more so exactly because of the lacking theoretical reasoning behind the launched policy initiatives we discussed above.

¹³ The clusters only seem geographically differentiated but actually what appears as a mere spatial factor is the history of European Modernity, i.e. the proximity to the sea-routes of the East India Companies and the transcontinental commerce which implies a contractual character of the respective national societies with a centuries-long tradition of rule of law.

Rank Correlation Coefficients between Total rank of EU's Anti-Corruption Report, Rank of World Press Freedom Index and Total rank of Rule of Law Index

	Total Rank of Anti-Corruption Report	Rank of World Press Freedom Index
Rank of World Press Freedom Index	0,744**	
Total rank of Rule of Law Index	0,957**	0,874**

** Correlation is significant at the 0.01 level (2-tailed).

The results shown in the table above indicate that, as expected, an extraordinary high degree of coincidence occurs between the rank order of the EC's Anti-Corruption Report and that of Rule of Law Index – 0,957 despite the fact that the two use different indicators. The two phenomena under scrutiny are different, indeed, and they are measured by different indicators but they are mutually dependent to a remarkable degree and, hence, they should not be segregated from one another. This empirical finding leaves no room for doubts whether the EC's Report adequately depicts the state of play in the European countries observed in regard of RoL.¹⁴

3. Discussion – Academic and Policy Relevance of the Empirical Results

The empirical analysis reported above provides meaningful results in identifying structural differences in regard of RoL. It demonstrates the typological clustering of the EU member states in several distinctively different groups of trans-regional character. This finding contradicts both the conventional understanding of the European regions and the EU's policies which derive from it, and the academic literature which conceptualize these

¹⁴ In general, when a new analytic device is constructed the very first task is a test for its validity. This is exactly what has been done here – obtaining such a high level of correlation between the measurements of the anti-corruption level and the level of RoL in a given society, actually in all EU member states, we can claim the two different phenomena are substantively consistent. Hence, with all due caveats, the EC's anti-corruption record can stand for a measurement of the record of RoL.

policies. Until recently the prevailing viewpoint in specialized literature on Europeanization, and in particular on the EU conditionality, was that this political process is primarily a “perpetual success story” (Gateva 2015; Sedelmeir 2011; Spendzharova/Vachudova 2011). The most vivid example of this view is the assertion that the expected dramatic change in the EU after the broad enlargement to Central and Eastern Europe did not in fact happen, and this was because the new, post-communist member countries were coping no worse than the others (Sedelmeier 2008, 2011, 2012; Toshkov, 2012).

This should be a large methodological debate because of its direct political consequences. Europeanization seems to be generally successful and has been favored by the mainstream literature¹⁵ because of a simple methodological trick: only the cases where it is successful are considered, and the cases of failure are overlooked. It is not accidental that East European enlargement is discussed generally without mentioning Bulgaria and Romania (Sedelmeier 2011) which receive a special treatment (Chiva/Phinnemore 2009; Gateva 2015; Papadimitriu/Gateva 2012; Vachudova/Spendzharova 2012), and the measurement used is usually reduced to the registered number of cases of infringements of EU law. Here is a double misrepresentation: 1) no distinction is made between the great variety of particular *acquis* areas on one hand and, on the other, the specific case of changes that bring about a substantial redistribution of power – this kind of changes are especially difficult and, generally, reversible¹⁶; 2) the practice of pursuing violations of law in court is a matter of legal culture, which cannot be assumed to be equal in all

¹⁵ The overall academic literature on the Europeanization and particularly on the EU conditionality is not homogeneous, of course. On the contrary – acute critical voices are not rare (Andreev, 2009; Buzogany, 2012; Grabbe, 2006; Hughes et al., 2005; Maniokas, 2004; Mendelski, 2009, 2015; Papakostas, 2012; Tomini, 2015; Slapin, 2015; Trauner, 2009; etc.). Attila Agh examined critically the crisis of the Eastern enlargement of the EU (Agh, 2015) and Kochenov summarized his analysis on the post-accession conditionality under the telling sub-title of “resounding failure” (Kochenov, 2008).

¹⁶ As Racoviță’s study has shown, over 80 percent of the normative and institutional changes introduced in Romania in the course of Europeanization have been revoked (Racoviță, 2011).

countries; hence, the lack of registered cases of infringements cannot be a sure proof that no violations of European law have in fact occurred (Sedelmeier 2008; Toshkov 2012).

The whole claim that the professed Europeanization failure of the Central and East European countries did not take place rests on a mistaken methodological approach: first, averaged out data are taken for all the “old members” as whole, even though violations in some countries like Italy and Portugal are many times more than in the Scandinavian countries; second, compared with this average rate, the average values for the entire group of “post-communist states” are found to be similar because it, too, consists of incompatible cases. But this does not prove the latter countries have been successful (as matching the EU “standards”); it only testifies that a non-existent “fact” is purposefully constructed because of its more optimistic pan-European resonance. The illusion is purposefully created that EU has no rule of law problem since, presumably, the “old member states” do not have such a problem by default and it appears the “new member states” are not substantially different from them.

The political-practical aspect of the problem under consideration here is especially important.

In its first Anti-Corruption Report the EC has made great efforts to prove that this is a common problem for the whole Union, a problem that assumes different forms and occurs to various degrees in all the different countries. In its rightful desire to attract the attention of the general European public as forcefully as possible, the report has overstressed the generality of the problem among all EU member states. The important qualitative differences between the different types of cases seem to be left in the background.

At first glance, here the Commission has achieved a good balance between the emphases on national differences and on “the recurring common features”. Yet for researchers another question is also important: the missing intermediate stage between complete similarity/compatibility and the definitely prevailing particularity of the national cases. This link refers to the level of distinctive typological difference between the varying sets of countries. Beyond the national boundaries of societies, certain typically “similar

cases” emerge, whereby countries supposedly distant from one another in spatial terms are grouped together in societal terms. Several particular types of situations emerge. If policies are to be efficacious, there should be corresponding typological specificities in the approaches they take: in some cases rule of law should be reinforced, in others it should be created anew, and in still others it should be merely safeguarded. Not all of these tasks can be achieved by “a package of separate measures” because this is a matter of a broader political approach (Mungiu-Pippidi et al., 2011).

4. Conclusion

The results of comparisons between EU member states, based on quantitative indicators regarding the “political geography” of the affirmation of RoL, have made evident that the usual clichés of European regions are meaningless in this particular regard: the former communist countries may have once been tied together in a common military-political bloc but today they are national societies that differ significantly from one another. The CEECs are actually more diverse than homogeneous; in terms of RoL the Balkan countries (and the Baltic countries as well) do not belong to an integral region in the way the Scandinavian countries do. Hence, a typologically diversified policy approaches are most needed if the effectiveness is what the European citizens require.

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ASYMMETRIC DECENTRALIZATION IN ROMANIA: LOST OPPORTUNITY

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Abstract

This article endeavors to investigate if asymmetric decentralization should still be considered a solution for continuing and deepening the sectoral decentralization process in Romania in the context of growing inequalities and differences among various types of local administrative units. In close connection with asymmetric decentralization, the article explores the most significant challenge associated with this concept, mainly how to measure administrative capacity. This research effort is placed in the context of recent changes to the framework law on decentralization no. 195/2006 which introduced this concept. The main research questions are: a) What is the level of administrative capacity in Romania, measured using the criteria established in the methodological norms for the implementation of the framework law no. 195/2006?; b) Are there any weaknesses with respect to the measurement systems and if yes, what are some of the options for improving the assessment criteria?; c) Is asymmetric decentralization, decided based on the assessment of administrative capacity, regarded by the Romanian local authorities as a positive thing? Secondary data analysis and interviews were used as the main research methods. Based on the main findings it can be argued that the proposed criteria allow for a rather uncomplicated separation of local authorities in two categories (haves and have-nots), however additional criteria should be developed/included. As with regard to asymmetric decentralization, the majority of individuals in key administrative positions at the local level see it as a limitation of local autonomy and as a rather unnecessary innovation in the framework of the Romanian administrative system.

Keywords: decentralization, reform, administrative capacity, Romania, subsidiarity

Introduction

Worldwide, decentralization is regarded as a key component of good governance and development (White, 2011, p. 1). In the last decades, significant efforts have been devoted both in developed and developing countries to accomplishing far-reaching decentralization of state functions to lower tier governments (Devas, 2005, p. 2). In most cases, these local governments are directly elected by local constituencies, thus adding a political dimension to the administrative and fiscal components of decentralization (Ahmad *et al.*, 2005, p. 1). Some of the arguments for decentralization include: local governments, by being closer to the people they serve, can operate more efficiently and accountable and can be more responsive to local needs and preferences (Ahmad *et al.*, 2005); decentralization can limit the size of the public sector (White, 2011, p. 3), thus responding to growing concerns regarding budgetary constraints and cuts and the desire to reduce the size of the government; it can be used as a strategy for supporting the anti-corruption fight (Fan, Lin and Treisman, 2008) or for fostering the rights of minorities (Yusoff, 2016), etc. In developing/transitioning countries, decentralization was implemented also: a) as a response to regional conflicts and demands of the local elites from the resource rich regions (Fealy and Aspinall, 2003); b) as a way of reconstructing states affected by ethnic conflicts, by restoring democracy and returning the power to the people (Kisakye, 1996; Steiner, 2006); in response to pressures from international donors such as World Bank (Dickovick, 2014).

In numerous developing countries, despite initial enthusiasm and reform efforts and initiatives, decentralization proved to be a failure by not being able to contribute to the envisioned and expected goals of enhanced local initiative and responsiveness, improved service delivery and development or local democracy (Mawhood, 1983; Olowu and Wunsch, 2004; Boone, 2003; Golooba-Mutebi, 2005; Ribot, 2002; Rondenelli, Nellis and Cheema, 1984; Olowu, 1990; Cohen and Peterson, 1999). It is currently accepted that we know more about what doesn't work in terms of decentralization rather than what works. This is why a big part of the scholarly literature on the subject focuses on what has failed and why, as well as on trying to propose improved solutions for implementation (White,

2011, p. 1). Among some of the most prominent reasons for failure, one can mention: incomplete legal reforms, too much control from the center, lack of qualified personnel at local level, weak political leadership of the newly elected bodies, insufficient financial resources to cope with the new responsibilities, undeveloped civil society and limited pressure from local constituencies, persistent corruption and clientelism, etc. (Smoke, 1994; Agrawal and Ribot, 1999; Olowu and Wunsch, 2004).

The concept of administrative capacity is often used by scholars studying decentralization policies, especially those coming from the public management field, in order to explain the real level of decentralization in a specific country. Administrative capacity, in very broad terms, can be defined as the management capabilities of local governments (Petak, 2006) and it includes policy management, resource management and program management (Gargan, 1981). In Central and Eastern Europe limited administrative capacity, which constrains implementation processes, is often to blame for the failure of various policies and reforms, including sectoral decentralization. Governments often focus on adopting a state of the art legislative framework and forget about the importance of implementation, which becomes the ‘missing link’ of the process (Dragos, Neamtu and Cobarzan, 2012, p. 140; Dunn, Staronova and Pushkarev, 2006). Administrative capacity also varies depending on the size of the community – administrative fragmentation seems to favor low capabilities, on whether it is urban or rural – rural communities tend to perform more poorly, with the exception of those which are located near major urban centers and/or along important transportation corridors (Dragos, Neamtu and Cobarzan, 2012). Local governments with weak administrative capacity cannot perform the decentralized tasks similarly to their better off counterparts. In this case, citizens no longer experience the expected benefits of decentralization but are rather condemned to receive fewer services and fewer investments in infrastructure.

Asymmetric decentralization is presented as a policy innovation (Shah and Thompson, 2004) that can solve the problem of unequal capabilities among local governments which should be performing similar tasks in a decentralized system. Asymmetric decentralization acknowledges that communities are different and have

different capacities and therefore certain communities should not be required to perform certain tasks for which they are not prepared. Though asymmetric decentralization seems the perfect solution for countries with high differences in terms of administrative capacity among local government units, implementing it raises numerous questions: Who decides which communities receive decentralized tasks and on what criteria? How is administrative capacity being developed in those communities which initially do not have to perform decentralized tasks? Is there any resistance on the behalf of the communities with low administrative capacity in what regards the implementation of asymmetric decentralization? Do they have a voice or saying in the decision of the central government over the implementation of asymmetric decentralization?

Romania is an interesting case with regard to asymmetric decentralization. In 2006, in the context of intensified efforts targeting the imminent accession of Romania to the European Union in 2007, the government adopted several important laws regarding local public administration. The reforms incorporated in most cases suggestions and best practices emanating from the EU experts working closely with the Romanian government. One of the most praised legal regulations at that time was the framework law on decentralization no. 195/2006 (Andrei, Profiroiu and Turturean, 2006). The law introduced several innovative provisions, among which the possibility to implement asymmetric decentralization – local authorities at the lowest level (cities, towns, and rural communes) could be evaluated in order to determine their level of administrative capacity before the decentralization of additional responsibilities in the future. This provision was further detailed in 2008 through the issuance of methodological norms for the implementation of the framework law, stating how the assessment of administrative capacity should be performed. Despite these progressive and interesting regulatory provisions in place, the idea of asymmetric decentralization was subsequently abandoned. This is evident from the fact that in the years following the 2006 reforms, the decentralization of the health care system for example took place without an assessment of the local administrative capacity. In 2016, the framework law no. 195/2006 was amended, however the provisions regarding asymmetric decentralization remained in place (some changes were made, see section 3).

This article endeavors to investigate if asymmetric decentralization should still be considered a solution for continuing and deepening the sectoral decentralization process in Romania in the context of growing inequalities and differences among various types of local administrative units. In close connection with asymmetric decentralization, the article explores the most significant challenge associated with this concept, mainly how to measure administrative capacity. The empirical analysis tries to determine whether the proposed criteria for assessment from the methodological norms are specific and detailed enough as to allow us to distinguish between different classes of local communities. The article proceeds as follows: Section 2 offers a brief overview of the literature on administrative capacity and its measurement. Section 3 reviews the Romanian institutional and legal framework on decentralization, with a focus on recent trends. Section 4 details the methodology of the study. Section 5 presents the main findings. Section 6 consists of brief discussions and policy recommendations.

