Europe at a Crossroads:

Governance, Business, and Policy Transformation in a Changing Global Economy

Proceedings of the International Conference EU-PAIR 2026

ANA-MARIA BERCU
IRINA BILAN
CONSTANTIN-MARIUS APOSTOAIE
(editors)

EDITURA UNIVERSITĂȚII „ALEXANDRU IOAN CUZA" DIN IAȘI

Ana-Maria Bercu • Irina Bilan • Constantin-Marius Apostoaie
(editors)

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Scientific advisors:
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Professor Ph.D. Liliana Nicoleta Gherghina

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http://www.editura.uaic.ro e-mail: editura@uaic.ro

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EDITURA UNIVERSITĂŢII „ALEXANDRU IOAN CUZA” IAŞI
2026

Ph.D. Ana-Maria BERCU is a Full Professor at the Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iași, Romania, where she has been active since 2002. She holds a PhD in Management (2008) and has been accredited to supervise doctoral research in Administrative Sciences since 2019. Her international academic experience includes postdoctoral research at Tel Aviv University, Israel (2015–2016), and a Fulbright Scholar appointment at the University of Illinois Chicago (2022). Her academic and research activities focus on public administration, European integration, institutional resilience, governance, and public sector management. She served as Director of the Jean Monnet Chair project *EU Public Administration and Resilience Studies (EU-PAIR)* (2021–2024) and previously coordinated the Jean Monnet Module *EURCOMP* (2014–2017). She is a Management Committee Member of COST Action HUMAN-IT (CA24167), coordinated the Erasmus+ project *European Citizenship Initiative: From A to Z* (2020–2022), and has coordinated or contributed to the scientific teams of more than 25 European-funded projects. She also has extensive international teaching experience through Erasmus and Erasmus+ programmes. Her teaching and research interests include strategic and performance management in the public sector, public policy analysis, public administration reform, human resource management, and labour relations.

Ph.D. Irina BILAN is an Associate Professor at the Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iași, Romania. Her areas of expertise include public finance, international finance, money and banking, social security systems, and social entrepreneurship financing. She has undertaken research and documentation visits at Paris Dauphine University (France, 2010), the University of Poitiers (France, 2015), the University of Bolton (UK, 2018), the University of Zaragoza (Spain, 2018), and the University of Michigan-Flint (USA, 2019). She has extensive international teaching experience at universities across Europe, Asia, Africa, and Latin America. She has completed advanced training programmes in "Management of Tertiary Activities" (2011), "SAP, ERP and School Management" (2011–2012), "Didactics of Teaching Humanities" (2012), and "Panel Data Econometrics" (2018). She coordinated the Jean Monnet Module EUCONOMICS (2020–2023) and currently coordinates the Jean Monnet Chair "European Finance for Sustainable and Resilient Economies" (FINforEU). She has participated in nine other Erasmus+ projects and has authored or co-authored a book, several book chapters, and more than 80 papers published in journals indexed in international databases or conference proceedings. Alongside her academic activities, she worked as a researcher for AFIN IFN, contributing to the development of the first social investment fund in Romania.

Ph.D. Constantin-Marius APOSTOAIE is an Associate Professor at the Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iași, Romania. His area of expertise includes banking and financial institutions, non-bank financial intermediation, financial markets, European integration, sustainable finance, project management, financial education, and social entrepreneurship financing. He has rich experience in project management (as director or team member) within several educational and research projects (in financing lines such as: Horizon 2020, Erasmus+ & Mundus, COST, POSDRU, POSCCE, POCU). More recently, he coordinated the Jean Monnet Module NextStepEU (2022-2025) and currently coordinates the Jean Monnet Module "Social Economy and Entrepreneurship for a Resilient and Inclusive European Union" (NextSEED-EU). He has enriched his teaching techniques and methods in various research and teaching visits in universities in Barcelona, Cordoba, Madrid, Zaragoza, and Valencia (Spain), in New York and Michigan (USA), in Strasbourg and Bordeaux (France), in Bayreuth and Frankfurt (Germany), Bruxelles (Belgium), Karviná (Czech Republic), in Casablanca and Marrakech (Marroco), and others. As a researcher, he published as an author or coauthor more than 75 papers in journals indexed in international databases or volumes of national and international conferences. In addition to his academic roles, since 2023 he is National Expert on Quality Assessment for the National Agency for Community Programs in the Field of Education and Vocational Training (ANPCDEFP). Also, he is a private researcher for AFIN IFN, where he contributes to the creation of a social investment fund in Romania.

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- Călin HINȚEA, Babeș-Bolyai University, Cluj-Napoca, Romania
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- Teodora ROMAN, Alexandru Ioan Cuza University of Iași, Romania
- Mihaela TOFAN, Alexandru Ioan Cuza University of Iași, Romania
- Małgorzata WOSIEK, University of Rzeszow, Poland

EDITORS' MESSAGE

Esteemed Readers,

The *International Conference EU-PAIR 2026*, held on 18–19 June 2026 at „Alexandru Ioan Cuza" University of Iași, Romania, brought together researchers and academics interested in the evolving relationship between governance, business, and public policy in a changing global economy.

This volume, entitled *Europe at a Crossroads: Governance, Business, and Policy Transformation in a Changing Global Economy*, reflects the diversity of perspectives and research approaches discussed during the conference. The contributions offer a broad picture of the challenges facing European institutions, businesses, and societies. They also highlight the need for new approaches to governance, institutional adaptation, and policy development.

The papers address several interconnected research areas. European governance and institutional transformation represent a central theme. Contributions examine the challenges of European integration, institutional resilience, judicial systems, decentralisation, and local self-government. They also explore the role of participatory governance and local partnerships in strengthening public decision-making and regional development. Attention is given to the experiences of Romania and the Republic of Moldova, offering valuable insights into governance reforms and institutional change in the wider European context.

Another important area concerns the relationship between public policy and economic development. The volume examines the impact of European funding on regional development, the role of taxation in shaping economic behaviour, and the dynamics of international trade relations. Contributions on tourism, business clusters, and organisational resilience further illustrate how governance arrangements and public interventions can influence business performance and regional competitiveness. These perspectives underline the importance of effective cooperation between public authorities, businesses, and other stakeholders.

Digital transformation and emerging technologies form another significant strand of the volume. The papers explore artificial intelligence in public administration, business support, and academic research. They also address fintech innovation, cybersecurity, digital organisational resilience, and the regulatory challenges associated with technological change. The inclusion of research on hybrid quantum-classical learning demonstrates the broader scientific and technological scope of the conference. Together, these contributions raise important questions about institutional readiness, accountability, innovation, and the responsible use of emerging technologies.

The legal and regulatory dimension is also strongly represented. Issues such as financial stability, anti-money laundering, freedom of expression, hate speech, and the governance of digital environments illustrate the growing importance of legal frameworks in maintaining trust and protecting democratic values. The papers show that economic development and technological innovation must be accompanied by appropriate institutional safeguards and coherent public policies.

One of the main strengths of this volume is its interdisciplinary character. Public administration, economics, business management, law, information technology, and regional development are brought together through complementary research perspectives. Both theoretical discussions and empirical investigations contribute to a better understanding of contemporary challenges. Comparative analyses, quantitative approaches, and case studies provide evidence-based insights into institutional and economic developments.

Taken together, the contributions highlight an essential message: governance, business, and public policy cannot be understood in isolation. Institutional capacity influences the business environment. Public policies shape economic opportunities and innovation. At the same time, businesses and other societal actors increasingly contribute to public value creation and the implementation of policy objectives. Their interaction is particularly important in a context marked by geopolitical uncertainty, digital transformation, economic interdependence, and changing societal expectations.

We hope that this volume will encourage further academic debate and interdisciplinary research. We also hope it will support constructive dialogue between universities, public institutions, business communities, and other stakeholders. The exchange of ideas and experiences remains essential for developing more resilient institutions, competitive economies, and responsive public policies.

We would like to thank all authors for their valuable contributions, the reviewers for their thoughtful feedback, and everyone who supported the organisation of EU-PAIR 2026. We are grateful to „Alexandru Ioan Cuza" University of Iași for hosting the conference and providing an environment for academic exchange and collaboration.

We invite readers to explore the contributions in this volume and to engage with the questions, perspectives, and ideas they bring forward.

Sincerely,
Prof. Dr. Hab. Ana-Maria BERCU

Editor-in-Chief *Europe at a Crossroads: Governance, Business, and Policy Transformation in a Changing Global Economy*

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THE CONNECTION BETWEEN CULTURE-APPROPRIATE MARKETING STRATEGIES AND PUBLIC HOUSING APARTMENT SALES IN ISRAEL

AMIHAY MAGAR
Alexandru Ioan Cuza University of Iași
Iași, Romania
ami@magar1.co.il

Abstract
The paper presents findings from a study that examined which marketing strategies align with public housing residents' consumer behavior to inform tailored strategies. The research hypothesis is that culture-appropriate marketing strategies correlate with sales. Namely, consumer-oriented marketing that reflects the needs, wants, preferences, and satisfaction of public housing residents will improve advertising and expand the reach to appropriate audiences.
The quantitative research was based on a questionnaire distributed to 100 public housing tenants. The data were analyzed using independent t-tests and regression analysis to examine the relationship between culture-appropriate sales strategies and sales frequency.
The findings indicate the significance of communication, consultation, and knowledge in attracting customers, delivering content, and educating residents about their rights. The importance of product, price, place, customization to needs, and promotion affects the decision to purchase a house. Hence, communication, consultation, and knowledge are key to raising awareness, generating interest, fostering consideration, and driving conversion.
Keywords: *marketing; public housing; advertising; marketing mix; consumer behavior.*
JEL Classification: M31; R21; R38.

1. INTRODUCTION

Public housing is a focal element of Israel's protective net for the weak in society. However, since its establishment in 1948, Israel has implemented profound changes in its "public housing" policies. As a social democracy with a progressive welfare policy, Israel viewed public housing as an essential policy tool. "Public housing" comprised 60% of the country's total housing stock, for which most of the population was eligible. However, when Israel transformed from a democratic welfare state to a globalized capitalist neoliberal state, the share of the total housing stock dwindled to only 1.9% of the population, and even less for the weakest in society (Hananel, 2020). The inventory of public

housing apartments decreases by an average of 2% annually, while demand continues to increase. Over the last 50 years, the share of public apartments in Israel's overall apartment market decreased from 23% in 1970 to about 2.5% in 2018. The supply declined from 90,000 in 1999 to 48,000 in May 2023 (State Comptroller's Report, 2024). If the situation continues, public housing will soon make up less than 1% of all apartments in Israel (Gildin, 2018; Zamir, Ben Ezra, and Kahalyi, 2019; Shahak, 2021).

The main reason for the decline in public apartment stock is the sale of apartments to tenants. From 1999-2012, the Ministry of Construction and Housing sold approximately 30,000 apartments to eligible tenants as part of promotions conducted under government decisions (State Comptroller's Report, 2024). Between 2014 and 2020, the country sold 10,984 houses to eligible public housing applicants. Yet, it purchased only 2,796 apartments. Hence, Israel bought one apartment for every four apartments sold (State Comptroller's Report, 2024).

The Public Housing Act (Purchase Rights), enacted in 1998 (came into effect in 2013), states that public housing residents who have lived in their apartments for 5 years are entitled to purchase them at a reduced price. The law aimed to reduce poverty among disadvantaged populations by transferring capital to eligible families for them to pass on to their children and by supporting private ownership of apartments. The country determines the discount rate based on the length of residence in public housing and the number of children. The discount can reach up to 90% of the apartment's free-market price, with a maximum cost of approximately 1.1 million NIS (State Comptroller's Report, 2024). Currently, there are about 48,000 apartments, and 42,000 tenants are legally entitled to buy them at a significant discount (State Comptroller's Report, 2024). Nonetheless, some tenants do not exercise their purchase rights. Understanding public housing tenants' perspectives is vital to effectively promoting, marketing, and managing public housing. Hence, this study examines marketing strategies that align with public housing residents' consumer behavior to develop tailored strategies.

Marketing is communication between a business and its customers to sell products or services. It is the management process by which goods and services move from concept to commodity in customers' hands. Marketing has less to do with getting customers to pay for a product than creating a demand for that product and fulfilling the customer's needs. The American Marketing Association (AMA) Board of Directors (2017) defines marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that hold value among customers, clients, partners, and society. Kotler and Keller (2012) describe marketing as the science and art of exploring, creating, and delivering value to satisfy the target market's needs profitably. Marketing recognizes unfulfilled needs and desires. It outlines,

measures, and quantifies the size of the identified market and the profit potential. It determines which segments the company can best serve and then designs and promotes the appropriate products and services.

Marketing focuses on creating customers. It is not purely a physical process but rather a managerial philosophy that emphasizes customers' wants and desires. Marketing centers on the customers' point of view since business success depends on the customer and is not determined by the producer (Drucker, 2008). It is the tool for promoting brands' credibility and generating confidence, familiarity, and trust. It allows organizations and marketers to present themselves to the public, share information with potential customers, advertise activities and products, and foster knowledge, familiarity, and confidence (Mansoury, 2016).

The ultimate goal of advertising is to reach broad audiences and stimulate purchasing power (Akar and Dalgic, 2018). Marketing permits labels to design effective strategies that resonate with consumer behavior and needs. It discovers suitable audiences, settings, messages, and approaches (Barmola and Srivastava, 2010). Companies balance needs, desires, customer behavior, and products by using preliminary information to establish a targeted marketing campaign. Through marketing, vendors create an overlap between the desired and the available and between service and product (Mansoury, 2016). Efficient advertisement allows effective tracking and analysis of consumer behavior. It enables monitoring the environment, examining potential buyers, conducting information searches, evaluating alternatives, and assessing purchase intentions (Enya, Pillay, and Dempsey, 2018). Marketing helps organizations understand consumers and adapt strategies to promote products, services, and sales (Barmola and Srivastava, 2010).

Marketing strategies include digital, experiential, and community-based approaches that promote products and services to potential customers, create unforgettable experiences through interactive events, and build relationships through local events, sponsorships, and community initiatives (Friedman, 2021; Miyazoe, 2022; Urdea, Constantin, and Purcaru, 2021). Audience segmentation and targeting are primary components of marketing frameworks. Precise targeting ensures marketing reaches the right people with the right message. Hence, marketing campaigns segment the audience based on demographics, behaviors, interests, and other factors. Content is the core of marketing. A solid content strategy defines the required content, targets the audience, and outlines the distribution timeline. The marketing plan specifies the tools (e.g., blog posts, videos, social media content, email campaigns) and emphasizes content personalization and storytelling (SMACK, 2024).

Media, online platforms, and social networks expose consumers to an abundance of products, reviews, and recommendations, potentially increasing their awareness and purchase intention. Through marketing campaigns and advertising,

brands successfully build familiarity, trustworthiness, reliability, responsiveness, and empathy. They stimulate interest and elicit reactions, gaining popularity and receiving greater recognition and attention (Naeem, 2019).

Consumer-oriented marketing reflects customer needs, wants, preferences, and satisfaction. It includes planning, product, price, promotion, place, people, and after-sales service. The essential marketing elements called the marketing mix are (1) product, which involves planning, developing, and producing products and services to be offered to the customers by the firm. The product encompasses the range, design, durability, branding, packaging, color, and other features. In this paper context, a well-maintained house. (2) Price- a product is worth what a customer is willing to pay. Thus, the retail price must cover the product's production and distribution costs, as well as a reasonable profit margin. Regarding public housing, the price should include discounts and payment options. (3) Promotion informs customers about the firm's product and persuades them to purchase it through personal selling, advertising, publicity, and sales promotion. Marketing public housing should encompass a diverse set of strategies, including communicating with formal representatives, understanding rights, and consulting with a formal public housing representative. (4) Place or physical distribution makes the product/service available to the customers at the right and convenient place, time, and quantity. Concerning public housing, marketing should emphasize location, job opportunities, customization to needs, accessibility, and apartment size. (5) People denote the business organization's employees who deal with the customers (Dominici, 2009). Hence, public housing representatives should adopt a culturally sensitive communication approach that considers language, religion, gender, mentality, and culture.

Marketing is dynamic, adaptable, and ever evolving. It must adapt to emerging technologies, changing consumer behavior, and evolving industry trends. Diverse marketing strategies target varied communities and different behaviors while considering market equilibrium (Friedman, 2021; Miyazoe, 2022; Urdea, Constantin, and Purcaru, 2021). Hence, culture-appropriate sales strategies can improve advertising, expand the reach to appropriate audiences, and target consumer behavior to determine which advertisements and messages resonate most. The Israeli advertising market is highly digitized and tech driven. It simultaneously uses digital, experiential, and community-based marketing strategies.

Nevertheless, the ***public housing industry*** in Israel lacks a profound marketing strategy. Marketing affects consumer behavior, influences the balance between supply and demand, and improves sales percentage. Diverse and personalized marketing strategies are vital for understanding consumer behavior, improving public housing in Israel, and balancing supply and demand. Therefore, the study explores marketing strategies that align with consumer

behavior to balance supply and demand. It seeks to identify culture-appropriate marketing strategies tailored to consumer behavior, enhance understanding of public housing marketing, and present a solution that satisfies both the public and policymakers. The research hypothesis is that culture-appropriate sales strategies correlate with sales. Namely, personalized marketing strategies will increase sales. Consumer-oriented marketing that reflects the needs, wants, preferences, and satisfaction of public housing residents will improve advertising and expand the reach to appropriate audiences.

Marketing public housing and fostering a positive identity among residents, the broader community, and potential investors are vital to physical, social, and economic development. Location, price, product, perception, promotion, branding, and value constitute the most crucial elements influencing home purchases; thus, marketing is essential to the development of affordable housing (Beck and Higgins, 2001). The term "affordable housing" implies an "image" problem. It is charged with stigma, misinformation, fear, imagery, and mistrust, namely, Not in My Back Yard Syndrome. Therefore, the public housing marketing focal point is to tailor a message that addresses the target audience's interests and concerns. The objectives are to gain support and approval for an affordable housing development and to raise awareness of the need for public housing and its benefits to the community. The strategy must focus on positive communication, provide facts, define the benefits, and not ignore fears. Marketing should ensure that the homes are safe, well-built, well-maintained, and fit with the community's character (Clark et al., 2013).

Affordable housing marketing should highlight the benefits of public housing to the community, which far outweigh the shortcomings. The marketing strategy must emphasize the capability to generate broad economic activities, strengthen municipalities' financial status, stabilize neighborhoods, create jobs, and improve residents' physical well-being (Clark et al., 2013). The Affirmative Fair Housing Marketing Plan (AFHMP) demonstrates a strong effort to identify and attract underserved populations in the housing market. It strives to promote fair housing and empower and give special assistance to historically disadvantaged groups. Affirmative marketing understands housing market demographics, identifies underserved populations, and employs marketing efforts beyond traditional advertising to expand housing opportunities. It reaches the target populations through community contacts, specialized publications, and alternative advertising formats (The Iowa Finance Authority, 2023). Public housing marketing must gather demographic, housing, and other data, add descriptive information, and present them attractively. Public housing advertising must also develop a strategic marketing and action plan. The plan should incorporate external and internal assessments, strategies, assignments, and decisive goals and objectives. The final stage is planning how to implement the plan, for instance, identifying target audiences and developing and using

effective marketing materials (e.g., press releases, brochures, community profiles) (Beck and Higgins, 2001). A successful public housing marketing strategy encompasses publication in numerous media outlets, for example, an internet media presence to keep people informed and up-to-date, paid advertising in newspapers, TV, and radio for promotion and press releases, communication through social media, and outreach with direct mail, flyers, bumper stickers, and events for good on-the-ground contact (Clark et al., 2013).

Choosing a strategy for a particular product or market segment depends on how its customers define value. Strategies based on customer value standards and perceptions will channel resources more effectively and better meet customer expectations. Hence, public housing marketing strategies should understand what quality and value mean to consumers, thereby improving brand positioning through more precise market analysis, segmentation, product planning, promotion, and pricing strategies. Marketing strategies can add value to products and services by reducing monetary and nonmonetary costs, lessening perceptions of sacrifice, including salient intrinsic attributes, evoking insights into pertinent high-level abstractions, and using extrinsic cues to signal value (Zeithaml, 1988).

The paper assumes that a suitable marketing strategy ensures successful outreach to specific customers with distinct interests and characteristics. The study's premise is that public housing marketing strategy should integrate a clear definition of the target market and develop and apply the proper marketing mix: product (value-for-money), price (payment options, customization to meet the customer's unique needs), place (location, job opportunities, lifestyle), promotion (diverse marketing strategies, knowledge of rights), and sales service (communication with formal representatives, consultation with a formal public housing representative, a culturally sensitive communication approach).

2. METHODS

The study posits that a culture-appropriate marketing strategy aligns with sales and enables effective outreach to consumers with distinct interests and characteristics. It assumes that public housing marketing should have a clear definition of the target market and develop a strategy that incorporates the marketing mix.

A closed-ended questionnaire was developed to inform urban marketing strategies that balance supply and demand for public housing in Israel, accounting for consumer behavior. The validated quantitative questionnaire was distributed via Facebook and WhatsApp to 100 residents of public housing across the State of Israel (north, center, and south). All recipients responded (12 males, 87 females; 1 respondent did not specify gender). Statistics were used to analyze the questionnaire data. The study used independent t-tests and regression analysis.

