

REGIONAL DEVELOPMENT AGENCY EXPERIENCES IN ENGLAND AND ROMANIA

Richard HARDING

UK Twinning Advisor in EU Structural Instruments - Romania

Abstract

England and Romania – two countries at opposite ends of the development scale in Europe. Each has serious yet very different regional development issues to address, but both have one thing in common – an absence of elected government structure at NUTS II regional level. Tracing the evolution of Regional Development Agencies (RDAs) at this level in both of these countries reveals, quite understandably, two quite different stories. However, both experiences contain potentially important lessons for Turkey at this point in time.

A wide disparity in the levels of resource deployed on RDAs in each country is an obvious difference between the two, as is the maturity of the institutional framework into which they have been expected to fit and the degree of relevant experience of the people who work in them. In both countries EU financing has been the main motor behind strategic development activity at the NUTS II level. The relationship between the RDAs and EU funding streams has clearly been a crucial factor in both experiences. In the final analysis, the key to success for RDAs can be seen to lie in the strength of central and local government commitment to encourage and support their operations, as well as the capacity and level of engagement of partners outside the government sector.

INTRODUCTION

Regional Development Agencies (RDAs) have been created and operated in many different ways in different European countries. In some they have been conceived as tools of decentralisation, whilst in others they are used more to deliver national government policies with greater efficiency. Usually, although not exclusively, RDAs have been created in countries where government structures at the regional level have been weak or absent. Scholars and policy makers alike have argued that the semi-autonomous position of RDAs in this context creates an advantage in comparison to purely public agencies: they are not as closely tied to public service codes and electoral cycles allowing a more flexible, longer-term perspective and

the opportunity to build closer ties with regional business communities¹. In almost all cases the role of RDAs has evolved considerably over time. In Member States of the European Union (EU), their evolution has been strongly influenced by EU regional development funding from the Structural Instruments.

This paper traces two national experiences of RDA operations from countries in which the author has worked. England and Romania: two countries at opposite ends of the development scale in Europe. Each has serious yet very different regional development issues to address.

England, despite increasing national prosperity in recent years, suffers from a growing north-south divide in economic development. Although employment rates have risen significantly overall, pockets of long-term unemployment and social deprivation persist even in the richest regions. Often this is linked to the large-scale decline of traditional industries such as coal, steelmaking and shipbuilding, or specific problems in certain rural areas. EU Structural Funds programmes operate primarily at the regional level in England. The coverage of eligible areas reflects the severity of socio-economic problems so not all parts of the English regions are eligible for EU support.

Romania on the other hand will be the second poorest country in EU27, with a GDP per capita of only 30% of the EU average. As an EU Member State the entire territory of Romania will be eligible for support from the Structural Instruments. The key challenge will be to stimulate economic potential and to maintain and achieve high growth rates across the whole country. Basic infrastructures and services will need to be created, modernised and expanded before regional economies can develop. Substantial efforts are also required to boost investment in human capital. There are already significant disparities within and between Romania's regions. As the economy as a whole begins to grow, these disparities will widen as development polarises in the most prosperous areas. The main issues to address in order to promote balanced development across Romania are:

- The increasing importance of Bucharest compared to the general development situation of the other regions;
- Unbalanced growth between the West and the East of the country with proximity to western markets acting as a factor spurring growth;
- Underdevelopment concentrated in the North East region bordering Moldova and in the Southern regions along the Danube;
- Infra-regional disparities reflecting a mosaic-like structure of economic development: inside the regions, with relatively developed counties existing side by side with undeveloped ones;
- The urban decline of small and medium size towns;

- The strong negative impact of industrial restructuring in mono-industrial localities².

Despite these differences, England and Romania have one thing in common – an absence of elected government structure at NUTS II regional level. Whilst this provides some basis for discussing RDA experiences in both countries in the same paper, a direct comparison between them is not attempted here. The paper aims simply to highlight aspects of these experiences which might be classed as ingredients for building successful RDAs in countries without autonomous regional governments.

RDAs IN ENGLAND³

At the outset, it is important to underline that this chapter refers to England as opposed to the United Kingdom as a whole. Powers were transferred from the UK Parliament in 1999 to the devolved administrations now operating in Scotland and Wales and Northern Ireland.



Source: Department of Communities and Local Government

In England, RDAs were established under the Regional Development Agencies Act 1998 and were launched formally in eight English regions in April 1999. The ninth, in London, was established in July 2000 following the establishment of the Greater London Authority. Prior to this, agencies funded from different sources existed in many of the English regions from the mid 1980s in various forms. Their main aim was fostering inward investment and trade promotion in partnership with regional offices of central government departments (i.e. ministries) and local authorities.

The English RDAs are public bodies directly accountable to central government and Parliament, currently under the responsibility of the Department of Trade and Industry (DTI). Each RDA operates within a unique economic environment reflecting the strengths, activities, infrastructure, and character of their region and each one faces diverse challenges. However they must all balance the interests of the region with national policy requirements whilst managing the conflicting demands of different regional stakeholders.

English RDA mission

The Regional Development Agencies Act consolidated the RDAs' role to act as strategic drivers of regional economic development in their region. Each RDA has five statutory purposes:

- To further economic development and regeneration;
- To promote business efficiency, investment and competitiveness;
- To promote employment;
- To enhance development and application of skills relevant to employment;
- To contribute to sustainable development.⁴

Shortly after their creation, the first major task for each of the RDAs was to develop a strategic vision for their region in line with central government guidance. The government encouraged RDAs to formulate clear priorities to improve regional economic performance and to identify and bring together strategies for achieving them. The aim was to exploit regional opportunities fully and ensure that those responsible for economic decision-making work together effectively towards common goals. The economic mainstream of these strategies became the basis for the Single Programming Documents for EU Structural Funds 2000-2006 covering the eligible areas in the English regions. The RDAs are obliged to review their strategies completely every three years.