2. Asymmetric decentralization and administrative capacity: A literature review

Literature on asymmetric decentralization is rather scarce. This may be due to the fact that initially symmetric constitutional status for all basic territorial units was presumed to be the rule in most ‘classical’ federations such as Australia, Switzerland and US (Bird and Ebel, 2007, p. 11). The same argument applies more broadly for discussions on decentralization. However, there are countries where a certain degree of constitutional asymmetry was found from the very beginning: Spain, Russia, Belgium, etc. (Watts *apud* Bird and Ebel, 2007, p. 11). Asymmetry is usually driven by political factors – in this case asymmetric arrangements are used to diffuse ethnic or regional conflicts or to simply accommodate the aspirations and needs of ethnically and culturally diverse groups of people confined within the boundaries of unitary states (Henders, 2010). It can also be implemented due to differences among regions in terms of capabilities for public administration (Garcia-Mila and McGuire, 2007). Based on the rationales driving asymmetric decentralization, Bird and Ebel (2007, p. 12) distinguish between political

asymmetry and administrative asymmetry. They argue that while the former is based on political and cultural motivations, the latter is mainly driven by economic and efficiency concerns.

Administrative asymmetric decentralization is the result of a top-down approach to this process, where central government, either alone or in consultation with the lower units of government decides to transfer functions and/or financial resources only to certain units which meet specific pre-determined standards, usually spelled out in a law (Litvack, Ahmad and Bird, 1998). In the literature administrative asymmetry is viewed as a contract or agreement between central and local authorities (Maksimovska Veljanovski, 2010), which should also include answers to at least the following questions: Is asymmetric decentralization temporary or permanent? If it is temporary, who decides when and if the required criteria for full decentralization are met? What types of functions are considered in relation to asymmetric decentralization?

Administrative asymmetry is closely intertwined with the concept of administrative capacity and more important with identifying indicators to measure administrative capacity. It is important to note that though administrative capacity of the state has emerged intermittently as an important concept in a range of political science literature it is not established at the center of any research field (Addison, 2009, p. 1). Administrative capacity can be broadly defined as 'the set of skills and competencies that are expected of public bureaucracies so that they can facilitate and contribute to problem-solving. They encompass the structural and procedural provisions that enable bureaucracies to perform particular functions and embrace the individuals within these bureaucracies that are capable and skillful enough to meet the expectations of their political masters and the wider public' (Hertie School of Governance, 2014).

Addison (2009, pp. 2-9) identifies five distinct applications of the concept of administrative capacity. Thus, administrative capacity is: 1) Determinant or equivalent of political development and state building; 2) Intervening factor in policy implementation; 3) Antecedent of performance; 4) Product of governance; 5) Shaper of public policy. The five categories reflect up to a certain extent the historical evolution of the concept, with the first

approaches going back to the 1960s structural-functionalist literature on political development; however, the newer trends are intertwined.

In the context of the European Union, the interest in administrative capacity is driven primarily by its importance as a criterion for Candidate Countries preparing to join the EU (Cardona, 2009). The literature developed in this area is thus concerned with identifying the capacity of the executives of CEE former and current candidate countries for EU accession, especially capacity for implementing the *acquis communautaire*, as well as possible strategies for supporting efforts to enhance that capacity (Dimitrov, Goetz, and Wollmann, 2006, p. 251). Also, administrative capacity is well researched in the literature on Cohesion policy, where administrative capacity and absorption capacity often overlap (Smeriglio *et al.*, 2015).

Numerous studies and policy papers by international organizations are available on indicators used for measuring administrative capacity (Verheijen, 2007; Hammerschmid *et al.*, 2014; Bachtler, Mendez and Orazé, 2013). The dimensions included under the umbrella concept of administrative capacity are: a) Verheijen (2007) - three areas related to policy (performance management, strategic planning and policy co-ordination and formulation), people (human resource management practices such as recruitment and career management, incentive systems, politico-administrative relations), and systems (one specific aspect of public service delivery: the extent to which states had introduced e-Governance systems and used these effectively to enhance the business environment). b) COCOPS project, financed under the EU 7th Framework Programme, proposes an Administrative Management Capacity Index consisting of 6 dimensions: a) Strategic capacity (existence of formalized strategic planning practices, clarity of strategic objectives, communication of goals to staff; b) Human Resources Management – the level of HR management tools implementation, flexibility of employment in terms of individualization and decentralization of staff roles in organization; c) Organizational Culture – quality of social capital within organization and staff self-commitment to institution and its objectives; d) Performance measurement – use of quality-monitoring tools like customer surveys, benchmarking, Management by objectives (MBO); e)

Leadership – the executives' commitment to achieving results and their level of political Independence; f) Coordination – quality of inter-organizational and multi-level collaboration and use of various arrangements to solve coordination problems (Smeriglio *et al.*, 2015, p. 27). However, there are limited solutions in the literature with regard to what criteria to use in the context of asymmetric decentralization. In most cases, with asymmetric decentralization, governments only need a few indicators that will best separate those authorities which have administrative capacity from those which do not have it.

3. Decentralization reforms in Romania. Recent trends

3.1. Overview

Decentralization has represented from the very beginning a significant component of the public administration reform in Romania (Cepiku and Mititelu, 2010; Dragos and Neamtu, 2007; Bischoff and Giosan, 2007; Mincu and Horga, 2010; Ivan and Cuglesan, 2009; Hintea, 2011). Though significant progress has been made in this area, certain challenges still exist (Suciu, 2013). Throughout the years, the focus of the reform has shifted, following the general evolution of the Romanian political and administrative system and the democratization process (Profiroiu, Profiroiu and Paradeilles, 2006). In the early stages, immediately after the revolution, decentralization was focused more on the devolution of tasks and responsibilities to local governments coupled with the establishment of mechanisms for the direct election of local representatives and for public participation in local decision-making. In the following stages, as the first steps toward creating local bodies directed elected by citizens and accountable to them was accomplished, the focus shifted toward increasing efficiency in the provision of public services at the local level. Another significant development during this stage regarded the increase in the number of policy areas/fields placed under the responsibility of local governments such as healthcare, education, and local police (Popa, 2011). At this stage occurred the first concerns pertaining to weak administrative capacity and the need to increase it. Weak administrative capacity was addressed through a variety of strategies,

including proposals for asymmetric decentralization, cooperation among local units/consolidation of fragmented local governments, training of public servants, as well as the creation of new positions aimed at increasing efficiency and capacity such as the city manager. More recently, decentralization reforms have targeted two different aspects: a) Territorial decentralization, with a focus on creating regions which will have elected bodies, fiscal autonomy and a broad range of competences; b) Transfer of sectoral responsibilities (in policy fields such as culture, sport, tourism, agriculture, etc.) and assets from deconcentrated county offices to the County Councils (the law, though adopted by the Parliament, had been invalidated by the Constitutional Court in 2014; the proponents of the law are still working on remedying the deficiencies identified by the Constitutional Court). While the first development is in line with recent evolutions at the European level, the latter is more difficult to justify. Not only that many European countries are merging or terminating the units similar to the Romanian counties; in addition, the Romanian government is transferring increased responsibilities to the county level in the context in which the regional reform questions the usefulness of the county level if administrative regions are to be created in the future.

3.2 Legal framework

The principle of decentralization is consecrated both in the constitution and in the subsequent legislation. Thus, article 120 of the 1991 Constitution (with subsequent changes) states that ‘local administration within the administrative territorial units is based on the principles of decentralization, local autonomy, and deconcentration of public services’. A similar provision is to be found in the law no. 215/2001 (with subsequent changes) on local public administration. This law however does not focus on regulating decentralization but rather on local autonomy (Girlesteanu and Smarandache, 2010). The framework law on decentralization no. 195/2006 (with subsequent changes) was therefore regarded as a necessary addition to the legal regime of decentralization. Before 2006, various decentralization laws had existed but none of them had the complexity of Law no. 195/2005.

Law no. 195/2006 introduced for the first time the concept of administrative capacity and connected it with other provisions from the law. First of all, in article 3, the principle of subsidiarity was defined so as to include a reference to administrative capacity. According to the principle of subsidiarity, responsibilities and tasks should be performed by the administrative authority which is located most closely to the citizens but which possesses administrative capacity. Section three of the law (article 11 to 13) further details the provisions pertaining to administrative capacity. In the process of transferring tasks and responsibilities to the local public administration (rural communes, towns and cities) ministries and other specialized bodies pertaining to the central government can divide the local authorities into two categories: category I includes local authorities which possess administrative capacity and can start immediately to exercise the decentralized responsibilities; category II includes local authorities without administrative capacity - they need to first develop their capacities before being allowed to exercise the decentralized responsibilities. The assessment of administrative capacity is performed according to criteria detailed in the methodological norms for the implementation of law no. 195/2006 (adopted in 2008). The ministries and other specialized bodies pertaining to the central government, together with the associative structures of local governments establish how the assessment will be carried out and the manner in which the transfer of competences will be conducted.

The law also determines which authorities will temporarily exercise the responsibilities which cannot be decentralized to local authorities falling into the second category, namely those without administrative capacity. In the initial version of the law it was stated that these responsibilities will be exercised by the county authorities. The implicit assumption was that all counties had the necessary capacity, since the law was salient about a possible lack of capacity at county level as well. In the 2016 version of the law, a new provision was added, stating that if counties are found not to have the necessary capacity, then the competencies will be transferred to the line ministries. The law clearly states that the transfer of responsibilities to county or central authorities is to be limited in

time, until the local units of public administration can build their own administrative capacity.

3.3. Specific criteria for the assessment of administrative capacity

The criteria for the assessment of administrative capacity were spelled out in the 2008 methodological norms for the implementation of Law no. 195/2006 (Decision no. 139/2008). Though the methodological norms were subsequently changed in 2016, these changes do not concern the provisions pertaining to the assessment of administrative capacity.

The methodological norms include five general criteria for the assessment of administrative capacity; the ministries and other specialized bodies pertaining to the central government, together with the associative structures of local governments, can however decide to add other criteria. The five general criteria are: 1) capacity of local public authorities to plan strategically; 2) capacity of local public authorities with respect to financial management; 3) capacity of local public authorities with respect to human resources management; 4) capacity of local public authorities with respect to project management; 5) whether the acts adopted/issued by local authorities are in accordance with the legal provisions. With the exception of the first criterion, all the other four criteria include two sub-criteria. Below one can find a short account of all criteria.

Criterion 1 – Local authorities are, according to the law, deemed capable to plan strategically if they have in place at the moment of the assessment, a strategic document, usually called strategy for local development or sustainable development strategy. All local authorities who have an updated local development plan receive 20 points. The assessment does not determine anything else besides the mere existence of the plan.

Criterion 2 – It assesses the administrative capacity of local public authorities in relation to their ability to collect and to generate their own revenues. The two sub-criteria are: % of collected own revenues out of the total forecasted (budgeted) own revenues (without shares of the income tax); % of own revenues out of the total revenues (without shares of the income tax). The reference year is the year prior to the assessment. For each sub-criterion

10 points were given if local authorities were able to collect 50% or more of the forecasted revenues and to generate 50% or more out of the total revenues.

Criterion 3 – It assesses the general level of training of all employees working within the local public authority as well as their performances on the job. The two sub-criteria area: % of employees out of the total number of employees who in the year prior to the assessment underwent any form of training, finalized with the award of a certificate, in accordance with the provisions from law no. 188/1999 (with subsequent changes); % of employees out of the total number of employees who in the year prior to the assessment received the qualification “good” or “very good” in the annual evaluation of professional performances. For each sub-criterion 10 points were given if 50% or more of the employees met the stipulated conditions in the law.

Criterion 4 – It assesses the ability of the local authorities to both attract financial resources in the framework of projects and to spend them according to the initial estimations. The calculation formula for the two sub-criteria is: % of attracted funds (sum) out of the total value of applications submitted for financing; % of total spending from attracted sources out of the total value of the attracted sources. For each sub-criterion 10 points are assigned if local authorities are able to attract at least 50% of the total value of the application submitted and respectively to spend more than 50% of the attracted money.

Criterion 5 – It assesses how many decisions of the Local Council as well as of the mayor have been annulled by the courts (final decision). The calculation formula for the two sub-criteria is: % of decisions out of the total number of decisions adopted by the Local Council which in the year prior to the assessment were annulled by the courts; % of administrative acts out of the total number of administrative acts issued by the mayor which in the year prior to the assessment were annulled by the courts. For each sub-criterion 10 points were given if no more than 5% of decisions and acts were annulled by the courts.

Local authorities need to acquire at least 50 points in order to be considered as having administrative capacity.

4. Methodology

Our main research goal is to investigate if asymmetric decentralization represents an option in Romania and to determine what kind of assessment of the administrative capacity is needed in order to back up the decision for asymmetric decentralization. The main research questions are: a) What is the level of administrative capacity in Romania, measured using the criteria established in the methodological norms for the implementation of the framework law 195/2006?; b) Are there any weaknesses with respect to the measurement systems and if yes, what are some of the options for improving the assessment criteria?; c) Is asymmetric decentralization, decided based on the assessment of administrative capacity, regarded by the Romanian local authorities as a positive thing?

We hypothesize that: a) the proposed methodology for the assessment of administrative capacity allows to a vast majority of local administrative units to score higher than 50 points (the threshold to be declared as having administrative capacity, thus making it irrelevant; b) the majority of individuals in key administrative positions at the local level do not agree with asymmetric decentralization and see it as a limitation of local autonomy.