3. FINDINGS

The research assumption was that culture-appropriate sales strategies correlate with sales. Hence, the study defined the dependent variable as tailored sales strategies (i.e., knowledge of rights when contacted by a representative, communication with formal representatives, consultation with a formal public housing representative, native Israeli, native speaker), and the independent variable as the number of apartments sold (e.g., reasons to purchase or not).

As noted, the questionnaire was sent to 100 residents of public housing in Israel, and all recipients responded (12 males, 87 females, one respondent did not specify their gender). Table 1 presents the demographic data.

Table 1. Respondents' demographic data

Characteristic	Data
Age	19 (age 20-39)
	58 (age 40-54)
	23 (age 55 and above)
Country of origin	90 (Israel)
	10 (Other)
Native language (mother tongue)	91 (Hebrew)
	9 (Other)
Level of education	17 (Elementary)
	67 (Secondary)
	15 (Degree)
Number of rooms	54 (1-2 bedroom)
	46 (3 or more)
The number of people residing in the apartment	14 (1)
	34 (2-3)
	30 (4-5)
	22 (Six or more)
Marital status	21 (Single)
	23 (Married)
	6 (Widowed)
	46 (Divorced)
Primary income	63 (Pensions)
	33 (Salary)
Average income	20 (4,000 NIS)
	31 (4,000-6,000 NIS)
	27 (6,000-8,000 NIS)
	21 (8,000 NIS and above)

Characteristic	Data
Tenure in public housing	18 (0-5 years)
	27 (6-10 years)
	20 (11-20 years)
	33 (21 years or more)
Medical disabilities	70 (Yes)
	30 (No)

Source: author's own research

Independent t-tests were conducted to compare negative and positive responses on four culturally appropriate sales strategy variables. Two sales-strategy variables are positive indicators of propensity to purchase: the number of reasons to buy and the strength of those reasons. Two negative variables indicate resistance or reluctance to purchase: the number of reasons not to purchase and the strength of these reasons. According to the hypothesis, a significant difference is expected between positive and negative responses, with negative responses higher on the negative variables and positive responses higher on the positive variables. Table 2a-d exhibits the statistical analysis in question.

The Independent Samples t-test is one of the most prevalent statistical tests. Its objective is to determine whether there is a statistically significant difference between the means of two independent groups. If the t-test yields $p < 0.05$ and the purchasing group's mean is higher, ***this indicates a higher level of trust; conversely, if the mean is lower, it indicates a lower level of trust.***

Table 2a. Reasons to purchase the apartment

The number of reasons to purchase the apartment	No (32)		Yes (14)		t-test	
	Mean	SD	Mean	SD	t	Sig.
Knowledge of rights when contacted by a representative	1.41	0.61	1.74	0.63	1.99	0.020
Communication with formal representatives	1.33	0.54	1.75	0.69	1.92	0.024
Consultation with a formal public housing representative	1.30	0.76	1.95	0.51	1.97	0.030
Native Israeli	1.44	0.53	1.32	0.56	0.63	0.265
Native language (mother tongue)	1.33	0.56	1.38	0.52	0.22	0.825

Source: author's own research

Table 2b. Reasons not to purchase the apartment

The number of reasons not to purchase the apartment	No (32)		Yes (14)		t-test	
	Mean	SD	Mean	SD	t	Sig.
Knowledge of rights when contacted by a representative	2.66	1.90	2.01	1.21	1.89	0.049
Communication with formal representatives	2.54	1.86	2.17	1.49	2.11	0.016
Consultation with a formal public housing representative	2.85	1.57	2.18	1.83	1.94	0.031
Native Israeli	1.05	1.89	2.38	1.88	0.77	0.223
Native language (mother tongue)	2.38	1.87	1.75	1.04	0.94	0.348

Source: author's own research

Table 2c. The strength of reasons to purchase the apartment

The reasons' strength	No (32)		Yes (14)		t-test	
	Mean	SD	Mean	SD	t	Sig.
Knowledge of rights when contacted by a representative	1.31	0.64	1.23	0.72	0.40	0.347
Communication with formal representatives	1.32	0.69	1.31	0.56	0.05	0.482
Consultation with a formal public housing representative	1.52	0.44	1.21	0.86	1.47	0.075
Native Israeli	1.53	0.35	1.30	0.70	0.166	0.97
Native language (mother tongue)	1.31	0.70	1.48	0.38	0.66	0.512

Source: author's own research

Table 2d. The strength of reasons not to purchase the apartment

The reasons' strength	No (32)		Yes (14)		t-test	
	Mean	SD	Mean	SD	t	Sig.
Knowledge of rights when contacted by a representative	0.36	1.15	0.12	1.30	1.36	0.072
Communication with formal representatives	0.45	1.01	0.38	1.34	0.22	0.414
Consultation with a formal public housing representative	0.26	1.15	0.14	1.19	0.34	0.369
Native Israeli	0.54	1.44	0.43	1.00	0.30	0.383
Native language (mother tongue)	0.38	1.04	1.04	0.97	1.73	0.087

Source: author's own research

The findings indicate that the **hypothesis was partially confirmed**. Across the two variables on reasons for purchasing or not, the differences are in the direction expected by the hypothesis (i.e., knowledge of rights when contacted by a representative, communication with formal representatives, and consultation with a formal public housing representative). Across these three variables, a significant positive difference was found in the number of reasons for purchasing, and a negative difference in the number of reasons for not purchasing. For example, in Table 2a, the variable "knowledge of rights when contacted by a representative" shows an average of 1.74 among respondents who answered "yes," while the average for respondents who answered "no" is 1.41, indicating a significant difference ($t = 1.99$; Sig. $< .020$). In contrast, the differences for the other variables are not significant; however, in most cases, even when not significant, they are in the direction expected by the hypothesis.

To conclude the data analysis, a regression analysis was conducted to examine the overall predictive capacity of the independent variables for the two dependent variables: apartment purchase (active engagement in the purchase process) and consultation regarding the purchase. Given that the dependent variables in this analysis are categorical-dichotomous (Yes/No), a **binary logistic regression** was performed, as it is appropriate for such variables. All predictor variables in the regression model are dichotomous (some were originally dichotomous, while others were recoded for the regression). The results of the two regression analyses are presented below (Tables 3a-b):

Table 3a. Dependent variable: apartment purchase process

	B	S.E.	Wald	Sig.	Exp(B)
Do you know and understand your rights in connection with the purchase of an apartment from public housing?	11.3	26587.3	.000	1.000	82947.3
Personal Approach	10.7	17026.7	.000	.999	44740.7
Have representatives of the public housing contacted you regarding the possibility of purchasing the apartment?	-19.4	18783.0	.000	.999	.000
Born in Israel	4.3	184079.6	.000	1.000	74.9
Native Language	4.4	183920.4	.000	1.000	84.4
Did you have anyone else with whom you could consult about buying your apartment?	30.1	17033.7	.000	.999	96.4
Did you consult a representative of public housing?	10.4	17029.9	.000	1.000	35562.4

Source: author's own research

Table 3b. Dependent variable: consultation regarding apartment purchase

	B	S.E.	Wald	Sig.	Exp(B)
Do you know and understand your rights in connection with the purchase of an apartment from public housing?	18.9	27134.2	.000	.999	169791444.9
Personal Approach	18.6	27134.2	.000	.999	127343583.7
Have representatives of the public housing contacted you regarding the possibility of purchasing the apartment?	19.8	16895.5	.000	.999	428198325.0
Born in Israel	-29.9	1800105.2	.000	1.000	.000
Native Language	-8.6	1800105.2	.000	1.000	.000
Did you have anyone else with whom you could consult about buying your apartment?	1.3	20572.4	.000	1.000	3.6
Did you consult a representative of public housing?	-20.4	12806.9	.000	.999	.000

Source: author's own research

The results of the two regression analyses indicate that the overall model does not significantly predict the dependent variables. Consequently, it appears that while specific individual predictors consistent with the hypotheses indicate factors that promote purchase, the model as a whole, lacks significant predictive power.

4. DISCUSSION

A significant question in public housing marketing is whether and how the frequency of apartment purchases (i.e., the proportion of eligible people who ultimately purchase their apartments) can be increased by adapting sales strategies and marketing to customers' cultural contexts. The research hypothesized that a relationship exists between culture-appropriate sales strategies and sales frequency, since the exercise of purchase rights (the demand for apartment purchases) is influenced not only by personal background factors but also by how the opportunity is presented and by the marketing message conveyed by institutional factors. The results revealed that knowledge of rights when contacted by a representative, communication with formal representatives, and consultation with a formal public housing representative all impact residents' decisions to purchase the apartment. Nevertheless, being born in Israel or having a native language other than Hebrew does not significantly affect the relationship between culture-appropriate sales strategies and sales frequency.

A possible explanation for these findings is that communication, consultation, and knowledge help attract customers, deliver relevant content, and

educate residents about their rights. Introducing potential customers through comprehensive content attracts their interest by providing value, answering questions, and showcasing expertise, helping tenants make informed decisions. Location, price, product, perception, promotion, branding, and value are vital factors affecting home purchases (Beck and Higgins, 2001). Potential buyers want to ensure that the house is well-built and well-maintained, and the neighborhood is safe and accommodating (Clark et al., 2013). Thus, the weight of product (a well-maintained house), price (discounts and payment options), place (location, job opportunities), customization to needs (accessibility, apartment size), and promotion (diverse marketing strategies, communication, consultation) influence the decision whether to purchase a house.

The marketing literature supports these findings by emphasizing the importance of accurately segmenting the target audience and tailoring sales strategies to the various subpopulations. Audience segmentation and precise population targeting, based on demographics, behaviors, and interests, ensure that marketing reaches the right people with the right message. A solid content strategy defines the required content, identifies the target audience, emphasizes personalization and storytelling, and sets the distribution timeline. An effective campaign entails situating clear intentions, defining key performance indicators (KPIs), and mapping the customer journey (SMACK, 2024).

In the 21st century, marketing requires an enhanced user experience, fostering customer relationships, and delivering personalized experiences (SMACK, 2024). The study results confirm this view by presenting the importance of communication, consultation, and knowledge in deciding whether to purchase a house. Communication, consultation, and knowledge are ways to deliver relevant content to potential customers based on their behavior. They help attract customers, educate them about their rights, and convert them into sales (SMACK, 2024; INTUIT, 2024). Through these three aspects, i.e., communication, consultation, and knowledge, residents gain awareness, engage with the housing company, and come to a resolution (INTUIT, 2024). Thus, the appropriate public housing marketing strategy should focus on raising awareness, generating interest, fostering consideration, and driving conversion.

The researcher's additional paper (2026, Unpublished manuscript) discovered that public housing residents lack understanding of their rights, have limited access to real estate consultants/professionals, face obstacles to obtaining purchase loans, and live in apartments with flaws. These aspects impair the pillars of marketing: product (value for money), price (payment options), and place (location) (Dominici, 2009). Hence, marketing can target consumer behavior, support sound policy, strengthen public trust, and enhance public housing in Israel. Effective marketing can provide data to eligible residents and foster knowledge, acquaintance, and confidence (Mansoury, 2016).

Suitable public housing marketing strategies should capture the target audience's attention to the extent that it aligns with the consumer's information intake. It must clearly convey the necessary information and effectively highlight the prospective benefits to the buyer, while emphasizing the qualities and values of owning a house (e.g., shelter, safety, self-worth) (Foxall, 1990; Howard and Sheth, 1969; Loudon and Della Bitta, 1993; Maslow, 1943, 1954). The marketing strategy should also consider the consumer's decision-making process by highlighting the advantages of purchasing the home and facilitating the processing of information about product value (Engel, Kollat, and Blackwell, 1968). Consumer behavior is flexible and fluid, influenced by numerous factors. Therefore, public housing marketing should be tailored to address the concerns of public housing residents and identify the factors that affect their decision-making.

Public housing marketing should understand residents' attitudes to predict their buying behavior. The strategy ought to understand how tenants form and express their attitudes toward affordable housing. It must consider the complex interplay between beliefs, evaluations, and behaviors when making a purchasing decision (Fishbein, 1967). Hence, public housing marketing should aim to understand the factors influencing tenants' attitudes and to customize marketing strategies that resonate with the target audience. An adaptable strategy will enable policymakers and housing companies to navigate consumer behavior, preferences, and purchase intentions (Emmanuel, 2024).

At the tactical level, consumers, namely tenants, should become aware of the product (the house's purchasing rights) through various forms of communication (e.g., letters, flyers, phone calls, social media, community meetings). The purchase depends on personal circumstances and comprehension of the process. Thus, residents should demand clear, detailed information about the product and the purchase terms, assess it against their resources, needs, and preferences, and then decide whether to purchase. By promoting transparency and information sharing, public housing marketing can enhance the credibility of affordable housing and build confidence, familiarity, and trust among residents. The strategy should enable representatives of the Ministry of Construction and Housing, as well as housing companies, to present themselves to tenants through information meetings, provide data to eligible residents, and foster knowledge, familiarity, and confidence among tenants (Mansoury, 2016).

In summary, the Ministry of Construction and Housing, along with housing companies, should implement consumer-oriented marketing that reflects the needs, wants, preferences, and satisfaction of public housing residents. It must emphasize product, price, place, people, and after-sales service (Dominici, 2009). Public housing marketing should segment the target audience into smaller groups (by age, mother tongue, marital status, and education) to interest tenants

in the product and craft a personalized message for each group rather than a one-size-fits-all approach (Kotler and Levy, 1969; Kotler, 1994).

5. CONCLUSIONS

The paper addresses the relationship between culture-appropriate sales strategies and sales frequency. The focal point of marketing is tailoring a message that addresses the target audience's interests, concerns, benefits, and problems, namely, reaching diverse demographics and targeting specific populations. Therefore, the study indicates the significance of communication, consultation, and knowledge in attracting customers, delivering content, and educating residents about their rights. The importance of product, price, place, customization to needs, and promotion affects the decision to purchase a house. Hence, communication, consultation, and knowledge are key to raising awareness, generating interest, fostering consideration, and driving conversion. Extensive information draws potential customers' interest by providing value, answering questions, and showcasing expertise, thereby helping them make informed decisions.

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THE INSTITUTIONAL TRANSFORMATION OF EU CUSTOMS GOVERNANCE: DEEPENING EUROPEAN INTEGRATION

THEMIS ANTHRAKIDIS
University of Macedonia and Evzoni Customs Office
Independent Authority for Public Revenue (IAPR)
Greece
t.anthrakidis@uom.edu.gr

NIKOS ASTROULAKIS
Hellenic Mediterranean University
Tax and Customs Academy
Independent Authority for Public Revenue (IAPR)
Greece
n.astroulakis@aade.gr

Abstract
This paper examines the current transformation of the EU Customs Union. It argues that it is an institutional transformation rather than simply a program of technological modernization, asking how, and to what extent, the emerging transformation architecture reconfigures EU customs governance. Also, what this reconfiguration reveals about the deepening of European integration. Drawing on qualitative institutional analysis of the 2026 compromise and Council first reading text, the Commission proposal, the Union Customs Code, institutional reports and relevant scholarship, the paper develops an eight-dimensional framework for comparing traditional customs governance with data driven customs governance. The analysis identifies a shift from declaration and border centered control towards more continuous supervision of operators and supply chains through shared data. The paper's principal contribution is to show how this shift institutionally transforms customs governance and deepens European integration within the domain of customs administration. Our findings highlight functional centralization, combining stronger EU-level information and coordination capacities with the continued national exercise of coercive enforcement.
Keywords: *customs governance; data driven customs governance; EU customs data hub; European integration; institutional transformation.*
JEL Classification: F15; H83; F13; O33.

1. INTRODUCTION

Customs administration at the external borders of the European Union has become an increasingly complex field in which trade facilitation, revenue protection, border security and regulatory enforcement intersect. Customs authorities no longer deal only with duties, tariff classification, valuation and origin. They also contribute to the enforcement of rules concerning product safety, public health, environmental protection, sanctions, intellectual property, market surveillance and supply chain security. Customs is therefore a fiscal administration, a trade authority and a front-line regulatory institution at the same time (European Commission, 2023a; Schippers, 2023).

The scale and speed of cross border trade have made this multifunctional role more difficult. In 2024, 2,140 customs offices in the Union handled the import, export and transit of more than 1.37 billion items and collected almost EUR 27 billion in customs duties. During the same year, they detected 64,000 cases of goods posing health risks and detained 112 million counterfeit items (Council of the European Union, 2026a). E-commerce has intensified the pressure by multiplying low value consignments and dispersing responsibility across platforms, vendors, carriers and consumers. Geopolitical shocks, supply chain disruptions and the growing number of non customs rules enforced at the border have simultaneously raised expectations of customs as an instrument of economic security.

The existing institutional settlement is marked by a basic asymmetry. The customs union and common commercial policy are Union competences, and customs rules are principally set through directly applicable EU law. Yet implementation, control and enforcement are performed mainly by 27 national customs administrations operating through different organizational structures, administrative capacities and information systems. This arrangement has enabled a common customs territory without a single European customs administration, but it has also produced differences in practice and weak points in the collective management of financial and non financial risks (European Court of Auditors, 2021; Walsh, 2022).

In May 2023, the Commission proposed a new Union Customs Code, an EU Customs Data Hub and a European Union Customs Authority (European Commission, 2023a, 2023b). The co legislators reached political agreement on 26 March 2026 and confirmed the final compromise text in April 2026 (Council of the European Union, 2026a, 2026b). The Council first reading text was issued on 24 August 2026, and the Council formally adopted its first reading position on 3 September 2026 (Council of the European Union, 2026c; European Commission, 2026b). The Commission communicated its support for that position on 4 September 2026. The ordinary legislative procedure nevertheless remains ongoing, and the new Regulation has not yet been published in the Official Journal (European Commission, 2026b). This legal status is important

because the paper analyses the agreed transformation architecture at an advanced legislative stage rather than an already applicable administrative system.

The literature provides valuable doctrinal and operational accounts of the proposed legal framework, its e-commerce regime, digital systems and implications for customs practice (Chen, 2023; Pickett and Wolffgang, 2023; Schippers, 2023; Izdebski, 2024; Antov et al., 2026). It also documents the long-standing difficulty of achieving uniform implementation through nationally organized administrations and the role of integrated risk and compliance management in modern customs (Walsh, 2022; Erkoreka and Blas, 2023; Widdowson, 2020). Research on the European administrative space explains how integration can proceed through networks, agencies and shared instruments without replacing national bodies (Hofmann, 2008; Heidbreder, 2011; Busuioc, 2009). These literatures have seldom been brought together to examine the current customs transformation as a reallocation of institutional capacities and relationships. The gap is therefore not whether the transformation is digital, but what its digital and organizational instruments do to the locus, timing and object of customs authority.

The research question is therefore: how and to what extent does the current transformation reconfigure EU customs governance, and what does this reconfiguration reveal about the deepening of European integration? In this paper, EU customs governance refers to the system of formal rules, organizational arrangements, administrative practices and relationships through which EU institutions, national customs administrations and economic operators implement customs legislation, exchange information, manage risks and exercise customs supervision across the Union's external borders.

Institutional transformation of EU customs governance refers to a sustained reconfiguration of the rules, organizational structures, administrative capacities, information infrastructures and relationships through which customs supervision is organized and exercised. It extends beyond technological modernization because it affects the allocation of responsibilities, mechanisms of coordination, objects and timing of supervision, and the relationship between public authorities and economic operators. In this paper, we use deeper European integration to refer specifically to stronger EU-level administrative capacity, common information infrastructures, coordinated risk management, and shared supervisory practices.

Our central argument is that the reform amounts to an institutional transformation because it changes how customs authority is organized, without creating a single European customs administration. In this context, information is more centralized, and analytical and coordinating capacity at the Union level is stronger. Also, supervision increasingly follows operators and supply chains over time rather than treating each declaration as a largely self-contained event. National administrations nevertheless retain the core coercive and territorial

functions of customs enforcement. The result is a hybrid system of multilevel customs governance. The paper develops this argument through an eight-dimensional institutional framework that compares Traditional customs governance with data driven customs governance across the object, temporal reach, spatial organization, information architecture, control logic, allocation of authority, trader relationship and safeguards of supervision. This framework is the paper's main analytical contribution because it shows not only that customs governance is becoming more data driven, but also where institutional authority and administrative practice are being reconfigured.

Methodologically, the paper combines qualitative institutional analysis with structured document analysis. Its primary legal corpus comprises the April 2026 final compromise (ST 7771/26 ADD 1 and COR 1) and the August 2026 Council first reading text (ST 8190/26), which is treated as controlling where its wording differs from the 2023 proposal (Council of the European Union, 2026b, 2026c). The March political agreement, the Council's adoption of its first reading position and the subsequent Commission communication establish the political and procedural context (Council of the European Union, 2026a; European Commission, 2026b). COM(2023) 258 and COM(2023) 257 are used to trace the reform's institutional genealogy, while Regulation (EU) No 952/2013 provides the baseline. Institutional reports, international standards and specialized scholarship provide contextual and analytical triangulation. The analytical categories were developed deductively from three bodies of scholarship: customs modernization and compliance management, European multilevel administration, and data driven public administration. They were then refined through structured comparison with the legal corpus. A dimension was retained when it captured a distinct aspect of how supervision is organized and when the reform texts indicated a meaningful change from Traditional customs governance. The documents are therefore coded across the object, temporal reach, spatial organization, information architecture, control logic, allocation of authority, trader relationship and safeguards of supervision. Because implementation has not yet begun, the analysis is prospective and does not claim to measure operational effects.

