

The opportunities of EU's Danube Regions Strategy for Romania and Bulgaria

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Abstract: *Macro-regional strategies are one of the recent EU initiatives with the main objective as the territorial cohesion and increasing the degree of coordination between different levels of governance of the key actors and stakeholders. The fundamentals of macro-regional strategies have been put together by acknowledging the importance of cohesion basins as factors that may increase economic growth. The transnational cooperation has become a connecting vector from national and regional perspectives; the programs currently having as main priority the flexible approach to the functional links between European regions belonging or not to the EU. The main challenge is to ensure the long-term performance of the programs and the identification of new instruments for valorizing results and creating value added by providing the strategic framework for the actions of different actors and stakeholders and by implementing coordination policies and ensuring specific funding sources. Our paper aims to point out the opportunities offered to Romania and Bulgaria by the EU's Danube Regions Strategy.*

Keywords: *Danube Region Strategy, macro-regional strategies, coordination, economic growth and development*

JEL Classification: O10, O40, O57, R58

Fundamentals

Macro-regional strategies are one of the recent EU initiatives with two main objectives: territorial cohesion and an increased degree of coordination between different levels of governance of the key actors and stakeholders. By integrating macro-regional strategies

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to extend and strengthen the economic policy, the EU aims to maximize the efficiency of the utilization of available resources. The transnational cooperation initiatives of this kind should be considered within the context created by the political, institutional and financial framework of the EU and provides specific opportunities.

The fundamentals of macro-regional strategies have been put together with the recognition of the importance of cohesion basins as factors that may increase economic growth. Macro-regions represent (Duhr, 2013) “an area including territory from a number of countries or regions associated with one or more common features or challenges”, having both territorial and functional implications.

From a territorial point of view, macro-regions involve the implication and transnational cooperation of several countries, either Baltic Sea coastal countries, either Danube river countries. According to DG Regio the extension of a macro-region must not be identical with administrative boundaries of the nation-states but it can include just parts of those.

Functional perspective starts from the great natural territorial systems, for example the Baltic and Danube ecosystems and supports sharing connections from both local ecosystems and the economic and social rights. Basically, according to the priorities envisaged by experts, we can distinguish between two main categories of macro-regional strategies: the first category includes an ecosystem specific to the environmental challenges common to several countries facing similar or complementary issues requiring joint action. In the second type there may be no obvious primary issue that would require a macro-regional strategy, but a group of regions may nonetheless consider the preparation of a joint, integrated strategy as beneficial. For the second type, the primary issue that could require a macro-regional strategy is not so obvious, and the group of regions has the option of considering the adoption of a common, integrated strategy as beneficial.

The Danube Region includes (figure 1) Germany (Baden-Wuerttemberg and Bavaria), Austria, Slovakia, the Czech Republic, Hungary, Slovenia, Romania, Bulgaria, Croatia and candidate countries such as Serbia, Bosnia and Herzegovina, Montenegro, Moldova and Ukraine (border regions). Among these countries there are wide disparities, mainly caused by the lack of economic performance of the East-European countries.

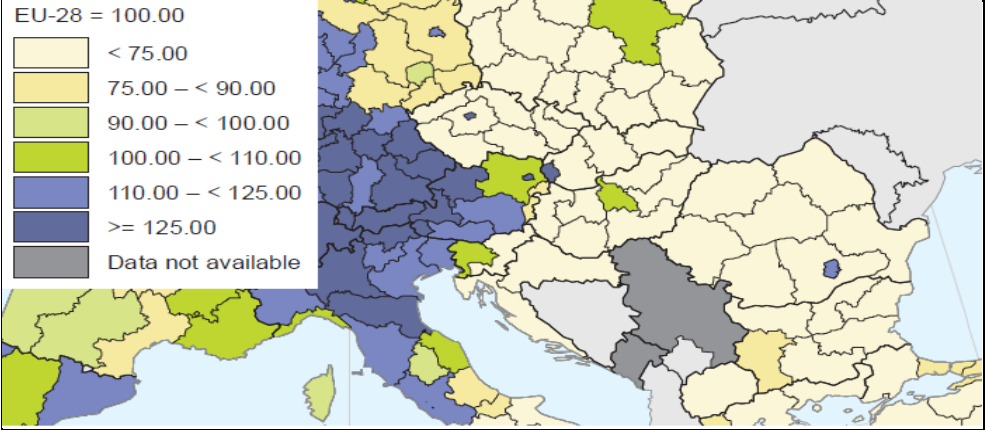
Figure 1. Danube's Region



Source: Danube's region transnational report, Gal, Z., 2012.