English RDA leadership and management

Each English RDA is led by a Chairperson and a Board of 15 people. Board members, including the Chairperson, are appointed by central government Ministers with the exception of London, where appointments are made by the Mayor. A key feature of these arrangements is that the Chairpersons of RDA Boards are not public officials, but successful business people with a track record of working within their region and understanding the needs of regional business and society. The Boards themselves are made up of a wide mix of senior stakeholders within the region including persons from local authorities, the voluntary sector, trade unions and local businesses.

First appointments to an RDA Board are usually for 3 years, renewable for a further term, on the recommendation of the Chairperson, subject to a satisfactory performance appraisal and the agreement of Ministers. Should a Board member wish to serve a third term, he/she must apply in open competition; no one can serve on the same RDA Board for a total of more than ten years. The Board has corporate responsibility for ensuring that the RDA fulfils the aims and objectives set by central government and for promoting the efficient and effective use of staff and other resources. The Chairperson and Board members operate according to a Code of Practice issued by the Commissioner for Public Appointments. They may not consider themselves to be the delegates of a particular group or body, but need

to take into account the interests of the region as a whole. They are also obliged to declare any potential conflicts of interest which may arise during the course of their duties.

The day to day management of each RDA is led by its Chief Executive who is appointed by the Board, subject to approval by Ministers or in London by the Mayor. The staffing structure of each RDA is different, depending on the needs and priorities of each region. Staffing levels have grown steadily since the creation of the RDAs. One of the larger RDAs, the North West Development Agency, today employs 380 persons. By and large, the English RDAs follow the UK Investors in People (IIP) system for training and personnel development.

Relationship with central and local government in the English regions

The RDAs operate alongside de-concentrated offices of central government in each English region. The Government Offices (GOs) were established in 1994 to bring together previously separate government programmes. They originally comprised staff from four government departments and were joined subsequently by six others. This has enabled them to work across ten central government policy fields connected to economic development and beyond (e.g. housing and health) in an integrated way at regional and sub-regional levels. The GO network consists of nine regional offices, each of which headed by a senior civil servant, the Regional Director. Each GO is structured differently to reflect specific operational approaches adopted in each region. Total staffing of the GOs is currently around 3,600, ranging from 300 to 500 per region.

The national policy integration embodied by the GOs provides strong support to the RDAs in their strategic role as leaders of economic development within each region. The GOs are also well placed to challenge the RDAs over aspects of their strategies and plans and the realism of these with regard to projections of available funding. Flexibility is promoted through performance-focused Local Area Agreements (LAAs) between central and local government which bring together additional funding streams for local areas and merge them where appropriate. Local Public Service Agreements (LPSAs), provide extra flexibility for local areas to respond to specific challenges. The RDAs play a significant part in implementing these agreements. Central government literature⁵ defines the added value brought by the GOs as their ability to combine:

- strong local and regional intelligence about institutions, people, and history to help individual departments understand exactly how to make national policies work in a local area;
- extensive relations with regional and local partners to maximise the effectiveness of policies and investment and exploit synergies;
- oversight of the implementation of policies and scope to challenge others to work together and remove any obstacles to implementation;

- direct advice to Ministers and representation of central government departments in the region, giving them a clearly distinct role among local organisations.

In addition, since they were set up, the GOs have been responsible for managing the regional level EU Structural Fund Programmes covering greater or lesser eligible areas depending on the region concerned. Structural Fund support to the English regions during 2000-2006 totals approximately €2 billion per year. EU intervention rates to projects are characteristically low under these programmes, averaging around 30% of total eligible costs.

In parallel with the creation of the RDAs, the government has supported the establishment of voluntary multi-party regional ‘chambers’ in each of the regions outside London. Members of the chambers are drawn from local authorities and the social, economic and environmental sectors in the region, but they are not directly elected. The chambers are funded by the local authorities in each region. Since 2001 the chambers have developed a scrutiny role on the plans and the work of the RDAs. Increasingly the chambers support the development of partnership between a wide range of interest groups and stakeholders at the regional level. However, the strength of the chambers’ input is cannot be said to be uniform or consistent across all regions.

English RDA financing

The English RDAs are financed exclusively by central government. Since April 2002, they have been financed through a Single Programme budget (the “Single Pot”) into which money from the contributing departments is pooled. This replaced the separate funding programmes that existed previously, through which each contributing government department’s allocation was made. The funding, once allocated, is available to the RDAs to spend as they see fit in order to achieve the objectives identified in their regional economic strategies. The government’s resource allocations to the RDAs have risen steadily over recent years. The planned allocations to all RDAs taken together, from the six contributing government departments, for 2004-2008 are shown in the table below.

Table 1. Total Government Funding for English RDAs 2004-2008 (€M*)

Department	2004-5	2005-6	2006-7	2007-8
Department of Trade and Industry (DTI)	346	684	703	713
Department of Communities and Local Government (DCLG)	2,232	2,316	2,412	2,476
Department of Environment, Food and Rural Affairs (DEFRA)	68	106	108	109
Department for Education and Skills (DfES)	62	64	65	66
UK Trade International (UKTI)	19	19	19	19
Department for Culture, Media and Sport (DCMS)	3	9	9	9
Totals	2,730	3,198	3,316	3,393

Source: HM Treasury 2004 (* *Converted from Sterling at an indicative rate of 0.677*)

The allocation of the RDA “Single Pot” between the individual RDAs is determined in large part by a formula, which reflects the economic situation and the needs of each region, including the needs of businesses. The budgets agreed by the government for each RDA for the three years 2005 to 2008 are as follows:

Table 2. Total RDA Allocations by Region 2005-2008 (€M*)

RDA	2005-06	2006-07	2007-08
Advantage West Midlands	402	419	430
East of England Development Agency	191	198	204
East Midlands Development Agency	230	241	247
London Development Agency	551	578	591
North West Development Agency	564	591	604
One Northeast	355	371	381
South East England Development Agency	232	241	247
South West of England Development Agency	226	235	242
Yorkshire Forward	436	458	467
Totals	3,186	3,331	3,412

Source: Department of Trade and Industry (* *Converted from Sterling at an indicative rate of 0.677*)

The RDAs may apply for support from EU Structural Fund programmes, in eligible areas, using their resources from the “Single Pot” as co-financing for European monies. In this way, they bring forward their own projects to the EU programmes, often in partnership with other bodies, in line with the agreed Regional Economic Strategies. Awards of Structural Funds resources to RDA sponsored projects since 2000 have broadly covered the fields of:

- derelict (i.e. polluted) land remediation;
- development of business and science parks;
- physical regeneration in urban and rural areas;
- tourism promotion
- support to businesses through finance and advice, including start ups;
- training and other active labour market measures in partnership with Learning and Skills Councils.