The paper structure has as follows. Section 2 traces the evolution of EU customs governance and the need for transformation. Section 3 approaches data driven customs governance and examines its emerging architecture. Section 4 addresses the eight-dimensional framework to compare traditional customs governance with data driven customs governance. Section 5 discusses the implications and limits of this transformation. Section 6, restates the principal findings, considers their policy implications and limitations, and identifies directions for further research.

2. THE EVOLUTION OF EU CUSTOMS GOVERNANCE AND THE NEED FOR TRANSFORMATION

For much of the modern period, traditional customs governance was organised around the individual transaction. In this framework, documentary verification, classification, valuation, origin and duty assessment were central. Physical inspection was used selectively, reflecting an earlier trade environment and the historical construction of the EU Customs Union. Common rules, as possible, developed at Union level, while Member States retained their own services, personnel, control locations and enforcement traditions, resulting in legal integration without a unitary customs bureaucracy (McLinden et al., 2011; Widdowson, 2020; Walsh, 2022).

At the EU's external border, customs authorities were increasingly expected to protect the Union's interests, acquiring a much broader role over time. As the role of customs widened, assessing a customs decision became more complex as it was no longer enough to determine whether the correct duty had been collected. Also, customs authorities had to consider restrictions on particular goods, health and safety rules, environmental legislation, and other requirements enforced at the border. This meant working with more public authorities and drawing on information held in different databases, making border control increasingly dependent on the ability of these authorities to exchange information and work together (McLinden et al., 2011; Polner, 2011).

As trade volumes grew, physically inspecting every shipment was no longer practical or an efficient use of customs resources, leading customs administrations to move towards risk-based controls. This shift focused attention on goods, transactions, operators, or routes that are more likely to involve non-compliance or where the consequences could be more serious. The WTO Trade Facilitation Agreement encourages the use of risk management and pre-arrival processing, while the WCO SAFE Framework combines trade facilitation with supply chain security and cooperation with trusted traders (WTO, 2013; WCO, 2025). Risk management allows customs to release legitimate trade more quickly by concentrating controls on movements of a higher risk.

Regulation (EU) No 952/2013, the Union Customs Code (UCC), brought electronic data processing, risk management, pre-arrival information, simplified procedures, centralised clearance, and the Authorised Economic Operator framework into EU customs law (European Parliament and Council, 2013). This framework provided the legal basis for paperless customs procedures. It also, paved the way for applying different levels of control according to risk and compliance. However, it did not substantially change the division of responsibilities between the EU and the Member States. EU legislation continued to provide the common rules, while national customs administrations operated much of the information infrastructure and carried out the controls.

Risk-based supervision also depends on having the right information at the right time. Customs authorities no longer use data only to check individual declarations, but they also use data to compare cases, identify patterns, and decide where closer control is needed. Having reliable information earlier makes it easier for customs authorities to decide whether a shipment needs closer inspection or other kind of intervention. Therefore, advance cargo information, post-clearance audits, and an operator's compliance history allow customs control to extend beyond the point at which goods physically cross the border. This approach is described by Widdowson (2020) as an integrated compliance approach, where the level of intervention depends on the risk involved and, on the operator's, previous record rather than on applying the same level of control to every transaction.

National declaration systems, authorization procedures, and working practices still vary across Member States. This fact makes it harder to obtain a consistent picture of trade flows across the EU. The European Court of Auditors (2021) found that customs controls were not sufficiently harmonised. Hausemer et al. (2022) identified differences in authorisation procedures and called for stronger common risk analysis. Differences in implementation are linked to uneven performance in customs controls (Erkoreka and Blas, 2023), and goods released in one Member State can then circulate within the common customs territory. Weak controls in one country can therefore affect the Union as a whole. Cooperation mechanisms and trans-European systems are already in place, but they still operate alongside national systems and practices that differ considerably, making it harder for customs authorities to work with the same information and keep that information up to date across the EU (Izdebski, 2024; Pickett and Wolffgang, 2023; Antov et al., 2026).

E-commerce has made these problems harder to ignore, as billions of low-value consignments now move through fast and highly dispersed logistics networks, with sellers, platforms, carriers, and consumers often holding different parts of the information needed by customs. Customs authorities cannot realistically check every transaction one by one. This creates room for undervaluation, inaccurate descriptions, and gaps in responsibility. All of these can lead to lost customs revenue, weaker product safety controls, and unfair competition (Chen, 2023; European Commission, 2025). Customs authorities need to bring together information from different actors and across different stages of a shipment. This is also becoming necessary for environmental, health, safety, sanctions, and market surveillance rules enforced at the border, since these controls often involve several public authorities as well as private actors in the supply chain (Polner, 2011; McLinden et al., 2011).

These problems point to a basic tension according to which customs operates within a common EU customs territory. Much of the information customs relies on is still organized through separate national systems. By adding

another national application or increasing the exchange of information between existing systems would not solve this problem. The issue is not only technical, but it also concerns how information is provided, who can access it, how it is analyzed, and how it is then used to decide where controls are needed (Hausemer et al., 2022; Walsh, 2022). The Wise Persons Group (2022) called for a stronger EU role in customs, and the development of common data capacity and stronger coordination at European level. There is need for change at three levels, the practical, organizational and institutional. Initially, in practical terms, customs authorities need earlier and more complete information if they are to use limited control resources effectively. Second, at the organizational level, the EU needs a permanent capacity to analyze common data, identify shared risks, support national authorities, and coordinate responses when problems affect more than one Member State. Finally, at the institutional level, the relationship between the Commission, national customs authorities, and traders also needs to change, so that reliable and compliant operators can be treated differently without weakening common standards. The current transformation moves in all three directions. If implemented as intended, it would change not only the tools available to customs authorities, but also the way customs governance is organized across the EU.

3. DATA DRIVEN CUSTOMS GOVERNANCE

Based on van Ooijen, Ubaldi and Welby (2019) and Janssen et al. (2020), our analysis defines data driven EU customs governance as a form of multilevel customs administration in which interoperable, continuously updated and reusable data become a shared institutional resource for supervising goods, economic operators and supply chains. Within the emerging EU customs architecture, common information infrastructures allow data to be submitted, reused and analysed across administrative levels, while shared analytical capabilities support risk identification, the coordination and targeting of controls, trade facilitation and administrative decision making across the Union (Pickett and Wolffgang, 2023; van Doornik and Groenewoud, 2024). These processes remain subject to human judgement, legal safeguards and institutional accountability, particularly where data analytics are used to inform customs risk management and operational decisions (Janssen et al., 2020; Vijayakumar, 2025).

We argue that data driven customs governance is broader than the digitalization of declarations and the outline of new information technologies. Data help determine who and what receives attention, when controls take place, how risks are identified, how authorities work together, and how traders interact with customs administrations. At the center of the emerging customs architecture is the EU Customs Data Hub (Hub). Under the 2026 compromise, the Hub is intended to become a single online environment in which businesses submit customs information once and reuse it for multiple movements. National

administrations access common data, while the EU Customs Authority uses the Hub to support Union wide risk management (Council of the European Union, 2026c). The agreed timetable envisages operation for e-commerce goods from 1 July 2028, optional use for other economic operators from 1 March 2031 and mandatory use for all customs movements from 1 March 2034 (Council of the European Union, 2026c). The Hub can be seen more than an IT system. By determining who supplies information, who can access it, how data are linked and how Union wide analysis is produced, it becomes a shared administrative resource. The reform also moves away from repeated document like declarations towards reusable data generated across commercial processes, making supply chain-based analysis more feasible (European Commission, 2023a, 2023b; Pickett and Wolffgang, 2023). This common environment may reduce duplication and improve traceability, but it also makes data governance, access, correction, retention, interoperability and responsibility central institutional questions (Janssen et al., 2020; Izdebski, 2024).

The common data environment is matched by a new organizational capacity at Union level. The European Union Customs Authority (EUCA) is established as a decentralized EU agency based in Lille, with functions that include operating the Hub, analyzing Union wide customs data, supporting common risk criteria and priority control areas, issuing control recommendations and coordinating customs crisis management (Council of the European Union, 2026a, 2026c). Its significance lies in creating a permanent center for analysis, coordination and expertise which can identify cross border patterns that may remain invisible in national datasets and can support more consistent prioritization. EUCA though does not replace national administrations as member States continue to deploy officers, inspect goods, investigate infringements and apply national procedures and sanctions. The emerging arrangement is therefore one of functional centralization where data, analytics, standards and coordination become more European, while coercive and territorial enforcement remains national. Common risk management links these levels through data, local intelligence and operational feedback.

The Trust and Check framework adds a public and private dimension, developing the logic of the Authorized Economic Operator by linking enhanced simplifications to greater transparency and reliable access to business information. Qualifying operators may use streamlined arrangements and the most reliable may release goods without active customs intervention in each case (Council of the European Union, 2026c). In practice, traders receive simpler treatment when they give customs greater visibility into their operations. Supervision then relies less on repeated checks of individual consignments and more on systems, records, internal controls, and compliance history (Schippers, 2023; Pickett and Wolffgang, 2023). This differentiation can help customs concentrate resources on opaque or higher risk supply chains, consistent with

integrated compliance management and the WCO SAFE Framework (Widdowson, 2020; WCO, 2025). It may also advantage firms with greater capacity to finance integrated systems and continuous data provision. This makes proportionality and support for smaller operators important (Antov et al., 2026; Council of the European Union, 2026c). Continuous information also allows supervision to continue before arrival, during movement, and after release. This gives customs a risk picture that can change over time rather than remain fixed.

Nevertheless, data driven customs governance is only as reliable as the information and institutional controls on which it depends, as incomplete, outdated or distorted data can lead to uneven treatment, making common quality standards, correction mechanisms and clear data stewardship essential (Janssen et al., 2020). The Commission also envisages the use of machine learning, artificial intelligence and human intervention in supply chain analysis (European Commission, 2026a). Such tools may improve prioritization, but because choices about variables, thresholds, and training data involve administrative judgement, digitalization may shift discretion towards system designers and data managers rather than remove it. Accountable use requires analytical systems that can be audited, with clear records of human review and procedures for correcting factual errors. Where decisions affect operators, authorities should also provide reasons that are sufficient for administrative or judicial review (Busuioc, 2021). Human expertise remains indispensable, as customs officers interpret intelligence, assess legal relevance and adapt interventions to operational context. The more appropriate approach is therefore digitally augmented professional judgement operating within an auditable institutional framework (Vijayakumar, 2025).

4. THE INSTITUTIONAL TRANSFORMATION OF EU CUSTOMS GOVERNANCE: FROM TRADITIONAL TO DATA DRIVEN CUSTOMS GOVERNANCE

The transformation becomes institutionally significant not because it introduces new instruments, but because those instruments alter how customs governance is organized and exercised. The Data Hub, the European Union Customs Authority and the Trust and Check framework matter because they reshape how information is assembled, how risks are interpreted, how authorities coordinate and how traders are supervised.

In Table 1, we identify eight dimensions through which institutional transformation can be observed and compares traditional customs governance with data driven customs governance in terms of both administrative practice and institutional consequence.

Table 1. From traditional to data driven EU customs governance

Dimension	Traditional customs governance	Data driven customs governance	Institutional implication
1.Object of supervision	Individual consignment and declaration	Operator, supply chain and linked patterns	Risk is assessed longitudinally; the operator becomes a continuing object of supervision.
2.Temporal reach	Lodging, arrival and release	Pre arrival, real time and post clearance information	Supervision becomes more continuous and preventive.
3.Spatial organization	Customs office and physical border	Distributed digital and supply chain environment	Informational control is less territorial, while physical enforcement remains national.
4.Information architecture	Fragmented national and trans-European systems	Common EU Customs Data Hub	Shared infrastructure centralizes visibility and standardizes data relations.
5.Control logic	Document checks, inspection and transaction selectivity	Integrated, intelligence led risk assessment	Common analytics guide selective use of national control resources.
6.Allocation of authority	EU rules with mainly national analysis and execution	EUCA analytics and coordination with national enforcement	Functional centralization deepens integration without a unitary EU customs service.
7.Trader relationship	Declarations and clearance events	Continuous data sharing and Trust and Check supervision	Facilitation is exchanged for transparency and continuing compliance.
8.Safeguards	Uneven practice and diffuse coordination	Data quality, governance of analytical systems, cybersecurity and cross level responsibility	Shared capacity creates Union wide dependencies requiring auditable safeguards.

Source: authors' elaboration

The object and temporal reach dimensions draw primarily on customs modernization and integrated risk and compliance research It emphasizes the assessment of operators, compliance histories and supply chain risks beyond the

individual transaction and the immediate point of clearance (Widdowson, 2020; WCO, 2025).

The spatial organization dimension is informed by border management research, which places effective customs control within a wider environment of coordination among authorities and actors across borders and supply chains (McLinden et al., 2011; Polner, 2011).

The control logic and trader relationship dimensions build on risk-based intervention, differentiated compliance management and trusted trader arrangements, together with scholarship examining how these principles are developed within the proposed EU customs reform (Widdowson, 2020; Pickett and Wolffgang, 2023; Schippers, 2023; WCO, 2025).

The allocation of authority dimension draws on research on the European administrative space and multilevel administration, which explains how European integration can develop through shared implementation, administrative cooperation and common instruments without replacing national administrations, together with EU agency scholarship on the relationship between agency autonomy, control and accountability (Hofmann, 2008; Heidbreder, 2011; Busuioc, 2009).

The information architecture dimension is grounded in data driven public administration and data governance research, which treats data, common standards, information sharing and reusable data infrastructures as components of administrative capacity, and in work examining the EU Customs Data Hub as a centralized environment for a more data driven approach to customs (van Ooijen, Ubaldi and Welby, 2019; Janssen et al., 2020; van Doornik and Groenewoud, 2024).

The safeguards dimension draws more specifically on research showing how digital and data intensive administration can relocate administrative discretion towards information systems and analytical processes, creating corresponding requirements for data governance, scrutiny, due process and accountability (Bovens and Zouridis, 2002; Janssen et al., 2020; Busuioc, 2021).

We use the Union Customs Code as the starting point for assessing these dimensions (European Parliament and Council, 2013). The Commission's 2023 proposals show the initial direction of the reform, while the 2026 compromise and Council first-reading texts provide the more developed legal framework used in our analysis (European Commission, 2023a, 2023b; Council of the European Union, 2026b, 2026c). We treat institutional transformation as the combined effect of changes across the dimensions, rather than as the result of any single measure. Table 1 follows the transformation across the selected eight dimensions:

1. *Object of supervision*: what is supervised.
2. *Temporal reach*: when supervision occurs.
3. *Spatial organization*: where supervision occurs.

4. *Information architecture*: how information is organized.
5. *Control logic*: how intervention is targeted.
6. *Allocation of authority*: where authority lies.
7. *Trader relationship*: how customs relates to traders.
8. *Safeguards*: what safeguards make the system lawful and resilient.

1. *Object of supervision*

It determines the unit around which customs knowledge and intervention are organised. Under traditional customs governance, the declaration and the individual consignment remain the dominant points of attention. Modern customs literature, however, has long stressed that risk cannot be assessed only at the level of individual shipments. Authorities also need to consider an operator's compliance history and the wider commercial relationships behind each movement (Widdowson, 2020; WCO, 2025). The current reform takes this logic further by placing declarations and consignments within broader records of operator behavior, linked transactions and supply chain relationships (Pickett and Wolffgang, 2023; Council of the European Union, 2026c). The important change here is that customs no longer looks only at individual shipments. An operator's current behavior is assessed against its past record, while risk is also identified through recurring patterns and relationships between firms.

2. *Temporal reach*

Under traditional customs governance, control is concentrated at specific procedural stages, such as lodging, arrival, presentation, and release, while post-clearance audit takes place later as a separate form of control. Customs modernization has gradually widened this time frame through advance information, pre-arrival processing, and post-clearance audit, allowing authorities to intervene more selectively before release and to assess compliance after the goods have entered circulation (McLinden et al., 2011; Widdowson, 2020; WCO, 2025). Data driven customs governance extends this logic further, it connects information before arrival, during movement and after release within a common data environment (European Commission, 2023a; Council of the European Union, 2026c). At the end of this process, supervision is becoming more continuous and proactive. Although the decision regarding border crossing remains significant, it increasingly constitutes one stage of a broader risk assessment process.

3. *Spatial organization*

Traditionally, customs control has been based on the customs office and the physical external border. Research on coordinated border management, shows that modern customs supervision now extends well beyond these locations where effective control depends on cooperation among authorities, logistics

actors and other participants across the wider supply chain (Polner, 2011; McLinden et al., 2011). Shared data intensify this change because relevant information can be produced, accessed and analyzed at different points across the Customs Union and across commercial processes. A supply chain event in one place can shape a risk assessment elsewhere, so while the physical border remains important, informational supervision is less tied to a single territory and physical enforcement remains national.

4. *Information architecture*

Data driven public administration literature treats information infrastructure as part of administrative capacity. For instance, van Ooijen, Ubaldi and Welby, (2019) and Janssen et al. (2020) discuses that common standards, access rules, and data sharing arrangements shape both what public authorities can know and what they are able to do. In the emerging customs system, information is distributed across national and trans European systems. The Data Hub is intended to create a common environment. Within this environment, information can be submitted, reused, linked and analyzed across the Union (European Commission, 2023a, 2023b; van Doornik and Groenewoud, 2024; Council of the European Union, 2026c). Its institutional importance goes beyond technical consolidation, since a common information environment gives customs authorities a shared view of data and makes Union wide analysis part of routine administration.

5. *Control logic*

Control logic concentrates on how administrative knowledge is used to decide when and where customs should intervene. Traditional customs governance relies mainly on documentary checks, physical inspection, and transaction-level selectivity, while integrated compliance and risk management use information on operators, routes, goods, and past behavior to focus resources on higher-risk activity (Widdowson, 2020; WCO, 2025). Data driven customs governance strengthens this approach by combining common data with Union wide analytical capacity and shared risk priorities (Pickett and Wolffgang, 2023; Council of the European Union, 2026c). The shift does not replace entirely physical control with digital control however it creates a more integrated analytical cycle in which information, prioritization, targeting and operational feedback is more closely connected.

6. *Allocation of authority*

Authority integration is developed through shared implementation, agencies, networks, and common instruments rather than by replacing national administrations with a single supranational bureaucracy (Hofmann, 2008; Heidbreder, 2011). The EUCA follows this pattern. It creates a permanent

Union-level centre to operate the Hub, analyze data, coordinate common risks, provide expertise, and support crisis response. National customs authorities, however, retain the main powers to deploy officers, inspect goods, investigate infringements, and apply national procedures and sanctions (Council of the European Union, 2026c). This creates a pattern of functional centralization, with analysis and coordination moving increasingly to the EU level while coercive authority remains mainly national. EU agency research also makes clear why accountability matters in such arrangements, since formal competence and practical influence may not always coincide (Busuioc, 2009).

7. Trader relationship

Integrated compliance frameworks as for example the WCO SAFE Framework treats trusted trader arrangements as a way of adjusting supervision according to an operator's level of compliance. Operators that provide stronger assurance about their systems and behavior can benefit from greater facilitation. This allows customs authorities to focus more attention on less transparent or higher-risk activity (Widdowson, 2020; WCO, 2025). Trust and Check develops this rationale by linking enhanced simplification to continuing access to reliable business information and internal compliance systems (Schippers, 2023; Pickett and Wolffgang, 2023; Council of the European Union, 2026c). The relationship moves beyond repeated declarations and individual clearance events, as the operator's own information and compliance record become part of ongoing supervision. This creates a more cooperative relationship, but it remains firmly regulatory because facilitation depends on transparency and continuing compliance.

8. Safeguards

Customs supervision now relies more heavily on shared data, automated analysis, and decisions taken across several administrative levels. This makes the safeguards around these processes part of the manner the system itself is organized. Information systems can move discretion away from frontline encounters and towards system design, data structures and analytical rules, raising new questions about due process and control (Bovens and Zouridis, 2002). Trustworthy public administration also depends on data quality, traceability, clear sharing rules, and effective scrutiny (Janssen et al., 2020). Algorithmic accountability also requires clear responsibility for the analytical systems that influence administrative decisions (Busuioc, 2021). In the customs context, these concerns are amplified by the Union wide scale of the Hub and by the interaction between EU analysis and national enforcement. Therefore, data quality, governance of analytical systems, human review, cybersecurity, auditability and clear responsibility across administrative levels are vital institutional requirements rather than secondary technical issues.

5. DISCUSSION

The transformation changes the field of supervision more lengthily than it changes the formal location of enforcement. Operators, supply chains and linked transactions become more important objects of knowledge; supervision extends across time and space; and the Data Hub creates a common informational field in which data can be linked and analyzed at Union scale. EUCA then gives organizational form to this common capacity, while national administrations retain the principal coercive powers. The updated result is a functional centralization rather than a unitary customs service.

This pattern clarifies what deeper European integration means in customs governance. Integration does not depend entirely on transferring executive powers to the Union level but how it can also proceed through shared infrastructure, common analytical capacity and administrative interdependence. This resembles the European administrative space described by Hofmann (2008) and Heidbreder (2011), where agencies and common instruments connect national administrations without replacing them. In customs, the asymmetry is especially clear: information and coordination become more European, while territorial enforcement remains national. A common platform cannot by itself eliminate differences in national administrative capacity, information systems and implementation practices, or the continuing diversity of national sanctions regimes (Hausemer et al., 2022; Antov et al., 2026). The European Court of Auditors (2021) documents substantial variation in the application and intensity of customs controls across Member States, including differences associated with national implementation of common risk criteria and the resources available to customs authorities. Erkoreka and Blas (2023) similarly show that differentiated implementation of common EU customs rules can produce divergent control performance and undermine an equivalent level of customs enforcement across the Union. The practical test is therefore not whether all national variation disappears, but whether such variation becomes more visible, reasoned and bounded within common standards and shared information.