We used a combination of two main research methods in order to answer the stated research questions. The first stage in the research consisted in the assessment of the level of administrative capacity for a large sample of urban and rural communities from the North-Western development region of Romania. The assessment was done using the criteria and sub-criteria stated in the law. We constructed our sample based on the number of urban and rural communities in the region – there are 42 cities and towns and 398 rural communes. We included all the urban communities and for each of the six counties of the region we included 8 rural communities. In the case of the rural communities the criteria used to stratify the sample were: size (four large communes over 2,500 inhabitants and four small ones up to 1,500 inhabitants); distance from a main urban center (out of the eight communes at least one had to be in the proximity (less than 5 km) from a major urban center). Out of the 90 local authorities included in the sample we were able to obtain the

necessary data for less than 50% (42). Out of the 42, 10 are cities and towns and 32 are rural communes (20 small and 12 big). In addition, twelve semi-structured interviews were conducted with different individuals from within the local public administration from the North-Western development region of Romania: elected representatives (3 vice-mayors and 3 local councilors); 2 city managers; and 4 legal secretaries. All three categories of individuals were chosen because they have the most direct contact with the issues investigated. For each category at least one individual was from rural communities or towns with less than 10,000 inhabitants.

The research was carried out in 2015 over a period of almost 11 months. Two interviews were finalized in January 2016.

5. Main findings

5.1. Assessment of administrative capacity

The first general criterion from the law simply implies that we checked the existence of a local development plan/strategy. Initially, for all communities in the sample an on-line search was conducted in order to determine whether such a development strategy/plan exists. Based on the web search, we were able to determine the existence of a development plan for approx. 50% of the communities in the sample (20 communities out of 42). In a second stage, we contacted the local authorities from the sample for which we could not determine if the plan existed and asked for the plan. 12 more development plans were provided, either in electronic format or as hard copies (in one case we were invited to the city hall to examine the plan because only one hard copy existed). In the end, 76% of the communities in the sample received the 20 points in our assessment. It was easily observable that the development plans were highly different when compared to each other: some were high quality documents, prepared by consultants, including all the information one expects to find in a strategic planning document; others were prepared in-house by the local authorities, had minimal information, mostly descriptive, and in certain cases it was difficult to say whether they are current or not (in five cases no timeframe was specified).

All the urban communities with one exception had development plans prepared by consultant and up to date.

The assessment for the second general criterion was conducted mainly by using data available online for all the administrative territorial units from Romania (Ministry of Regional Development and Public Administration, http://www.dpfbf.mdrap.ro/sit_ven_si_chelt_uat.html; some local authorities also post data from National Agency for Fiscal Administration – Order of the Ministry of Interior and of the Ministry of Public Finances no. 244/2651/2010). Investigating sub-criterion 1 we discovered that the local authorities in the sample are quite diverse in terms of revenue collection capacity. Thus, in the case of all urban communities, the percentage of collected revenues as compared to the forecasted ones is over 85% (it ranges from 85% to 103%). For the rural communities, this indicator ranges from 24% to 72%, with a total of 11 communities being above the 50% threshold. Thus, 21 communities received the 10 points for fulfilling this criterion. For sub-criterion 2, only 6 cities have more than 50% of the total budget composed of own revenues. The average percentage for the rest of urban communities is 31% while in the case of rural communes it ranges from 13%-23%. Thus, only the 6 cities obtained 10 points in the assessment.

The assessment for the third general criterion was conducted exclusively based on the self-reported data received from the local authorities. Information on the performances and training of civil servants is not publicly available, so we had to rely on data provided by the local authorities themselves upon request. In many cases we were initially refused, the argument being that such information, especially with regard to the assessment of individual performances, is confidential. In the end, in most cases we received aggregated data from the local authorities based on which we completed the assessment. For sub-criterion 1, 22 communities reported percentages of trained personnel ranging from 50 to 78 and received 10 points. For 8 communities the data allowed us to conclude that more than 40% of all of the employees undergoing training programs paid themselves for these programs. Out of the 20 communities with percentages lower than 50%, 8 communities had no trained employee in the year previous to the assessment. All communities with low

percentages of employees trained are rural or small town with a population of approx. 10,000 inhabitants. For sub-criterion 2, 40 of the communities in the sample reported that 100% of their employees received the qualification “good” or “very good”. Two urban communities reported percentages ranging from 80% to 95%. Based on this information, all communities in the sample received 10 points.

For assessing administrative capacity in relation to the forth general criterion we used both the data available online with regard to the evolution of local budgets (http://www.dpfb1.mdrap.ro/sit_ven_si_chelt_uat.html) as well as data provided by the local authorities upon request. We consider the data used for assessment under the fourth criterion as the least reliable ones because: they cover a longer period of time (four years prior to the year of assessment), not all authorities report data in the same format and some data were incomplete. With regard to grant writing and application and attraction of funds huge differences exist among the local authorities from the sample. Differences exist not only between urban and rural communities but also within the two groups. Small urban communities for example had little opportunities for financing since funds from the Operational Regional Program (a significant source) were not available for communities under 10,000 inhabitants. Also, 6 rural communities had no grant application, the possible explanation being lack of financial resources for co-financing. Out of the 10 urban communities, 7 had attracted funds amounting for at least 50% of the total value of the submitted applications. 6 rural communities also met this threshold. It is worth noting that in two cases the percentage was almost 100% – the explanation was that over the last four years they applied for a very small number of project and those projects were approved. In total, 13 communities were assigned the 10 points available under this sub-criterion. For sub-criterion 2, only 34 communities were taken into consideration because the rest did not attract any grant money. With one exception, all the local authorities managed to spend at least 50% out of the attracted financial resources. The average for the entire sample, based however on incomplete data, is 78%, with a maximum of over 90% for two large cities. In total, 33 communities were assigned the 10 points available under this sub-criterion.

Data used for the assessment of administrative capacity in relation to the fifth general criterion came from two different sources: on-line search on the websites of local public authorities (certain authorities post the decisions of the Local Council online thus we were able to determine the total number of decisions adopted in one year; the administrative acts issued by the mayor are not available online but certain mayors mention the total number of such acts in their annual activity reports) and information provided by the local authorities upon request (number of decisions/acts challenged in courts and number of acts/decisions annulled by the courts). The difference among the communities from the sample in terms of the total number of Local Council decisions and acts issued by the mayors is significant, and it mostly depends on the size of the analyzed communities. Small rural communities adopt on average 40 Local Council decisions while large urban communities can adopt 500 decisions or even more per year. Despite the sheer difference in volume, almost all communities reported very few decisions (if any) challenged in courts and subsequently annulled. Out of the 42 communities, one reported having seven Local Council decisions annulled while other five communities reported each having one or two decisions annulled. In the case of the rural community with seven decisions annulled the legal secretary was on maternity leave and the replacement had no prior practical experience. 41 communities received 10 points, while one failed to meet the threshold for receiving the points. With regard to sub-criterion 2, the situation is more diverse. 30 communities had no administrative acts issued by the mayor annulled by the courts, while the rest of the communities have one up to three acts annulled. There is one notable exception – one rural community has approx. 20 acts issued by the vice-mayor annulled. The situation is complicated – the mayor, who had been under investigation for corruption acts, refused to sign any more acts and in the same time to delegate this responsibility to the vice-mayor. The vice-mayor, in order to avoid the stopping of administrative activity, took it upon himself to sign those acts. This was clearly illegal, despite his good intentions. With the exception of the latter example, none of the communities had more than 5% of the acts issued by the mayor annulled so 41 communities received the 10 points.

Based on the points obtained for each criterion, the total scores are: a) Out of the 42 local authorities in the sample, only 2 obtained scores under the 50 points threshold. One of these communities is a small commune while the other is a town under 10,000 inhabitants. b) There are 5 cities and towns which obtained the maximum score of 100 points. c) 35 communities obtained scores between 50-90 points. d) Small rural communities tend to be positioned at the bottom of the ranking but so are small towns.

5.2. Interviews with various representatives of local authorities

The first section of the interview (Q1-Q3) includes questions which endeavor to gauge the interviewees' opinion with regard to the overall success of the decentralization process in Romania. Thus, Q1 asked interviewees to rate the success of decentralization in Romania by naming some of the benefits of this process. Overall, most interviewees agree that decentralization is a feature of modern administrative systems but they regard both the process itself as well as the outcomes with skepticism. In terms of the process itself, the interviewees argued that local communities do not have a saying in the process. More recently, the associative structures formed of representatives of the local communities have been consulted by the government with regard to some changes brought to the law. However, despite these consultations, the interviewees claimed that the voice of small communities is particularly disregarded. The representatives of rural communities claimed that for them the lack of predictability of the entire process over time is challenging. In terms of outcomes of decentralization, several interviewees claimed that decentralization led to the creation of small communities, especially in the rural areas. In their opinion, administrative fragmentation was a by-product of decentralization. Others have argued that decentralization resulted in the creation of very powerful alliances at the local level among elected officials, businesses, banks, etc., which do not always act in the public interest, engaging themselves in corrupt practices. Despite some rather negative remarks with regard to decentralization, most interviewees agree that the main benefit refers to the increased accountability of the elected local authorities towards their constituencies (mentioned six times), the possibility for the public to participate in the local decision-

making process (mentioned four times) and the possibility to innovate at the local level in order to become better than other local communities (mentioned three times).

Q2 explored whether the interviewees agree with the fact that significant differences exist between the local communities from Romania in terms of administrative capacity and whether administrative capacity is a determinant of performance and development at the local level. As expected, most of the interviewees mentioned that there are significant urban and rural differences in terms of the administrative capacity of local authorities. Rural communities are suffering the most from the absence of trained human resources and limited financial resources. At least three interviewees claimed that instead of decreasing over time the urban-rural gap is increasing. Cities and sometimes towns are able to take advantage of opportunities such as the EU structural funds but rural communities, especially the small ones, are lagging behind. Most representatives of the rural communities argued that in the absence of financial resources, what they can accomplish is quite limited. They downplayed the importance of leadership, innovation, and institutional arrangements and claimed that without money even the most well intended and well prepared mayor and his/her staff would not success in making a difference. With regard to the connection between administrative capacity and performance and development, one interviewee expressed a very interesting opinion. He argued that while he agrees that this connection exists in most cases, suburban communities represent an exception. He offered at least two examples of suburban communities located in the proximity of big cities which, in his opinion, developed in the absence of administrative capacity and local leadership. His argument was that these communities are benefiting from the spillover effects of development taking place in the big cities and that most residents and businesses locate themselves in these suburban communities due to shortages of land and housing in the big cities.

Q3 explored the perception of the interviewees with regard to some of the challenges/difficulties associated with decentralization which their local communities experience. As expected, all interviewees mentioned the financial constraints. While big cities and towns argued that their main challenge is to prioritize the types of investments

and projects to be financed from the local budget, the small rural communities complained about having to terminate basic public services such as public lighting. Several representatives of rural communities talked about the existence of a vicious circle – local authorities are encouraged to apply for EU funds, however, besides other shortcoming, they do not have the money necessary for co-financing such projects. In the absence of co-financing, no projects can be pursued thus deepening the state of under-development of the community. Three interviewees described the relationship with the prefect as a big challenge – their perception was that the prefect can limit the action of the local authorities by challenging certain administrative acts issued/adopted by the local authorities in court. They explained that they do not feel the prefect intends to help them but rather to punish them. The interviewees coming from rural communities argued that they would appreciate more coordination and support coming from the county government and, in one case, even from the central government. They were not referring strictly to financial support but rather to expertise and guiding especially with regard to the attraction of EU structural funds.

Questions 4-7 (section two of the interview) explore the opinion of the interviewees with regard to asymmetric decentralization. Q4 intends to explore whether or not the interviewees are familiar with the concept of asymmetric decentralization and with the main provisions regarding asymmetric decentralization from the framework law no. 195/2006. None of the interviewees was able to offer a definition of the concept or to think about the main features of a system where asymmetric decentralization is implemented. Interesting enough, after additional clues were offered by the researcher, four interviewees offered examples of administrative systems where this model is implemented. All four of them referred either to the Italian or Spanish regional systems, where some regions enjoy a larger autonomy than the rest of them. Two of the interviewees said that they became familiar with these systems in the recent years, when debates about the change in the regional organization in Romania also involved references to European regional systems to be adapted to the Romanian context. None of the interviewees was familiar with the provisions of the framework law on asymmetric decentralization and only one was able to discuss some of the new concepts introduced by this law. The interviewee mentioned as

novelties introduced by the law cost standards in the provisions of public services and the use of pilot phases in the process of determining if certain competences should be decentralized and how the process should take place. These two concepts mentioned correspond to topics which have been more widely addressed in public debates and in the media.

Q5 explored whether the interviewees would agree with the implementation of asymmetric decentralization in the case of the communities they come from. With one exception, all interviewees considered that asymmetric decentralization is contrary to the administrative tradition from Romania. The main argument was that by banning certain communities from the exercise of decentralized responsibilities the government is in fact violating the principle of local autonomy. Several of them argued that once the government introduces asymmetric decentralization this will pave the way for asymmetric regionalization. The interviewees referred to the fact that it will be a bad idea to create different legal regimes for local communities based on the differences between them. It was clear that the interviewees were referring to the situation of the two Romanian counties where the Hungarian population represents the majority of the population and for which, during the debates on the change of the regional model, a special status was proposed by some politicians. Because the interviewees had limited knowledge with regard to the exact provisions of the law on asymmetric decentralization, most of the answers were vague but one could depict a negative connotation attributed to the concept by all of them.

Q6 investigated whether or not the interviewees believe that the administrative capacity of a local authority can be developed over time. All interviewees seemed to have a relatively good idea of what administrative capacity is and which its components are. Most of them expressed negative feelings regarding the utility of training, in all of its forms. Some of them claimed that higher salaries would allow them to hire better prepared people, who would not need training. The interviewees coming from rural areas claimed that the problem of limited human resources could be solved if several communities would jointly hire experts for writing grant applications, monitoring project implementation, in the area

of IT, etc. Several interviewees claimed that the main component of administrative capacity is related to the financial resources available. From this perspective, administrative capacity is hard to be developed, since additional sources are scarce and some of them have already being explored with no or limited success by some communities. Interestingly enough, just one person stated that administrative capacity could be significantly changed if the leadership dimension improved. By this the interviewee meant that the mayor and the local councilors should act more responsible, putting the interests of the community at the forefront of their actions/initiatives. He also stated that individuals in leadership positions at the local level could be more pro-active in pursuing partnerships and collaborations with actors pertaining to the private sector.