The RDAs are now major beneficiaries of the EU Structural Funds programmes in English regions.

English RDA Corporate Plans and Tasking Frameworks

Corporate Plans provide full details of how the RDAs will allocate their budgets to deliver progress in meeting the objectives set for each one. The Corporate Plans cover three year periods corresponding to the government’s spending reviews. The DTI recently coordinated the development of a new approach to RDA tasking, which came into effect from April 2005. This new Tasking Framework requires each RDA to show in its Corporate Plan for 2005-2008 how it will address the priorities identified in the Regional Economic Strategy for its region, as well

as contributing to the delivery of the government's high-level Public Service Agreement (PSA) targets, notably:

- **Regional Economic Performance;**
- **Sustainable Development;**
- **Productivity / Rural Productivity.**

In this context, the RDAs are required to deliver a number of 'core outputs' covering the following six areas:

- Employment creation (number of jobs created or safeguarded);
- Employment support (number of people supported into employment);
- Business creation (number of new businesses created and demonstrating growth after 12 months, as well as new businesses attracted to the region);
- Business support (number of businesses assisted to improve their performance);
- Regeneration (leverage of public and private regeneration infrastructure investment);
- Skills (number of people assisted in their skills development by RDA programmes).

Each RDA has its own set of quantified targets for each of the core outputs, but has a high degree of flexibility to determine the precise content of these outputs. The outputs achieved by each RDA are published biannually.

Collaboration between the English RDAs

The Chairpersons of the RDAs meet together approximately every 6 weeks. The meetings are arranged by the RDA National Secretariat. Each RDA agrees to champion certain aspects of the RDA agenda and is said to have a lead role on that issue. One of the Chairpersons acts as the 'Chair of Chairs' for a period of 6 months on a rotating basis. At their meetings the Chairpersons discuss key issues that affect all the English RDAs and consider ways in which they can advise Government collectively to shape policy to benefit all regions. The Chairpersons meet regularly with Ministers to report on the work of the RDAs and raise policy issues of particular topical relevance.

Evaluating English RDA performance

In July 2003, the DTI published the results of regional surveys of stakeholders' perception of the RDAs. The surveys were conducted by MORI Social Research Institute, an independent research organisation⁵. The surveys provide a benchmark against which RDAs can review external persons' views on their performance. On the whole the results are positive showing that, although the RDAs were relatively new organisations, the majority of stakeholders felt that they had been successful in developing coherent Regional Economic Strategies and working effectively as lead partners to deliver regional initiatives. However the surveys also highlighted

the need for RDAs to work harder to communicate clearly what they were trying to achieve and to better publicise their activities⁶.

In addition, an independent assessment of the RDAs was begun by the National Audit Office (NAO) in 2005 and is still underway at the time of writing⁷. The approach followed combines self-assessment reports by the RDAs, independent audit and peer review on the main themes of ambition, prioritisation, capacity, performance management and achievement. In the first round of assessments, the North West Development Agency (NWDA) scored 20 points out of a possible total of 24, showing strong performance overall. The East of England Development Agency (EEDA) scored 15 points, which is equivalent to performing well on half of the assessment themes, but only adequately on the others. Each RDA will use the NAO's assessment to review its own improvement plan. Progress in implementing the improvement plan will be reported by each RDA to its Board in regular performance reports which are shared with the government and published every six months.

On a more personal level, some informal comments noted from RDA staff reveal certain real difficulties behind the scenes in delivering their Agency's rapidly expanding role. A degree of 'evaluation fatigue' can also be detected in cases where assessments came in the way of staff members carrying out their assigned tasks.

ROMANIA'S RDAs

Since 1989, Romania has retained a generally centralised system of governance based on national-level administration and local councils at County (Judet), Municipality and Commune levels. Central government functions through de-concentrated services of national Ministries are coordinated by Prefectures established in each of the 42 Counties.

The 1997 Green Paper on Regional Development Policy in Romania, produced with the support of the EU Phare programme, recommended the establishment of 8 NUTS II-level Development Regions with an RDA in each one as a key element of new institutional framework for regional development. The overall framework was established the following year under Law 151/1998 on regional development in Romania. At around the same time as the creation of the English RDAs, in 1999, the Romanian RDAs came into existence in seven of the Development Regions, with the RDA for the Bucharest-Ilfov region following in 2000.



Figure 1. Romania's Development Regions
Source Ministry of European Integration

Institutional framework for regional development in Romania

Law 151/1998 put into place the following decision-making and executive structures:

National Board for Regional Development (NBRD)

The NBRD was established as the primary decision-making body for all regional development activity in Romania. Originally it was presided by the Prime Minister and comprised 16 national government Ministers represented at parity with the Presidents and Vice-Presidents of the Regional Development Boards (see below). Law 151/1998 charged the NBRD with the task of proposing the establishment of a National Fund for Regional Development and of approving and monitoring the use of EU funding for regional development. In this context, the NBRD was to approve key strategic documents, such as the National Development Plan (NDP) and endorse decisions made at the regional level on regional development projects. The NBRD was also to decide on the content of all new legislation proposed in the regional development field.

Regional Development Boards (RDBs)

A Regional Development Board (RDB) was set up in each region, as a voluntary association of local authorities without legal personality, each RDB being composed of:

- Presidents of the County Councils in the region concerned (with annual rotating presidency of the RDB);
- One representative of the Local Municipal Councils in each County;
- One representative of Town Councils in each County;
- One representative of Local 'Commune' Councils in each County.