Accountability is equally important because decisions will be built across several administrative levels. Union analysis may identify a risk, a national administration may decide how to act, and the Commission may become involved where follow up is inadequate. Such interdependence can improve coordination while making responsibility harder to locate. EU agency scholarship therefore suggests that accountability should follow actual influence as well as formal competence (Busuioc, 2009). Traceable records are needed to distinguish the source of data, the Union analytical contribution, the national decision and the forum responsible for review (Janssen et al., 2020; Busuioc, 2021).

Data dependent administration creates an additional layer of responsibility. The Council text introduces a Data Auditor within the EUCA governance

framework, strengthening oversight of access to and use of the EU Customs Data Hub (Council of the European Union, 2026c). As discretion shifts partly towards data structures and analytical tools, governance must also address the assumptions embedded in those systems (Bovens and Zouridis, 2002; Busuioc, 2021). Inventories of analytical systems, validation procedures, decision logs, meaningful human review and effective routes for correcting or contesting data are therefore important complements (Janssen et al., 2020; Faone, 2025).

Deeper integration also brings shared operational risk. An outage, cybersecurity incident or defective common data standard could affect several administrations at once (Council of the European Union, 2026c; Izdebski, 2024). Resilience therefore requires redundancy, tested fallback procedures, staged migration and clear incident responsibility, not only legal provision. Distributional effects matter as well. Smaller firms and administrations may face proportionately higher adaptation costs, so implementation should include proportionate requirements, guidance and accessible support (Schippers, 2023; Antov et al., 2026; WCO, 2025). These limits define rather than weaken the argument. The emerging order is best understood as hybrid multilevel governance. Union infrastructure and coordination coexist with national implementation; data supported analysis is paired with professional judgement; and facilitation for trusted operators remains coupled to coercive control of higher risk trade. The transformation centralizes administrative capacity more extensively than legal responsibility. Its effectiveness and legitimacy will depend on whether the interfaces between these levels are sufficiently resourced, reviewable and resilient.

6. INSTEAD OF A CONCLUSION

In this paper, we examined how far the current transformation changes the way EU customs governance is organized and what this tells us about deeper European integration. We argue that describing the transformation simply as digitalization misses an important part of what is taking place.

To assess the change more systematically, we developed an eight-dimensional framework which operationalizes institutional transformation across the object, temporal reach, spatial organization, information architecture, control logic, allocation of authority, trader relationship and safeguards of customs supervision. The framework brings together insights from three areas of research, customs modernization and compliance management, European multilevel administration, and data-driven public administration. We use these perspectives to examine the reforms introduced between 2023 and 2026 and to show how they affect different parts of customs supervision. The changes point away from a traditional customs governance system focused mainly on individual transactions and controls at the physical border leading instead to the emergence of a more continuous form of supervision. This shift is centred

increasingly on operators and supply chains, supported by a common data environment and a stronger centralized analytical role.

Our main finding is that integration is deepest where the transformation centralizes information, analytical capacity, risk coordination and shared administrative infrastructure, and less extensive where coercive enforcement is concerned. The EU Customs Data Hub creates a common information environment, while the European Union Customs Authority provides a permanent organizational capacity to analyze that information and support common priorities. In addition, the Trust and Check approach makes trader transparency and compliance history central to differentiated supervision. Yet, national customs authorities remain the main operational actors.

The paper's main contribution is the eight-dimensional framework, which helps explain how shared infrastructure can bring national customs administrations closer together. European integration in this case does not mainly come from transferring all executive powers to a single EU customs service. It develops instead through shared data systems, stronger EU-level analysis, common risk practices, and closer links between national customs administrations and economic operators. The eight dimensions framework we developed shows why this transformation is simultaneously deep and incomplete. Information, analysis, and coordination are increasingly organized at EU level, while coercive enforcement remains largely national. The result is a hybrid form of multilevel customs governance, combining stronger central coordination with decentralized enforcement.

According to the framework of this paper implementation policy should be treated as institutional capacity building rather than as a procurement exercise. Data standards, interoperability, cybersecurity, staff skills, governance of analytical systems, feedback from controls and clear accountability between EU and national bodies will determine whether the architecture produces coherent supervision. The transformation also needs to work for smaller customs administrations and smaller economic operators. If they do not have the resources or capacity to use the new system effectively, the rules may be common across the EU while access and the quality of customs controls still vary in practice.

Our analysis is necessarily limited because it relies on legal and institutional documents and examines a reform that has been politically agreed but not yet formally adopted, implemented, or tested in practice. The analysis of this paper cannot establish how national administrations will respond, how well the Hub will perform, whether common risk recommendations will alter controls, or how operators will experience the Trust and Check framework. Also, the analysis concentrates on institutional architecture rather than providing a complete doctrinal analysis of customs liability, sanctions, data protection or judicial

remedies. Therefore, our findings should be understood as an *ex-ante* institutional interpretation and not an assessment of implementation outcomes.

Further research should examine how the transformation works in practice across Member States, including its effects on control outcomes, false positives and negatives, clearance times, revenue collection, and enforcement in non-fiscal areas. It is also important to examine how responsibilities are actually divided between the EUCA and national authorities. Also, how automated risk tools can be audited, whether trusted trader status creates unequal effects, and how resilient the common data infrastructure proves to be. These issues will show whether the ambition to "act as one" can produce more consistent customs administration across the EU while preserving the discretion and operational capacity of national authorities.

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COURTS AS A PILLAR OF EU FINANCIAL STABILITY: JUDICIAL RESILIENCE IN BANKING AND AML LITIGATION

SEBASTIAN AVĂCĂRIȚEI
Alexandru Ioan Cuza University of Iași
Iași, Romania
sebastian.avacaritei24.07@gmail.com

ANA-MARIA BERCU
Alexandru Ioan Cuza University of Iași
Iași, Romania
bercu@uaic.ro

Abstract
EU financial regulation increasingly relies on rapid, technically complex and cross-border enforcement, from prudential supervision and bank resolution to anti-money laundering (AML) compliance and sanctions-related controls. While "risk and resilience" are commonly framed in macroeconomic, supervisory, or market terms, an underexplored resilience layer is institutional: the ability of national judiciaries to deliver timely, consistent and EU-conform adjudication in financial disputes. This paper argues that the organisation of judicial power in the 21st century has become a functional component of financial stability, because courts are the ultimate forum for reviewing administrative measures, resolving mass disputes, and ensuring legal certainty for regulated entities and consumers.
Building on the EU integration context, the paper examines how court administration choices, namely jurisdictional allocation, judicial specialization, workload governance, procedural digitalisation and data capacity, influence systemic outcomes in banking and AML-related litigation. It proposes an analytical framework connecting judicial design variables to stability-relevant outputs: predictability of case-law, duration to final judgment, quality of reasoning in technically dense cases, and the effectiveness of interim relief. The paper also discusses the tension between accelerated adjudication in crisis moments and safeguards associated with judicial independence and due process, highlighting "resilience trade-offs" that public administration must manage.
The contribution is twofold. Conceptually, it reframes parts of financial stability policy as dependent on judicial governance and court management, not only on regulators and market actors. Practically, it identifies judicial-administrative levers that can increase

the resilience of the legal enforcement chain without undermining independence, with particular attention to cross-border coordination needs arising from EU law.
Keywords: *financial stability; banking litigation; court specialisation; digital justice; EU law integration; institutional capacity.*
JEL Classification: K23; K40; G21; G28; H83.

1. INTRODUCTION

The subject of this paper falls within a moment of profound transformation in European financial administrative law. Two decades ago, discussions on financial stability were dominated by capital requirements, liquidity, governance, and macroprudential intervention; today, a complete analysis is impossible without considering the jurisdictional infrastructure that underpins legality control and the enforcement of law. European Union (EU) law has created, through successive steps, a composite financial administration: centralised prudential supervision at the level of the European Central Bank (ECB) through the Single Supervisory Mechanism (SSM), bank resolution through the Single Resolution Mechanism (SRM), and, more recently, a new backbone for anti-money laundering and counter-terrorist financing (AML/CFT) through the legislative package adopted in 2024 and the establishment of the Anti-Money Laundering Authority (AMLA) (European Commission, 2025b; European Parliament and Council of the European Union, 2024). Each of these layers generates rapid administrative decisions with dense technical content and potentially systemic effects on credit institutions, investors, depositors, and consumers (Parlamentul României, 2015). Inevitably, these decisions become the subject of litigation (Council of the European Union, 2013).

In this context, the starting observation of the abstract provided is correct and fruitful: there is an underexplored layer of resilience, namely the institutional resilience of the judiciary. The idea is not that courts "make" monetary, banking, or AML compliance policy, but that they guarantee the legality of the enforcement circuit of that policy. In the absence of prompt and intelligible judicial review, systemic risk does not disappear; it shifts into the legal sphere in the form of uncertainty, inconsistency of rulings, delays in the execution of acts, uninterrupted contestation, or the erosion of market actors' confidence (European Commission, 2026). The European Commission formulates this in cautious but clear terms: efficient justice systems are essential for the application and enforcement of EU law, for mutual trust, and for improving the investment climate and long-term growth (European Commission, 2025c).

This shift in emphasis is also perceptible in documents concerning justice as a public service. The 2025 EU Justice Scoreboard does not limit itself to the duration of proceedings or the perception of independence but introduces new indicators on the enforcement of administrative court rulings, reinforcing the idea that jurisdictional effectiveness contributes to the functioning of the internal market and the rule of law. At the same time, the guidelines developed by the

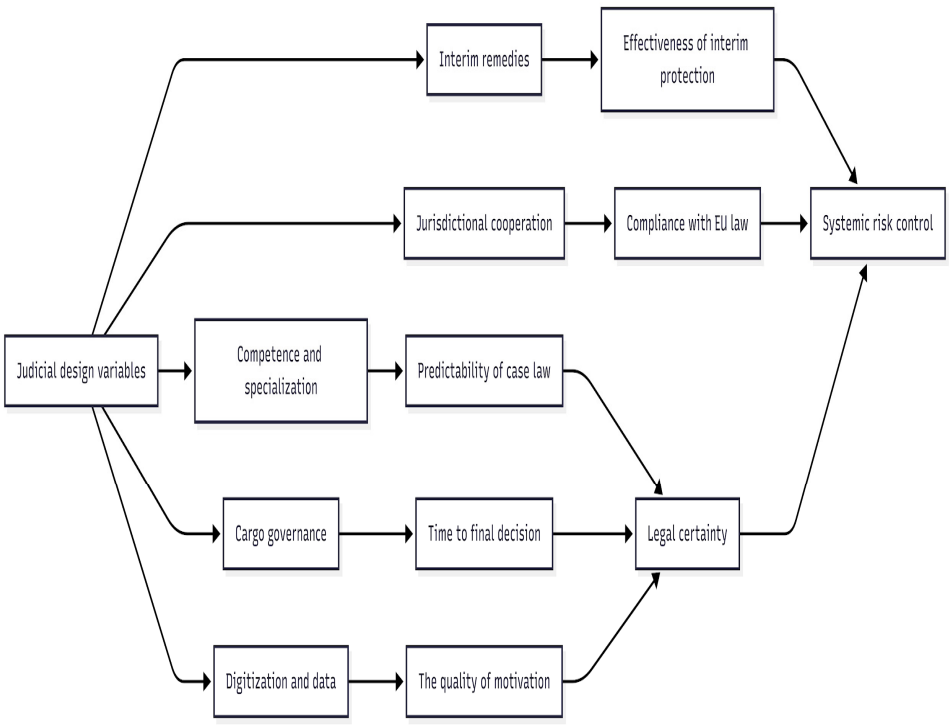
European Commission for the Efficiency of Justice (CEPEJ) on remote hearings and case-law consistency show that contemporary pressures on courts are structural in nature: high volume, accelerated digitalisation, the need for information exchange, and the risk of fragmented jurisprudence. Thus, the question is no longer merely how quickly a court adjudicates, but how resilient the entire judicial system is in the face of shocks of volume, complexity, and urgency (European Commission, 2025c).

In Romanian law, this topic takes on particular significance. Judicial review of administrative acts is constitutionally guaranteed, and Law No. 554/2004 establishes the general framework for administrative litigation, including suspension remedies for well-founded cases and for the prevention of imminent harm. However, the same law has retained for nearly two decades a reference to administrative-fiscal tribunals, even though these have never been institutionalised, and disputes continue to be resolved by the specialised divisions of tribunals and courts of appeal. This dissonance between the normative text and the actual organisation of the courts is relevant not only symbolically but also functionally: it represents incomplete specialisation in a domain where high-economic-impact administrative disputes are becoming increasingly technical and intertwined with EU law (Curtea Constituțională a României, 2024; Parlamentul României, 2004).

Romanian legal doctrine anticipated this problem early on. The comparative study by Dacian C. Dragoș, Daniel Buda and Alina Cherecehș on possible systems of administrative justice emphasises that regardless of whether states opt for specialised administrative courts or specialised divisions within ordinary courts, the organisation of judicial review over the administration represents a structural choice of primary importance. More broadly, Romanian scholarship has analysed administrative reform in the context of European integration (Profiroiu et al., 2006). One need not fully share this orientation to admit a simple fact: in areas such as banking supervision, bank resolution, European funding, administrative sanctions, and AML/CFT, the absence of specialisation generates really epistemic and temporal costs (Dragoș et al., 2002).

Furthermore, official Romanian data make it impossible to treat this issue in the abstract. The Report on the State of Justice in 2024, approved by the Superior Council of Magistracy, shows a significant increase in total workload, from 3,214,079 cases in 2023 to 3,655,103 in 2024. At the national level, 2,466,703 cases were resolved, corresponding to a resolution rate of 67.48%. The same report notes that the number of civil and commercial cases per 100 inhabitants is more than four times the European median for 2023 and more than five times for 2024, and that at the level of the supreme court, the administrative and fiscal contentious division carried the highest caseload among all divisions. In such an environment, resilience can no longer be reduced to the professional

good faith of judges; it must be built institutionally (Consiliul Superior al Magistraturii, 2025).



Source: author's own elaboration

Figure 1. Conceptual model of judicial design variables and jurisdictional outputs

The diagram above synthesises, in functional form, the research hypothesis: the administrative variables of court organisation influence jurisdictional outputs with direct relevance to financial stability and the robustness of the EU law enforcement chain. The model is consistent both with recent literature on Banking Union and legal accountability, and with Romanian doctrine on the organisation of administrative justice (European Parliament, 2024).

To establish the evolutionary context of the issue, a chronological synthesis of the normative and jurisprudential milestones that have pushed courts towards the centre of financial stability is useful.

Table 1. Key regulatory and jurisprudential milestones shaping judicial review in the banking union and AML framework

Year	Milestone	Significance for the article's theme.
2013	Regulation (EU) No 1024/2013 on the establishment of the Single Supervisory Mechanism (SSM)	Transfers key prudential supervisory powers over significant credit institutions to the ECB
2014	Directive 2014/59/EU on the recovery and resolution of credit institutions and investment firms (BRRD – Bank Recovery and Resolution Directive) and Regulation (EU) No 806/2014 on the establishment of the Single Resolution Mechanism (SRM)	ECB Establishes the framework for early intervention, resolution, and assessment of failing banks
2017	Application of the resolution mechanism in the case of credit institution Banco Popular Español S.A., in 2017	Demonstrates that resolution decisions generate massive litigation and tests the limits of the right of defence in crisis situations
2019	Cases concerning the Governor of the Bank of Latvia, Ilmārs Rimšēvičs, and the credit institution Trasta Komercbanka	Strengthens the protection of institutional independence and clarifies issues of access to judicial review
2021	The case of credit institution ABLV Bank AS	Highlights the legal and institutional complexity of the relationship between the determination of a failing or likely to fail (FOLTF) situation and the adoption of a resolution decision or, where applicable, a decision not to apply resolution measures
2023	The case of banking institution Crédit Lyonnais	Delimits the intensity of the review exercised by the Union court over the ECB's technical assessments
2024	The European legislative package on anti-money laundering and countering the financing of terrorism (AML – Anti-Money Laundering) and the establishment of the Anti-Money Laundering Authority (AMLA)	Increases the degree of harmonisation and prepares the ground for a new wave of supervision–compliance litigation
2025	The strategy for the development of the judicial system in Romania for the period 2025–2029	Opens a public policy window for specialisation, digitalisation, and performance management
2028	The commencement of the exercise of direct supervisory powers by the Anti-Money Laundering Authority (AMLA)	Will amplify the legal and institutional requirements regarding cooperation between national courts and the Court of Justice of the European Union (CJEU) in the area of anti-money laundering and countering the financing of terrorism (AML/CFT)

Source: author's own elaborations table compiled based on the normative framework and official documents of the EU, SRB, CSM, and AMLA (Council of the European Union, 2013)

2. METHODOLOGY

Methodologically, the research is built on a combination of legal-dogmatic analysis, institutional-comparative analysis, and empirical desk research, based on official data available up to 16 April 2026. The legal-dogmatic analysis traces the normative architecture of prudential supervision, bank resolution, AML/CFT, and administrative litigation, with emphasis on the rules establishing competences, remedies, standards of judicial review, and the relationships between national and Union authorities. The institutional-comparative analysis assesses how the

allocation of competence, the distribution of tasks, administrative review channels, and jurisdictional dialogue influence the capacity of courts to absorb technically complex disputes with systemic potential (European Systemic Risk Board, 2024). The empirical component draws on official reports concerning caseload volumes, sanctioning procedures, litigation figures, AML/CFT data, and banking sector indicators (European Central Bank, 2025a).

In terms of research design, the explanatory variables are five: jurisdictional allocation of competence, judicial specialisation, workload governance, procedural digitalisation, and cross-border cooperation capacity. These are linked to four outcome indicators, already anticipated in the core abstract: predictability of case-law, duration to final judgment, quality of reasoning in technically complex cases, and the effectiveness of interim relief. Conceptually, the hypothesis is that jurisdictional outcomes are not produced exclusively by the professional culture of the judge, but also by the administrative conditions in which they work: access to information, analytical support, useful standardisation, specialisation, case allocation flow, and digital infrastructure (Council of the European Union, 2020). Recent European literature on Banking Union and banking supervision supports such a functional approach to accountability and judicial review (European Parliament, 2024).

The source corpus was selected based on a clear priority criterion. At the first level are the primary normative and institutional sources: EUR-Lex (the official European Union platform for access to legislation), CURIA (the case-law portal of the Court of Justice of the European Union), the official websites of ECB Banking Supervision (the banking supervision mechanism of the European Central Bank), the SRB (Single Resolution Board), the EBA (European Banking Authority), AMLA (Anti-Money Laundering Authority), the European Commission, MONEYVAL (the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism), the BNR (National Bank of Romania), the ONPCSB (National Office for the Prevention and Control of Money Laundering), the CSM (Superior Council of Magistracy), and the Ministry of Justice. At the second level are doctrinal and analytical sources with high institutional or academic authority, such as the European Parliament studies on ten years of Banking Union case-law, works of European doctrine on the legal accountability of banking supervision, and Romanian doctrinal articles on administrative justice and court specialisation. Deliberately, the present research has favoured sources in the Romanian language and official or open-access sources where these were available (European Parliament, 2024).

For the Romanian component, the methodology involved the convergent use of three datasets. The first concerns judicial pressure, measured through the Report on the State of Justice for 2024 and adjacent indicators on efficiency, volume, and digitalisation. The second concerns AML/CFT pressure (anti-money laundering and countering the financing of terrorism), measured through data from the ONPCSB (National Office for the Prevention and Control of Money Laundering) and the evaluation parameters of MONEYVAL (the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism). The third concerns the underlying financial environment, measured through BNR (National Bank of Romania) indicators on asset quality and profitability. This triple angle avoids a frequent error in legal literature: the analysis of courts in isolation, without reference to the administrative density of cases and to the resilience or vulnerability of the sector they serve (Consiliul Superior al Magistraturii, 2025; European Central Bank, 2024a).

The selection of case-law followed a functional, rather than exhaustive, criterion. Cases were retained that illustrate at least one of the following situations: the delimitation of administrative and judicial competence; the shaping of the intensity of judicial review in technical matters; the role of institutional independence in financial stability; the issue of access to an effective remedy following the withdrawal of authorisation; the relationship between urgency and the right of defence; and the relationship between technical assessment and the standard of reasoning (European Commission, 2024). For this reason, the cases before the Court of Justice of the European Union and the General Court concerning Banco Popular, Rimšēvičs, Trasta, ABLV, and Crédit Lyonnais are more relevant to the present topic than a complete list of European banking disputes. They are "key cases" because they expose structural principles concerning legality and risk management under conditions of pressure (Court of Justice of the European Union, 2022; European Central Bank, 2024b).

The method also has limitations. First, not all official data are comparable across jurisdictions, and in banking matters some information remains subject to confidentiality regimes. Second, the link between the organisation of justice and financial stability is often indirect in nature and must be inferred from process indicators, not only from outcome indicators (European Commission, 2025c). Third, in the absence of long and homogeneous series on strictly banking or AML litigation at the national level, the research relies on a combination of aggregate data and qualitative examples. Nevertheless, from the perspective of administrative law and judicial governance, it is precisely this combination of normative analysis, official data, and case studies that is most appropriate for

demonstrating the relationship between institutional design and legal resilience (European Commission, 2025c).

