

## **PUBLIC-PRIVATE PARTNERSHIPS FOR DEVELOPMENT OF RURAL AREAS IN ROMANIA**

*Ancuța Marin<sup>1</sup>; Steliana Rodino<sup>2</sup>*

### **Abstract**

*Planning a community development is a natural approach aimed at increasing the quality of life and improving living conditions of citizens. However, the development of a community cannot be conceived in the absence of a vision on the directions to which the community wants and is able to go. The National Development Plan (PND) is a concept specific to the European economic and social cohesion policy, meant to provide a coherent and stable conception regarding the development of the member states of the EU. This concept was practically transposed into development priorities, programs and projects, in accordance with the programming principle of structural funds. In this paper, we will present aspects regarding the PND and what this has meant from the point of view of accessing the European funds for the development of rural areas in Romania, and the potential of tourism for development of their economy.*

**Key Words:** *public-private partnership, rural development, Romania*

**JEL classification:** *A19, R11, R12*

### **Introduction**

Planning a national, regional and local development plan includes design of a strategy aimed at increasing the quality of life and improving living conditions. A sustainable and smooth development is the aim of any community, trying to achieve the highest degree of fulfilment on a threefold approach: economic, social and environmental.

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The development of a community comprises a future scenario on the directions that the community wants to reach. The suitable way to achieve this is to provide a long term plan framework to support all the economic, social and environmental needs of the community, respecting at the same time the regional strategies and policies. The objective is to enhance a sustainable growth by coordinating public and private partnership through investment for the most benefit to the well-being of the local community (Marin, 2017a). The approach involves planning the development starting from the local resources and the existing opportunities, taking into account the obstacles that are in the way of the valorization of these resources and ensuring its support by consulting all the stakeholders of the community (Istudor, 2017). A proper local development plan will result in the mobilization of local actors around economic and socio-cultural projects, the development of natural resources and local know-how and the increase of financial resources. However, despite these different aspects which can ensure local development, limits and risks must be taken into account. As risks, it may be possible that the difficulties of applying sectorial policies occur. The limits or constraints may be categorized as:

- physical (climate change risks, low availability of natural resources);
- social (religion, tradition, customs);
- financial and
- institutional (legal framework, neighborhood with protected areas).

Several other limits may take the form of the weakness of local management capacities, the insufficiency of local financial resources, and the insufficiency of initiatives. At the same time, the existing opportunities must be identified, such as:

- physical (available natural resources);
- social (change of social practices, change of behavior and mentalities);
- financial (regional, national or international financing opportunities, subsidy, development of resources) and
- institutional (access to information, training, new legislation, better coordination between different systems).

For this reason, a strategy for sustainable development must represent a coordinated set of processes of analysis, debate, capacity building, planning and investments that seek to integrate the economic, social and environmental objectives of the community. Participatory strategic planning represents the approach taken in the elaboration of the strategic plan through the cooperation and collaboration of community members

(Bercu, 2012). This paper will provide a detailed overview of several aspects regarding the national development plan and what this has meant from the point of view of accessing the European funds for the development of rural areas in Romania and their importance in their economy, with a short overview on tourism activity, including support intervention areas, such as improving transport infrastructure.

### **General strategic development framework**

The National Development Plan (NDP) is a concept specific to the European economic and social cohesion policy, meant to provide a coherent and stable conception regarding the development of the Member States of the European Union, transposed into development priorities, programs, projects, in accordance with the programming principle of structural funds. In Romania, as a member country of the EU, the NDP has the major role to align the national development policy with the community development priorities by promoting the measures considered as stimuli of sustainable socio-economic development at European level. The NDP strategy focuses on both the Community strategic guidelines on cohesion, and on the priorities of the Lisbon Agenda and the Gothenburg objectives, namely increasing competitiveness, full employment and sustainable environmental protection. The objective of the NDP is "to reduce as quickly as possible the disparities of socio-economic development between Romania and the Member States of the European Union". The priorities of regional development are complementing the priorities of the National Development Plan, both through the intervention areas and through the strictly territorial-regional approach, the approach that aims to eliminate the disparities between the regions of the country by creating the conditions to stimulate the accelerated growth of the regions left behind. The general objective at the region level is to increase the regional economy through polycentric development and functional specialization, to reduce intra and interregional disparities, at economic, social and environmental level and to increase the regional standard of living. It is interesting to follow the further evolution of the regional strategic priorities for the next programming period as well as the way in which the community will be able to benefit from setting advantageous priorities, in the sense that the priority areas are as close as possible to the programmed advantage (Marin, 2017b). Some structures mentioned in the strategy, such as the Territorial Planning Units, were not functionalized during the previous programming period and it will be useful to have a projection of some units that could

realistically respond to the existing needs and links between local communities.