According to available statistical data the Danube's Region GDP per capita varies between lower than 75% of EU's average (underdeveloped region) and higher than 100 % of the EU average (developed regions).

Figure 2. Territorial distribution of GDP per capita among the Danube Region countries



Source: Based on Eurostat regional data, accessed in 2015, January.

Table 1. Main categories of regions in Danube region countries based on GDP per capita % of the EU average

	GDP per capita% EU average	2001	2011
Underdeveloped regions	<75	36	36
Phasing out regions	[76 – 89]	6	6
Cohesion regions	[90 – 100]	4	5
Developed regions	>100	38	37

Source: Author's calculations based on Eurostat regional data, accessed in 2015, January.

We notice in Table 1 that among the Danube regions countries there is a very large gap, the number of underdeveloped regions remaining constant during 10 years. The least developed regions are in Bulgaria, Romania, the Czech Republic and Hungary, the worst situation being in Bulgaria and Romania.

Table 2. The evolution of GDP per capita % of the EU average

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Trend
Severozapaden	BG31	26	27	27	27	28	26	27	28	27	27	29	
Severen tsentralen	BG32	25	28	27	27	28	28	28	30	29	29	31	
Severoiztochen	BG33	27	28	30	31	32	33	34	38	36	36	38	
Yugoiztochen	BG34	28	28	31	32	34	33	33	36	36	36	38	
Yugozapaden	BG41	41	46	49	51	54	60	66	73	75	76	78	
Yuzhen tsentralen	BG42	23	24	26	27	28	29	29	30	31	31	32	
Praha	CZ01	149	152	161	163	167	169	177	175	176	173	171	
Strední Cechy	CZ02	69	70	72	73	72	75	77	75	74	71	73	
Jihozápad	CZ03	67	67	71	73	73	74	74	68	71	70	70	
Severozápad	CZ04	60	61	64	64	64	64	65	63	67	64	63	
Severovýchod	CZ05	65	65	65	66	67	67	68	65	67	66	67	
Jihovýchod	CZ06	66	66	69	69	70	71	74	73	75	73	73	
Strední Morava	CZ07	59	59	61	62	62	62	64	64	67	64	66	
Moravskoslezsko	CZ08	57	57	59	64	67	67	69	69	68	68	71	
Közép-Dunántúl	HU21	54	54	58	60	60	57	57	58	55	58	59	
Nyugat-Dunántúl	HU22	60	63	67	65	63	64	60	62	61	66	68	
Dél-Dunántúl	HU23	43	45	45	45	44	43	42	44	45	45	45	
Észak-Magyarország	HU31	38	39	41	41	42	41	39	40	40	40	40	
Észak-Alföld	HU32	40	41	42	41	41	40	39	40	43	42	43	
Dél-Alföld	HU33	43	44	44	44	44	42	41	43	43	43	44	
Nord-Vest	RO11	26	28	30	32	32	36	40	42	43	43	42	
Centru	RO12	28	31	32	34	34	38	42	44	46	46	45	
Nord-Est	RO21	20	21	22	23	23	24	26	29	30	30	29	
Sud-Est	RO22	25	26	27	31	30	33	34	37	38	40	39	
Sud - Muntenia	RO31	23	24	25	29	29	32	34	39	40	40	40	
Bucuresti - Ilfov	RO32	58	62	66	72	81	87	96	117	112	114	122	

Source: Author's calculations based on Eurostat regional database, accessed in January, 2015.

Statistical data reveal strong gaps even WITHIN underdeveloped countries: for instance, the Prague region has a GDP per capita representing 170% of EU's average, and Severozapad only around 60%, the lag maintaining during the entire period of analysis. Romania recorded a positive evolution, taking into consideration the ascending trend, but we have to underline that the distance to EU's average is still high.

Bulgaria is also struggling to catch up with the EU's average, but the goal is still unachievable.