Q7 explored the main fears of the interviewees with regard to the potential implementation of asymmetric decentralization in Romania. Several interviewees stated that even poor communities will feel that the government or the county administration is interfering in the management of local affairs. At least two of them acknowledged that some of these attitudes may be irrational, especially in the case of communities which do not have enough resources to offer even basic services (for example public lighting). One person described possible reactions in light of the negative reaction of population and/or local authorities when certain hospitals from small communities were closed. The interviewee argued that even if the people from these communities were not truly benefiting from any services offered by those hospitals, they were still against the idea of closing them down. Another fear, expressed especially by the representatives from rural communities, was in connection with possible limitations of local autonomy. More specifically, two interviewees argued that they would like to see in the sectoral laws clear provisions regarding the conditions and the duration of the interdiction to exercise certain competences by the communities lacking administrative capacity. In the absence of these provisions, they expressed concerns that county or central government might be tempted to reverse decentralization by stalling the re-evaluation of administrative capacities from the communities initially banned from the exercise of the decentralized responsibilities.

Section three of the interview (Q8-Q11) addresses more in-depth the assessment of administrative capacity and what criteria could be used. Q8 asked the interviewees to express their opinion on whether or not the scores obtained by the local authorities in their communities (section 4.1) accurately reflect the situation on the ground, the challenges and the assets existing in those communities. All interviewees had access to the methodology employed and to the scores obtained by the other communities in the sample. Several interviewees first observed that the differences in the scores obtained by different communities (for example a city and a big rural community) are not that significant. One interviewee argued that is impossible for the city which is the county seat to obtain a score of 80 while the rural community he came from obtained a score of 70. Along the same lines, others claimed that it seems unfair for different communities to obtain the same scores for the same sub-criterion despite clear differences in the efforts and resources employed in a certain area (for example drafting of the local development strategy took in the case of a town 6 months and the approx. cost was 25,000 Euros while some rural communities drafted in-house some very simplistic plans). Most interviewees expressed their disappointment that the score do not allow us for a more precise classification/ranking of the assessed communities based on their administrative capacity.

Q9 explored whether in the opinion of the interviewees some of the criteria are too easy to be fulfilled, thus making them ineffective in determining the administrative capacity of a certain community. The following three criteria/sub-criteria were mentioned by the most interviewee: Criterion 1 (capacity to plan strategically) (mentioned 8 times) – the interviewees argued that the mere existence of a strategic planning document does not reflect in any way the ability of the local authorities to actually implement the plan. Only one interviewee agreed that there is some value attached to the process itself, especially when the civil servants and the experts from the local authority are involved in the process. All interviewees offered examples of communities and plans where the plans were merely drafted because of legal requirements and/or in order to be able to access the structural funds from the European Union. Criterion 3, sub-criterion 2 (capacity with regard to human resources management) (mentioned 6 times) – the interviewees argued that it is

highly unusual for civil servants to receive as part of their annual evaluations other qualifications than very good. Even good is unusual, according to some of the interviewees. In this context, they claimed that by introducing such a sub-criterion no real distinction could be operated in this area among the assessed local authorities. Criterion 5, both sub-criteria (capacity to comply with legal provisions) (mentioned 5 times) – especially the legal secretaries interviewed argued that it is quite rare for the acts issued/adopted by the Local Council and the mayor to be challenged in courts. The decisions of the Local Council and the acts issued by the mayor are mostly challenged by the prefect. Individuals can also do it, but it happens more rarely and mostly with respect to individual administrative acts. In most cases the prefect uses a preliminary procedure during which he/she notifies the local authority with regard to his/her intention to challenge the decision in Court. The law no longer requires the prefect to use this procedure before challenging the act in court, however this practice is maintained. In many cases, legality problems are solved at this stage. Individuals are required to go through an administrative review of the challenged decision/act before they can challenge it in court. In this case, according to the interviewees some legal disputes are finalized at this level; very often, even when the individuals are not happy with the decision of the administration from the administrative review they will not pursue the matter in court. This takes too long, people mistrust the justice system and the general opinion is that the courts will not overrule a decision made by the public authorities.

Q10 asked the interviewees to propose additional criteria for the assessment of administrative capacity. Most of the interviewed individuals argued that the five general criteria could be kept but they proposed additional sub-criteria. For criterion 1, two suggestions were made: Some interviewees argued that more strategic planning documents should be included – for example it would be relevant according to one opinion to also determine if the zoning ordinance (General Urbanistic Plan) is updated. Other argued that certain criteria should be established based on which to determine if the existing local development plan proves the capacity of the local authorities to plan strategically. These include: the plan addresses a certain number of pre-determined policy areas, it includes a

description of the monitoring strategy used to assess its implementation status and make recommendations for future updates, it proposes a list of integrated programs, etc. Criterion no. 2 was regarded by most interviewees as being extremely well-developed, accurately reflecting the financial and fiscal capacity of the local communities. One interesting suggestion, coming from a vice-mayor of a rural community, was to introduce a measure which reflects even more clearly the dependency of the rural community on financial transfers from other levels. Thus, he suggested to look if the salaries at the level of the local authorities can be paid from the own revenues generated at the local level, including shares from the global income tax. His idea, which was also investigated by a Romanian NGO, is to determine if any resources can be directed towards something else than merely the pay of salaries. No suggestions were made regarding criterion 4. With regard to criterion 5, several interviewees argued that data should not be collected only with regard to the final court rulings but also with regard to the administrative review procedures initiated by both the prefect and other public bodies as well as by the citizens.

New general criteria proposed: 1) Transparency – Several interviewees argued that how transparent local authorities are should also be part of administrative capacity. Transparency included in their opinion not only what governments are required to do by law but also pro-active behavior. At a minimum, one legal secretary argued, points should be given if a number of items are available online on the websites of the local authorities (budget and fiscal information/indicators, public procurement notices and information on the execution of public contracts, etc. 2) E-government – In close connection with transparency, several interviewees mentioned giving points for certain things that fall under the umbrella concept of e-government. They include – existence of open data sets, payment of taxes online, two-ways communication strategies, etc. 3) Public procurement – One of the biggest challenges local authorities have in the implementation of large infrastructure projects (but not only) is related to public procurement, more specifically the inability to properly draft technical specifications, to determine the appropriate procurement procedure, corruption, etc. Possible indicators mentioned include: Number of procedures annulled by the review body/courts; Number of annulled award decisions; E-

procurement, etc. 4) Cooperation/association – The ability of local authorities to cooperate within the framework of associations for intercommunity development was seen by several interviewees as a key component of administrative capacity and an efficient method to fight fragmentation and subsequently the problem of limited financial resources. Others have mentioned also partnerships with the business and non-profit sectors. However, no clearly and easily measurable sub-criteria were proposed with respect to associativity.

Q11 asked the interviewees to offer their opinion on whether the data required for the assessment of administrative capacity is readily available and if there is any possibility for local authorities to misreport. Most of them were unaware of the availability of fiscal and financial data. However, they agreed that though such data might be difficult to get by outsiders, such as researchers, governmental bodies would have no problem in collecting this information. At least two interviewees claimed that local authorities might be tempted to misreport, especially if certain information is difficult to check.

6. Discussions and conclusions

Based on the interviews, asymmetric decentralization is not properly understood among the representatives of local public authorities. They seem to be rather familiar with the asymmetry driven by political reasons rather than by administrative ones. Most of the examples and discussions regarding possible fears were related to the Spanish case. In addition, they also mentioned similarities between the Spanish case and the proposals for asymmetric regionalization in the case of Covasna and Harghita counties from Romania. Asymmetry based on economic/efficiency considerations was hard to understand in the absence of proper knowledge about the provisions of the framework law on decentralization from 2006. It was assumed by interviewees that symmetry should be the norm and that any innovations in this respect would equal in reality a breach of the principle of local autonomy. Such reactions are not uncommon and are described in the literature (Hataley and Leuprecht, 2014; Gjoni, Wetterberg and Dunbar, 2010; Monteux, 2006).

The criteria proposed for the assessment of administrative capacity in the legal regulations from Romania seem to be in line with other similar endeavors from the literature (see section 2). It is worth however mentioning that while empirical researches can come up with sophisticated indicators and data sets, the assessment of administrative capacity, for the purposes of asymmetric decentralization, needs to be performed by the central government, within a reasonable timeframe and with data that can be easily collected. The assessment criteria should therefore be evaluated not necessarily in light of their complexity but based on whether or not are effective in separating the local authorities in two categories, those which have administrative capacity and those which do not have it. Based on the assessment conducted we can conclude that though the general criteria are fine, the sub-criteria should be changed/modified. Under the current system most of the local authorities could obtain 50 points. The most easily to fulfill criteria are those pertaining to the existence of a strategy (general criterion 1), the qualifications obtained by employees during the annual evaluation of performances evaluation (general criterion 3, sub-criterion 2) and compliance with the legal provisions (general criterion 5).

It is not clear yet if asymmetric decentralization is ever to be implemented in Romania but recent changes in the law seem to indicate that it is still on the table. In order for the assessment to be able to distinguish between the two types of communities, perhaps certain mandatory criteria to be fulfilled should be set in the law. In this way, communities which do not meet, in addition to the 50 points threshold, also some mandatory requirements could not be included in the category with full administrative capacity.

The present research has clear limitations: Some of the data used for conducting the assessment of administrative capacity is incomplete and in certain cases the possibility for misreporting was a concern. In addition, the number of interviews was relatively small and did not cover all counties from the region.

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A EUROPEAN UNION À LA CARTE? REFLECTIONS ON STRUCTURAL ADMINISTRATIVE REFORMS AND ECONOMIC GOVERNANCE

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Abstract

Recent developments within the European Union have made scholars and politicians alike question the depth of the institutional reform processes conducted by the Treaty of Lisbon, to the extent that a new Intergovernmental Conference is likely to occur in the foreseeable future. Nevertheless, in the aftermath of the economic downturn, the Union has become endowed with numerous financial instruments meant to tackle the multiple facets of the crisis and its outcomes, whose analysis is paramount for the understanding of the degree of readiness the Community framework exhibits at this time, from a financial standpoint. In the light of the above, one questions the usefulness and feasibility of a possible return to the community method, which did yield considerable results in the previous steps of the integration process. Our study performs a scenario analysis of the hypothetical application of this method in the current context, set against the background of the pattern of multilevel governance that has resulted from recent evolutions. Special emphasis is placed on the specific mechanisms of the European Semester, which denotes a set of procedures and institutional endeavours assisting in the implementation of the latest multiannual agenda of the Union, namely Europe 2020. Structural and administrative reforms but also capacity building and competitive federalism emerge as potential facets of the broader Europe à la carte concept, itself lying at the core of this analysis.

Keywords: community method, multilevel governance, European Semester, capacity building, competitive federalism

Premises

Seven years after the coming into force of the Reform Treaty of Lisbon, on the 1st of January 2009, the analyses stemming from all areas of expertise inevitably lead to formulas ranging from *compromise* to *failure*.

The new treaty has not managed to tailor the processes of European integration to today's world, one that is more open, more globalised, but also more vulnerable than all models and simulations proposed by specialists. Moreover, through the new article 50, the Union will have to rewrite part of the philosophy of integration with the prospects of leaving the Community, a measure that has already become operational through Brexit. A possibility which is not to be neglected is taking shape in integration literature, namely that of an Intergovernmental Conference, following which member states would design a new treaty.

In fact, there is already an excessively used truism in the post-Lisbon period, that of European reform and renovation. Without a doubt, *We, the peoples of Europe*, the formula that lies at the forefront of the Treaty of Nice, requires simplicity, a clarification of competences and the creation of a comprehensive political agenda.

Let us not forget that a Union of 27 states is the challenge remaining on the agenda, both when preparing and when making decisions, with a presidency of the Union whose role is still far from being rendered clear, with problems of political and administrative management, as well as the need for reform of several institutions.

In most analyses, one insists ever more on the community method, which has proved its virtues through its rigorous application and the advancement of European construction. Jacques Delors' support for the latter does not lack substance – *The more numerous we are, the more useful the community method becomes for the objectives we have set; the more we are, the less will the European Council be able to handle all matters* (Păun *et al.*, 2007, p. 27).

Is it possible to return to the community method?

The answer to this – one of the essential questions of European construction – is far from simple. That is also because the institutions of the EU have become, over time, inherently interdependent, since a new step of the integration process has been reached, one that relies on the capacity of those institutions to provide leadership, manage policies and integrate various interests.

Some brief comments are necessary from this viewpoint, pertaining to governance. Ron Rhodes has been among the first to introduce the concept of *network*, which denotes the myriad of independent actors involved in the provision of services.

For instance, the community level has strong word in decision-making in the area of regulating markets, but, if corroborated with the EU budget, greatly inferior to national ones, we are not witnessing an influence on member states' legislation in matters such as social inclusion, poverty, urban or family policies. Reaching agreements in intergovernmental negotiations is also difficult, which is why, through the Single European Act (SEA), this task was delegated to the Commission, endowed with its comitology procedures. In the case of international relations too, a model of representation of interests has taken shape, but it does not automatically lead to a horizontal network, with several members, as it opts for collective negotiations at national level, in different frameworks, from one country to another. Of course, at community level there are tripartite agreements similar to corporatist ones, which may imply collective negotiation processes on employment conditions in the EU or work schedule etc. Thus, representation of interests in the EU does not necessarily take the form of a new governance, but it may exhibit hierarchical and non-confrontational corporatist traits. The aforementioned statements are needed since policy networks – chiefly economic ones – are being developed.

The relatively simplistic definition of *supranational governance* in the historiography of integration has long been rendered obsolete, conceptualised, amongst others, by Sandholtz, W. and Stone, A., or by classics such as Keohanne or Hoffan, in the '60s (Sandholtz and Sweet, 1998)

When referring to the literature that lies closer to contemporary developments, we should remember Kjaer (2004), Kohler–Koch (2003), Leonard (2007), Wallace and Wallace (2004).

There is also some literature on governance that has been filling libraries, after the Treaty of Maastricht, with openly-confessed zeal for codifying actors and interdependencies, initiated by James Rossenau (Rossenau and Czempiel, 1992).