### **Local development plans**

Generally, a local development plan aims at sustainable development in which the exploitation of resources and the orientation of investments are adequate and reinforce the current and future potential to meet basic needs. It is a framework that traces all of the coherent and concerted development programs and projects to be executed in line with national guidelines. It specifies the goal, objectives, strategies and results to be achieved in a given time as well as the necessary means. The local development plan is a tool which, depending on the potential and constraints of the environment, the choices made by the municipal council, civil society organizations at local level, and development partners, establishes a multiannual program of actions adapted to local realities. The municipal development plan aims at sustainable development. From the above, it appears that the local development plan is a highly strategic tool for the management of the local economy and good governance (Rodino et al., 2019b). This is why its development must favor the participatory approach which takes into account the relevance of needs and the consistency of actions. This participatory approach must be supported by the local authorities who, together with the non-governmental structures at the local level, must make choices, take decisions and make necessary arbitrations. In all cases, planning is based on a participatory approach where communities are involved in the various stages of the plan development process through consultations and information in a dynamic communication process. In Romania, the concept of local development strategy has found, at least so far, a reduced practical applicability for those involved in community development processes. Developing local and micro-regional development strategies is one of the most important steps supporting local and micro-regional development processes. In essence, this type of strategy clarifies in the medium and long term what are directions and areas to which the community development effort is oriented. Local development strategies are characterized by at least seven features that recommend them to local managers responsible for this area.

Sustainable development has become an important component of local and regional development strategies, and local development programs proposed to international funders are also evaluated according to this feature.

The main reasons for defining a development plan of communities might be stated as follows:

- making an inventory of the current situation and identify the opportunities;
- defining transition pathways to reach the desired development level;
- guiding the use of resources and investments;
- mobilizing citizens around a shared vision of local development, assuring a transparent management of the local community;
- setting in motion structuring development projects that respond to challenges of the local area;
- defining clear actions to be taken in order to ensure a sustainable development of the community;
- fostering the economic and social development of the community;
- and last, but not least, putting a citizen at the heart of decision making activity for the development of his community; this participatory involvement at all stages is a guarantee of success.

The strategic plan must illustrate the general radiography of the locality, approach the whole problem starting from causes and applying the sets of measures to reach the proposed effects. The measures of socio-economic development and their implementation involve the Strategic Plan for Local Development, which reflects the needs, options and decisions of the citizens, their availability of involvement in the problems of the community which they set in strategic directions of development, identifying their sources of financing and co-financing. Participatory strategic planning represents the approach taken in the elaboration of the strategic plan through the cooperation and cooperation of community members. The following actors from the local level are involved in the process of developing and implementing local development strategies: local public administration, local community, private companies, and civil society representatives. Successful implementation of community development projects involves the partnership between all the above mentioned actors. However, the local public administration has a special role, which participates both in the development phase and in the implementation of the local development initiatives. In order to achieve the local development plan the most important is applying a participatory approach represented by a process based on public partnership and consultation. Another principle that underpins the planning process must be transparency, the working papers being constantly put in public debate.

### Phases for execution of local development strategy (SDL)

The elaboration of a local development strategy must comprise several stages. First of all, the primary document is the draft of the SDL resulted after validation of the results of the initial diagnosis (Table 1). This is the preliminary document which proposes sector orientations, objectives, expected results, strategies, duration and periods of execution. This stage will be followed by the validation of the document by all involved stakeholders.