The Baltic Region's experience – Lessons and further directions

The Baltic Region project of transnational cooperation started in the early 90's, with the political forum of the Council of the Baltic Sea States (CBSS), and continued with several initiatives like The Helsinki Commission (HELCOM) for environmental policies concerning the marine environment of the Baltic Sea or Vision and Strategies around the Baltic Sea (VASAB) for transnational territorial planning within the Baltic Sea Region. As a result of these efforts the Baltic Sea Region Strategy emerged as a mechanism based on four pillars/priorities:

1. Environmentally sustainable (e.g., by reducing pollution in the sea);
2. Prosperous (e.g., by promoting innovation in small and medium enterprises);
3. Accessible and attractive (e.g., by implementing better transport links);
4. Safe and secure (e.g., by improving accident response).

Basically, each pillar will have impact on the others and is related with national and transnational policies. The Baltic Sea Strategy aims to achieve coordination and integration across horizontal, vertical and geographical dimensions. That involves sector policies (horizontally), different levels of governance (European national, transnational, local, regional, inter-regional, etc.) and across administrative boundaries.

One of the main instruments of implementing the Baltic Sea Region Strategy was European Union's 2007-2013 Baltic Sea Region Program. The main priorities were: fostering innovation, internal and external accessibility, the Baltic Sea as a common resource and attractive and competitive cities and regions. During 2007-2013 the funding sources were: the European Regional Development Fund (ERDF) with 208 Million Euros, the European Neighborhood and Partnership Instrument (ENPI) with 8.8 Million Euros and Norway (NO) with 6 Million Euros. Of all the 90 projects, only 54 were finally paid, absorbing 165.2 Million Euro: 156.2 from ERDF, 5.2 from ENPI and 3.5 from NO.

The lessons from the previous period concern investment priorities connected with other EU strategies, like Europe 2020. In this respect to the **previous priorities: Non-**

technological innovation (To improve the Baltic Sea Region performance in non-technological innovation based on increased capacity of the innovation actors); **Renewable energy** (To increase production and use of sustainable renewable energy based on enhanced capacity of public and private actors involved in energy planning and supply); **Energy efficiency** (To increase energy efficiency based on enhanced capacity of the public and private actors involved in energy planning); **Resource-efficient blue growth** (To advance sustainable and resource-efficient blue growth based on increased capacity of the public authorities and practitioners within the blue economy sectors); **Maritime safety** (To increase maritime safety and security based on advanced capacity of the maritime actors); **Environmentally friendly shipping** (To enhance clean shipping based on the increased capacity of the maritime actors); **Environmentally friendly urban mobility** (To enhance environmentally friendly transport systems in urban areas based on increased capacity of urban transport actors); **Coordination of macro-regional cooperation** (To increase the capacity of public administrations and pan-Baltic organisations for transnational coordination in implementing the EU Strategy for the Baltic Sea Region and facilitating the implementation of common priorities with the partner countries) several new ones related with Europe 2020 were added:

- **Research and innovation infrastructure:** To enhance market uptake of innovation based on improved capacity of research and innovation infrastructure and users;
- **Smart specialization:** To enhance growth opportunities based on increased capacity of innovation of the actors to apply smart specialization;
- **Non-technological innovation:** To improve the Baltic Sea Region performance in non-technological innovation based on increased capacity of the innovation actors;
- **Clear waters:** To increase efficiency of water management for smaller nutrient inflows and less discharges of hazardous substances to the Baltic Sea and the regional waters based on enhanced capacity of the public and private actors dealing with water quality issues;
- **Inter-operability of transport modes:** To increase inter-operability in transporting goods and persons in north-south and east-west connections based on increased capacity of the transport actors;
- **Accessibility of remote areas and areas affected by demographic change:** To improve the accessibility of the remotest areas and regions whose accessibility is affected by demographic change based on increased capacity of the transport actors;

- **Seed Money:** To increase the capacity for transnational cooperation implementing the EU Strategy for the Baltic Sea Region and working on common priorities with the partner countries.

In the context of the European integration, the transnational cooperation has become a connecting vector from national and regional perspective, the programs currently having as main priority the flexible addressing of functional links between European regions belonging or not to the EU. The main challenge is to ensure the long-term performance of the programs and the identification of new instruments for valorizing results and creating value added by providing the strategic framework for the actions of different actors and stakeholders and by implementing coordination policies and ensuring specific funding sources.