The RDBs were set up to take strategic decisions on regional development implementation in their region, including the approval of regional planning and programming documents. Their mission was to decide on the appraisal criteria as well as the selection of regional development projects – based on recommendations by selection committees convened by the RDAs – to be supported by a Regional Development Fund established in each region.

National Agency for Regional Development (NARD)

NARD was set up as the central government institution responsible for all aspects of regional development programming and for coordinating regional policy implementation. NARD's main functions were to ensure appropriate financial and technical management of the new National Fund for Regional Development, including all criteria and procedures for allocating monies from the Fund. NARD was also to act as national negotiator in all dealings with the European Commission relevant to the NDP and to ensure institution-building support to the RDAs.

Regional Development Agencies (RDAs)

The RDAs were established as non-governmental organisations to be financed by contributions from the Judets and Local Authorities to the Regional Development Fund in each region and from the National Fund for Regional Development, but also able to generate income from other sources.

RDA responsibilities included designing a regional development strategy and programme for their region for approval of their RDB, as well as recommending to their RDB the projects to be financed from their Regional Development Fund. The RDAs were also to propose to NARD a number of own-initiative projects of regional significance for support under the National Fund for Regional Development to be implemented by the RDAs themselves.

Regional development in Romania - from concept to reality

The first observation to make is that the institutional structure put in place differed somewhat from the original recommendations of the Green Paper, most notably in the area of partnership. The Green Paper had recommended that the NBRD should be established “*under the presidency of a very senior businessman or academic appointed by the Prime Minister. Membership of the NBRD should include representatives from:*

- *Ministries and central government agencies, commissions and NGOs (federations of cities, associations of small and medium sized enterprise, trade unions, employers and others);*
- *relevant sectors for regional development: agriculture, industry, transport and telecommunication, labour, public works, health, environment, tourism, research.”⁸*

Clearly this was not the case in the totally public sector NBRD established under Law 151/98, even though some other bodies were invited to participate as observers. NBRD membership from the central government was later downgraded in 2002, from its initial format of Prime Minister as President and Ministers as members to presidency by a Minister with State Secretaries from Ministries as members.

Similarly, membership of the RDBs was decidedly less ambitious than the Green Paper's recommendation that "*those bodies which must be represented would be:*

- *the Judet Councils;*
- *the inter-communal associations;*
- *the Prefectures;*
- *the Chamber for Trade and Commerce;*
- *business organisations;*
- *farmers association;*
- *representative from the regional trade union organisations;*
- *representative from academic institutions and/or research sector;*
- *other representatives of the regional bodies associated with business development.*"⁸

The subsequent control over the RDAs by Boards made up solely of local authority representatives restricted the development of true partnership in the regions and the RDAs' ability to act freely of local political influence. This brought into question the transparency and fairness of many implementation processes put into place later, particularly as regards project selection.

Secondly, various important provisions of Law 151/98 were not enacted. The National Fund for Regional Development was not established as a dedicated entity, nor were Regional Development Funds ever set up in the regions for investment purposes. The legal provision relating to the development of own-initiative regional projects by the RDAs, which had initially been allocated funding under the EU Phare '98 pilot regional development investment programme, was never taken forward. The independent evaluation of Phare '98 commented that, "*this removed the necessity for the RDAs to develop experience in identifying and promoting projects of genuine regional significance and for the RDB to learn to balance self-expedience [what is best for my Judet] with regional need [what is best for the whole region]. These vital learning experiences were lost with the removal of this component.*"⁹

In 2003 the Romanian authorities set up the national Inter-institutional Planning Committee (CIP) and eight Regional Planning Committees (CRPs) in order to strengthen partnership input, at the insistence of the European Commission, into the National Development Planning exercise for 2004-2006. The CIP and

CRPs drew members from a wide range of sectors beyond national ministries and local authorities, including social partner organisations. This move can be seen as an acknowledgement of the limitations in stakeholder membership of the original NBRD and RDB structures. It is perhaps hardly surprising that Ministry staff noted particular difficulties in engaging social partners and certain non-governmental organisations in meaningful consultation on the draft NDP in the early days of the CIP, given their lack of previous experience in such processes. The CIP/CRP structure has remained in place for the 2007-2013 planning exercise and consultation processes have gradually improved.

There have been two changes of central government since 1999, which have seen the NARD disbanded and its responsibilities transferred to the Ministry of Development and Prognosis (MDP) and subsequently to the Ministry of European Integration (MEI). Nevertheless, with a degree of turnover, the same core of staff at national level has remained working on regional development throughout these changes.

Romanian RDA functions

Overall, the RDAs have evolved two main roles since their creation: the formulation in consultation with principal partners of Regional Development Plans (RDPs), which feed into Romania's National Development Plan (NDP); and the implementation in their regions of national regional development investments financed annually under the EU Phare Economic and Social Cohesion (ESC) programme now managed by MEI.

As regards regional development planning, the RDAs have facilitated a genuinely bottom-up input overall into the process through their coordination of the CRPs. However, slightly different approaches to planning have been adopted by different RDAs. Some have emphasised their coordination of local-level partnership groups, whilst others have worked more through regional-level thematic partnerships. One RDA has built up particularly strong linkages with its region's higher education sector.

For Phare ESC, the duties of the RDAs mainly consist of launching open calls for proposals, project appraisal and project monitoring. Contracting and payments are handled by MEI. Over the last five years, the Phare ESC investments in Romania have, with some variation between years, covered the fields of:

- Environment (waste management and water supply in small and medium-sized towns);
- Infrastructure (local transport and site preparation for business and tourism);
- Human Resource Development (rehabilitation of Technical and Vocational Training Schools and grant schemes aimed at training employed and unemployed people);

- Local social services;
- SME development (small grant schemes, business advice and latterly building a better network of support services).

Funding commitments in Romania under Phare ESC have been rising steadily each year. The total commitment for 1998 to 2006 is expected to be slightly over €1 billion - around €765 million (75%) from the EU and €254 million (25%) from the Romanian government.