Table 1: *Diagnosis domains*

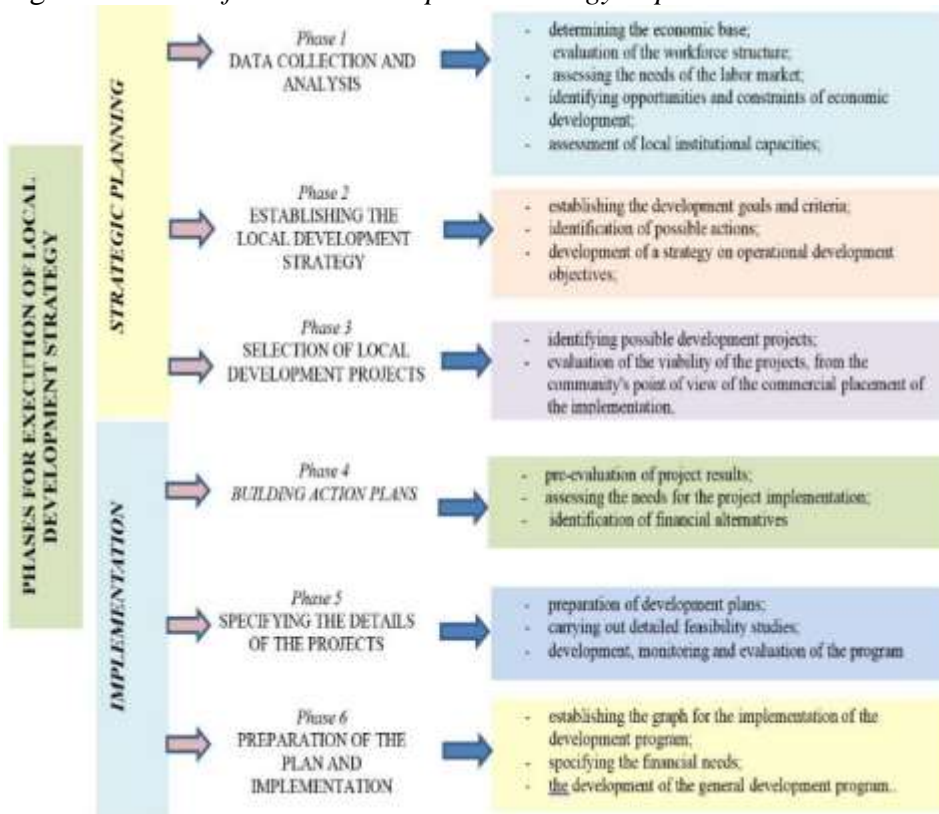
Physical - geographic	Population	Living conditions	Economy	Communal infrastructure	Social	Environment
<i>Criteria:</i>						
Relief Location Natural risk factors Protected areas	Size Density Evolution Increasing size parameters	Water and gas supply Households age Construction materials	Industrial, touristic, agricultural potential Structure of property Workforce employment	Gas, energy and water supply Communication networks Access to roads	Healthcare Education Communications Infant mortality	Air Water Soil Vegetation
<i>Indicators:</i>						
Inventory of relief Access roads Distance to urban centers Natural risk factors Protected areas	No. inhabitants/s qkm Evolution for last 50 years Mortality rate Natality rate Outgoing vs incoming inhabitants from locality Aging index Renewal workforce index	% households with water and gas % households built before 1970 % households built after 1990 % households built from sustainable materials	Agricultural area/inhabitant Land use No. animals/ha Average exploitation size No. households accommodation places Agricultural production processing Active population to 1000 inhab.	Drinking water: mc/inhabitant/year Electricity Gas supply Communication networks Access to railway and roads	No. doctors to 1000 inhabitants No. students/teacher No. of TV subscriptions Deaths to 1000 births	Air quality Water quality Soil quality % deforested areas or forested areas

Source: *Own researches*

A more detailed explanation of the six stages in the elaboration of a SDL is given below in Figure 1. Phases 1, 2 and 3 mainly belong to the strategic

planning part and it is the task of those who elaborate the strategic development plan. Instead, phases 4, 5 and 6 are mainly about implementation.

Figure 1: *Phases for local development strategy implementation*



Source: *Own researches*

### **Local action groups (LAGs) - forms of public-private partnership established for the implementation of SDL**

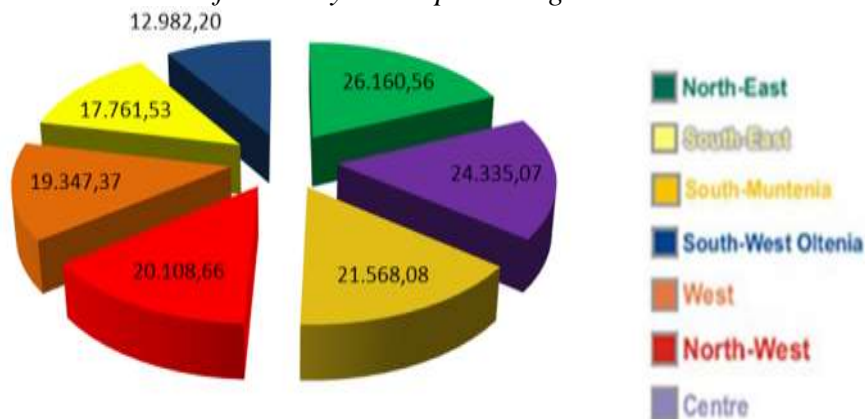
The Local Action Group (LAG) is a form of partnership established in a rural territory that brings together representatives of the public, private and civil society sectors in the respective territory, created with the purpose of implementing the LEADER methods of rural development. LEADER is an important tool for Romania in enhancing the economic and social development of rural areas, reducing disparities between urban-rural and promoting social inclusion. The current experience reflects the capacity for development at a local level that does not fully respond to local needs,

especially in terms of collaboration between public and private partners, and the strategic approach must be encouraged and developed by placing it under the responsibility of the community (GHID 19.3). Within the SDL, it is desired to develop a coherent set of measures adapted to the specific priorities of the territory and to capitalize on the authentic local potential of that specific territory. The LAGs represent the concrete solution for enhancing the potential that local communities can harness thus being able to access the EU model of development of the European village, an approach that encourages the return and / or the establishment of young people in the LEADER territory and the development of threefold nature - economic, social and cultural. To support this approach, the focus is on:

- stimulating partnerships,
- transferring knowledge and
- implementing innovative initiatives.