The EU Danube Region Strategy – Principles, mission and scope

The EU Strategy for the Danube Region is the second macro-regional strategy adopted by the European Commission after the Baltic Sea Strategy. Adopted in 2010 and promoted by the Council of Europe in 2011, EUSDR was developed by member countries in cooperation with the Commission, having as main objective the creation of synergies and cooperation mechanisms between policies and initiatives.

The strategy is based on four pillars: connect the region, protecting the environment, strengthening the region and building prosperity. Subsequently these pillars comprise several priority areas (Table 3):

Table 3. The EU Danube Region Strategy pillars and priorities

Pillars	Priority areas	Coordination
Connect the region	Sustainable energy	Hungary and the Czech Republic
	Culture, tourism, people to people	Bulgaria and Romania
	Mobility and multimodality	Austria and Romania
	Rail-road-air	Slovenia and Serbia
Protecting the environments	Environmental risks	Hungary and Romania
	Biodiversity landscapes, Air and soil quality	Germany and Croatia
	Water quality	Slovakia and Hungary
Strengthening the region	Security	Germany and Bulgaria
	Institutional capacity and cooperation	Austria and Slovenia
Building prosperity	Knowledge society	Serbia and Slovakia
	People and skills	Austria and Moldova
	Competitiveness	Germany and Croatia

Source: Author's synthesis based on Danube Region Strategy

Sharp disparities still make the Danube region face serious challenges, especially in terms of absorption capacity. Among the **weaknesses** that still persist along the Danube Region we mention:

- SME's are the most important employers in the region, but they lack in productivity, stability, innovativeness;
- SME's technological level and the intensity of the technology transfer are low;
- Not all SME's are enterprises from reality of their activity point of view, but rather 'involuntary entrepreneurs' as a consequence of self-employment or tax evasion;
- Less developed regions require restructuring;
- Low mobility of workforce and High inactivity;
- the effects of market processes on catching up regional and structural disparities area are still lacking in effectiveness;
- The developed regions are burdened with internal contradictions;
- On short-term the Danube Region focus on restoring the equilibrium instead of modernization;
- Pure accessibility of the nearest work opportunities in some of the regions.
- Poor utilization of advanced information service tools.
- lack of efficiency performance and of educational system.

On the other hand, the programs intended to reduce or alleviate the social exclusion have brought about only limited results. Still many young people leave the educational system with limited or modest educational or vocational qualification and therefore their working prospects are quite limited. These youngsters do not master basic skills and competencies in primary school and as a consequence we register high drop-out rates.

Equally, the R&D expenditures lags well behind the EU average, especially in the business sector, research capabilities being partly unused.

Besides all these weaknesses the new 2014–2020 Danube Region Strategy Framework provides **opportunities** such as:

- Increasing importance of the network connectivity between the Eastern and Western parts of Europe with the Danube Region as a crucial development axis.
- The Danube area as a whole is eligible for Community support, except for the two most developed regions.

- Stronger integration of the internal market of the EU generates a more intense competition among economic actors in the Danube Region, creating also better market opportunities.
- The common goals can considerably facilitate the technology transfer and innovation.

Conclusion

For Romania and Bulgaria, managing Priority Area 03 "To promote culture and tourism, people to people contacts" represents an important opportunity. Despite its importance, there is a lack of focused action, especially in relation to the Romanian actors involved. The last Progress Report (2013-2014) reveals some achievements in the implementation of Target 1 "To develop a Danube brand for the entire Danube Region based on already existing work by 2015" and Target 2 "To support the implementation of a harmonized monitoring system, dedicated to tourism able to provide complete and comparable statistical data in all the 14 states part of the EUSDR".

According to the experts, a special attention was given to ensure a proper consistency in reflecting priority areas' implementation in the working plans, activities and medium-term initiatives. We notice the new emphasis put on targets 3 - "Develop new and support existing Cultural Routes relevant in the Danube Region", 5 - "To create a 'Blue Book' on Danube cultural identity", 6 - "Ensure the sustainable preservation of cultural heritage and natural values by developing relevant clusters and networks of museums, interpretation and visitors centers within the Danube Region" and 7-"Promoting exchange and networking in the field of contemporary arts in the Danube Region".

The lack of financial resources available for co-financing the macro-regional initiatives in the current macro-economic context still remains an issue that has direct consequences to the pace of implementation.

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