3. RESULTS

The first result is that justice has already become an internal component of European financial governance, even though, doctrinally, it is still often treated as an external control mechanism. This is evident from the density of legal regimes that presuppose contestation and review (European Central Bank, 2023). The SSM Regulation conferred specific prudential supervisory powers on the ECB, and official data show that in 2024 European banking supervision covered 2,784 entities, of which 114 were significant groups, 872 were significant individual entities, and 1,912 were less significant entities. In the same framework, the annual report on sanctioning activities within the SSM records 220 formal procedures still pending at the end of 2024. This is therefore not a marginal field, but a supranational financial administration that constantly generates disputes liable to be transformed into litigation (Council of the European Union, 2013; European Commission, 2023).

In parallel, the bank resolution branch confirms the same conclusion. The 2024 Annual Report of the Single Resolution Board shows that the institution's legal service represented the organisation in over 193 pending cases, in addition to proceedings before the Appeal Panel. The magnitude of this volume is significant for two reasons. First, it shows that an administrative resolution decision does not close the dispute but often opens highly complex litigation. Second, it confirms that financial stability also depends on the speed with which the judicial system can absorb and clarify the effects of exceptional measures such as bail-in, share transfer, asset valuation, and the treatment of creditors (Single Resolution Board, 2025; European Commission, 2025a).

The second result is that the level and formats of legal review within the Banking Union are diverse. In addition to the external judicial review exercised by EU courts and, where applicable, national courts, there is an internal administrative review exercised by the Administrative Board of Review. ECB documents on the ABoR (Administrative Board of Review) show that review requests may be submitted by any natural or legal person directly affected, that the opinion deadline is, in principle, two months from receipt of a complete request, and that the scope of review concerns the procedural and substantive conformity of the decision with the SSM Regulation, while respecting the ECB's margin of appreciation. The 2024 Annual Report on European banking supervision indicates 4 review requests received in 2024, and the 2025 report shows that, in the following year, ABoR opinions also addressed the

classification of entities as significant and decisions on sanctions and enforcement. This dual layer of review is, in itself, a resilience mechanism: it reduces the risk of administrative errors accumulating to the point of triggering a legitimacy crisis (European Central Bank, 2024b; European Commission, 2023).

Third, the selected case-law confirms that the standards of review in banking matters are neither minimalist nor maximalist, but calibrated. The Rimšēvičs case, triggered by the suspension of the Latvian central bank governor, is emblematic: the Court annulled the national measure, emphasising that the independence of national central bank governors cannot be affected without proof of serious misconduct. The case did not directly concern a banking measure against a credit institution but demonstrated that financial stability cannot be separated from the protection of the institutional architecture of the Eurosystem. From the Trasta cases and the ECB documents on the ABoR, it further emerges that following the withdrawal of a bank's authorisation, sensitive issues arise regarding procedural representation, the standing of appellants, and effective access to review of the decision. Finally, the judgments in the Crédit Lyonnais case emphasise that the court must exercise genuine review over the ECB's reasoning, without substituting its own assessment for the complex technical evaluations reserved to the supervisory authority (Court of Justice of the European Union, 2019).

A distinct category is formed by the litigation concerning the resolution of Banco Popular Español. The CJEU press release of June 2022 shows that the actions seeking annulment of the resolution scheme and/or the Commission's endorsement decision were dismissed in their entirety. The Court's case-law digest of the same year explains the rationale: the resolution procedure pursued a general interest objective — ensuring the stability of financial markets — capable of justifying proportionate limitations on the right to be heard. This line of case-law is essential to the notion of "resilience with safeguards". It shows that, in a crisis, the legal order does not suspend procedural rights but permits their compression to the extent strictly necessary to avoid a more serious systemic risk (Court of Justice of the European Union, 2022).

The cases related to ABLV Bank and Pilatus Bank reveal another aspect of judicial resilience: following a determination that a bank is "failing or likely to fail" or following the withdrawal of authorisation against a backdrop of compliance concerns, litigation quickly shifts toward issues of standing, interest, the legal characterisation of acts, and the relationship between supervisory measures and their effects on property and procedural rights. In such cases, the central question is not only who is right on the merits, but also who may bring an

action, within what time limit, against which act, and under what standard of proof. For financial stability, this means that procedural architecture is just as important as the substance of the substantive rule (General Court of the European Union, 2021; European Central Bank, 2023).

At the Romanian level, statistical data demonstrate that pressure on the courts constitutes an autonomous institutional risk. The Report on the State of Justice for 2024 indicates 3,655,103 cases to be resolved at national level, representing an increase of 13.72% compared to 2023, and 2,466,703 cases resolved, corresponding to a resolution rate of 67.48%. More importantly, for the purposes of this paper, the report explicitly compares Romania with European medians and finds that, for 2023, there were 7.85 civil and commercial cases per 100 inhabitants, against a European median of 1.8, and for 2024, 9.07 cases filed and 8.90 cases resolved per 100 inhabitants in civil matters. These figures do not merely describe congestion; they indicate a risk of systemic deterioration in quality and consistency, particularly when technically complex cases must compete for judicial time with a vast portfolio of repetitive disputes (Consiliul Superior al Magistraturii, 2025; European Commission, 2023).

At the level of the High Court of Cassation and Justice, the data are equally instructive. In 2024, the supreme court had 20,778 cases to resolve, and the administrative and fiscal contentious division recorded the highest volume among all divisions — 9,306 cases — while newly filed cases at the same division numbered 5,422. This positioning of administrative and fiscal contentious litigation at the top of the supreme court's workload carries particular significance for banking and AML disputes: it shows that, in practice, any increase in administrative normative density translates rapidly into pressure on the division responsible for ensuring the unity and refinement of legality review. In the absence of dedicated case management tools for technically complex matters, there is a risk that the division will be simultaneously overloaded and turned into a uniformisation court for very different areas of law (Consiliul Superior al Magistraturii, 2025).

A notable finding of the research concerns the relationship between volume pressure and digitalisation. The CSM report describes tools already operationalised in the Romanian judicial system: the Text application within ReJust, which identifies heads of claim, parties, legal bases, grounds, and evidence, and can generate an automatic summary drafted in the third person; the Template application within ReJust Desktop, which allows the use of reusable templates and the automatic retrieval of data from ECRIS (Electronic Case Register Information System); the use of AI models specifically trained for

assisted drafting tasks; and the assertion that these applications support the drafting of approximately 2.5 million judgments annually. At the same time, the report warns that technical tools, however useful for efficiency, cannot indefinitely compensate for an excessive caseload. In other words, digitalisation is a condition of resilience, but not a substitute for resource and specialisation policy (Consiliul Superior al Magistraturii, 2025; Council of the European Union, 2025).

The European comparative dimension confirms the same idea. The CEPEJ Guide on remote hearings shows that, in administrative matters, 28 countries permit remote hearings while 10 do not explicitly allow them; the implementation rate is, in many cases, high, but the utilisation rate remains lower, and expansion must be accompanied by safeguards regarding equality of arms, procedural integrity, and confidentiality. In parallel, the CEPEJ report on the consistency of case-law identifies lack of knowledge, lack of time, lack of exchange between judges, and a deficit of digital support or resources as causes of inconsistency. For banking and AML disputes, where the subject matter is technical, cross-border, and often novel, these findings are particularly relevant: without digital infrastructure, without a knowledge base, and without time for deliberation, the quality of judicial review erodes (Council of Europe, 202b5; European Banking Authority, 2025a).

A further indication of the shift toward "justice as market infrastructure" appears in the 2025 EU Justice Scoreboard, which for the first time introduces data on enforcement mechanisms for administrative court rulings. The document shows that 17 member states have some type of enforcement mechanism, and that in 16 states the supreme administrative courts may impose sanctions for non-compliance with their own rulings. This extension of the analysis to enforcement demonstrates that a judicial ruling is no longer seen as a self-sufficient final product, but as part of a cycle of legality that must be carried through to effectiveness. In banking and AML disputes, where delays can amplify compliance, reputational, or liquidity risk, this observation is of paramount importance (European Commission, 2025; European Central Bank, 2023c).

On the AML/CFT front, the results are particularly robust. The 2024 AML package created the new European authority AMLA, provided for a directly applicable rulebook, and announced the transition to direct supervision of up to 40 high-impact financial entities or groups, starting in 2028 following the selection process in 2027. In the meantime, documents from the Commission and AMLA show that the authority was legally established in June 2024, that most activities were set to begin in mid-2025, and that the path to 2028 involves

building methodologies, IT infrastructure, and selection criteria. This timeline means, in practice, that national courts and EU courts must prepare for a new litigation ecology, in which questions of competence, remedy, access to file, proportionality, and cross-border cooperation will arise with much greater frequency (AMLA, 2025).

The EBA reports complete this picture. The 2025 Opinion and Report on money laundering and terrorist financing risks are based on data from the period January 2022 to December 2024 and on responses from 52 AML/CFT competent authorities across 29 member states and EEA states. Furthermore, the report on the functioning of AML/CFT colleges in 2023 indicates that, in the period 2022–2024, EBA staff selected 16 colleges for active monitoring and that the application of the risk-based approach and supervisory convergence remained insufficiently implemented. The 2025 report nevertheless notes a maturing of the college framework, considered an effective instrument for information exchange. For litigation purposes, the conclusion is clear: where cross-border supervision remains uneven and convergence is incomplete, courts will be called upon more frequently to clarify standards, competences, and effects (European Banking Authority, 2025a; European Banking Authority, 2023).

Romanian AML/CFT data establish the link between administrative pressure and litigation potential. The 2023 MONEYVAL evaluation placed Romania under enhanced follow-up, and the first follow-up report of 2025 confirms that improvements are being monitored under international pressure. At the same time, the ONPCSB (National Office for the Prevention and Control of Money Laundering) recorded 21,303 suspicious transaction reports and ex officio referrals in 2023 and 22,470 in 2024, representing an increase of 5.48% in the last year. For 2023, the institution reported receiving 1,843 pre-transaction reports, of which 258 contained transactions already blocked by reporting entities; in 24 cases it ordered a 48-hour suspension, and in 2 cases a 72-hour extension was obtained from the prosecutor's office. In 2023, 14,690 cash transaction reports were recorded. This volume of administrative acts and pre-trial information shows that the AML law enforcement chain is already intensive and that any jurisdictional deficiency can rapidly translate into a legality or compliance bottleneck (Council of Europe, 2025a; European Commission, 2023).

Finally, it should be noted that the theme of judicial resilience does not proceed from the premise of the fragility of the Romanian banking sector, but precisely from the fact that the banking system can be economically resilient while still depending on justice for the maintenance of trust and institutional discipline. The BNR (National Bank of Romania) Financial Stability Report of

June 2025 shows a non-performing loan ratio of 2.5%, a provisioning coverage ratio of 66.1%, a ROE (Return on Equity) of 18.2%, and a ROA (Return on Assets) of 1.7% as of March 2025. The BNR 2024 Annual Report notes that the coverage ratio is well above the European average. These figures describe a robust sector, but it is precisely this robustness that amplifies the importance of judicial review: in a relatively stable system, disputes tend to focus less on mass insolvency and more on the quality of supervision, governance, compliance decisions, sanctions, and the protection of rights (Banca Națională a României, 2025; European Central Bank, 2025b).

Table 2 synthesises the main legal and institutional instruments that directly link the organisation of justice to financial stability.

Table 2. Multi-level administrative disputes in banking supervision and AML/CFT and their implications for judicial resilience

Tier	Instrument or Institution	Administrative Fu	Type of Dispute	Relevance for Judicial Resilience
Union	SSM Regulation and ECB	Prudential supervision	classification, supervisory measures, sanctions, withdrawal of authorisation	requires technical specialisation and calibrated judicial review
Union	BRRD and SRM	Early intervention and resolution	valuations, bail-in, rights of shareholders and creditors	requires rapid procedures and remedies compatible with the general interest
Union	AMLA and the AML/CFT rulebook	Direct supervision and coordination	selection of entities, methodologies, cross-border cooperation	increases the density of mixed EU–national disputes
National	Law No. 554/2004	General administrative litigation	annulment, suspension, enforcement	tests the effectiveness of protection against administrative acts
National	BNR and banking legislation	Supervision, measures and national resolution	contestation of prudential measures and their effects	requires divisions with financial expertise
National	ONPCSB and Law No. 129/2019	AML/CFT measures, analysis, reporting, suspensions	eview of proportionality and legality of intervention	equires promptness and understanding of risk circuits

Source: author's own elaboration; table compiled on the basis of EU (European Union) and national legislation, and reports from the ECB (European Central Bank), SRB (Single Resolution Board), AMLA (Anti-Money Laundering Authority), BNR (National Bank of Romania), and ONPCSB (National Office for the Prevention and Control of Money Laundering) (Council of the European Union, 2013)

A second synthesis is useful to see how these mechanisms are reflected in case-law.

Table 3. Key judicial decisions and their lessons for financial stability and institutional accountability

Case	Central Issue	Lesson for Financial Stability
Rimšēvičs și ECB v Latvia	suspension of the central bank governor	institutional independence is a condition of trust and legality in the financial architecture
Trasta Komercbanka	access to review and representation following withdrawal of authorisation	the right to an effective remedy depends on the clarity of post-licence procedural rules
ABLV	the relationship between FOLTF and resolution	the delimitation of acts and their effects influences the path of contestation
Banco Popular	resolution, the right to be heard, proportionality	in a crisis, expediency may justify strictly proportionate procedural limitations
Crédit lyonnais	the intensity of review over the ECB's technical assessment	the court must review rigorously without substituting the regulator's expertise
ABoR Practice	internal administrative review of ECB decisions	rapid and specialised review can absorb part of the conflict before external litigation

Source: author's own elaboration; table compiled based on case-law and official studies on ten years of Banking Union case-law (Court of Justice of the European Union, 2019)

4. DISCUSSIONS

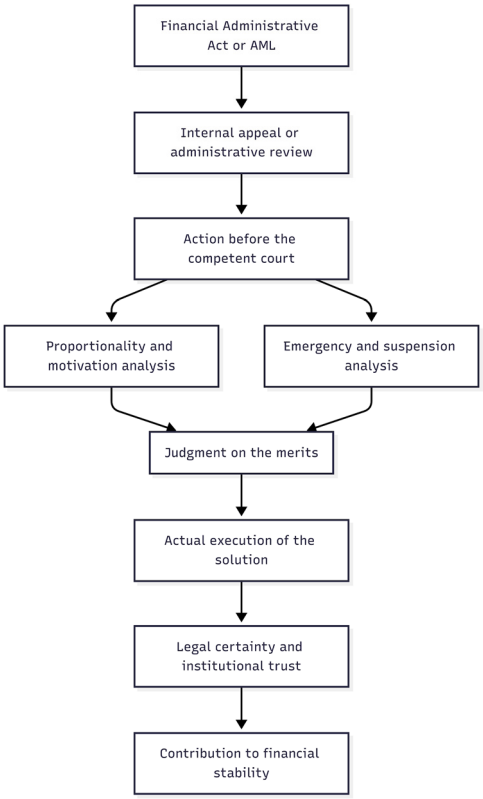
The results allow for the formulation of a normative thesis more firmly grounded than that of the initial abstract: the organisation of judicial power constitutes a public good of financial stability. This formulation may seem strong, but it is fully justified. A prudential supervisory authority or an AML authority does not produce stability merely by tightening requirements or increasing the frequency of inspections, but by issuing acts that can withstand the legal and temporal scrutiny of the court. If rulings arrive too late, if solutions are contradictory, if access to remedies is unclear, or if the reasoning cannot process the technical complexity of the case, the entire compliance ecosystem deteriorates. In this sense, the court is not an external "brake" on financial policy, but a condition of its intelligibility and credibility (European Commission, 2025b).

From the perspective of Romanian administrative law, the first major discussion concerns specialisation. The persistence in Law No. 554/2004 of the

formulation “administrative-fiscal tribunals”, in the absence of the effective establishment of such courts, has produced a hybrid solution: specialisation through divisions, not through distinct jurisdictions. For many subject areas, this solution works reasonably well. For banking and AML disputes, however, it becomes insufficient. Where rules are dense, references to EU law are frequent, and the contested acts are issued by authorities with strong expertise, the judge requires cognitive time, thematic repetition, and analytical support. From this perspective, Romania faces a choice between two serious options: either institutionalising a more robust administrative-fiscal specialisation, or building within the existing divisions dedicated panels, registers, and case management flows clearly dedicated to economic-financial and AML matters. Maintaining the current state of ambiguity does not adequately organise a need that is already present (Parlamentul României, 2004).

The second discussion concerns the balance between acceleration and safeguards. The Banco Popular case-law shows that, in situations of systemic danger, the law can accept limitations on prior hearings. But the same legal order is rejected when institutional interference is not sufficiently proven, as seen in Rimšēvičs. Accordingly, “resilience” must not be confused with mere speed. A resilient court is not one that adjudicates mechanically faster, but one that knows when urgency justifies a proportionate compression of procedure and when, on the contrary, the procedural guarantee itself protects the system against arbitrariness. In Romanian law, this lesson recommends finer triage rules for cases with systemic impact and a more mature doctrine on suspension and interim measures in financial administrative disputes. Law No. 554/2004 contains the basic instruments, but their use must be calibrated through practice, training, and judicial management (Court of Justice of the European Union, 2022).

The third discussion concerns digitalisation. CSM (Superior Council of Magistracy) data show that the Romanian system has already entered a phase of substantial digitalisation, including components for assisted processing of legal text. The CEPEJ (European Commission for the Efficiency of Justice) guidelines and developments in European justice show, at the same time, that digitalisation can improve access, response time, and consistency, but can also worsen dependence on templates, superficial uniformisation of reasoning, or a deficit of deliberation. For banking and AML cases, where facts are densely documented and risk relationships are difficult to reduce to patterns, digitalisation must be seen as an infrastructure tool, not a substitute for judgment. It can shorten repetitive stages, improve access to the case file, facilitate data exchange and anonymisation, but it cannot take over the analysis of proportionality, the assessment of contradictory technical expertise, or the balancing of the general interest against individual rights (Consiliul Superior al Magistraturii, 2025).



Source: author's own elaboration

Figure 2. Functional model of judicial review and enforcement in financial sdministrative litigation

The ideal flow of administrative-financial litigation involves not only access to the court, but also the effective enforcement of the ruling and the return of the legal effect into the circuit of economic trust. This framework is supported by the EU Justice Scoreboard and by the literature on mechanisms for the enforcement of administrative rulings (European Commission, 2025c).

The fourth discussion concerns cross-border cooperation and procedural compositeness. The EBA (European Banking Authority) shows that AML/CFT supervision within colleges is functioning increasingly well as an information-sharing instrument, but convergence is not yet complete. In parallel, the rules of prudential supervisory colleges provide for cooperation with AML/CFT colleges and the involvement of resolution authorities in emergency situations. In such a system, national courts no longer resolve only "domestic" disputes; they adjudicate the local effects of European or composite administrative processes, which requires a jurisdictional culture oriented toward preliminary dialogue, toward understanding

composite architectures, and toward the consistent use of EU case-law. For Romania, this is particularly important, as disputes concerning credit entities, payments, electronic money, or AML compliance will become increasingly less "national" in the traditional sense of the term (European Banking Authority, 2025a).

The fifth discussion concerns workload management. The CSM report leaves no room for illusions: Romania adjudicates an enormous volume of cases, and the number of newly filed cases has reached its highest level in recent years. In such conditions, calling for specialisation alone is insufficient; the governance of priorities must also be organised. For banking and AML cases, this could mean: a distinct register of cases with systemic impact; differentiated hearing schedules; legal-economic research support; joint continuing training for judges, court clerks, and experts; rapid access to relevant CJEU and General Court case-law; and case management protocols for suspension requests where the contested acts affect licences, capital, governance, or freezing and blocking measures. Realistically, none of these measures requires a constitutional break, but merely an administrative recalibration of already overburdened courts (Consiliul Superior al Magistraturii, 2025).

The sixth discussion concerns the window of opportunity available in Romania. The Strategy for the Development of the Judicial System and Justice as a Public Service 2025–2029, adopted by Government Decision No. 390/2025, provides the policy framework for addressing the issue of judicial resilience not as a statistical obsession, but as a public service function essential to the economy and the rule of law. Furthermore, the communication archive of the Ministry of Justice shows that, in 2026, the development of the national digital justice strategy was also set in motion through the Justice Service Delivery Project. If these instruments are used to articulate a distinct axis on economic-financial administrative litigation, Romania could transform current pressure into an institutional advantage. If not, digitalisation risks remaining a point solution to overcrowding, without systemic effect on quality and predictability (Guvernul României, 2025; Ministerul Justiției, 2025).

Finally, a substantive conclusion must be emphasised: judicial resilience is an interface concept between administrative law, financial law, and the science of public administration. It does not call for a "financialisation" of justice, nor for a disproportionate "judicialisation" of supervision. What it calls for is something different: that the court be administratively designed so as to be able to process, lawfully, intelligently, and within a useful timeframe, the inevitable conflicts generated by a densely regulated financial economy and an increasingly integrated European legal space. From this perspective, the article confirms the hypothesis of the initial abstract and takes it further: the judiciary, in the twenty-first century, is no longer merely the ultimate guarantor of legality, but also one of the silent infrastructures of financial stability (European Commission, 2025c).