The size of the territory and the total population of the territory covered by a LAG are variable, so that such a multisectoral cross-section of a local community can be between 5,000 and 150,000 inhabitants.

Figure 2: *Total area of LAGs by development regions*



Source: *Data processed - List of Local Action Groups selected by MADR - GAL - 2014 (updated)*

In the first programming period, between 2011 and 2013, in Romania, no less than 163 LAGs were constituted. The established LAGs are covering an area of over 142 thousand km<sup>2</sup> (Figure 2) with the population of over 6.77 million inhabitants out of the total of about 19 million inhabitants in Romania. Analyzing the situation of the LAGs according to the development region, the South-Muntenia Region is noted, with 34 LAGs,

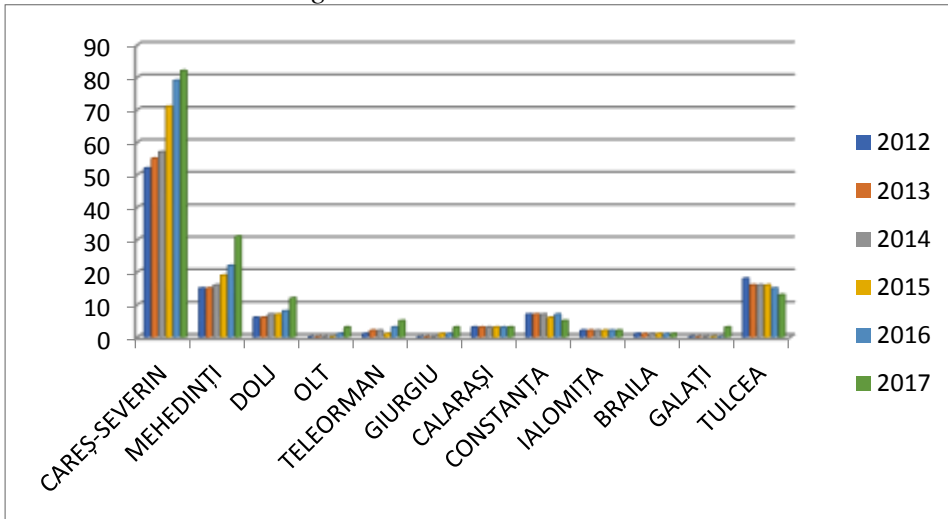
covering 21.6 thousand km<sup>2</sup> and over 1.3 million inhabitants. In the second place is the North-East Region with 30 LAGs covering 26.16 thousand km<sup>2</sup> and over 1.53 million inhabitants, and in the third place is the North-West Region with 25 LAGs covering 20.10 thousand km<sup>2</sup> and over 960 thousand inhabitants.

For the programming period 2014-2020, a specific LEADER measure implemented through LAGs is Measure 19 - Support for local development seeks to support cooperation initiatives within regions and across different countries by supporting local initiative and local drive for diversification. The component B of this submeasure can include activities related to the development of rural tourism activities and enhance the cultural and natural heritage of villages and rural landscapes. Examples of successful projects can take the form of:

- Renovation of houses destined for agritourism
- Construction of an underground hotel
- Information panels at tourist sites
- Construction of accommodation spaces for agritourism
- The tourist cultural itinerary (e.g. "The wine path", or "Danube Delta Ancient Citadel").