Table 3. Financial commitments under Phare ESC (Investment) Romania – 1998-2006

Commitment year	1998	2000	2001	2002	2003	2004	2005	2006	1998-2006
Phare (€m)	15	77	90	85	93	114	129	162	765
Romania (€m)	5	25	30	28	31	38	43	54	254
Total	20	102	120	113	124	152	172	216	1,019

Source – Ministry of European Integration

In Romania, contracting under Phare usually follows two years after the commitment year – i.e. Phare 2004 is contracted during 2006, hence around 50% of the total has been contracted to date.

In addition to this mainstream business, many of the RDAs have been able to develop certain other activities such as regional promotion, information provision and signposting to different sources of financial assistance in their region. From a very low initial base, all of the RDAs have succeeded in raising their public profile. A number of the RDAs participate in broad-based EU programmes such as RIS initiatives, Europa etc. Those situated on Romania’s borders are involved in delivering EU-funded cross-border cooperation projects.

Financing and capacity building of the Romanian RDAs

At the beginning of their existence the development of the RDAs was constrained by an extremely fragile financial situation. The financing from the National Fund for Regional Development foreseen in Law 151/98 did not materialise since the fund was not set up. The RDAs were therefore almost totally reliant on contributions from the local authorities in their region which had not been made mandatory in the text of the Law. At that time, the tendency was for local authorities to only provide their contribution if they received approvals for projects of what they considered to be sufficient value in their area. The RDAs experienced severe cash-flow problems during this period and clearly this situation will have heightened the political pressure felt by them during the project appraisal process.

In 2002/3 an emergency measure was introduced by the MDP/MEI and strongly encouraged by the EC Delegation, which provided a total of €2 million to be divided between the RDAs to help finance their operating costs on the implementation

of Phare ESC. This resource was awarded under a service contract between the Ministry and each RDA. These contracts were intended to bring a degree of control and uniformity of management approach to the RDAs, which the Ministry felt had hitherto been absent. The amount allocated to each RDA was dependent on the proportion of the Phare ESC budget managed. In very broad terms, the service contracts doubled the annual operating budgets of the RDAs. €2 million continues to be awarded every year from the Ministry budget to the RDAs in this way.

The RDAs have benefited from significant institution-building support from the EU Phare programme under Twinning and Technical Assistance projects, managed or coordinated centrally, which have sought to build capacities particularly in partnership development, planning and programming, project appraisal and monitoring, financial control and personnel management. Most notably, the RDAs each had a first regional-level Twinning under Phare 2000 and a second one under Phare 2003 involving a total of six EU Member States as Twinning partners. Currently new Twinning-light projects are being prepared for the RDAs.

A comprehensive training programme, the Programme for Regional Development Training 2000-2005 (PRDT), was formulated under a national-level Phare '98 Twinning project as a framework for delivering and monitoring training for the entire regional development structure in Romania, including the RDAs. However, shortly after the demise of the NARD and the transfer of national policy responsibilities to the MDP, the central training unit was disbanded and the PRDT was not enacted. A sizeable volume of training was delivered to RDA staff nonetheless, in somewhat piecemeal fashion, under successive institution-building projects. A training database corresponding to the structure of the original PRDT was finally put into place in MEI during 2004-2005, which is now shared with the RDAs.

Developing and introducing IRIS, the common computerised management information system for the Phare regional development investments has been a lengthy and often difficult process stretching from mid-2002 to the present day. It has required the RDAs to abandon the simpler independent systems which each had evolved for its own needs, but today provides a strong and uniform platform for the management of EU funds for all of the RDAs.

After a difficult beginning, staffing levels in the RDAs reached between 22 and 35 persons per Agency in 2003. Today there are between 40 and 50 people working in each RDA. Approximately half of the RDAs generate limited additional revenue from project delivery under the non-Phare ESC EU programmes mentioned above.

Romanian RDA relationships with central and local government

In the regions, as highlighted above, the RDAs' formal relationship with the local authority members of the Regional Development Boards is central to their

existence. The RDA Directors are appointed by the Boards and in all but two cases (one, sadly, through decease) have been in post since the creation of the RDAs. Most of the RDAs operate in premises made available to them by a County Council. Many RDAs have been able to develop their relationship with the local authorities either by having small numbers of their own staff 'embedded' in the offices of each County Council, or by having County Council staff allocated to RDA duties, or in some cases having separate satellite RDA offices in each County.

Traditionally in Romania, de-concentrated services of the state are organised at the County level and coordinated by Prefectures which have had very little involvement in regional development so far. Various Ministries and services have, or are opening offices at the regional level (e.g. Regional Employment Agencies, Regional Environmental Protection Agencies, National Agency for SMEs) but there is no official coordination between them beyond partnership activities promoted so far by the RDAs, mainly in the context of regional development planning.

Anecdotal evidence abounds in both MEI and in the RDAs to support the widely-held view that relations between them have worsened since the demise of the NARD. MEI officials regularly cite the lack of central control over the RDAs, due to their NGO status and dependency on the local authorities, as a major weakness in the institutional framework for regional development. For their part, RDA staff often complain of a lack of proper support from the Ministry and a tendency to micro-manage and duplicate work already carried out at the regional level. There are also frequent disagreements as to the extent to which regional priorities defined from the bottom upwards in the RDPs are integrated into the NDP and related programmes at the national level.

Whilst not wishing to dwell upon these differences of view, it is perhaps fair to say that beyond the normal national/regional tensions which would exist in any country, there have been serious problems in communication between the Ministry and the RDAs. The situation has not been helped by RDAs' somewhat ambiguous status and apparently increasing differences in overall approach from Agency to Agency linked to political changes at local level.

It would also be fair to say, however, that the implementation experience gained year on year under the Phare ESC has been of great benefit to the functioning of the system as a whole. Whilst MEI remains in overall control as "Implementing Agency" for Phare ESC, other ministries, notably Labour, Education and Environment, have played an increasingly active part and have also come into greater contact with the RDAs. This positive trend, coupled with the significant development value of the Phare ESC investments themselves and the growing experience of beneficiaries, is also helping to improve relations between the RDAs and various other bodies in the implementation system.