5. CONCLUSIONS

The analysis conducted in this study confirms the central hypothesis that financial stability can no longer be understood exclusively as the result of monetary policies, prudential regulation, or administrative supervision, but must be seen as a product of the coherent functioning of the entire institutional chain of law enforcement. In this chain, the judiciary occupies a structural position, as it ensures the review of the legality of measures adopted by administrative authorities, guarantees the protection of individuals' subjective rights, and contributes to strengthening trust in the financial system and the legal order.

The research findings show that the organisation and administration of courts constitute a determining factor for the effectiveness of the application of European and national financial law. The duration of proceedings, the quality of the reasoning in rulings, the degree of judicial specialisation, and the institutional capacity to manage complex disputes directly influence the predictability of legal norms and the stability of economic relations. In a context characterised by increasing regulatory complexity and the intensification of administrative and judicial cooperation, courts no longer represent merely a dispute resolution mechanism, but a functional element of financial governance.

An essential aspect highlighted by the research is the interdependence between the administrative performance of courts and the capacity of the financial system to respond effectively to risk situations. Disputes concerning banking supervision, the resolution of credit institutions, or the prevention of money laundering require the assessment of complex technical decisions adopted within a dynamic normative framework. In these conditions, the quality of the administration of justice depends not only on the legal competence of judges, but also on the administrative infrastructure supporting court activity, on access to relevant information, and on the existence of efficient institutional cooperation mechanisms.

At the same time, the analysis demonstrates that the acceleration of judicial proceedings, necessary in situations of financial crisis or systemic risk, must be achieved with full respect for the fundamental guarantees of fair trial and judicial independence. Any reform oriented exclusively toward efficiency, without regard for these guarantees, may generate effects contrary to its intended purpose, undermining the legitimacy of decisions and public trust in state institutions. From this perspective, institutional resilience must be understood as a balance between the speed of institutional response and compliance with legal standards.

In practical terms, the study's findings indicate that strengthening judicial resilience requires coordinated interventions at the legislative, administrative, and organisational levels. Among the relevant measures are the development of judicial specialisation in the financial domain, the modernisation of the digital infrastructure of courts, the standardisation of cooperation procedures between

authorities, and the strengthening of continuing professional training mechanisms. These measures do not represent merely instruments of administrative efficiency, but essential conditions for maintaining financial stability and ensuring legal certainty.

In conclusion, the research supports the idea that the resilience of the European and national financial system depends, to a significant degree, on the capacity of the judicial system to function efficiently, predictably, and independently. Courts are not mere control institutions, but institutional actors that contribute to the stability of the economic order and to the protection of the public interest. Accordingly, investment in the administrative and professional capacity of the judicial system must be regarded as an essential component of public policies on financial stability and good governance.

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TEACHING INTERCULTURAL COMPETENCE TODAY: REORIENTING EFL TOWARD ECONOMIC RESILIENCE

CARINA BRANZILĂ
Alexandru Ioan Cuza University of Iași
Iași, Romania
carina.branzila@uaic.ro

Abstract
As the European Union confronts rising economic fragmentation, geopolitical realignment, and intensified competition over supply chains, technology, and regulatory influence, the capacity to communicate strategically across cultures has become a form of soft power and institutional competence. This article examines how English as a Foreign Language (EFL) and intercultural communication courses in European higher education can be reoriented to support these strategic priorities.
Moving beyond a traditional focus on linguistic proficiency, the paper argues for the integration of strategic communication skills that address economic resilience, institutional cooperation, and policy awareness. Drawing on classroom-based research and teaching practice, it presents concrete pedagogical approaches including policy-oriented simulations, critical discourse analysis of European business and institutional communication, and the development of regionally sensitive intercultural competence.
Particular attention is paid to the challenges educators face when balancing language development with complex content, adapting materials to rapidly shifting geopolitical realities, and ensuring accessibility across heterogeneous student cohorts. The article positions English for Specific Purposes and intercultural communication not merely as skills training, but as contributions to Europe's broader effort to strengthen its strategic agency in a fragmented global economy.
Keywords: *strategic communication; English for Specific Purposes; intercultural competence; European higher education; economic resilience; European Union.*
JEL Classification: I23; I25; M14; M16.

1. INTRODUCTION

In recent years, the European Union has faced a series of overlapping pressures that have exposed the limits of earlier assumptions about economic interdependence and institutional stability. Supply-chain disruptions, technological competition, industrial policy shifts, and the reconfiguration of global trade relationships have contributed to what many observers describe as a

more fragmented global economy. Within this context, communication is no longer a secondary or purely facilitative skill. It has become a strategic resource: the ability to frame positions, negotiate across divergent institutional cultures, manage ambiguity, and build coalitions now directly affects organizational effectiveness and policy outcomes. Higher education institutions across Europe are under increasing pressure to prepare graduates for these conditions. English-language and intercultural communication courses occupy a particularly important position in this effort. English functions as the dominant lingua franca of European business, diplomacy, and institutional coordination, while intercultural competence is essential for collaboration across member states and with external partners. Yet many existing approaches to English for Specific Purposes (ESP) and intercultural communication still prioritise general professional fluency or static cultural knowledge. They often do not stress enough the strategic, policy-aware, and power-sensitive dimensions of communication that current European conditions demand. This article argues that EFL and intercultural communication teaching in European higher education can and should be reoriented toward strategic communication. Drawing on classroom-based research and teaching experience, it examines how language and communication courses can incorporate policy-relevant content, simulation-based learning, and critical engagement with European business and institutional discourse. The aim is not merely to improve linguistic accuracy or cultural sensitivity, but to develop graduates capable of operating effectively in complex, multi-level European and international environments. In doing so, the paper positions communication education as a modest but meaningful contribution to Europe's broader effort to strengthen its economic resilience and institutional capacity in a fragmented global order.

2. THEORETICAL FRAMING

The argument developed in this article relies on three theoretical domains: strategic communication, English for Specific Purposes (ESP) regarded through a critical and lingua-franca lens, and intercultural competence understood as a dynamic, context-sensitive practice rather than a fixed set of cultural characteristics. Together, these three perspectives offer a coherent basis for reorienting language and communication teaching in European higher education toward the demands of a fragmented global economy.

Strategic communication is understood here not merely as the efficient transmission of messages, but as the purposeful use of communication to advance organisational or institutional objectives in complex and contested environments (Hallahan et al., 2007). In the contemporary European context, such objectives increasingly include economic resilience, regulatory coordination, supply-chain security, and the maintenance of institutional legitimacy across diverse political and cultural settings. Communication

becomes strategic when it involves framing issues, managing ambiguity, negotiating competing interests, and constructing shared meaning under conditions of uncertainty and power asymmetry. This view moves beyond traditional public-relations or marketing conceptions and aligns more closely with recent European scholarship that treats strategic communication as a constitutive organisational and political practice (Zerfass et al., 2018). For higher education, the implication is easy to notice graduates who will work in business, policy, international organisations, or cross-border projects require more than fluent English or general cultural awareness. They need the capacity to recognise how communication itself shapes economic and institutional outcomes. This strategic orientation must be brought into dialogue with developments in ESP and English as a Lingua Franca (ELF). Classical ESP approaches have long emphasised needs analysis and the teaching of genre-specific linguistic features for professional settings. While valuable, such approaches risk remaining instrumental if they treat language primarily as a neutral tool for pre-defined professional tasks. More recent critical and ELF-informed perspectives challenge this limitation. They highlight that English in European professional and institutional contexts is rarely a native-speaker variety used under stable conditions; rather, it functions as a shared but unevenly distributed resource among speakers from multiple linguistic and cultural backgrounds (Jenkins, 2015; Seidlhofer, 2011). Communication success depends less on conformity to native norms than on pragmatic adaptability, mutual accommodation, and the ability to negotiate meaning across difference. Moreover, professional discourse is never ideologically neutral. Business and policy texts corporate reports, Commission communications, regulatory proposals, or crisis statements encode particular assumptions about markets, sovereignty, risk, and cooperation. A critical ESP approach should encourage students not only to produce appropriate language, but also to analyse how language constructs and legitimises particular economic and political realities (Fairclough, 2013). In the teaching class, this means treating authentic European institutional and business discourse as both a linguistic resource and an object of critical inquiry. Another pillar of the framework is intercultural competence. Traditional models, such as Byram's (1997) intercultural communicative competence or Deardorff's (2006) process-oriented model, remain useful in identifying the knowledge, skills, and attitudes required for effective interaction across cultural boundaries. However, they must be adapted to the specific conditions of contemporary Europe. Cultural difference within the European Union is not primarily a matter of national stereotypes or distant "other" cultures; it is often a matter of divergent institutional cultures, administrative traditions, professional norms, and regional economic priorities that operate within a shared political and legal framework. Intercultural competence in this setting involves the ability to recognise how communication practices differ across member states and institutional levels,

how these differences affect collaboration and decision-making, and how power relations shape whose communicative norms prevail. Critical approaches to interculturality further warn against essentialising culture and instead emphasise the fluid, situational, and power-laden nature of intercultural meetings (Holliday, 2011). For pedagogical purposes, this translates into tasks that require students to analyse real communicative situations or successful negotiations in European business and policy contexts, and to reflect on the relationship between linguistic choices, cultural assumptions, and institutional constraints. When these three strands are brought together, strategic communication education emerges as a distinctive pedagogical orientation. It treats English not simply as a vehicle for professional content, but as a medium through which economic and institutional relations are enacted and contested. It views intercultural competence not as an add-on soft skill, but as an integral component of the capacity to operate effectively in multi-level European environments. And it positions the language classroom as a site where students can begin to develop the analytical and practical resources needed to navigate a global economy marked by fragmentation, competition, and shifting alliances. The following sections examine how this theoretical orientation can be translated into concrete classroom practices, while also acknowledging the tensions and limitations that arise when complex policy content is introduced into language-focused courses.

3. THE EUROPEAN CONTEXT: WHY STRATEGIC COMMUNICATION MATTERS NOW

The contemporary European economy functions under totally different conditions than those of the post-Cold War period. For decades, deeper market integration, liberalised trade, and the expansion of global value chains were widely treated as both inevitable and largely beneficial. Recent years have unsettled these assumptions. A succession of shocks including the COVID-19 pandemic, Russia's conflict with Ukraine, the intensification of technological rivalry, and renewed industrial policy competition has exposed vulnerabilities in supply chains, energy systems, and critical technologies. In response, European institutions and member states have increasingly emphasised concepts such as strategic autonomy, economic security, de-risking, and resilience. These shifts are not merely technical adjustments in trade or industrial policy; they reconfigure the communicative demands placed on organisations, public institutions, and the professionals who staff them. Economic fragmentation does not mean the disappearance of interdependence. Rather, it involves a more selective, politicised, and contested form of interdependence, in which decisions about investment, sourcing, regulation, and partnership are shaped by geopolitical considerations as much as by pure market logic. In this environment, communication becomes a strategic practice in several interrelated ways. First, organisations must frame their positions and interests in ways that

resonate across different national and institutional audiences. A company seeking regulatory approval, a ministry coordinating industrial strategy, or an EU agency managing a cross-border programme must communicate in registers that acknowledge both shared European frameworks and divergent domestic priorities. Second, negotiation and coalition-building require the capacity to manage ambiguity, interpret indirect signals, and maintain relationships under conditions of mistrust or competing agendas. Third, legitimacy itself is communicative: the acceptance of new industrial policies, state-aid regimes, or external partnerships depends in part on how these initiatives are explained, justified, and contested in public and professional discourse. These dynamics are visible across multiple domains. Corporate communication now frequently addresses supply-chain resilience, dual-use technologies, and alignment with European regulatory standards such as the Carbon Border Adjustment Mechanism or the Chips Act. Institutional communication from the European Commission, the European Central Bank, and national governments increasingly combines technical policy language with broader narratives of security, competitiveness, and solidarity. Cross-border business collaboration whether in energy, digital infrastructure, or manufacturing requires participants to navigate differences in administrative culture, decision-making styles, and expectations regarding transparency and hierarchy. In all these settings, English functions as the primary working language, yet the communicative challenges are rarely reducible to vocabulary or grammar. They involve strategic framing, audience awareness, intercultural sensitivity, and an understanding of the institutional and political contexts in which messages circulate. Higher education institutions are directly implicated in this landscape. Graduates entering European and international labour markets are expected to operate in environments where linguistic proficiency alone is insufficient. Employers in business, consulting, public administration, and international organisations increasingly value the ability to analyse complex policy documents, participate in multilingual negotiations, adapt communicative style to different institutional cultures, and recognise how power and interest shape professional discourse. Traditional EFL and even many ESP courses, focused primarily on general professional fluency or sector-specific terminology, only partially address these requirements. A more deliberate orientation toward strategic communication is therefore not an optional enhancement but a response to structural changes in the European political economy. At the same time, the European context presents particular pedagogical opportunities. Unlike purely global or bilateral settings, European professional communication often takes place within a dense institutional architecture that combines shared legal frameworks with persistent national and regional differences. This multilevel character makes Europe a productive laboratory for developing the needed competences to deal with diversity within common structures, translating between local and supranational logics, and

communicating under conditions of partial integration that are increasingly relevant beyond the continent as well. The following section examines how these contextual demands can be translated into concrete classroom practices.

4. PEDAGOGICAL APPROACHES

Translating the theoretical and contextual arguments outlined above into classroom practice requires a deliberate shift from language instruction conceived primarily as skills training toward a pedagogy that treats communication as a strategic, situated, and reflective activity. The approaches presented here are drawn from classroom-based experience in undergraduate and postgraduate courses in English for Specific Purposes and intercultural communication at European higher education institutions. They do not constitute a fixed curriculum, but rather a set of interrelated practices designed to develop students' capacity to operate in complex European and international professional environments. A central pedagogical strategy is the use of simulation-based learning structured around realistic European scenarios. Rather than generic role-plays focused on meetings or presentations, these simulations are built around concrete situations that reflect current economic and institutional realities: cross-border supply-chain negotiations under conditions of geopolitical tension, coordination meetings between national and EU-level actors on industrial policy, crisis communication following regulatory or reputational shocks, or multi-stakeholder consultations involving business, public authorities, and civil society. Students are assigned roles that require them to represent different organisational or national perspectives, prepare position papers, and engage in extended interaction in English. The design deliberately introduces asymmetry of information, competing priorities, and cultural or institutional differences in communicative style. Debriefing sessions then move beyond linguistic feedback to examine how framing choices, turn-taking patterns, degrees of directness, and the management of disagreement influenced outcomes. In this way, simulations become sites for practising both linguistic performance and strategic awareness. A second approach centres on the critical analysis of authentic European business and institutional discourse. Students work with a range of texts, including European Commission communications, corporate sustainability and risk reports, speeches by EU and national leaders, regulatory proposals, and media coverage of industrial or trade policy. The analytical focus is twofold. At the linguistic level, students examine genre features, rhetorical moves, and specialised vocabulary. At the strategic level, they investigate how these texts construct problems and solutions, allocate responsibility, manage legitimacy, and position European actors in relation to global competitors. Tasks may include comparative analysis of how the same policy issue is framed for different audiences, or the rewriting of a text to address a different institutional or national readership. Such activities train students to read professional discourse not merely for information, but as purposeful

communicative action shaped by power, interest, and context. Intercultural competence is developed not through the transmission of national cultural profiles, but through sustained attention to communicative variation within European professional settings. Classroom activities focus on differences in meeting cultures, decision-making styles, expectations regarding hierarchy and consensus, and norms of written versus oral communication across member states and organisational types. Students are asked to analyse documented cases of miscommunication or successful collaboration in European projects and to reflect on the interplay between linguistic choices and institutional cultures. Pair and group work is structured to surface and examine these differences rather than to suppress them in the name of fluency. The aim is to cultivate a reflective stance that enables students to adapt their own communicative behaviour while remaining attentive to the power dynamics that shape whose norms become dominant in mixed settings. These practices are supported by scaffolding that addresses the inevitable tension between content complexity and language proficiency. Complex policy or business materials are introduced gradually, with pre-task vocabulary and conceptual work, guided reading protocols, and opportunities for collaborative preparation. Assessment combines traditional language criteria with explicit evaluation of strategic and intercultural dimensions: the clarity and appropriateness of framing, the ability to adjust register and style to different audiences, and the capacity to reflect on communicative choices and their consequences. In this way, language development and strategic competence are treated as mutually reinforcing rather than competing objectives. Collectively, these approaches seek to position the language classroom as a space in which students can rehearse the communicative demands of a fragmented European and global economy. They do not claim to replicate professional reality in full, nor do they assume that classroom practice alone can produce fully formed strategic communicators. Their contribution lies in making visible the connections between linguistic performance, intercultural awareness, and the institutional and economic contexts in which graduates will operate, and in providing structured opportunities to develop the analytical and practical resources required to navigate those contexts.

5. CHALLENGES AND TENSIONS

The pedagogical orientation outlined above is not without significant difficulties. Integrating strategic and policy-relevant content into language and intercultural communication courses generates a series of tensions that educators must navigate carefully. These challenges are not merely practical obstacles; they reveal deeper questions about the purpose of language teaching in higher education. One persistent tension concerns the balance between linguistic development and content complexity. Authentic materials drawn from European institutional and business discourse regulatory texts, policy communications,

corporate risk reports are frequently dense, specialised, and conceptually demanding. For students at intermediate or even upper-intermediate levels of proficiency, the cognitive load of processing such content can quickly overwhelm linguistic processing capacity. When this occurs, the risk is that language learning is subordinated to content comprehension, or, conversely, that complex materials are so heavily simplified that their strategic and institutional significance is lost. Effective scaffolding can mitigate but not eliminate this problem. Educators must continually adjust the level of support, the sequencing of tasks, and the degree of conceptual abstraction, often within heterogeneous groups where proficiency levels and prior knowledge of European affairs vary considerably. Another challenge arises from the rapid evolution of the very contexts the courses seek to address. Economic and geopolitical conditions change faster than curriculum materials can be updated. Scenarios built around particular supply-chain vulnerabilities, regulatory initiatives, or geopolitical alignments can become outdated within a short period. This places a continuous demand on teachers to monitor current developments and revise materials, a requirement that is difficult to sustain alongside ordinary teaching loads. There is also a risk that an emphasis on topicality leads to a form of presentism, in which longer-term institutional and communicative patterns are neglected in favour of the most recent crisis or policy announcement. Inclusivity may also represent a difficulty. Courses that favour strategic communication and European policy risk privileging students who already possess greater cultural capital, prior exposure to institutional discourse, or higher levels of English proficiency. Students from less internationally oriented educational backgrounds, or those whose primary academic interests lie outside business and policy fields, may experience the content as alienating or excessively specialised. Ensuring that tasks remain accessible without diluting intellectual demand requires careful differentiation and a conscious effort to validate diverse forms of knowledge and communicative experience. The danger of reproducing existing inequalities under the guise of professional relevance is real and must be addressed explicitly in course design. Finally, the introduction of policy-oriented and strategically framed content raises questions of neutrality and educator positionality. Discussions of economic resilience, strategic autonomy, or geopolitical competition are rarely value-free. Teachers must decide how to present contested concepts without imposing particular political interpretations, while still enabling students to analyse the communicative construction of these concepts. Maintaining analytical distance is especially important in classrooms that bring together students from different member states or with divergent political perspectives. The goal is not to advocate a specific policy stance, but to develop students' capacity to recognise how communication participates in the legitimation and contestation of policy choices. Achieving this balance requires pedagogical tact and a clear articulation of the course's educational rather than

advocacy-oriented purpose. These challenges do not invalidate the case for a more strategic orientation in EFL and intercultural communication teaching. They do, however, underscore that such an orientation cannot be implemented through the simple addition of new topics or activities. It demands ongoing professional judgement, institutional support for curriculum development, and a realistic appraisal of what classroom practice can and cannot achieve. The following section considers the broader implications of these pedagogical and institutional questions.

6. DISCUSSION AND IMPLICATIONS

The preceding analysis suggests that English-language and intercultural communication courses in European higher education occupy a more consequential position than is often acknowledged. When oriented toward strategic communication, these courses can contribute to the formation of graduates capable of operating in environments marked by economic fragmentation, institutional complexity, and geopolitical uncertainty. This contribution is modest and mediated: classrooms do not directly shape European industrial policy or corporate strategy. Yet they constitute one of the few structured spaces in which future professionals can systematically examine the communicative dimensions of the economic and institutional contexts they will enter. Several implications follow for curriculum design and for the institutional location of language teaching. First, the traditional separation between "language skills" and "content" knowledge becomes increasingly difficult to sustain. If communication is understood as constitutive of professional and institutional practice rather than merely facilitative of it, then language courses cannot remain confined to the development of general proficiency or even sector-specific terminology. They must engage, at an appropriate level, with the discursive construction of economic and political realities. This does not require language teachers to become experts in European industrial policy or international political economy. It does require a willingness to work with authentic materials from these domains and to treat them as objects of both linguistic and critical analysis. Second, the argument advanced here has consequences for how intercultural competence is conceptualised and taught. Models that emphasise national cultural differences or universal soft skills remain insufficient in a European context characterised by multilevel governance and overlapping institutional cultures. More productive approaches focus on the communicative practices that emerge within and across specific professional and organisational settings, and on the power relations that shape whose communicative norms become authoritative. Such an orientation aligns intercultural education more closely with the actual conditions of European professional life and reduces the risk of cultural essentialism. Third, the integration of strategic and policy-relevant content places new demands on teacher expertise and institutional

support. Language educators are rarely trained to work with complex institutional discourse or to design simulations that incorporate geopolitical and economic variables. Realising the pedagogical potential outlined in this article therefore depends on opportunities for professional development, collaborative curriculum design with colleagues in business, European studies, or political science, and realistic workload recognition. Without such support, the risk is that strategic communication remains an aspirational discourse rather than an embedded pedagogical practice. The classroom-based nature of the evidence presented here necessarily limits the scope of the claims that can be made. The practices described have been developed and observed in particular institutional settings with specific student cohorts. Their transferability to other national systems, institutional types, or proficiency levels cannot be assumed. Further research is needed to examine how different pedagogical designs interact with varying student backgrounds, how strategic communication competences develop over longer periods, and how graduates subsequently mobilise these competences in professional contexts. Longitudinal and multi-institutional studies would be particularly valuable in assessing the longer-term effects of the approaches discussed. Nevertheless, the central claim remains: in a period when Europe's economic and institutional environment is characterised by fragmentation and strategic competition, the capacity to communicate across difference with analytical awareness and practical adaptability constitutes a relevant professional and civic resource. Language and intercultural communication teaching can contribute to the development of this resource, provided it is willing to move beyond a narrow conception of linguistic proficiency and to engage seriously with the communicative demands of the contemporary European context. The final section briefly considers the broader significance of this reorientation.