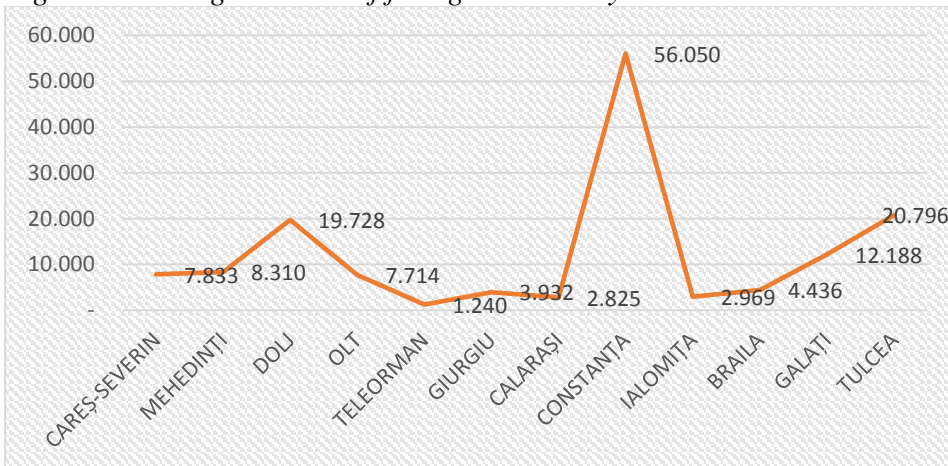
For the current programming period one of the selected projects for financing is building on touristic activities for improving the development of three Counties (Cluj, Bistrita Nasaud and Tulcea) by "an integrated approach to the development of sustainable tourism in rural areas" (madr.ro-list of selected projects for component B). Rural tourism in Romania is generally addressing the internal travelers, but if proper investment will be done regarding access roads and infrastructure, the rural Romania may become more attractive to foreign tourists, as well. For example, Marin (2019) studied the potential of agro-tourism along the Danube course on Romanian shores. Although the number of agritouristic boarding houses is the highest in Caras Severin county, the number of foreign visitors in this county is below the one of other regions with lower number of boarding houses (Figure 3 and Figure 4). Tourism industry, especially the rural tourism faces many challenges in Romania. One of the most important challenges includes the development of the infrastructure and the need to improve promotion. Many of the problems come from strategic planning, including creating the legal framework for running tourist activities, frequent changes in tax policies, inadequate stakeholder collaboration, and lack of professional managers for effective destination management (OECD, 2016).

Figure 3: *Number of agritourism boarding houses in the period 2012-2017, in the counties bordering the Danube river*



Source: NIS data processing

Figure 4: *Average number of foreign tourists by counties 2012-2017*



Source: NIS data processing

The national program for Local development (NLPD) that will be presented in the following section, will deal with important domains aimed at improving the rural economy status in Romania. However, the main policy makers are responsible for structuring general legislation and regulations related to tourism, but those need to be implemented locally, by various stakeholders and actors from local tourism-related organizations by bringing together the public and private sectors.

### **National Program for Local Development (NPLD)**

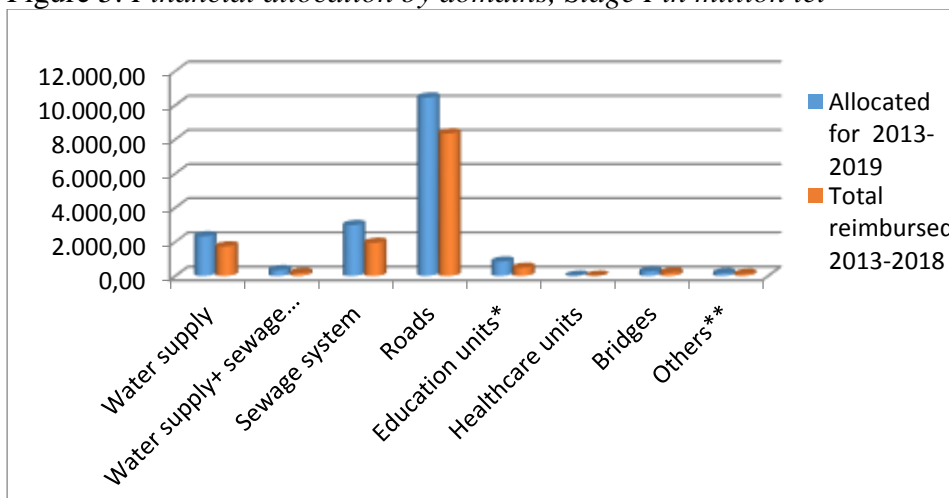
NPLD is a multiannual financing program, coordinated by the Ministry of Regional Development and Public Administration, whose general objective is to support the administrative territorial units for equipping their administrative territory with all the technical-municipal, educational, health and environmental infrastructure, social, cultural and touristic, administrative and to provide an access to communication channels in order to ensure an attractive investment climate for the localities of Romania. Within the NPLD, the administrative territorial units represented by the local public administration authorities, respectively communes, municipalities and cities, including their component villages, counties, as well as the administrative territorial units members of the inter-community development associations, may benefit from financing, according to the law, for investments made through the associations of inter-community development. In 2017, there were over 13,000 applications whose total value exceeded 67 billion lei, but the funds approved for financing of NPLD - Stage II in the amount of 30 billion lei did not allow to cover the entire financing need. The contracting procedure within NPLD - Stage II is in progress, up to 2019 being contracted 94% of the total of the 7,171 objectives included in NPLD II. The situation of the investment objectives financed by NPLD, by each stage is as follows:

#### ***NPLD 2013-2019 - Stage I***

In stage I of the NPLD, the smallest amount allocated for the sanitary units was 11.17 million lei, and the highest of 10,442.14 million lei was allocated for roads. The average calculated for the allocations of this stage was 1,677.16 million lei per objective. Regarding the reimbursements by objectives, in the analyzed period, the smallest amount reimbursed was of 11.17 million lei for the sanitary units, and the highest of 8,338.59 million lei, for roads (Figure 5). The average calculated for the reimbursements of this stage was 1,237.72 million lei per objective. The domain with the smallest reimbursement of the total allocated was water supply and sewerage, with a rate of only 49%. The other areas had a reimbursement rate of approximately 75% of the allocated amounts, except for the sanitary units for which the requested amount was extremely small and was fully reimbursed. From the total of 6,320 investment objectives, in 2013-2019, 3,410 were completed (i.e. 53.95%). The lowest share of the objectives set was recorded by water supplies (33.33%), the average being 55.73%. The smallest number of objectives was for sanitary units (15 objectives). The highest was in the field of road construction and modernization (2,408

objectives). As it can be seen from Figure 5 and Figure 6, there is a good direction of the NDLP, as important amount of the financial allocation went toward improving connectivity and infrastructure of rural areas.

Figure 5: *Financial allocation by domains, Stage I in million lei*

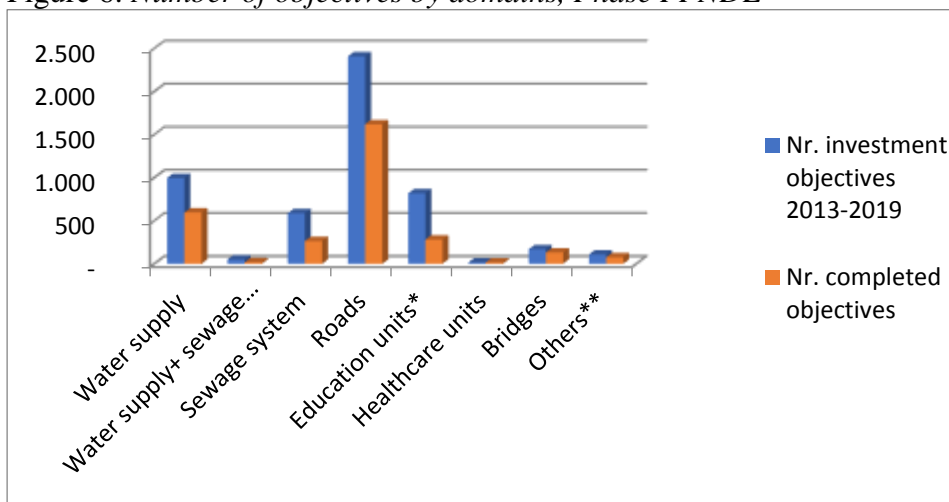


\* primary schools, secondary schools and high schools;

\*\* public institutions, cultural objectives, tourist infrastructure

Source: <https://www.mdrap.ro/lucrari-publice/pndl>, NPLD – Stage I

Figure 6: *Number of objectives by domains, Phase I PNDL*



\* primary schools, secondary schools and high schools;

\*\* public institutions, cultural objectives, tourist infrastructure

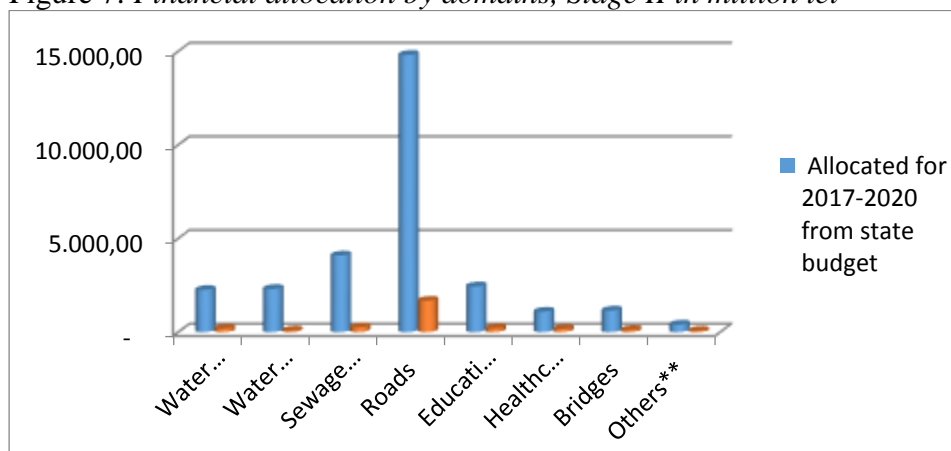
Source: <https://www.mdrap.ro/lucrari-publice/pndl> NPLD – Stage I

The road infrastructure, bridges water supply, sewage system and healthcare system represent an integral element of the tourism experience (Rodino et al. 2019a). The synergies between these components must be well established and developed for being able to ensure best experience for travelers. The ease of mobility and the high-level comfort should be one of the main targets for local development plans aimed at improving sustainable tourism in rural areas. Tourism is an important economic sector in the development and integration of rural areas, in the regional and national economy (Marin, 2019). It is to be taken into account that tourism cannot be developed solely based on private entrepreneurs' actions. Good governance at all levels of government and co-operation with the private sector are needed to improve decision-making and create synergies between all components (OECD, 2016). A public-private partnership must be established for improving the exploitation of the tourism potential of the rural regions in Romania. Generally, the touristic offer comes with a package of public and private products and services. More precise, it is not only comprised of hospitality services included in the tour operator's activity (accommodation, meals, transport), but is also determined by the existing infrastructure, health systems and public security services (Rodino, 2018).