Public recognition of the work of MEI and the RDAs was recently given a boost during a public awareness campaign for Phare ESC carried out in 2005, evaluated by Gallup Romania earlier this year¹¹. The campaign saw short films featuring successful projects broadcast on five national TV stations in Romania. The RDAs orchestrated a variety of regional-level PR activities to coordinate with the national launch of the TV campaign. Materials released by MEI to accompany the campaign launch indicated a rate of absorption of Phare ESC funds committed to Romania of approximately 86%. This was claimed to be higher than the absorption rate of ISPA and Sapard in Romania and is considered creditable, reflecting favourably on the performance of the RDAs in relative terms.

Collaboration between RDAs

In 2003 a national association of the Romanian RDAs was set up with advice from Twinning and bi-lateral foreign advisors together with Eurada. As yet, this association cannot be said to have met with a great deal of success. A number of the RDA Directors remain unconvinced of the merits of the association. Differing agendas between the Directors has made consensus between them on a range of policy and operational issues difficult to achieve. The association is barely functioning at present.

Evaluating the performance of the Romanian RDAs

There has not been a great deal of dedicated evaluation of the RDAs' performance although various Phare evaluations have made enlightening comments. The evaluation of the first pilot investments under Phare'98 reported that, "*the RDAs have developed rapidly into efficient and enthusiastic structures. However, they are hampered by:*

- *Financing difficulties*
- *Staff shortages [resulting from their financing problems]*
- *Inadequately trained staff*
- *Uncertainty about their future.*

Training of RDA staff is a responsibility of the Ministry of Development and Prognosis (MDP), but we were surprised that the RDAs do so little to help themselves in this respect. It is also surprising that the RDAs do so little with respect to networking among themselves – to share and reduce costs wherever possible and to present a united face to MDP in discussions.

The lack of compatibility of the information systems between the RDAs and MDP is a significant problem that we have noted in our findings and which must be resolved.

Regrettably, with the disappearance of the 'RDA own project facility', the true role of the RDA disappeared and it took on the role of a decentralized arm of MDP.

It has developed a very efficient capability with respect to the (regional level) management of national programmes, but has developed almost no capability to programme and implement regional development programmes.”⁹

In 2003 an assessment was made by Dominus, which looked into the level of preparedness of the RDAs for accreditation for the Phare Extended Decentralised Implementation System (EDIS) in their role of delivering investment programmes for the central government. In this respect the Dominus assessment was more positive, concluding that although the RDAs needed to work more on developing internal written rules of procedure and on building up an effective internal audit function, they were in most other operational respects in compliance with the minimum requirements for EDIS¹⁰. Whilst such procedures and functions might seem to be fundamental to EDIS accreditation, Dominus noted, “*we consider that the discrepancies identified in the above areas may be overcome within a period of 8 to 18 months, reflecting the different stage of development of each Agency, provided that the RDAs make concerted efforts in conjunction with and with the full support of the national institutions concerned, backed by timely assistance from the European Commission.*”

At the time of writing, EDIS accreditation is still pending for Phare ESC in Romania. The Dominus assessment was correct in alluding to the different stages of development of different RDAs. This continues to be a factor which prevents consideration of the implementation capacity and performance of the RDAs *en bloc*.

A further assessment of management capacities in each RDA is currently being undertaken by Price Waterhouse Coopers, but the assessment report is not yet available.

FUTURE EVOLUTION OF THE ENGLISH AND ROMANIAN RDAs

In England, the scope of RDA operations is expanding significantly. They now have the task of delivering the majority of UK business support measures in England, as well as increasing responsibilities in transport, tourism promotion, planning and housing. Over the next few years they will take on new responsibilities for socio-economic development in rural areas, international trade and developing links between businesses and universities. The RDAs are also participating more in the formulation of national policies. The Treasury is drawing on their regional perspectives increasingly in the preparation of its Budgets and Spending Reviews. The National Audit Office (NAO), commenting on the RDAs input into the 2003 Budget exercise, highlighted the development of Regional Science and Industry Councils and RDA leadership of Regional Skills Partnerships as examples of the Agencies’ growing influence¹².

For the 2007-2013 period a major change is planned by the government in the way Structural Funds programmes are managed in the English regions⁵. The new proposal would see the EU programme management responsibilities moved from the GOs to the RDAs. The GOs would transfer staff to the RDAs for this purpose and take on more of a strategic policy coordination role than hitherto. The proposal is in line with UK government policy of internalising Structural Funds management more into domestic arrangements in the light of reduced EU allocations under the new Regional Competitiveness and Employment Objective, but the details have yet to be finalised. Clearly being the managers of regional Structural Fund programmes, as well as one of the largest beneficiaries of EU funds in each region, would put the RDAs in a strange position.