In spite of such obvious conceptual developments, the new multilevel governance – regional, national and European – with its negotiation networks, with the orientation and coordination of the rules of the game with regard to markets, hierarchies and once again networks, does not succeed in grasping the complexity of the process. This occurs all the more because the Committee of the Regions has drafted the White Paper on Multilevel Governance, where it has pinpointed both the horizontal and the vertical instruments needed. The view of the Committee of the Regions places emphasis on the real involvement of local and regional authorities in the community process, as partners (Sabel and Zeitlin, 2010).

Applying the subsidiarity principle, along with that of conferral, upholds the success of the European strategy meant to achieve a new shared, multi-layer and multilevel governance (Hooghe and Marks, 2001; Ion, 2013).

The European Commission has, in fact, adopted the theory of the multilevel governance system, which is found in the fundamental principles of the community method. To put it simply, if the *executive* is represented by the Commission and has legislative initiative, then it promotes the general interest of the Community, without being a government per se. Meanwhile, the *legislative* is composed of the Council of Ministers and the European Parliament. The former promotes and harmonises the interests of the states, while the latter is better connected to the interests of citizens, engendering a certain political option (Trechsel, 2006).

Reforming the European Union: the European Semester

Amid the economic and financial crisis of 2008, as well as the multiple and often simultaneous crises, European governance and chiefly the economic one has been asked to generate solutions so as to protect the common market and the Economic and Monetary Union. The European Semester was created to provide more coherence and flexibility, amid the need to *coordinate* and *plan* the economic and fiscal policy (Steinbach 2014, pp124-126). Since 2011, through this new approach, there has been genuine economic *supervision* and an explicit calendar for policy-making. The European Semester has met expectations, which is why the debates on fiscal policy, macroeconomic imbalances, problems in the financial sector and structural reforms have become part of the expectations from the Semester, before governments draft their own budgets and present them to national parliaments, in the latter half of the national semester.

The *uphill* coordination of policies has aimed to render the implementation of policy orientation more efficient and help integrate the European dimension in the creation of national policies.

The annual cycle, with two semesters, the European and then the national, starts from the Annual Growth Survey (Corpădean, 2015, pp. 254-266), conducted by the Commission, through which it provides the general orientation of the priority actions to be implemented at EU and national levels. The next step is in the hands of member states, presenting to Brussels the Stability and Convergence Programmes of their fiscal plans and national reform programmes (Steinbach, 2014, p. 124).

After the completion of these preliminary steps, the Commission evaluates, from an integrated standpoint, fiscal, macroeconomic and structural policies, and issues Country-specific Recommendations for each of the 23 member states, including those outside the Eurozone (Bulgaria, Denmark, Poland and Romania), which signed the Euro Plus Pact in March 2011.

Euro Plus is aimed at coordination, competitiveness and convergence in areas with supranational, national or shared competences, and at setting targets meant to achieve progress through specific procedures. The Euro Plus Pact is part of the European Semester.

The Euro Plus Pact relies on the existing framework, so as to implement the economic priorities decided at EU level, within the Europe 2020 Strategy (Trybus and Rubini, 2012, pp. 94-95).

As of January 2011, the European Union has also put into practice a new financial supervision architecture. Hence, it has created the European Systemic Risk Board (Buckley, Avgouleas and Arner, 2016, pp. 142-143), for a macro-prudential surveillance of the financial system, and three European supervisory authorities: the European Banking Authority, the European Insurance and Occupational Pensions Authority (Haentjens and de Gioia-Carabellese, 2015, pp. 12-13) and the European Securities and Markets Authority (Moloney, 2014, pp. 942-943).

Rules on capital requests and banks, investment and insurance companies have been reinforced, norms on payments and bonuses have been laid out and bank stress tests have been carried out.

For Eurozone countries only, temporary financial mechanisms have been activated to avoid slips. Therefore, the European Financial Stabilisation Mechanism (EFSM) (Paulus, 2014, pp. 47-50) has been set in place, on the basis of guarantees from the Community budget, of up to 60 billion euros. Furthermore, the European Financial Stability Facility (EFSF) has started its activity, as an intergovernmental body which can provide up to 440 billion euros as guarantees from Eurozone members.

Other financial support mechanisms have been added to these, amounting to 250 billion euros from the IMF (Zestos, 2015, pp. 83-84).

The European Stability Mechanism (ESM) became operational on the 1st of July 2013, substituting the EFSF and EFSM, and being endowed with an effective credit capacity of 500 billion euros.

To the above we may add, in the special case of Greece, an additional Task Force mechanism, beginning with the 1st of August 2011 (Ritleng, 2016, p. 2).

2016 has brought various new economic governance instruments, launched by the Commission through the European Semester. We shall merely enumerate a few, such as the Investment Plan for Europe, worth 315 billion euros (Ibid.), which aims to continue

structural reforms, so as to correct imbalances, raise productivity and attain a new convergence level, meant to diminish disparities within the Union. New fiscal measures are required in order to support economic growth and employment. Fulfilment of the Stability and Growth Pact, the creation of a European Fund for Strategic Investments (EFSI), with genuine opportunities for investors from outside the EU, support for small and medium-sized enterprises, a European Investment Project Portal (EIPP), a European Investment Advisory Hub (Barrera *et al.* 2016, pp. 53-55) etc. – here are just some of the measures striving to create an investment-friendly environment in the EU.

Pre-conclusions

One pre-conclusion of this study pertains to legitimacy. The EU does not yet provide an answer as to how it can generate adequate solutions for its citizens, through policies and representativeness. The second pre-conclusion is germane to the measures the Union adopts to strengthen the position of the European Commission, chiefly through the new economic governance and the shared competences it has received by means of the fiscal policy. To this we may add the reinforced competences of the European Court of Justice in controlling the implementation of supranational regulations.

The Euro Plus Pact and the Fiscal Compact, the project providing for the introduction of a European tax directly feeding the Community budget – so disputed and controversial – make us think, at first glimpse, of a *competitive federalism*, and a diminution of the role of member states in the economy. The economic governance organised as networks which are directly dependent on *capacity building* at Union level and in each member state pleads for this concept, usually quantified as *more Europe*. This approach immediately entails a type of *organisational capacity*, more vigorous openness to cooperation and networking in both the public and private sectors. It implies an additional effort of cooperation and compatibility. At this point, we cannot yet speak of real capacity-building at EU level, given the development disparities among the member states, on the common market, as well as from a cultural and institutional standpoint. The EU still makes use of a simplistic conceptualisation of *administrative capacity*, itself flawed, since

member states fail to make use of the Common Assessment Framework (CAF) handbook, opting instead for national models.

The limited achievements of capacity building is due not only to disparities in matters of development, the limits of the Union's cohesion policy and the interest of member states in maintaining stronger national/intergovernmental competences, in comparison with the dispersion of those at European level, but also to the excessive spread of regulations. In the economic field – as we have previously underlined – over the last few years, four supranational bodies have been created in the area of financial markets alone. Albeit necessary, at least some of them could have been included in structure of the European Central Bank.

Partly because of the lack of clarity, *capacity building* is far from achieving real positioning within the Union, on the basis of the so-called *competitive federalism* (at least at the level of economic governance). Furthermore, the Union, much like the common market, has had troubles absorbing ever more difficult asymmetrical shocks, over the last few years. The speciality literature, with more and more pertinent references, suggests that EU member states are not sufficiently prepared for *more Europe*. The *EU à la carte* formula remains the option of the European Community. This justifiably exhibits some nostalgia for the community method, i.e. the remarkable integration process from the last decades. Nevertheless, it is to be noted that the 20th century has recently come to an end, leaving room for a new one, in which the EU is preparing its framework for a new beginning.

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POLICY RESPONSES TO POVERTY: IS ROMANIA ON THE ROAD TOWARDS A NEW INTEGRATIVE APPROACH?

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Abstract

Poverty and social exclusion represent an essential topic for our society, a topic considered to be the main challenge for the years to come. Even if, nowadays, the social problems of the society are tried to be solved through an intervention in the social and the economic field, at the same time, being known that if we don't have an efficient increasingly economy we would not have the resources to fight with social exclusion, data show that the current trend of global economic growth did not bring an improvement in the social field, and did not reduce the inequalities, but, adversely, they grew and continue to grow. Moreover, the economic crisis brings along not only a fragile environment but also low quality jobs and more people in risk of poverty and social exclusion. Statistics in Europe show that the social situation is not improving, but, in some countries, is even worsening. Romania is one of them, poverty remaining a major challenge for this country. For these reasons, the paper tries to offer an overview of the strategic measures taken in Romania in order to alleviate poverty, to emphasize those fields in which the measures show limited progress (as noticed by the European Commission), and to present the currently proposed package of anti-poverty measures and the dilemmas that come along.

Keywords: poverty, social policy, strategy, Europe 2020, Romania

Social policy is broadly understood as 'the principles by which a government seeks to affect the distribution of income, working conditions, and other social circumstances, according to a politically defined criterion of need and desert, through tax and benefits arrangements, labor-market regulation, health and safety regulation, and special opportunities for vulnerable or underprivileged groups' (Hine, 1998, p. 1). The aim of the

social policy is not only to study the society and its problems, but to promote employment, to improve living and working conditions, to provide an appropriate level of social protection and to develop measures to combat social exclusion. So, social policy 'is intimately concerned with how to address and ameliorate social problems and with the analysis of the success or failure of policies designed to improve welfare and well-being', implicitly being concerned with 'the creation and appropriateness of structures and institutions designed to implement social policies' (Alcock, Daly, Griggs, 2008, pp. 2-3). Therefore, social policy refers to principles, measures, structures, institutions, and deals with issues like poverty and social exclusion, unemployment, gender equality, health, social assistance, and protection of the children and the elderly.

At EU level, the aim of the social policy is to promote employment, to improve living and working conditions, to provide an appropriate level of social protection and to develop measures to combat exclusion. Therefore, the European Commission has placed the fight against poverty at the heart of its economic, employment and social agenda – the Europe 2020 Strategy. This strategy for smart, sustainable and inclusive growth sets different targets concerning employment, research and development, climate change and energy sustainability, education, and fighting poverty and social exclusion. These targets are interrelated and mutually reinforcing in the way that the educational improvements will reduce poverty by offering people new employment opportunities, while the research and development investments could create jobs, and could make the economic environment more competitive. The target of fighting poverty and social exclusion assumes, at EU-28 level, to lift at least 20 million people out of poverty and social exclusion by 2020. In order to reach this target, each member state should have its own contribution. Romania committed to reduce, by 2020, the number of people at risk of relative poverty by 580,000 people (European Commission, 2010).

How is Romania intending to do this? Which are the measures already implemented or designed to reach this target? Are there some results? These are the questions at which we will try to answer in this paper, focusing our research on the strategies adopted by Romania in order to reach the target of reducing poverty and social

exclusion in the frame of Europe 2020 Strategy, on its progress in implementing these strategies, offering a critical view over the aims and the accomplishments reached by this country, a country known as being one of the European Union member states which registered in the last year one of the highest rates for risk of poverty and social exclusion.

1. Defining and measuring poverty

Defining poverty has often been the source of controversy, some researchers defining poverty in absolute terms, such as ‘lacking sufficient money to meet basic physical needs’, while others refer to relative poverty, including in the definition the lack of resources ‘to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong’ (Lister, 2006, p. 21). Nowadays, most researchers are accepting that ‘any definition has to be understood, at least in part, in relation to particular social, cultural and historical contexts’ (Lister, 2006, p. 12). Hence, in defining poverty, authors connect this term with that of ‘low standard of living’, ‘deprivation’, ‘low income’, ‘inability to participate in society’ or ‘lack of resources’.

In 1985, the European Commission formulated its own definition of defining poverty. Thus, ‘the poor shall be taken to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State in which they live’ (Spicker, Alvarez Leguizamón, Gordon, 2006, p. 71).

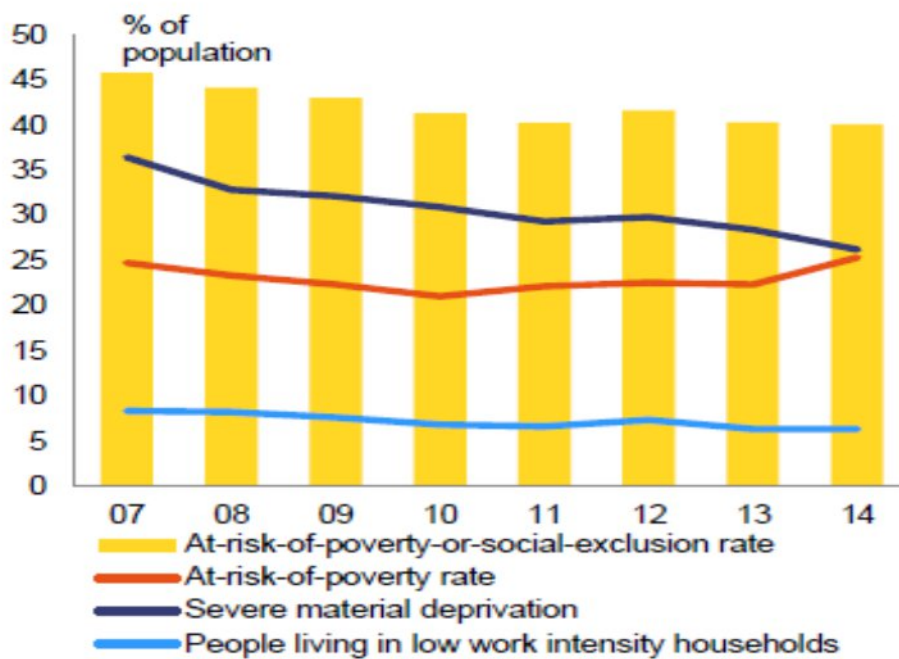
The way in which poverty is defined is significant, as Lister Ruth emphasized, because ‘if poverty is defined in narrow, absolutist terms, the role ascribed to government and the resource implications for the policies needed to eradicate it are considerably more limited than if it is defined to take account of social needs and obligations and the living standards the wider society takes for granted’ (Lister, 2006, pp. 34-35).