7. CONCLUSION

This article has argued that English-language and intercultural communication teaching in European higher education can play a meaningful role in preparing graduates for the communicative demands of a fragmented global economy. By reorienting EFL and ESP courses toward strategic communication understood as the purposeful, context-sensitive use of language to navigate institutional complexity, economic uncertainty, and cross-border collaboration language education can move beyond a narrow focus on linguistic proficiency or generic soft skills. The European context provides both the rationale and the opportunity for such a reorientation. Economic fragmentation, geopolitical competition, and the pursuit of strategic autonomy have elevated the importance of framing, negotiation, and legitimacy work in professional and institutional settings. Classroom practices that combine simulation of realistic European scenarios, critical analysis of authentic business and policy discourse,

and reflection on communicative variation across institutional cultures offer concrete ways of developing the relevant competences. At the same time, the challenges of content complexity, material currency, inclusivity, and educator positionality must be acknowledged and addressed through careful pedagogical design and institutional support.

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DIGITAL ORGANIZATIONAL RESILIENCE IN THE HORECA SECTOR: A COMPARATIVE ANALYSIS OF ROMANIA AND THE REPUBLIC OF MOLDOVA (2018–2024)

GABRIEL BURDUJAN
Alexandru Ioan Cuza University of Iași
Iasi, Romania
gabriel.burdujan@student.uaic.ro

Abstract
The HoReCa sector remains one of the most crisis-vulnerable yet understudied segments in digital resilience research, particularly across Eastern Europe. Built on millions of small family enterprises, the true foundation of any thriving economy, this sector is simultaneously the most exposed to disruption and the most capable of rapid adaptation. In a world where technology evolves faster than most organizations can follow, digital resilience is no longer about surviving the next crisis. It is about conforming, adapting, and learning to live fully in an era of permanent change. Romania and Moldova, two neighboring economies sharing a language and history but standing at very different points on the path toward digital maturity and European integration, offer a uniquely instructive comparative case. For HoReCa organizations in both countries, this is not theory. It is daily business reality. This study examines the relationships between digitalization, ISO 9001 certification, and sectoral resilience using secondary data from INS, BNS, the ISO Survey, and the EU DESI index (2018–2024), analyzed in JASP. Pearson correlation analysis revealed strong positive associations ($r = 0.872–0.951$, $p < .001$), confirming that digital maturity and quality standards are mutually reinforcing drivers of resilience. Romania surpassed pre-pandemic tourist arrivals in 2024 (+7.7% versus 2019), while Moldova's 150% increase in ISO certifications in 2024 suggests that EU accession generates direct institutional pressure toward quality standard adoption. These findings are translated into a preliminary Digital Resilience Framework for Eastern European HoReCa organizations, offering actionable guidance for managers and EU policymakers alike.
Keywords: *organizational resilience; digital transformation; HoReCa sector; ISO standards; European integration.*
JEL Classification: M10; M15; L83; O33.

1. INTRODUCTION

I did not choose to study the HoReCa sector by chance. This is a world built on passion, family business, human warmth, which no algorithm can replicate. A

restaurant is not just a business. A hotel is not just a building. They are places where people celebrate life, where economies come alive, where communities find their identity. And yet, these businesses, precisely because they are small, precisely because they are human, have been left behind by both technology and academic research. The HoReCa sector remains one of the most understudied in the digital resilience literature, particularly in Eastern Europe, a region I know intimately and care deeply about.

As a full EU member state since 2007, Romania has navigated the institutional, regulatory, and digital transformation processes that Moldova, as an EU candidate since 2022, is now beginning to undertake. Understanding Romania's HoReCa resilience trajectory therefore offers actionable insights for Moldovan policymakers, entrepreneurs, and sector stakeholders seeking to accelerate sectoral development and attract international tourism investment.

This research is also motivated by a personal conviction about the nature of resilience itself. Resilience, in the author's view, is not merely a defensive mechanism, a capacity to survive disruption and return to a previous state. Rather, it represents an adaptive and transformative capacity: the ability to conform to new realities, reconfigure organizational capabilities, and ultimately not just survive crises but emerge from them in a stronger competitive position. In the HoReCa context, this distinction is particularly consequential: organizations that treated the COVID-19 pandemic as a trigger for digital transformation and operational reinvention did not merely recover, they repositioned themselves for accelerated post-crisis growth. A systematic search of Scopus-indexed literature identified only 10 studies combining hospitality, digital transformation, and resilience - compared to 86 addressing organizational resilience in general business contexts. This disproportion confirms both the originality and the urgency of the present research.

Against this background, the present paper makes three interconnected contributions. First, it offers what is, to the best of the authors' knowledge, the first empirical comparative analysis of digital resilience in the HoReCa sector between Romania and the Republic of Moldova, drawing on official statistical data covering 2018–2024. Second, it examines the moderating role of ISO 9001 quality certification as a structural enabler of digital resilience, a dimension largely absent from existing frameworks. Third, and most ambitiously, it proposes a preliminary Digital Resilience Framework tailored to the Eastern European HoReCa context, intended as a foundation for future empirical validation.

2. LITERATURE REVIEW

2.1. Organizational Resilience in the Digital Era

Organizational resilience has been conceptualized as the ability of an organization to anticipate, prepare for, respond to, and adapt to incremental

change and sudden disruptions in order to survive and prosper (Lengnick-Hall et al., 2011). In the digital era, this capacity is increasingly mediated by technological infrastructure and digital capabilities (Browder et al., 2024).

He et al. (2023), in a highly cited study published in the Journal of Service Management (283 citations), established that digital transformation directly builds organizational resilience through three mechanisms: enhanced situational awareness, accelerated decision-making, and expanded operational flexibility. Similarly, Browder et al. (2024) demonstrated that digital adaptation serves as the primary pathway through which organizations upgrade their resilience capacity in response to environmental turbulence.

Liu et al. (2024) enriched this framework by introducing the concept of digital orientation, the strategic disposition toward digital resource deployment as a dynamic capability that amplifies resilience. Their findings, grounded in dynamic capabilities theory (Teece et al., 1997), suggest that digital orientation enables organizations to reconfigure resources more rapidly in crisis conditions. This theoretical lens is particularly relevant for the HoReCa sector, where operational flexibility is critical to survival.

This body of evidence is further nuanced by more recent contributions. Guan, Tienan and Tang (2023) show that firms' prior R&D investment fostered greater digital technology adoption, which in turn mediated improved operational performance and resilience during the COVID-19 crisis, positioning R&D investment as a key antecedent of digital capability-building. However, the evidence is not uniformly positive: Chi et al. (2025) document a digital transformation paradox, showing that digital transformation weakens firms' resistance capacity during disruption while simultaneously strengthening their recovery capacity afterward; they further find that customer and supplier concentration buffers the negative effect on resistance capacity, though it does not significantly affect the recovery-capacity link. This finding cautions against assuming a uniformly positive digital transformation-resilience relationship and underscores the relevance of structural moderators such as customer and supplier concentration, a consideration directly pertinent to the HoReCa sector's typically fragmented supplier and customer base.

The role of leadership in digital resilience has been further examined by Syamsir et al. (2025) and Lathabhavan and Kuppusamy (2024), who demonstrate that leadership agility in VUCA (volatile, uncertain, complex, ambiguous) environments significantly moderates the relationship between digitalization and resilience outcomes. This finding aligns with the organizational learning perspective advanced by Awad and Martin-Rojas (2024), who show that digital transformation builds resilience through organizational learning and innovation capacity.

2.2. Digital Transformation Frameworks

A growing body of literature has sought to operationalize digital transformation through measurable frameworks. Saeed et al. (2023) propose a cybersecurity-resilience framework linking digital maturity to business continuity, a dimension directly relevant to the ISO 22301 standard. Nkomo and Kalisz (2023) develop a strategic framework for digital transformation that emphasizes structured, stage-based implementation, while Florek-Paszkowska and Ujwary-Gil (2025) introduce the Digital-Sustainability Ecosystem as an integrative conceptual model.

For SME contexts which characterize the majority of HoReCa enterprises Teng et al. (2022) propose a cost-benefit analysis framework for digital transformation investment decisions, and Al Omoush et al. (2025) demonstrate that digital business transformation significantly enhances SME resilience in emerging markets, providing a particularly relevant benchmark for the Romanian and Moldovan contexts. This SME-specific evidence base builds on earlier findings by Klein and Todesco (2021), who show that digital transformation functioned as a key enabling toolkit through which SMEs adapted during and after the COVID-19 crisis, reinforcing the relevance of firm-level digitalization strategies in small-business contexts.

Of particular significance for the present study is Sobczak's (2022) analysis of Robotic Process Automation (RPA) as a digital transformation tool in Polish enterprises a Central and Eastern European context directly comparable to Romania and Moldova. The study demonstrates that digital tool adoption is strongly associated with organizational resilience improvement, suggesting a generalizable pattern across post-communist economies in the EU integration process.

2.3. HoReCa Sector Resilience: A Critical Gap

Despite the theoretical richness of resilience and digital transformation research, applications to the HoReCa sector remain sparse. Hamada (2024) provides a qualitative account of how Japanese restaurants in Australia transitioned from vulnerability to resilience during COVID-19, identifying digital customer engagement as a key recovery mechanism. Matijevic et al. (2025) analyze COVID-19 recovery strategies in the hospitality and tourism industry, confirming the centrality of digital adaptation to sector recovery.

Hasanein et al. (2026) examine supply chain disruptions and digital agility specifically in the hotel industry, while Iplik and Ulbegi (2022) demonstrate the serial mediating roles of organizational resilience and agility in the relationship between digital transformation and organizational performance in hospitality contexts. Lin and Fan (2024) similarly show that supply chain integration strengthens organizational resilience, which in turn mediates improved sustainable performance, with digital technology usage amplifying this effect

specifically for internal supply chain integration, a mechanism of direct relevance to HoReCa's reliance on perishable-goods and just-in-time supply chains. These studies collectively suggest that the mechanisms linking digital transformation to resilience in hospitality are sector-specific and cannot be directly extrapolated from general organizational research.

A partial exception is Morhulets et al. (2025), who outline strategic mechanisms for managing sustainable hospitality-industry development in Ukraine; however, their analysis does not address digital resilience or the dynamics of EU integration. Critically, no study in the Scopus database examines digital resilience in HoReCa specifically in the context of Eastern European EU integration dynamics. This represents the primary research gap that the present paper addresses.

3. METHODOLOGY

This study employs a mixed-method approach combining a systematic literature review with secondary data analysis. The literature review followed a structured protocol using Scopus as the primary database. Three search strings were applied: (1) 'organizational resilience' AND 'digital transformation' (86 results, 2018–2025); (2) 'digital transformation' AND 'organizational resilience' AND 'framework' (64 results, 2021–2025); and (3) 'hospitality industry' AND 'digital transformation' AND 'resilience' (10 results, 2022–2025). Filters applied included: article type (peer-reviewed articles), English language, and subject area (Business, Management and Accounting). Results were sorted by citation count and 26 articles were selected for the final review corpus.

Secondary data were collected from four official sources: (1) Romania's National Institute of Statistics (INS), specifically the TEMPO Online database, matrices TUR101A (accommodation structures), TUR104A (tourist arrivals), and TUR105C (overnight stays), covering 2018–2024; (2) Moldova's National Bureau of Statistics (BNS), specifically annual Excel files on tourist accommodation frequentation, covering 2021–2025; (3) the ISO Survey, published annually by the International Accreditation Forum (IAF CertSearch), providing ISO 9001 certificate counts per country for 2018–2024; and (4) the European Commission's Digital Economy and Society Index (DESI) annual reports for Romania, covering 2018–2022, supplemented by the State of the Digital Decade reports for 2023–2024.

Statistical analysis was conducted in JASP (version 0.97.0). Pearson correlation coefficients were computed to examine relationships between tourist arrivals, overnight stays, ISO 9001 certificates, and DESI scores. Given the panel structure of the data (Romania: n=7 observations, 2018–2024; Moldova: n=4 observations, 2021–2024), combined dataset analysis (n=11) was used for correlation analysis. Descriptive statistics and distribution plots were generated to characterize sector profiles in both countries.

4. RESULTS

4.1. HoReCa Sector Profile: Romania (2018–2024)

Romania's HoReCa sector demonstrated strong pre-pandemic growth, with tourist arrivals peaking at 12,905,131 in 2019 (+5% versus 2018). The COVID-19 pandemic produced a sharp contraction in 2020, with arrivals declining to 6,398,642 (–50.4%) and overnight stays falling from 30,086,091 to 14,579,140 (–51.5%). The sector exhibited robust recovery dynamics, with arrivals reaching 9,370,232 in 2021 (+46.4%), 12,360,000 in 2022 (+32%), and 13,650,000 in 2023 (+10.5%). In 2024, Romania surpassed the pre-pandemic peak for the first time, recording 14,263,700 arrivals (+4.5% versus 2023; +7.7% versus 2019), with overnight stays totaling 30,837,328.

The number of active accommodation structures showed counter-intuitive resilience during the pandemic, increasing from 8,453 in 2018 to 8,610 in 2020, and further expanding to 9,146 in 2021 and 9,120 in 2022. This suggests structural adaptation, as smaller, more flexible operators entered the market as larger establishments retrenched. Romania's productivity advantage is reflected in Eurostat data showing the country recorded the highest adjusted wage-productivity ratio in EU accommodation and food services in 2022 (180.1% of the EU average).

Table 1. HoReCa sector indicators: Romania (2018–2024)

Year	Tourist Arrivals	Overnight Stays	Accommodation Structures	ISO 9001 Certs
2018	12,296,552	28,644,742	8,453	4,553
2019	12,905,131	30,086,091	8,402	9,506
2020	6,398,642	14,579,140	8,610	9,935
2021	9,370,232	22,747,562	9,146	11,886
2022	12,360,000	27,044,372	9,120	10,621
2023	13,650,000	29,691,592	n/a	13,805
2024	14,263,700	30,837,328	n/a	12,065

Source: INS Romania (TEMPO Online), ISO Survey 2018–2024

4.2. HoReCa Sector Profile: Republic of Moldova (2021–2025)

Moldova's HoReCa sector data, available from BNS for 2021–2025, reveals an extraordinary growth trajectory. Tourist arrivals increased from 178,196 in 2021 to 333,925 in 2022 (+87.4%), reflecting post-pandemic recovery compounded by the influx of Ukrainian refugees and humanitarian workers. Growth continued to 391,471 in 2023 (+17.2%), 474,183 in 2024 (+21.2%), and 525,095 in 2025 (+10.7%). Overnight stays followed a similar trajectory, rising from 762,877 (2021) to 1,626,206 (2025), representing a 113% increase over

four years. In 2025, Moldova recorded 317 active accommodation structures with 8,850 rooms and 26,092 beds.

Table 2. HoReCa Sector Indicators: Republic of Moldova (2021–2025)

Year	Tourist Arrivals	Overnight Stays	Growth (Arrivals)	ISO 9001 Certs	EU Status
2021	178,196	762,877	—	98	Candidate (pending)
2022	333,925	1,345,997	+87%	89	Candidate (June 2022)
2023	391,471	1,415,014	+17%	86	Candidate
2024	474,183	1,557,111	+21%	215	Candidate
2025	525,095	1,626,206	+11%	n/a	Candidate

Source: BNS Moldova (annual Excel files), ISO Survey 2021–2024

4.3. ISO 9001 Certification Dynamics

The ISO 9001 certification data reveal a striking divergence between the two countries, directly reflecting their differential trajectories of EU integration. Romania's certification base expanded dramatically from 4,553 certificates in 2018 to a peak of 13,805 in 2023, before a modest decline to 12,065 in 2024. The exceptional growth between 2018 and 2019 (+109%) likely reflects the belated uptake of the ISO 9001:2015 revision cycle, which had set 2018 as the deadline for transition from the 2008 standard.

Moldova's trajectory is markedly different. The country maintained a stable but low certification base (85–98 certificates) from 2019 to 2022, reflecting limited institutional pressure for quality management adoption. However, 2024 witnessed a dramatic acceleration: Moldova's ISO 9001 certificate count jumped from 86 (2023) to 215 (2024), an increase of 150%. This inflection point coincides precisely with the intensification of Moldova's EU accession process following the 2022 candidate status grant, suggesting that EU integration creates direct institutional incentives for quality standard adoption.

Table 3. ISO 9001 Certificates: Romania vs. Moldova (2018–2024)

Year	Romania (RO)	Moldova (MD)	Ratio RO/MD	DESI Score (RO)	RO EU Rank
2018	4,553	10	455:1	31.2	28/28
2019	9,506	85	112:1	32.4	27/28
2020	9,935	88	113:1	33.0	26/28
2021	11,886	98	121:1	34.0	27/27

Year	Romania (RO)	Moldova (MD)	Ratio RO/MD	DESI Score (RO)	RO EU Rank
2022	10,621	89	119:1	35.5	27/27
2023	13,805	86	160:1	38.0	27/27
2024	12,065	215	56:1	40.1	27/27

Source: ISO Survey 2018–2024 (IAF CertSearch); European Commission DESI Reports 2018–2022; State of the Digital Decade Reports 2023–2024

4.4. Correlation Analysis

Pearson correlation analysis was conducted on the combined dataset (n=11 country-year observations). The analysis revealed strong positive correlations between all variables (Table 4). Tourist arrivals correlated strongly with ISO 9001 certification ($r = 0.872$, $p < .001$) and very strongly with DESI scores ($r = 0.951$, $p < .001$). Overnight stays showed similar correlation patterns (ISO 9001: $r = 0.864$; DESI: $r = 0.950$, both $p < .001$). ISO 9001 and DESI scores were themselves strongly correlated ($r = 0.949$, $p < .001$), suggesting that quality standard adoption and digital maturity develop as complementary, mutually reinforcing capabilities.

Table 4. Pearson Correlation Matrix (n=11)

Variable	Tourist Arrivals	Overnight Stays	ISO 9001	DESI Score
Tourist Arrivals	—	0.998***	0.872***	0.951***
Overnight Stays	0.998***	—	0.864***	0.950***
ISO 9001	0.872***	0.864***	—	0.949***
DESI Score	0.951***	0.950***	0.949***	—

Note: *** $p < .001$. Analysis conducted in JASP 0.97.0

5. DISCUSSION

The empirical findings support and extend the theoretical framework developed from the literature review. The strong correlation between ISO 9001 certification and HoReCa sector resilience indicators ($r = 0.872$, $p < .001$) provides the first quantitative evidence linking quality management standards to sectoral recovery dynamics in hospitality. This relationship is consistent with the theoretical proposition that structured management systems, which is what ISO 9001 fundamentally provides, enhance organizational capacity to maintain operations under disruption (Nkomo and Kalisz, 2023).

The DESI–resilience correlation ($r = 0.951$, $p < .001$) is the study's strongest finding, aligning with He et al. (2023) and Browder et al. (2024) on the

centrality of digital transformation to resilience building. That this relationship holds across two countries with very different digitalization levels, with Romania consistently ranking last in the EU (DESI score 31.2–40.1, rank 27/27) and Moldova with no formal DESI ranking, which suggests the relationship is robust to differences in absolute digitalization level. What appears to matter is the directional trajectory: both countries show improving digital indicators alongside recovering HoReCa performance.

The most theoretically significant finding concerns Moldova's ISO 9001 acceleration in 2024. The jump from 86 to 215 certificates (+150%) coinciding with the intensification of EU accession negotiations constitutes preliminary evidence for what we term the 'EU Accession Effect' on quality standards adoption. This mechanism, whereby the prospect of EU membership generates institutional isomorphic pressure toward EU-standard quality management, has not been documented in the HoReCa literature and represents a novel contribution. The parallel finding from Sobczak (2022) regarding Polish enterprises, where EU membership had similar effects on digital tool adoption, provides comparative support for this mechanism.

The convergence of the Romania-Moldova ISO ratio from 455:1 (2018) to 56:1 (2024) is particularly striking. While Romania's absolute advantage remains large, the trend suggests that the quality management gap between EU member and EU candidate states in Eastern Europe is closing, at least in terms of formal certification, as the accession process intensifies. This finding has direct implications for EU enlargement policy and for the design of pre-accession support programs targeting SME quality standards.