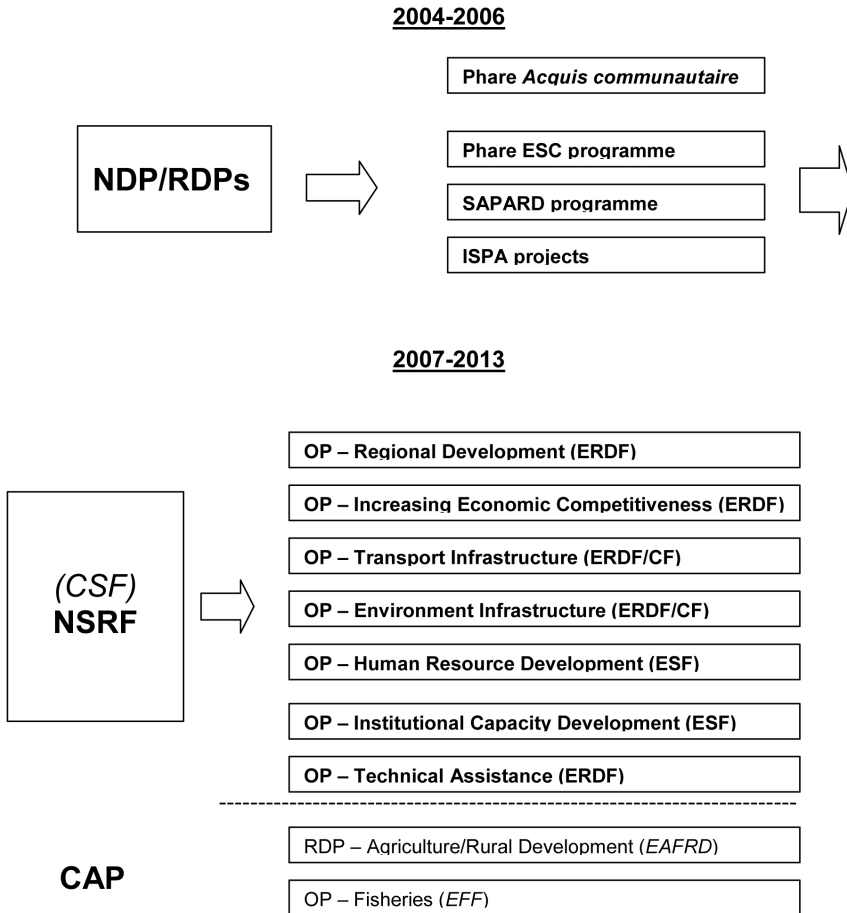


Figure 2. Structure of Pre- and Post- Accession Programmes in Romania

In Romania, the Structural Instruments will bring a radically different framework of Operational Programmes under the EU Convergence Objective compared to the current pre-accession situation, as shown in the author's diagram below. The EU funding allocations will also be much larger. A total contribution of over €17.2 billion has been allocated from the EU to Romania's National Strategic Reference Framework (NSRF) for 2007-2013.

Five Sectoral Operational Programmes and one Regional Operational Programme (ROP) are foreseen under the NSRF, together with a special Operational Programme for Technical Assistance. Although all regions will potentially benefit from all of these Operational Programmes, the ROP will be the only one with an indicative financial allocation to each Development Region, calculated according to an index of socio-economic need. The total EU allocation to the ROP is expected to be €3.27 billion, equating to an annual allocation of over three times the Phare ESC allocation for 2006.

The RDAs have been nominated as Intermediate Bodies for the ROP¹³ working under the Managing Authority designated in the Ministry of European Integration¹⁴. The RDAs have not been given any formal role in any of the Sectoral Operational Programmes.

However, the RDAs in the North East, North West, West, South West and South Regions have been required to set up management units for the following future cross border programmes under the European Territorial Cooperation initiative:

Internal EU borders

- OP Romaina / Hungary
- OP Romania / Bulgaria

External EU borders

- OP Romania / Moldova / Ukraine
- OP Romania / Serbia

Given the complex system of Operational Programmes planned for 2007-2013, it is clear that a strong coordination between them will be vital, not only at the national level. In the draft NSRF document, the Romanian authorities recognize the need for an additional mechanism to ensure coherence at the NUTS II regional level between all interventions financed under the Sectoral OPs and the ROP, the Convergence and European Territorial Cooperation Objectives, as well as between these interventions and those supported by the National Rural Development Programme and Fisheries OP. The document states that, *"a Coordinating Committee will be established in each of the 8 Development Regions. The Regional Coordinating Committees will provide input into the project development and selection process for all OPs, via sub-committees / working groups as necessary, to ensure the development of a coherent project*

pipeline, as well as avoiding duplication and maximizing synergy between all operations selected for assistance. The Regional Coordinating Committees will also undertake monitoring of progress in relation to the Regional Development Plan for each region.”¹⁵

Details of the presidency, composition and secretariat arrangements of the Regional Coordinating Committees are still under discussion. It is not yet clear what role the RDAs will have in their operation.

REGIONAL DECENTRALISATION PERSPECTIVES

One can only speculate as to how Romania's planned Regional Coordinating Committees, born out of operational necessity, might develop into a platform for administrative decentralisation to the NUTS II level in the more distant future. At present, however, it is clear that regional decentralisation is not on the government's agenda. The Romanian Constitution approved by referendum in October 2003 makes no reference to the creation of any regional level administrative structure. The subsequent Law 339/2004 on decentralisation simply restates the independence of local authorities vis-a-vis the central government.

Opinions remain divided in Romania regarding the boundaries of some of the Development Regions, particularly the North West, Centre, South East and South, partly due to the question of the 4 majority Hungarian Counties. Law 315/2004, amending the Regional Development Law 151/1998, names the current Counties making up the 8 Development Regions in an annex introduced under special procedure. This move was welcomed by the European Commission in its 2004 Periodic Report on Romania as an important contribution to stability in the run up to accession.

In England, by contrast, the government pushed strongly for regional decentralisation during a White Paper consultation exercise conducted during 2003. The government promoted the creation of directly elected Regional Assemblies which would take on a range of policy responsibilities from the national level such as:

- economic development
- skills and employment
- housing
- sport, culture and tourism
- transport
- land use and regional planning
- environmental protection, biodiversity and waste
- public health¹⁶

The White Paper argued that the new Regional Assemblies would improve public accountability and increase effectiveness of policy implementation through better

‘joining up’ of different programmes and initiatives at the regional level. The RDAs were to be the executive arms of the Regional Assemblies.

These proposals were to be put to referendum in each of the regions starting with the North East, the least well-off and most likely English region to return a ‘yes’ vote. However, when the North East referendum surprisingly rejected the proposal in November 2004 a heavy blow was dealt to the government’s vision and the regionalisation exercise was discontinued.

In both England and Romania, then, the RDAs should be seen chiefly as implementers of central government policies rather than tools of decentralisation for the time being. How far they have really been able to transcend public service codes and electoral cycles, as alluded to at the beginning of this paper, is debatable in both cases given the strong controlling influence over their operations by central government in England and by local authorities in Romania.