***NPLD 2017-2020 - Stage II***

In the second stage 2017-2020, 32,157.34 million lei were allocated

Figure 7: *Financial allocation by domains, Stage II in million lei*



\* primary schools, secondary and high schools ;\*\* public institutions, cultural objectives, tourist infrastructure

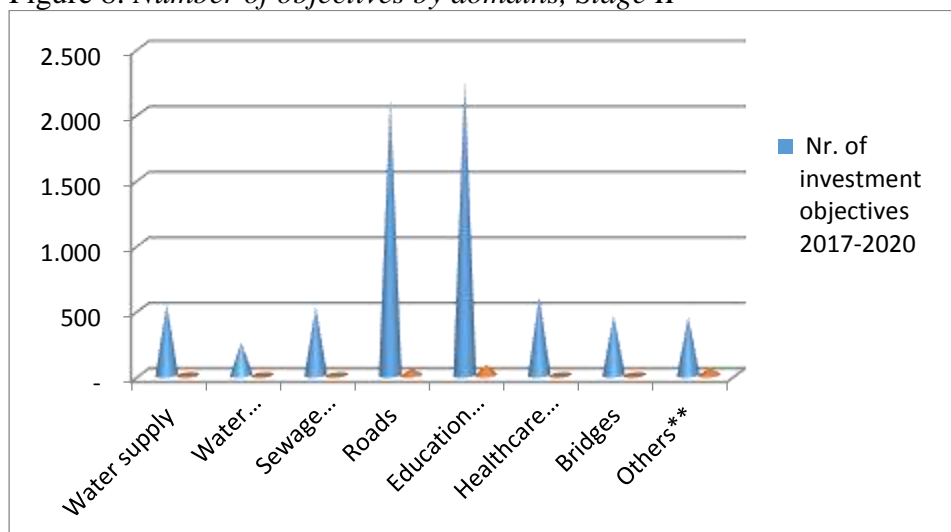
Source: <https://www.mdrap.ro/lucrari-publice/pndl>, NPLD – Stage II

Out of these, the highest amount was foreseen for roads, namely 14,806.73 mil lei. The lowest for public institutions, cultural objectives, tourist infrastructure, respectively 398.42 million lei (Figure 7). Out of the amounts allocated to each domain, on average, 281.41 million lei were reimbursed.

The largest amount from stage II, reimbursed so far had as objective the construction and modernization of roads (1,674.59 million lei), and the smallest amount was aimed for the public institutions, cultural objectives and tourist infrastructure (70.63 thousand lei). The weight of reimbursements by domains varied between 3.79% of the amount allocated for the complex projects of water supply and sewage and 17.93% of the amount allocated for public institutions, cultural objectives and tourism infrastructure. It results an average of reimbursed amounts of only 9.63% of the total allocated amounts. Of the 5,065 objectives proposed for the period 2017-2020, only 269 have been completed up to 2019, which represents 3.10%.

At the other extreme there are the objectives regarding public institutions, cultural objectives and tourism infrastructure, where 52 (11.69%) of the 445 proposed were completed (Figure 8).

Figure 8: *Number of objectives by domains, Stage II*



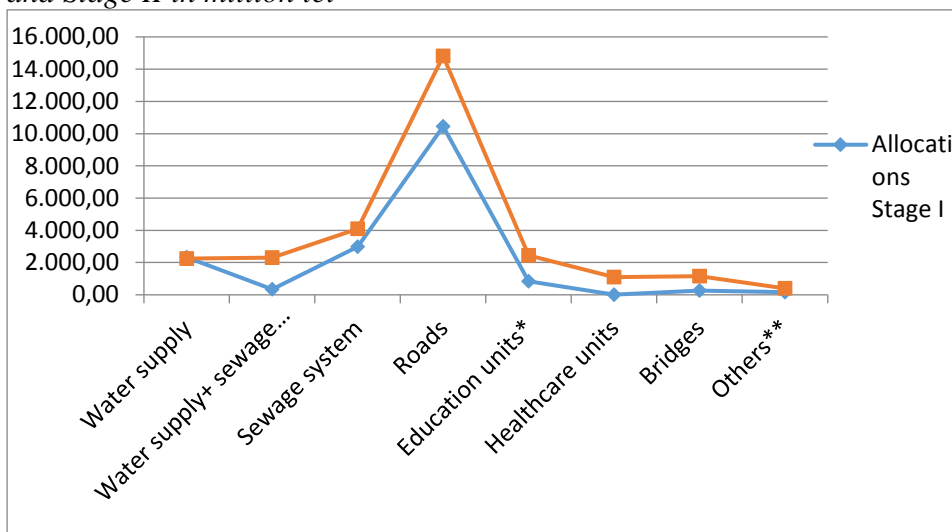
\* primary schools, secondary schools and high schools;