Being multi-dimensional concepts, poverty and social exclusion cannot be measured easily through statistics. Therefore, in order to measure progress in meeting the Europe 2020 goals, monetary and non-monetary indicators have been developed. Such as,

AROPE or at-risk-of-poverty or social exclusion rate which refers to the situation of individuals at-risk-of-poverty (AROP), and/or suffering from severe material deprivation (SMD), and/or living in households with zero or very low work intensity (LWI). The AROP or at-risk-of-poverty rate (known as monetary poverty) is the share of people with an equivalised disposable income (after social transfers) below 60% of the national equivalised median income. The SMD or severe material deprivation rate is the share of people who experience at least four of the following forms of deprivation: not being able to afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a color TV, or ix) have a telephone. LWI or low work intensity rate refers to the 'proportion of people aged 0-59 living in households where the adults (excluding dependent children) worked less than 20% of their total work-time potential in the previous 12 months' (European Commission, 2016a, p. 77).

In 2013, in the EU 28, 123 million people (24.5% of the entire population) lived in households facing poverty or social exclusion. Across the member states, the results conceal considerable variations (Eurostat, 2015, p. 34). In Romania, for instance, in 2014, AROPE or people at-risk-of-poverty or social exclusion as percentage of the total population registered 40.2%, while the rate of children at-risk-of-poverty or social exclusion was 51%.

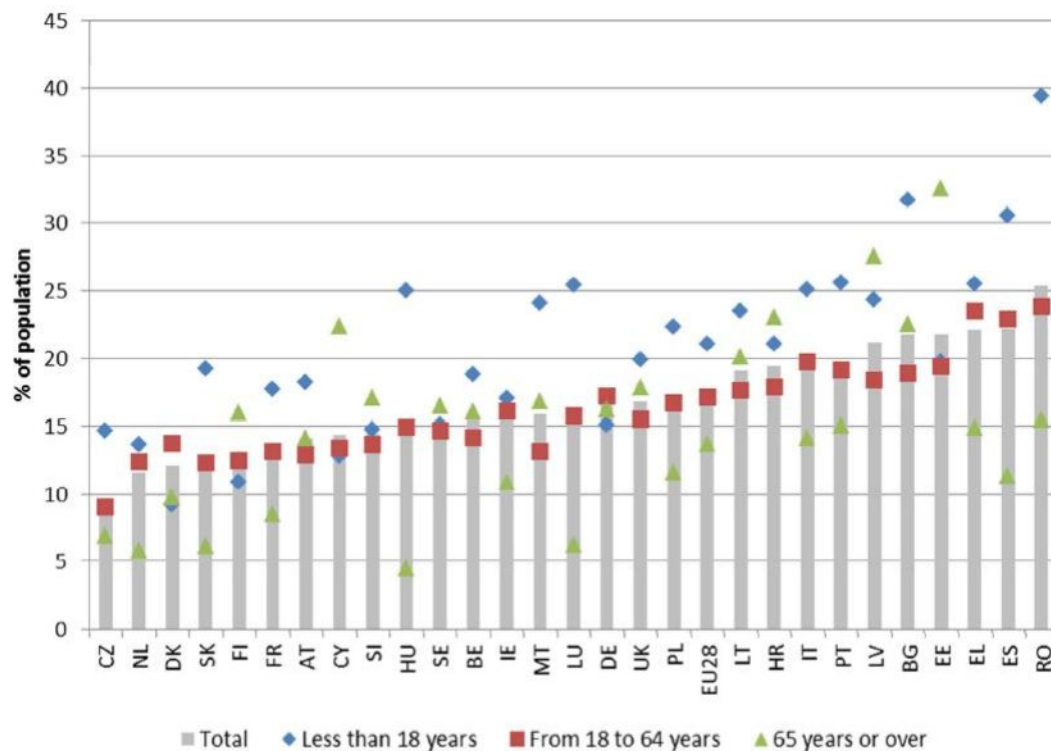
Figure 1 – At-risk-of-poverty or social exclusion rate and its components in Romania 2007-2014



Source: EC, *Country Report Romania 2016*, p. 59

Compared to other EU member states, Romania had the highest level of intensity of poverty risk in 2014, the highest level at-risk-of-poverty or social exclusion rate of children, the lowest impact of social transfers (excluding pensions) on poverty reduction (10.9%), the highest in-work at-risk-of-poverty rate (19.6%) and the highest percentage of early school leavers (Social Protection Committee, 2016, pp. 3-4).

Figure 2 – People at risk of poverty in 2014 by population groups



Source: EC, *European Semester Thematic Fiche: Poverty and Social Exclusion*, 2016, p. 3

Severe material deprivation continues to be a challenge in Romania, 26% of the population and 31% of people with disabilities cannot afford items considered to be desirable or necessary to lead an adequate life. 32% of Romanian children were living in 2014 in severe material deprivation (while one in two children was at risk of poverty or social exclusion) (European Commission, 2016a, p. 59). An analysis of this rate, across the regions, shows that the South-East Region of Romania encountered the highest percentage of severe material deprivation in 2014 (33.6%), followed by the North-East Region (28.9%). The South-East region is very heterogeneous, composed of counties with high poverty rates and counties with relatively low poverty rates. The lowest rate of severe

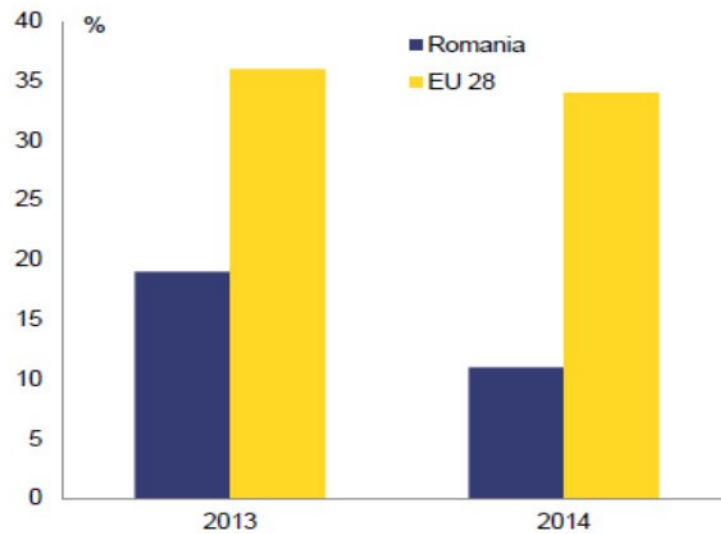
material deprivation (17.7%) it was registered in the North-West region, followed by Bucharest-Ilfov region (19.8%) (Romanian National Institute of Statistics, 2016). An overview with the evolution of Romanian indicators of social inclusion in the period between 2009 and 2014 is given in the following table (Figure 3).

Figure 3 – Social inclusion indicators for Romania 2009-2014

Social inclusion indicators	2009	2010	2011	2012	2013	2014
People at risk of poverty or social exclusion ⁽¹⁾ (% of total population)	43.1	41.4	40.3	41.7	40.4	40.2
Children at risk of poverty or social exclusion (% of people aged 0-17)	52.0	48.7	49.1	52.2	48.5	51.0
At-risk-of-poverty rate ⁽²⁾ (% of total population)	22.4	21.1	22.2	22.6	22.4	25.4
Severe material deprivation rate ⁽³⁾ (% of total population)	32.2	31.0	29.4	29.9	28.5	26.3
Proportion of people living in low work intensity households ⁽⁴⁾ (% of people aged 0-59)	7.7	6.9	6.7	7.4	6.4	6.4
In-work at-risk-of-poverty rate (% of persons employed)	17.6	17.2	18.9	19.1	18.0	19.6
Impact of social transfers (excluding pensions) on reducing poverty	23.0	23.3	23.7	19.3	19.4	10.9
Poverty thresholds, expressed in national currency at constant prices ⁽⁵⁾	4218	4334	4218	4011	3985	4067
Gross disposable income (households; growth %)	-2.4	3.9	0.9	1.2	9.5	-0.2
Inequality of income distribution (S80/S20 income quintile share ratio)	6.7	6.0	6.2	6.3	6.6	7.2

Source: EC, *Country Report Romania 2016*, p. 77

Data show that in-work at-risk-of-poverty rate in Romania is very high, remaining the highest in the European Union, while the impact of social transfers is the lowest. Spending on social protection as a % of GDP is among the lowest in the EU, so it is the effectiveness of social transfers, mainly because social transfers are not adjusted to the economic context.

Figure 4 - Poverty reduction impact of social transfers

Source: EC, *Country Report Romania 2016*, p. 60

2. Poverty in Romania – current actions

To make substantial progress in reducing poverty and in promoting social inclusion for vulnerable individuals, families, and groups, policy measures require a holistic approach. Romania is addressing this issue through three sets of actions: measures to alleviate poverty and to support people's entry into the labour market; investing in children's welfare; and measures to foster the social inclusion of ethnic minorities (including Roma). Hence, the government is currently implementing the following strategies: *National Strategy on Social inclusion and Poverty Reduction 2015-2020*; *National Strategy for the protection and promotion of child's rights 2014-2020*; *Early School Leaving Strategy*; and *National Strategy on the inclusion of Romanian citizens belonging to the Roma minority for the period 2014-2020*.

The *National Strategy on Social inclusion and Poverty Reduction 2015-2020* sets out a plan that outlines a structured set of policy measures. The strategy includes two main directions of general actions: the reduction of the incomes' poverty and the promotion of social inclusion. The policies were categorized in two main sections: policies that would

address the people as recipients (employment, social protection, financing, education, health, social housing) and regional policies (for rural and marginalized urban areas, including Roma people), with the aim to assure equal opportunities for all citizens, so all of them would have a chance to participate to the social life, to be appreciated and valued, and to live in dignity. The strategy emphasizes the fact that, in order to combat poverty and social exclusion, a lifecycle approach to individual needs should be taken (assessing need at all levels), particular problems should be dealt with particular and real solutions, while tailored and integrated services should be provided.

The scenario for Romania is not very optimistic. Data show that unemployment in Romania is relatively low and remained broadly stable just below 7% and well below the EU average of 9.5%, but informal employment is widespread. Low employment rates are registered among Roma population (who have a much higher risk of poverty, low educational attainment and low participation in early education), among persons with disabilities (only 7.25% of people with disabilities between the ages of 18 and 64 are active in the labor market), and among youth (in 2015 youth unemployment decreased to 22% but remained slightly above the EU average) (European Commission, 2016a, p. 55). Moreover, ageing and outward migration brings new challenges. By 2020, the number of individuals of working age is expected to decline by 4.5%, while the percentage of the elderly is likely to increase by 13%. This means that Romania needs to mobilize all of its potential workers, all of the working-age adults who are currently not working but able to work, that group of people who are not in employment, education or training (NEET) and who are not disabled or in early retirement which represents 26% of the total number of adults in the quintile (approximately 730,000 people).

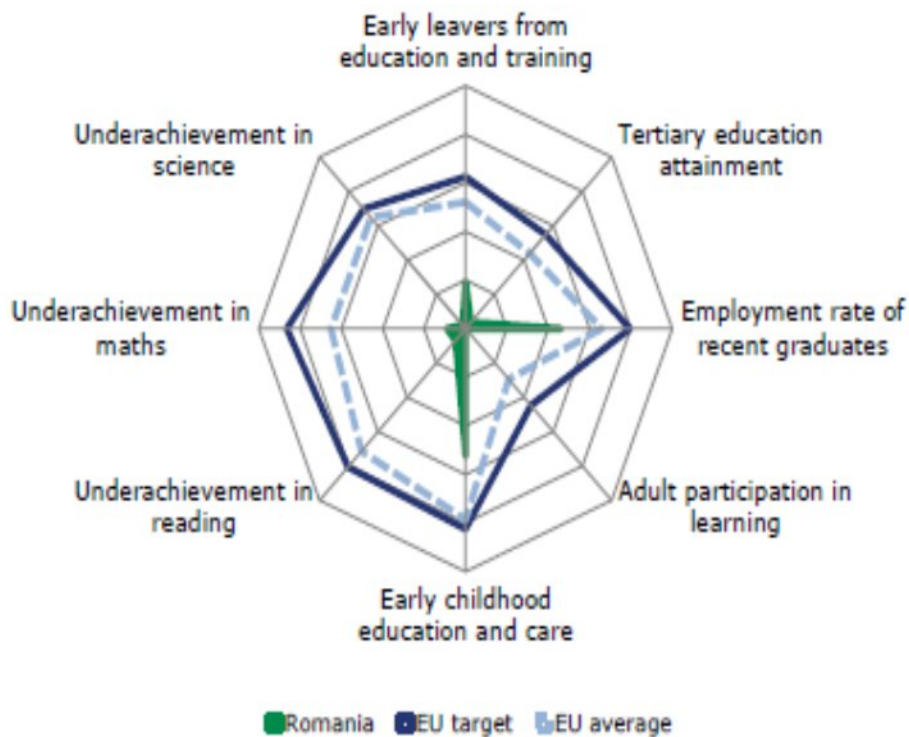
For such reasons, the government's policies are mainly oriented toward increasing the labor market participation of the poor and reducing the seasonality of their employment, through active labor market policies (ALMPs), and toward supplementing their income (by increasing their earnings or by allowing the poor to combine their low earnings with cash assistance), through the Minimum Social Insertion Income program (MSII), considered as being the key anti-poverty program. Furthermore, the strategy takes

into account the supply-side and demand-side challenges and those bottlenecks determined by financial means, capacity constraints, opportunity costs, social norms or even risks, the success of it depending on concrete and realistic planning, on budget allocation and cooperation between public and private institutions.

Related to the Strategy on Social Inclusion and Poverty Reduction are also the measures provided by the *National Strategy for the protection and promotion of child's rights 2014-2020*. The main principles of this strategy are to promote a society centered on the development and welfare of the children, to promote and to respect the child's interest, the nondiscrimination and equality of chances, to promote the primordial responsibility of parents in raising and caring for children, and the subsidiary character of state authorities' interventions, to promote the inter-institutional partnership with the civil society, to assure stability and continuity in the personalized care given to each child.