CONCLUSIONS

As emphasised in the introduction, a direct comparison between the English and Romanian RDA experiences is not the purpose of this paper and could not be considered fair in any case – not least in view of the very different scale of human and financial resources involved. England is a mature democracy with a strong economy overall and a highly developed non-governmental sector. It has a long tradition of partnership working in the economic development sphere which takes many different and often innovative forms. Romania is still emerging from its totalitarian past, grappling with immense challenges in the socio-economic sphere and public administration reforms, as it moves ever closer to EU accession. Moreover, the paper has barely skimmed the surface of the complex inter-related issues which surround the creation and operation of RDAs in the two countries and the source material is an unequal mix of publicly available text and anecdotal evidence based on personal experience. It is hoped nonetheless that some insight has been provided into the difficulties involved in establishing regional development agencies and other structures for regional development from scratch. A small number of basic lessons can be drawn out from these two stories which may prove useful in any reflection on this subject:

- Partnership and transparency should be built into all regional development structures from the beginning. Whilst this can be particularly difficult in a country with little or no experience of partnership working, the costs of non-partnership across the full range of stakeholders can be high. Lack of trust between institutions, other organisations and interest groups can frustrate faith in successful development and waste valuable resources. The broad range of interests represented in the management Boards of the English RDAs and the Code of Conduct under which they operate should be seen as fundamental ingredients of good practice.

- RDAs need to have clear and solid reporting lines. If they operate in a country with decentralised regional administration, which has responsibility for economic development, it is naturally to this level that they should report. The experiences discussed in this paper strongly suggest that if RDAs are primarily implementers of national policies they should report to the national level rather than to local authorities, who are likely to be among main beneficiaries of development funding. However, if RDAs are reporting to the central level they should be reporting to all of the Ministries involved in economic development, not just to one of them.
- Regional development planning should be a partnership exercise in which RDAs, in the absence of a regional-level administration, can be seen as honest brokers between national policies and the ambitions of local partners. If they are given a planning role, RDAs therefore need to be given a strong enough mandate from the central government to negotiate with local partners the best solutions to development issues within a broad framework based on clear strategic goals. If instead RDAs are simply the champions of the local partners in the planning process, subsequent confrontation with the central government will be inevitable, leading to dissatisfaction on all sides and probable loss of faith in the value of the plan which emerges.
- In a country without regional level administration, the de-concentrated services of central government are a potentially strong source of support to RDAs. If these services are coordinated at the regional level, the support they can provide will clearly be more relevant to RDAs. The co-location of de-concentrated services under one roof at the regional level has been an important success factor in England, although not as important as the merging into single regional-level development budgets of government funding from the different ministries concerned.
- RDAs must be adequately resourced for the tasks they are asked to perform, whether they are to be involved in financing investment projects or not. There are sufficient experiences of different types of RDAs across Europe to enable an analysis of the level of the funding likely to be needed before a new RDA is created. Most importantly the funding needs to be predictable so that an RDA can follow a coherent development plan. A significant investment must be made in staff training from the outset and human resource development made a central feature of each RDA organisation throughout its lifetime. This effort needs to be coordinated across all RDAs in a given country so that some Agencies do not begin to lag behind others.
- Successful RDAs, like any successful organisations, are those which evaluate their performance on a regular basis. A country which establishes RDAs in all of its regions should evolve a standard framework for evaluating

their performance. Emphasis should be placed on meaningful performance targets for RDA operations whilst leaving a degree of flexibility as to how they are achieved. However, as the English experience shows, perceived over-evaluation can be counter-productive, so a balance needs to be struck. Publicising the results of performance evaluations can help to build trust in RDAs as credible partners committed to continuous improvement.

Such lessons are easy to write but less easy to act upon, especially in the more fluid kind of institutional environment which characterises many new EU Member States and Candidate Countries. In the regional development arena in all countries there will always be tensions between the national, regional and local levels, as between the different interest groups involved - this an RDA's territory. For RDAs to be successful, they must make a special effort from the outset to communicate effectively with all of their stakeholders. This kind of transparent approach is the best way to gain a broad understanding of an RDA's purpose and a strong commitment from partner organisations to each stage of capacity building within the RDA.

NOTES

1. Danson Mike, Halkier Henrik and Cameron Greta eds. (2000) *Governance, Institutional Change and Development*, London: Ashgate.
2. Ministry of Public Finance (2006) *Romania's National Development Plan 2007-2013*
3. Extensive use made of UK Department of Trade and Industry website <http://www.dti.gov.uk/regional/regional-dev-agencies/index.html> See also English RDA website <http://www.englishsrdas.com/home.aspx>
4. Regional Development Agencies Act 1998, (1998) HMSO
5. HM Treasury & Office of the Deputy Prime Minister (2006) *Review of the Government Offices*, HMSO
6. MORI (March-April 2003) *Stakeholders' Views of RDAs*, Pilot National Survey Report conducted for the Department of Trade and Industry, <http://www.dti.gov.uk/files/file11846.pdf>
7. National Audit Office (2006) Independent Performance Assessments of North West of England and East of England Development Agencies, http://www.nao.org.uk/pn/05-06/0506_RDA_assessments.htm See also (2005) Guidance on the Independent Performance Assessment of RDAs, <http://www.nao.org.uk/guidance/rdas.htm>
8. Romanian Government and European Commission (1997) *Green Paper on Regional Development Policy in Romania*, Phare Programme
9. West Midlands Enterprise Ltd. (2001) *Evaluation of the Romania Phare 1998 Regional Policy and Cohesion Programme*, Phare Contract No. ZZ 00.04.02.18
10. Dominus Assessment Report (2003) *Support for Monitoring and Evaluation of Regional Development Projects*, Phare Programme

11. Ministry of European Integration (2006) *Final Report of National campaign for information and publicity for Phare ESC Programme - Ref: RO 2002/000 – 586.05.02.04.01.03.*

12. NAO (2003) *Success in the regions*, Report by the Comptroller and Auditor General, HC 1268, Session 2002-2003

13. Government of Romania (2004) *Government Decision GD 1179/2004*

14. Government of Romania (2004) *Government Decision GD 497/2004*

15. Ministry of Public Finance (April 2006), *Draft National Strategic Reference Framework Romania 2007-2013*

16. UK Government White Paper (2002) *Your Region Your Choice – revitalising the English regions*, HMSO

Special thanks to Professor John Bachtler and Dr Martin Ferry of European Policies Research Centre (EPRC), University of Strathclyde, Glasgow, UK.