\*\* public institutions, cultural objectives, tourist infrastructure

Source: <https://www.mdrap.ro/lucrari-publice/pndl>, NPLD – Stage II

Comparing the financial allocations on the two stages (Figure 9), it can be seen that the total budget increased by 13,708.63 million lei (74.31%) in Stage II compared to the first stage.

Figure 9: Comparative analysis regarding financial allocation by Stage I and Stage II in million lei



\* primary schools, secondary schools and high schools;

\*\* public institutions, cultural objectives, tourist infrastructure

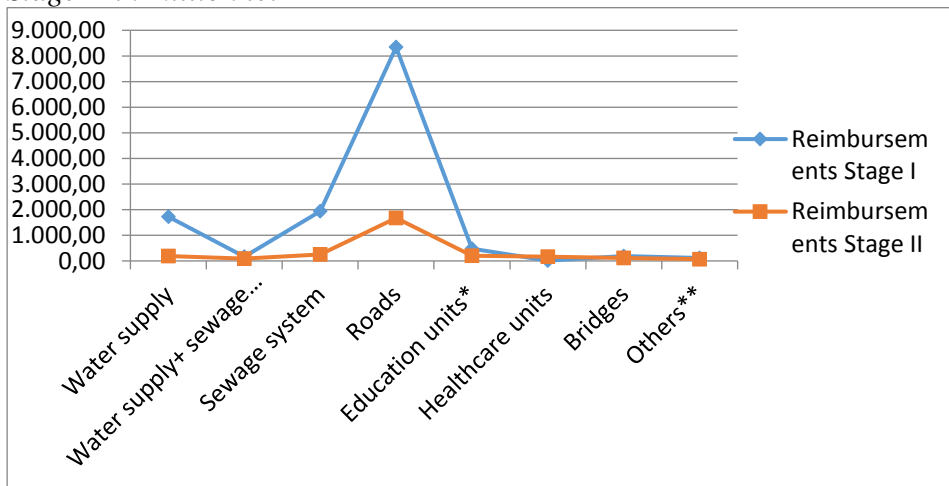
Source: <https://www.mdrap.ro/lucrari-publice/pndl>, NPLD

The largest increases were foreseen for the modernization of roads, the allocations for this objective being 42% higher in Stage II (4,364.59 million lei) compared to Stage I.

Unfortunately, for the domain of water supply, the allocated amounts stipulated in Stage II were lower by 61 million lei.

Reimbursements in Stage II are presented in Figure 10, the amounts varying between 71 million lei for the objectives regarding public institutions, cultural objectives and tourist infrastructure and 6,664 million lei for the modernization of roads.

Figure 10: Comparative analysis regarding reimbursements by Stage I and Stage II in million lei



\* primary schools, secondary schools and high schools

\*\* public institutions, cultural objectives, tourist infrastructure

Source: <https://www.mdrap.ro/lucrari-publice/pnd>, NPLD

## Conclusions

The development strategies make it possible to actively coordinate the development processes that take place in the territory, taking into account the local characteristics, the changes in the external environment and make possible proactive approach, realized in an innovative way.

Tourism is an important economic sector in the development and integration of rural areas, in the regional and national economy. It is to be taken into account that tourism cannot be developed solely based on private entrepreneurs' actions.

In Romania, the concept of local development strategy has found, at least so far, a reduced practical applicability for those involved in community development processes. The concept of "sustainable development" has become increasingly important in recent years with the final evaluations carried out for many international programs aimed at supporting local development.

In conclusion, sustainable development has become an important component of local and regional development strategies, and the local development programs proposed to international funders are also evaluated

according to this characteristic and must be closely linked to the Regional Development Process as well as to the priorities and the directions set out in the National Development Plan.

Sustainable development is an important component of local and regional development strategies, and local development programs proposed to international funders are also evaluated according to this characteristic and must be closely linked to the Regional Development Process as well as to the priorities and directions set in National Development Plan.

### Acknowledgements

This work was cofinanced from the European Social Fund through Operational Programme Human Capital 2014-2020, project number POCU/380/6/13/125015 "Development of entrepreneurial skills for doctoral students and postdoctoral researchers in the field of economic sciences"

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