The aim of the strategy is to reduce with 250,000 the number of children affected by relative poverty, by 2020, poverty of children being strongly connected with education and health and having bad impacts over their achievements in these fields. Because of poverty, a lot of families choose not to enroll their children in schools or, if they are enrolled, they choose not to continue their education. The situation of the early leavers from education and training in Romania, compared to other EU member states, is well above the average, and can be showed through the following graph.

Figure 5 – Position of Romania in relation to highest (outer ring) and lowest performers (centre)



Source: EC, *Education and Training Monitor 2015*, p. 2

As illustrated above, there is a need for Romania to improve the provision and quality of early childhood education and care. In order to do this, Romania elaborated in 2015 a strategic framework for reducing early school leaving, the *Early School Leaving Strategy*, based on four main pillars: ensure that all children go to school and receive quality education, ensure that all children complete compulsory education, get early school leavers back in school, and develop appropriate institutional support (European Commission, 2015, pp. 5-6). The strategy also points out toward the attention that needs to be given to Roma population, this category being the one that is confronted mostly with

cases of illiteracy, illness, discrimination, unemployment, poor housing and severe poverty.

Additionally, the *National Strategy on the inclusion of Romanian citizens belonging to the Roma minority for the period 2015-2020* aims at ensuring economic and social inclusion of Romanian citizens belonging to Roma minority, by implementing policies in the fields of education, employment, health, housing, culture and social infrastructure. The following principles are stressed to be applied: the principle of non-discrimination and respect for human dignity, the principle of equal opportunities and gender awareness, the principle of active participation, the principle of inter-cultural dialogue, the principle of cooperation etc.

3. Romania's progress in addressing poverty

a. The Country Report

The *Country Report Romania 2016* assessed Romania's progress in addressing the country-specific recommendations and the progress towards its national Europe 2020 targets.

In the framework of Europe 2020 Strategy, the national target of 70% employment rate, assumed by Romania by 2020, 'remains ambitious as the employment rate in the age groups 20-64 reached 67.8% in the third quarter of 2015' (European Commission, 2016a, p. 72). The explanation is that Romania 'made limited progress on strengthening active labour market measures, in particular for unregistered young people and for long-term unemployed. [...] The take-up of apprenticeship and measures such as support for traineeships, skills certification and the mobility package, was more limited than initially expected. [...] There are few activation programmes or employer incentives targeted at the long-term unemployed, with the exception of an employer subsidy for workers older than 45, although that is not specifically targeted at the long-term unemployed' (European Commission, 2016a, p.69). In addition, Romania made limited progress on staffing the National Employment Agency, in setting guidelines for transparent minimum wage setting and in introducing the minimum inclusion income scheme.

Moreover, there is reported limited progress on the national strategy to reduce early school leaving, adopted in 2015, whose implementation is lagging behind. More than that, the rate of early school leaving in Romania increased to 18.1% in 2014, getting further away from the national Europe 2020 target.

Some progress was registered on meeting the tertiary education target, the rate reaching 25% in 2014, being on track to reach the Europe 2020 national target of 26.7%. Furthermore, in the domain of increasing the provision and quality of early childhood education and care, in particular for Roma, it is evidenced some progress.

Therefore, the recommendations include a tailoring of services to jobseekers profiles, a better linking of employment services with the social ones, strategic planning, programme budgeting, consultation practices and evidence-based policy making. Because Romania's key development disparities are between urban and rural areas, the government should orient its intervention toward the socio-economic development of rural areas, which is not possible in the conditions of under-developed transport infrastructure, limited public and private transport, hidden unemployment, low productivity, and low access to education, medical services, public services and basic utilities. Like the 2014 report, this one also exhibits a context 'in need of more transparency, commitment and maturity, if the long-term indicators are to be reached' (Corpădean, 2015, p. 258).

b. A new approach and new dilemmas

To push forward the reform, at the beginning of 2016, the Romanian government launched the 'Integrated package to fight poverty', one of the most important means to implement the National Strategy on Social Inclusion and Poverty Reduction. The proposal aimed to be a comprehensive 'anti-poverty package' of 47 measures, focusing on: individuals grouped by stages of life; families, especially those living in rural communities and Roma communities; and cross-cutting measures, like the inclusion of persons with disabilities. The anti-poverty package connects the existing strategies with models of good practices and European funds and includes measures already assumed by the civil society.

These measures included in the package are oriented towards the following domains: integrated services, education, health, housing, employment and social services.

This new approach brings with it new dilemmas. Which are the instruments that should be used? Do we have these instruments? How can we access them? How do we measure properly poverty? What should be actually measured? Where should be the threshold? How can be targeted the “real poor” people? How can these measures ensure a sustainable and irreversible outcome?

These are only some of the questions at which the Romanian government tries to find answer. The good point is that there is an awareness of the fact that social policies, in general, encounter structural problems. Such as, the reduction of poverty is in a direct relation with the economic growth, it depends on the educational policy, health policy and a lot of other factors. There is a potential to break cycles of exclusion if people have access to education, access to equal employment opportunities and access to public services, like health, housing, water and sanitation, if there is continuity in assuring them the services that they need, in tailoring services to their profile and assuring synergies between the services provided. Social policies may become sustainable if they are properly targeted and if they have continuity in time. Otherwise, the outcome is not a positive one.

Another important measure, considered as being the key anti-poverty program in Romania, launched for public debate on October 2015, adopted by the Government, currently tabled for debate in the Parliament, is the Minimum Social Insertion Income program (MSII), a program aimed to consolidate three existing social assistance programs: the Guaranteed Minimum income (GMI), the Family Support Allowance (FSA), and the Heating Benefit (HB).

The underlined positive aspects of the program are that it will cover a larger fraction of in-work poor and will give an incentive to work to the work-able adults who are not currently working but are living on social assistance, because this program will allow them to receive social assistance while they work. By introducing this single program, it will be only one declaration of incomes and assets, which will streamline the functioning of the system in terms of administrative costs, but also in reducing fraud and error. The

program seeks to increase the responsibility of the beneficiary by conditioning the payment of the benefits by the educational achievement of the children, or by the actively seeking of a job by the parents. The initiator took into account the need to reduce the dependence to social assistance, to monitor and simplify the procedures for obtaining the social rights, the possibility of increasing the share of social services.

Predictions are that this new legislation ‘will have a major impact on bringing around four million Romanians, or one million families, out of poverty and exclusion’, ‘it will reverse the recent trend of increasing poverty which is pronounced in rural areas, it will provide stronger incentives for the poor to get back to work and reduce the in-work poverty rate, and it will be an operational instrument to identify the poor and help with tailored and targeted benefits, services and other measures’ (World Bank, 2016).

4. Conclusions and recommendations

Poverty and social exclusion, an essential topic for our society, represents a major challenge for some countries and a key area of policy reforms. Poverty brings not only a transmission of the disadvantage across generations, but also societal problems, unsustainable development, and could generate extremist opinions and extremist positions.

Data show that, unfortunately, the European Union is not making any significant progress towards achieving the poverty and social exclusion target of lifting at least 20 million people out of poverty, established in Europe 2020 Strategy. Among the main negative trends at EU level is a general continued deterioration in the relative poverty situation and an increase in the share of the population living in (quasi-) jobless households (Social Protection Committee, 2016, p.6). Across the member states, Romania is the country that registered in 2014 the highest level of intensity of poverty risk among the EU member states, and the predictions do not include positive scenarios.

The future focus should be on structural reforms, on a higher attention given to long-term social policy priorities, with social protection as playing an important role in providing safeguards to people in case of health deterioration or disability, or against the risks of losing their employment, their income, being also a support in the transition from

education or inactivity to employment. Combating poverty and social exclusion requires taking a lifecycle approach to individual needs, while the policy measures require coordination and a holistic approach. Social protection and social investment should go hand in hand; also, economic and social governance should not be separated.

Romania adopted several strategic measures in order to combat poverty and social exclusion, to improve the child's protection, to increase the integration of Roma population etc. The problem is that there is no coordination between the strategies, while a lot of measures are not implemented. So, Romania needs to concentrate on implementing and monitoring, on making equality of opportunity a reality, on orienting the resources towards those most in need. The needs should be assessed at all levels, while the social, employment, educational, and health care services should be coordinated. There are differences between national and local priorities, so political targets need to be tied to local contexts.

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THE PHILOSOPHY OF THE NEW REGIONALISM IN THE CONTEXT OF SPAIN'S FISCAL FEDERALISM

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Abstract

From the dimension of a state of autonomies, Spain has now become a formal unitary political structure, functioning on basis of the principles of fiscal federalism. The asymmetrical character of regionalism, especially the special statute of the autonomous historical communities, makes the Spanish state have an administrative architecture similar to the ones of the federal states, which does not exclude contestations and especially the fiscal federalism claims which become more and more visible, leading towards secession.

Keywords: regionalism, fiscal federalism, local autonomy, local identities

1. Introduction

The present paper argues upon a largely debated issue in the public and academic space of Spain, the interdependency between regionalism and federalism, more precisely the measure in which federalism, especially fiscal federalism, can become the spear point of the regionalization process (Machado, 1979, 17). The comparative perspective facilitates the understanding of the Spanish administrative model, both through the evolution of the regionalism phenomenon and through the perception upon local autonomy, decentralization and federalization. Spain, as well as Italy, promotes an advanced regionalization formula which goes much beyond the decentralization principle, by applying the shades of the philosophy of fiscal federalism and implicitly of subsidiarity. The federal administrative architecture tended to add to the territorial autonomy requirements related to fiscal, political or

institutional autonomy. Some of the regions with a powerful political and cultural identity asked the central governments to grant a higher autonomy, as it happened in the Italian 5 autonomous communities with special statute or in the autonomous communities of Basque Country. In fact, in Spain we can talk about the existence of a fiscal pact between an autonomous community, such as that of the Basque Country, enjoying full financial autonomy, and the Spanish state. The politicization of regionalism, nationalism, economic arguments or identity peculiarities, continue to lead to secessionist formulations such as obtaining independence by pressure (in the Basque Country) or by referendum (in Catalonia).

We must say that unlike Italy, a country belonging to the political regionalism model as well, Spain defines itself by the existence of some significant historical national identities (Keating, 2008, 86-90); reality which makes different languages coexist in the Spanish space while as in Italy we can speak only of different regional dialects. In fact, this peculiar evolution of the historical identities explains the extremism of national claims in Spain.

After the Reconquista, Spain evolved for centuries as a cluster of territories united by Monarchy, some of them benefiting of high degree of autonomy, such as the case of Vasconia or Catalonia. Due to the fact that regional differences remained very powerful, the autonomy spirit was even more evident.

Lacking a strong national integration, Spain developed an institutional or political regionalism, defined not only by a high degree of decentralization but also by a consistent administrative autonomy. The medieval and modern tradition of regional gatherings or governments has encouraged the Basques and Catalanian claims for obtaining a higher autonomy and even their independence. By adopting the 1978 constitution, Spain succeeded to pass from the organization of an autonomist system to federalism, which represents the next level of decentralization of autonomous communities, similar to those of many federal states (Tea, 2010). The financing system of autonomous communities was then gradually transformed from a centralized system, based mainly on to a powerfully decentralized model, which gives the periphery administrative entities (provinces, communes) a substantial quantity of resources, of their own or obtained by cession. In 1993, there appears the idea of a local pact between the central government and the local entities, which was supposed to grant a new

division of powers, both in which regards the revenues/entries, but also at the level of the expenditures. Just like in the case of Italy, the Spanish reform of 2009 gave depth to the federalization process, by applying the principles of fiscal federalism.

The articles referring to Spain's institutional system consider that it can be appreciated as a federal system by excellence due to the organization model of the autonomous communities (Machado, 17; Alzaga, 1978, 824). In his writings, Machado speaks about the federal regional state, while as Alzaga insists upon the profoundly federalist character of Catalonia and of the Basque Country (Elazar, 1987, 11). In fact, the Spanish regionalism has undergone more stages of decentralization, the most subtle form in which it is nowadays expressed being fiscal federalism. The new philosophy of Spanish regionalization is defined by the relationship established among regionalism, fiscal and institutional autonomy and federalism. On the background of historical identity and cultural heterogeneity, debate persists among the supporters of fiscal or political autonomy and the supporters of independence.

2. Regionalist and federalist traditions

The historical arguments of Spanish regionalism and federalism result from the differentiated evolution of the communities composing nowadays the kingdom of Spain. The political, identity or cultural differences of some of the medieval states which were annexed to the Spanish state rendered the construction of a common identity difficult after the Reconquista. Much more, this structural heterogeneity strongly powered the political and nationalistic component of Spanish regionalism.

The Basque Country (nowadays the communities of Navarre and Pais Vasco) is a relevant example from this point of view, since it had a state evolution different than that of Spain up to its integration by the Castilian royalty. Thus, North of the Pyrenees, the duchy of Vasconia was led by a Basque duke up until its integration in the Carolingian Empire, and South of the Pyrenees, the kingdom of Pamplona evolved itself up to the conquest by the kingdom of Castillia in 1512. Nevertheless, the autonomy was gained through the *fueros*, historical laws of Basque cities, issued by the Spanish crown up until 1876. After about two centuries the *Partido Nacionalista Vasco* the *Vasco National Party* took form, and became an

important voice in the Madrid Parliament and later the *Euskadi Ta Askatasuna* (ETA) was formed. Last, *Euskara* is another argument of the powerful Basque historical identity, by the fact that it is defined as a genetically isolated language, of completely other origin than the Indo-European languages, and thus so much different from Spanish.

From the beginning of the Middle Ages, Catalonia had its own state organization and in 987 it obtained its independence. Then in the XV-th century the Catalan-Aragonese Confederation had its own political and administrative organism, the equivalent of the nowadays Catalan government. Although local Catalan institutions have been dissolved by Philip V and restored only 3 centuries later, during the second Republic (1931-1936), and in 1716 Catalonia was completely assimilated to the new Spanish Kingdom, the language and all other Catalan identity elements continued to be preserved. Catalan regionalism, extremely politicized, was observed both by the main government party *Convergència i Unió* (CiU) but also by the majority of political entities and considered from the perspective of complete self-administration.

Starting from identity reasons, but reinforced by the economical reason, the political leaders and the public opinion from the Basque Country and from Catalonia continued to formulate independence claims. Both communities are strongly federalized and benefit from the highest administrative, legislative and fiscal autonomy, while as Basque Country has even an independent fiscal system.

3. Fiscal federalism the engine of regionalism

The reform of Italian regionalism knew after 1945 two stages of evolution: the administrative decentralization up until the end of the '70s, which created the special statute of autonomous regions, respectively the regional financial autonomy obtained by federalization (Piccoli and Vadagnini, 2010, 9).

The phenomenon of regionalization of the Spanish state, in its most profound sense of increasing autonomy and later assuring the federalization process could occur only after the fall of Franco dictatorship. The beginning of the reign of Juan Carlos de Bourbon was the

equivalent of the democratic rebirth of Spain, context in which Catalonia extends its autonomy (1977), the constitution of the kingdom being adopted two years later.

The 1979 constitution was based on “the indissoluble unity of the Spanish nation, the common and undividable homeland of all Spanish people” which “recognized and granted the right to autonomy to all nationalities and to all regions as well as the solidarity among them” Chapters II and III of Title VIII established extensively the terms by which territorial decentralization of autonomous municipalities, provinces and communes, benefiting from autonomy in dealing with their own interests was about to be realized (*Constitución española de 1978*, art. 2). The article 143 of the constitution had a particular significance not only due to the fact that it introduced the voluntary character of the right to autonomy, but also because it appealed to the philosophy of differential autonomy. Thus it gave the right to all the border provinces with historical, cultural or economical common traits and to all insular territories and provinces with historical regional importance to accede to self-governing and constitute autonomous communities (Ibidem, art. 143). The manner in which the autonomy right was exercised was determined by expressed or ordinary procedure, flexibility and gradualness being two other characteristics of the future process of formation of autonomous communities. The open character of the Spanish model had a particular significance because by granting differential autonomy, Spain succeeded to answer the identity needs and thus diminish the control of Madrid upon the regions with powerful historical, cultural or ethnic identity. The same as in Italy, the asymmetric federalism, an essential trend of Spanish regionalism, revealed the fact it is not compulsory that the centres of economic, social or cultural power coincide. In Francisco Caamaño’s and Dirceo Ramos Torrecillas’ opinion, the difference among the territorial components is considered a flexible solution to the territorial diversity, thus insuring unity (Caamaño, 1999; Torrecillas, 1998).

The constitution offered the first steps to federalization since it granted financial autonomy, which was to contribute to the development of the competences of autonomous communities and local entities (provinces, communes) considering the overall solidarity with all the Spanish people (*Constitución española de 1978*, art. 156). The autonomous communities resources were to be assured by state or additional taxes, totally or partially

cessed by the state, then by their own taxes and imposts or special contributions, respectively by transfers from the *Fondo de Compensación interterritoria*; while the financing of local entities were established generally speaking from own taxes and co-participations to taxes towards the state or towards the autonomous communities (Ibidem, art. 142).

A peculiarity of the asymmetrical federalization process was without a doubt the velocity with which it was accomplished, all the Spanish autonomous communities being able to align to the process in between 1978 and 1983. The percentages are also relevant, because if in 1978 the state bear the responsibility of 89% of the total public expenditure, in 1998 its involvement decrease to only 51% (Almendral, 2002, 468). By starting from the slow and respectively quick formula stipulated by the constitution for the founding of autonomous communities, the first to adhere to the new statute were Catalonia, the Basque Country and Galicia, regions already having the experience of self-governance from the period of the second Republic, and which were also inflamed by strong nationalist feelings. Then other four regions benefited from a high level of autonomy, Andalusia, Navarre, Valencia and the Canary Islands, which became autonomous in between 1982 and 1983. The other 10 autonomous communities out of the total of 17 maintained their inferior level of autonomy up until 2002. The bilateral and multilateral pacts had the role to facilitate the transfer of authority. The most relevant example is the one signed between the Spanish state and the Basque Country and then with Navarre which recognized the statute of historical community, fact which was the basis to granting them full fiscal independence.

The development of the regionalisation process in Spain occurred due to the legislative regulations of the '90s, and it was completed after the implementation of the 2006 law. In fact it was all about transitioning from cooperative federalism to competitive federalism, the role of asymmetry continuing to be essential in resolving identity differences issues of Spanish communities. In 1993, the support of the Catalan Party *Partido Socialista Obrero Español* (PSOE) and *Partido Popular* stood at the basis of the reform which regarded the 1993 and respectively 1996 income tax. The phenomenon attracted much criticism because it favoured the obtaining of several advantages for the historical autonomous communities in the detriment of the common ones, but it was also true that the pacts could not always substitute

the parliament debates. The revision of constitutional stipulations regarding the financing system of autonomous communities took place as a sequel of the pacts signed by the PSOE party and by the *Partido Popular* with the central government. Behind these actions stood the negotiations of the Nationalist Catalan Party (CiU) with the two majority parties, by which they were helped to gain majority in the parliament.

The permanent pondering of the Spanish administrative system between the constitutional objectives of solidarity and homogeneity, as well as the asymmetric financing system, was visible at the end of the '90s too. Law 14/1996 introduced four different financing systems, from the common one to the special one, and granted the right to raise autonomous police forces to Catalonia and to the Basque Country, as well as the advantage of Catalonia and al Galicia to have their own civil rights system. Catalonia also obtained special competences on the labour force market, special public domain subventions, as well as the rights of managing the Tarragona and the Barcelona harbours. General discipline came with a series of quantitative and qualitative provisions in which regarded the cessions of taxes from the state to the communities. The most significant modification was that of renouncing at 30% of the total stipend and pension income revenue (IRPEF) towards the autonomous communities, respectively renouncing at the double quota (the state quota and the regional quota).

The organic law 5/2001 and the ordinary law 18/2001 regulated the relationships between the state and the communities such as that after 2002, health and education, the main elements which made the difference between the rapid and the slow process of founding the autonomous communities, were transferred to local administrations.

Catalonia was and continues to be a challenge for Spain. By the extended autonomy law, in 2006, it enlarged its self-government power, gaining exclusive competences in which regards treasury and state property, but the quasi-federal statute of the community did not slow down the claims of its political leaders. The same as the inhabitants of the Basque County, appealing to their historical identity, the Catalonians consider themselves a separate nation.

Law 22/2009 gave a new expression to the Spanish financial autonomy through increasing the local resources, resulting largely from ceded state taxes and revenues,

respectively the introduction of new calculation criteria, adequate to reality. As a result, from 2009, the autonomous communities receive 50% of IRPEF revenue and VAT as well as 58% of special taxes (tobacco, alcohol, diesel fuel etc.), while as other taxes remain 100% to the autonomous communities, among these counting: succession taxes, donation taxes, retail sale of fuel taxes, transportation means taxes. The vertical analysis of the principle of subsidiary shows that it is based on assuring the equilibrium between the fiscal autonomy of sub national levels and the national resources system. In conformity to the economic theory of fiscal federalism, autonomy is related to the principle of shared responsibility between the state and the local structures, it being developed in the limits of financial stability, even if per ensemble, the distribution of competences is made from the centre, by assuring, the relationships with the exterior, public order, national security, and defence, while as in the periphery, by managing the goods and services most dear to the citizens. The horizontal analysis shows that the system of local autonomy functions predominantly on the logics of local asymmetry, even if, subsidiary it exists on another level, meant to assure a balanced evolution of decentralization – that of equality (solidarity).

Just like in Italy, federal reformism did not lack contestations, critics, attacks and even declarations of non-constitutionality of some law articles. While some politicians speak about the decentralization excess at the disposal of the 17 mini-states, the leaders of the nationalist parties consider that the freedoms and limitations of subsidiary must be pushed to obtaining independence. The most notorious example is that of Catalonia, the community which contributes with 25% of its own resources to the Spanish IBP and which forwarded two independence claims, firstly in 2012 and secondly in 2014.

In synthesis, the component elements of asymmetrical Spanish fiscal federalism are as below:

COMPETENCE LEVEL	FINANCING	LANGUAGE	SPECIAL DISPOSITIONS*
HIGH: Basques Country Catalonia Galicia Andalusia Valencia Canary Islands Navarre	SPECIAL REGIME: Basques Country Navarre COMMON PROVINCE REGIME: Asturias Cantabria Madrid La Rioja Murcia	BILINGUALISM: Basques Country Catalonia Galicia Balearic Islands Navarre Valencia UNILINGUAL: Aragon Andalusia Asturias Canary Islands Cantabria Castilla-La Mancha Castilla-Leon Extremadura La Rioja Madrid Murcia	HIGH DEGREE OF AUTONOMY OR FINANCIAL INDEPENDENCE** Navarre Basques Country AUTONOMOUS POLICE FORCE: Basques Country <i>Catalonia-Mossos d'Esquadra</i> OWN CIVIL LAW: Catalonia Galicia HOUSEHOLD ECONOMY TAXING DIVISION: Catalonia GENERAL OPERATIONS OF REGIONAL GOVERNMENTS: Aragon, Balearic Islands, Canary Islands, Valencia, Cantabria, Navarre, Castilla-La Mancha Castilla-Leon Extremadura, Murcia
LOW: Aragon Asturias Balearic Islands Cantabria Castilla-La Mancha Castilla-Leon Extremadura Madrid Murcia La Rioja	COMMON MULTI PROVINCE REGIME: Andalusia, Aragon Castilla-Leon Castilla-La Mancha Catalonia, Valencia Galicia, Extremadura INSULAR REGIME Balearic Islands Canary Islands		

			La Rioja, Madrid
<p>* Catalonia, the Basques Country, Galicia, Navarre and Andalusia have also the special statute of „historical communities“.</p> <p>** Navarre and Basques Country have also the right to maintain establish and control its own tax regime in conformity to the dispositions of their Statute of Autonomy. They also have normative and executive powers for all taxes with the exception of those which are exclusively reserved to the state (fiscal monopoly, import right and obligations).</p>			

From the dimension of a state of autonomies, Spain has now become a formal unitary political structure, functioning on the basis of the principles of fiscal federalism. The asymmetrical character of regionalism and especially the special statute of the historical autonomous communities render the Spanish state an administrative structure similar to those of the federal states. All the autonomous communities have an elected president except for Madrid, which has a mayor, local governments and parliaments, plus Catalonia and Navarre benefit from a high political and institutional autonomy while as the Basque Country has an independent fiscal system, but they do not have a constitution, just like the federal states. It is quite evident that the claims of independence are more insistent in Catalonia, Basque Country or Padania, the arguments being of identity, culture and economy nature, just like in the case of other territories in Europe such as Corsica, Bavaria or Scotland.

In conclusion we must say that the main financial resources of Spain's autonomous communities in common regime are obtained by the taxes, completely or partially submitted to the state, redistributions of such taxes, other internal taxes and special contributions, inter-territorial transfer of compensatory funds, revenues driven from the exploitation of patrimony rights and private revenues as well as benefits of crediting operations.

On the other hand, the most important financial resources of local Spain entities, meaning the provinces, the communes and the islands, come from the patrimony resources resulted from the properties of local entities: building renting or other resources resulted from the property transfer, local taxing system, composed by taxes, imposts and special

contributions, which are compulsory (real estate tax, sales tax, road tax) or optional (taxes on construction, installations and works, plus value urban ground tax, luxury expenditure tax). To those we can add the state transfers, the regional transfers or, in the case of communes, the province transfers, participations to state and regional taxes, state subventions, regional subventions and European Union subventions, the resources resulted from public taxes for special public service provision, crediting operations, especially debiting, fines and sanctions in their area of competence of course and other public rights resources¹⁷.

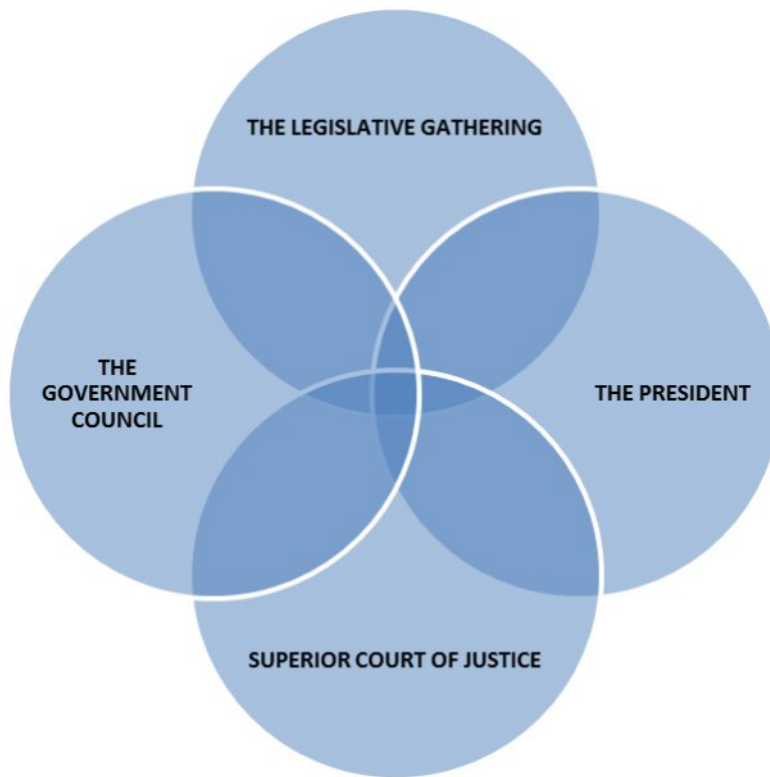
To conclude, the system of taxes ceded by the state to the autonomous communities of Spain is constituted by a series of taxes such as income tax, freelance tax, assets tax, referring to movable and immovable onerous property transfers, as well as donations, heritage), VAT, special manufacture and electricity taxes, special transportation taxes, games taxes and fuel sales taxes¹⁸.

¹⁷ The financing system of local communities was regulated by Law 39/1988.

¹⁸ The common regime of the autonomous communities was established by the Organic Law of Autonomous Communities (OLAC/LOFCA), approved in 1980 and further modified several times.

ANNEX

THE INSTITUTIONAL ORGANIZATION CHART OF THE SPANISH AUTONOMOUS COMMUNITIES



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