Several limitations of the present study warrant acknowledgment. The combined dataset (n=11) limits the statistical power of correlation analyses and precludes more sophisticated multivariate modelling. The absence of DESI data for Moldova means that the DESI correlations reflect only Romanian data, potentially overstating the generalizability of the digitalization-resilience relationship across both countries. Future research should incorporate primary survey data from HoReCa managers in both countries to validate these secondary data findings at the firm level.

6. PRELIMINARY DIGITAL RESILIENCE FRAMEWORK FOR HORECA IN EASTERN EUROPE

Drawing on the literature review and empirical findings, we propose a preliminary Digital Resilience Framework (DRF-HoReCa) for Eastern European hospitality organizations. The framework identifies three categories of determinants and two dimensions of resilience outcomes.

The framework posits that digital organizational resilience in HoReCa is determined by: (1) Digital Maturity, defined as the organization's level of digitalization as measured by adoption of digital booking systems, payment

solutions, inventory management platforms, and data analytics capabilities; (2) Quality Management Standards, primarily ISO 9001 (quality management) and ISO 22301 (business continuity management), which provide structured frameworks for crisis preparedness and operational continuity; and (3) EU Integration Context, meaning the regulatory environment created by EU membership or accession candidacy, which generates institutional incentives for digitalization investment and quality standard adoption.

These determinants jointly predict resilience outcomes across two dimensions: Process Resilience (adaptive flexibility during disruption, measured by the degree to which operational continuity was maintained during COVID-19) and Result Resilience (post-crisis performance recovery, measured by tourist arrival and overnight stay recovery indices relative to 2019 baselines). The EU Integration Context operates as a moderating variable, amplifying the positive effects of digitalization and quality standards on resilience outcomes. particularly in contexts of transition from non-member to candidate to member status.

This framework extends existing models (He et al., 2023; Browder et al., 2024) by: (a) introducing quality management standards as an explicit resilience determinant alongside digital maturity; (b) incorporating institutional context (EU integration) as a moderating variable; and (c) applying the framework specifically to HoReCa, a sector characterized by high labor intensity, supply chain complexity, and direct consumer-facing operations that create distinctive resilience challenges not captured by general organizational models.

7. CONCLUSIONS

This paper presents the first empirical comparative analysis of digital organizational resilience in the HoReCa sector between Romania and the Republic of Moldova, using secondary data covering 2018–2024. The findings make three substantive contributions to the literature.

First, we document that digital maturity (DESI) is strongly correlated with HoReCa sector resilience outcomes in Romania ($r = 0.951$, $p < .001$), providing quantitative support for the theoretical propositions advanced by He et al. (2023) and Browder et al. (2024) in a sector-specific Eastern European context. Second, we establish that ISO 9001 certification is strongly associated with tourist sector performance ($r = 0.872$, $p < .001$), introducing quality management standards as an empirically validated determinant of HoReCa resilience that has received insufficient attention in existing frameworks. Third, we document the 'EU Accession Effect': Moldova's 150% increase in ISO 9001 certifications in 2024, coinciding with the intensification of EU accession negotiations, provides preliminary evidence that European integration generates institutional pressure for quality standard adoption with positive implications for sectoral resilience.

These findings have direct practical implications. For HoReCa managers in Eastern European economies, the results underscore the strategic value of both

digitalization investment and ISO certification as complementary resilience-building activities. For EU policy designers, the Moldova findings suggest that pre-accession technical assistance programs targeting quality management capacity building in the HoReCa sector could accelerate the convergence of resilience capacities between candidate and member states.

The preliminary Digital Resilience Framework proposed here requires validation through primary survey research targeting HoReCa managers in both countries, work currently underway as part of the doctoral research program of which this paper forms a part. Future research directions include: (a) extension to additional Eastern European economies (Bulgaria, North Macedonia, Ukraine) to test the generalizability of the EU Accession Effect; (b) firm-level survey validation of the DRF-HoReCa framework; and (c) longitudinal analysis of the ISO-resilience relationship using panel data methods as longer time series become available for Moldova.

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EXPERIMENTAL EVALUATION OF HYBRID QUANTUM-CLASSICAL LEARNING FOR DERMOSCOPIC SKIN LESION CLASSIFICATION

MARIA CIORÂȚANU
Alexandru Ioan Cuza University of Iași
Iași, Romania
mariacioratanu49@gmail.com

AIDA-GABRIELA PÂNCĂ
Alexandru Ioan Cuza University of Iași
Iași, Romania
aida.pnc9@gmail.com

ȘTEFAN-RĂZVAN BĂLĂUCĂ
Alexandru Ioan Cuza University of Iași
Iași, Romania
stefann.balauca@gmail.com

ADRIAN IFTENE
Alexandru Ioan Cuza University of Iași
Iași, Romania
adiftene@info.uaic.ro

Abstract
The growing use of artificial intelligence in medical image analysis raises important questions about reliability, transparency, and the responsible adoption of emerging computational technologies. This paper presents an experimental comparison between a classical convolutional neural network and a hybrid quantum-classical learning pipeline for binary dermoscopic skin lesion classification. The study uses the publicly available HAM10000 dataset and focuses on the distinction between benign and malignant skin lesions. The classical model is based on MobileNetV2, while the hybrid approach combines convolutional feature extraction, principal component analysis, and a variational quantum circuit used as a compact decision module. Both models are evaluated under the same train, validation, and test protocol, and the quantum pipeline is additionally validated for inference on IBM Quantum backends. The results show that the classical baseline clearly outperforms the hybrid model, reaching 95.46% test

accuracy, while the selected hybrid configuration obtains a balanced accuracy of 0.582 and an AUC of 0.610 on the held-out test set. These findings indicate that current hybrid quantum-classical models should not yet be viewed as competitive clinical decision-support tools, but rather as feasibility studies under noisy intermediate-scale quantum constraints. The paper contributes to the discussion on trustworthy and responsible AI by showing the importance of controlled evaluation, transparent limitations, and careful interpretation before adopting emerging AI technologies in sensitive domains such as healthcare.
Keywords: *responsible AI; medical image classification; hybrid quantum-classical learning; dermoscopy; trustworthy evaluation.*
JEL Classification: C63; I18; O33.

1. INTRODUCTION

Artificial intelligence is increasingly used in medical image analysis, where automated systems can support faster screening, provide an additional signal for clinicians, and assist educational or research workflows. In dermoscopy, the task remains difficult because benign and malignant skin lesions may share similar visual characteristics, while lesions belonging to the same class may also vary substantially in color, texture, shape, and border appearance. These characteristics make binary benign versus malignant classification a relevant and challenging case for studying the reliability of automated image analysis systems (Esteva et al., 2017; Tschandl, Rosendahl and Kittler, 2018).

At the same time, quantum machine learning has attracted attention as an emerging computational direction. However, current quantum hardware is still limited by a small number of noisy qubits, finite-shot measurement, restricted connectivity, and device-dependent execution constraints (Preskill, 2018; Cerezo et al., 2021). For realistic medical images, fully quantum image processing is therefore not yet a practical option. Most present studies rely on hybrid quantum-classical designs, in which a classical model extracts image features and a variational quantum circuit is used as a compact decision layer (Mari et al., 2020; Benedetti et al., 2019).

This paper studies such a hybrid design in the context of dermoscopic skin lesion classification. The goal is not to claim that the quantum model is superior to established deep learning approaches. Instead, the study asks how a hybrid quantum-classical decision module behaves when it is compared with a strong classical convolutional baseline under the same task definition, data splits, and evaluation protocol.

The broader relevance of the work lies in the governance of emerging AI systems. In high-stakes domains such as healthcare, novelty alone is not sufficient. A model must be evaluated transparently, compared against strong baselines, and presented with clear limitations before its potential role can be interpreted responsibly.

The main contributions of the paper are threefold. First, it presents a controlled comparison between a classical MobileNetV2 classifier and a hybrid quantum-classical pipeline on the HAM10000 dermoscopic dataset. Second, it evaluates the hybrid model using validation-based model selection and held-out test performance, including accuracy, balanced accuracy, F1 score, AUC, and confusion-matrix analysis. Third, it frames the results from a trustworthy AI perspective, showing that the hybrid pipeline is technically feasible and executable on IBM Quantum backends, but not competitive with the classical baseline for practical classification.

2. RESPONSIBLE FRAMING AND RELATED WORK

Deep convolutional neural networks are well-established tools for image classification and have been widely used in medical image analysis, including dermatologist-level skin cancer classification studies (Esteva et al., 2017). In skin lesion assessment, transfer learning is particularly useful because models trained on large-scale image datasets can be adapted to more specific medical tasks. MobileNetV2 is an efficient convolutional architecture that provides a strong trade-off between representational capacity and computational cost (Sandler et al., 2018). For this reason, it is suitable both as a classical baseline and as a feature extractor for hybrid experiments.

The HAM10000 dataset is a commonly used dermoscopic benchmark containing multiple diagnostic categories (Tschandl, Rosendahl and Kittler, 2018). In this study, these categories are grouped into two classes, benign and malignant, in order to create a binary classification task. This formulation is useful for experimental comparison, but it should not be confused with clinical diagnosis. A real clinical system would require broader validation, physician oversight, prospective testing, and careful assessment of safety, bias, and reliability.

Quantum machine learning explores whether quantum circuits can support learning tasks through parameterized transformations and measurement-based outputs (Biamonte et al., 2017; Benedetti et al., 2019). In the current noisy intermediate-scale quantum era, variational quantum algorithms are among the most practical approaches because they combine trainable quantum circuits with classical optimization loops (Cerezo et al., 2021; Preskill, 2018). Hybrid transfer-learning approaches are especially relevant for images because the high-dimensional visual representation can be handled by a classical model, while the quantum component operates on a reduced feature vector (Mari et al., 2020).

Recent studies have explored hybrid quantum-classical architectures for medical and skin lesion classification tasks, often combining classical feature extraction with variational quantum circuits or related quantum components (Hussein, Montaser and Elsayed, 2025; Frasca et al., 2025; Reka et al., 2024).

These works show that the area is active, but they also reinforce the need for careful baselines. A hybrid model should not be evaluated only by showing that it can run. It must also be compared with mature classical alternatives under a controlled protocol.

From a responsible AI perspective, this distinction is central. In medical imaging, a weak but novel model can create misleading expectations if its limitations are not clearly stated. The present paper therefore treats the hybrid quantum-classical pipeline as an experimental benchmark and feasibility study. The contribution is not a claim of clinical readiness, but an evidence-based analysis of what the current pipeline can and cannot do.

3. METHODOLOGY

3.1. Task and Dataset

The task is binary dermoscopic image classification. Given an input image of a skin lesion, the model must assign the image to one of two classes, benign or malignant. The experiments use the HAM10000 dataset, a public collection of dermoscopic images covering seven diagnostic categories (Tschandl, Rosendahl and Kittler, 2018). For the binary setup, the original labels are aggregated into two super-classes. The binary grouping used in the experiments is summarized in (Table 1).

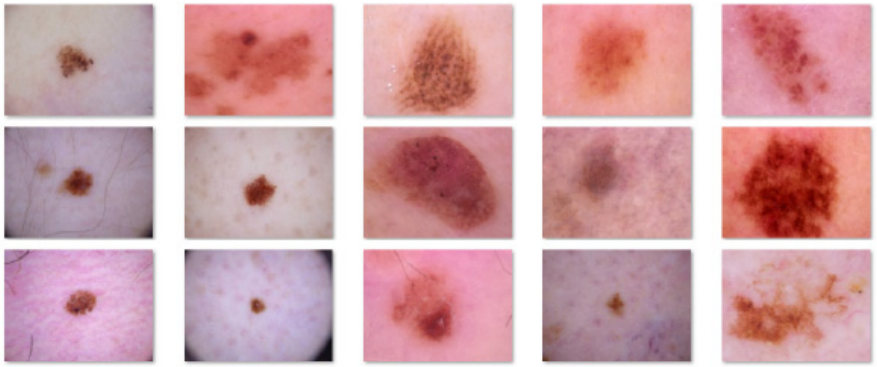
Table 1. Binary grouping of HAM10000 diagnostic categories

Binary class	HAM10000 categories used in the study
Malignant	Melanoma (mel), basal cell carcinoma (bcc), and actinic keratoses (akiec).
Benign	Melanocytic nevi (nv), benign keratosis-like lesions (bkl), dermatofibroma (df), and vascular lesions (vasc).

Source: authors' own processing based on Tschandl, Rosendahl and Kittler (2018)

Examples from the HAM10000 dataset are shown in (Figure 1).

All images are processed through the same input pipeline before classification. Images are resized to 224 x 224 pixels and normalized to the [0, 1] range. During training, lightweight augmentation through random rotations and flips is used to improve robustness to visual variability. Using the same preprocessing for both models is important because the comparison should reflect the behavior of the classifiers rather than differences in input preparation.



Source: authors' own processing of the HAM10000 dataset (Tschandl, Rosendahl and Kittler, 2018)

Figure 1. Representative dermoscopic examples from HAM10000

3.2. Classical MobileNetV2 Baseline

The classical baseline is a MobileNetV2-based convolutional neural network (Sandler et al., 2018). The model is initialized with ImageNet pretrained weights and adapted to the binary benign versus malignant classification task. For each input image, the model produces a probability score for the malignant class and a predicted label. This baseline has two roles in the study. First, it provides the main practical reference point because convolutional models remain strong solutions for dermoscopic image classification. Second, it provides the visual features used by the hybrid quantum-classical model.

3.3. Hybrid Quantum-Classical Pipeline

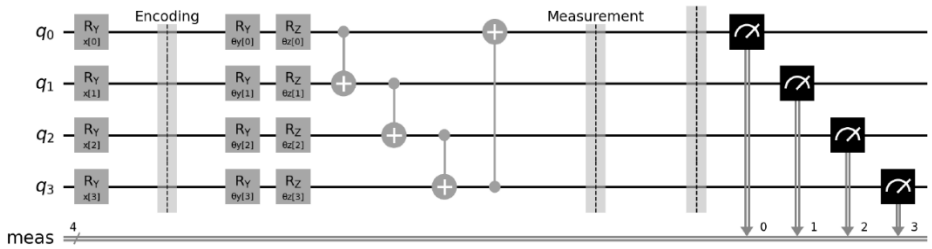
The hybrid model follows a late-fusion strategy. The image is first processed by the classical MobileNetV2 backbone, which extracts a high-dimensional feature vector. Because current quantum circuits cannot directly process such a large representation, the feature vector is standardized and reduced with principal component analysis. The reduced vector is then transformed so that it can be encoded into rotation angles.

$$z = \mathrm{PCA}(\mathrm{Scaler}(f(I))) \quad (1)$$

$$x = \tanh(z), \; x \in (-1, 1)^n \quad (2)$$

The quantum component is a variational quantum circuit implemented with Qiskit. The reduced features are encoded through angle-based rotations, trainable variational layers are applied, and entanglement is introduced through CNOT gates arranged according to the selected circuit configuration. Data re-uploading is used to increase *expressiveness by applying the input encoding*

more than once between variational layers (Perez-Salinas et al., 2020). Figure 2 provides a simplified four-qubit illustration of the variational quantum circuit, showing its main encoding, processing, and measurement stages. The diagram is intended as a conceptual representation rather than an exact depiction of the 12-qubit configuration used in the experiments.



Source: authors' own elaboration

Figure 2. Simplified four-qubit illustration of the variational quantum circuit

The final score is obtained from measurement statistics and mapped to a probability-like value. A threshold selected on the validation set is then used to assign the final binary label.

$$\text{pVQC} = (e + 1) / 2 \quad (3)$$

$$\hat{y} = \text{malignant if pVQC} \geq \tau, \text{otherwise benign} \quad (4)$$

This design is deliberately constrained. The quantum circuit does not replace the full image-processing pipeline. Instead, it acts as a compact decision module on top of classical CNN features. This distinction is important for interpreting the results because the experiment evaluates whether a quantum decision layer is useful after classical feature extraction, not whether a quantum computer can independently perform dermoscopic image recognition.

3.4. Real-Hardware Inference and Prototype Workflow

After simulator-based development, the selected hybrid pipeline is also validated for inference on IBM Quantum backends. For real-device execution, the circuit must be transpiled to hardware-supported operations and mapped to a valid backend layout. The decision flow remains unchanged because the classical backbone extracts features, PCA reduces them, the variational circuit processes the quantum-compatible representation, and the score is computed from shot-based measurements.

In addition to the model-level experiments, the project includes an end-to-end prototype. A Streamlit frontend allows the user to upload a dermoscopic image, while a FastAPI backend runs the classical CNN and the hybrid VQC model on the same input. The interface returns side-by-side predictions and scores. This

prototype supports demonstration, reproducible inference with saved artifacts, and inspection of cases in which the two models agree or diverge.

4. EXPERIMENTAL PROTOCOL

4.1. Evaluation Design

The evaluation uses disjoint train, validation, and test splits. Model development and selection are performed on training and validation data, while final performance is reported only on the held-out test set. This separation is especially important for the hybrid model because its threshold is selected on the validation set and then applied unchanged to the test set.

The comparison is controlled by using the same task definition, the same class grouping, the same dataset source, and the same evaluation logic. However, the comparison must still be interpreted carefully. The hybrid model reuses CNN-derived features and therefore should be understood as a quantum decision module built on top of a classical visual representation.

4.2. Metrics and Retained Configuration

The reported metrics are accuracy, balanced accuracy, F1 score, and area under the receiver operating characteristic curve. Accuracy summarizes overall correctness. Balanced accuracy is useful because it treats the two classes more evenly when class distribution matters. The F1 score captures the precision-recall trade-off, and AUC reflects ranking quality across thresholds. In addition, confusion matrices are used to inspect the distribution of false positives and false negatives.

The retained hybrid configuration uses 12 qubits, 4 variational repetitions, data re-uploading equal to 2, ring entanglement, and 192 trainable parameters. The circuit is evaluated with a shot-based estimator using 2048 shots. Parameters are optimized with SPSA for 500 iterations and 5 random restarts. The best retained restart achieved its best validation score at iteration 225. The chosen threshold is tau = 0.53, selected on the validation set using balanced accuracy as the target criterion.

5. RESULTS

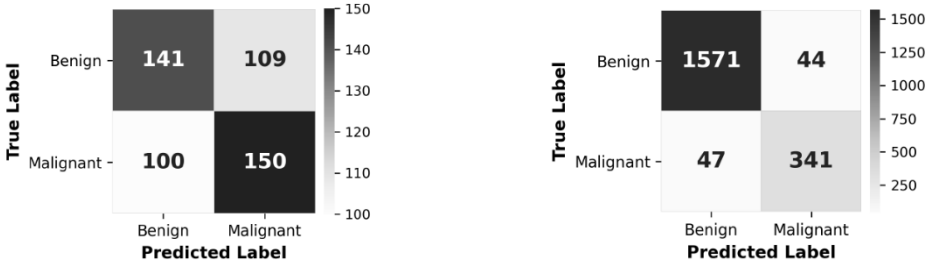
The results show a clear difference between the classical and hybrid approaches. The MobileNetV2 baseline reaches 95.46% test accuracy in the binary classification task. The hybrid VQC model performs above chance level, but remains substantially weaker. On the validation split, the retained hybrid configuration reaches accuracy = 0.64, balanced accuracy = 0.64, F1 = 0.65, and AUC = 0.62. On the held-out test split, the same configuration reaches accuracy = 0.582, balanced accuracy = 0.582, F1 = 0.589, and AUC = 0.610. The retained model results are summarized in (Table 2).

Table 2. Summary of retained model results

Model	Evaluation setting	Reported results	Interpretation
MobileNetV2 classical CNN	Held-out test split	95.46% test accuracy	Strong practical baseline for the binary dermoscopic task.
Hybrid VQC pipeline	Validation split	Acc = 0.64; BalAcc = 0.64; F1 = 0.65; AUC = 0.62	Best configuration selected before test evaluation.
Hybrid VQC pipeline	Held-out test split	Acc = 0.582; BalAcc = 0.582; F1 = 0.589; AUC = 0.610	Above chance, but far below the classical CNN.

Source: authors' own processing of experimental results

The confusion matrix comparison is shown in (Figure 3).



Source: authors' own processing of experimental results

Figure 3. Confusion matrix comparison on the HAM10000 test split

The test confusion matrix of the retained hybrid configuration is [[141, 109], [100, 150]], where rows correspond to true classes and columns correspond to predicted classes. This distribution shows that the hybrid model makes a substantial number of errors in both classes. The classical baseline has a much stronger diagonal concentration, reflecting better separation between benign and malignant samples.

The observed gap is consistent with the design constraints of the two models. The classical CNN operates in a representation space well suited to image classification and benefits from mature transfer learning. The hybrid model receives a compressed, quantum-compatible representation and optimizes a finite-shot stochastic objective. Compression is necessary because of the limited qubit budget, but it can remove information that is useful for lesion discrimination.

Repeated VQC training also shows variability. This behavior is influenced by finite-shot sampling noise, the stochastic nature of SPSA optimization, initialization, circuit depth, entanglement pattern, and data re-uploading. Some runs approach the best validation behavior, while others converge closer to chance level. This variability is not just an implementation detail. It is part of the practical behavior of current hybrid quantum-classical learning under noisy and low-dimensional constraints.

Validation on IBM Quantum hardware confirms that the trained circuit can be executed beyond simulation. This result should be interpreted as hardware compatibility and feasibility, not as evidence of a performance advantage. Queue-dependent latency, device noise, and backend constraints make real-hardware execution unsuitable as the main environment for iterative model development in this study.

6. TRUSTWORTHY AI, GOVERNANCE AND INTERPRETATION

The main idea of the study is not that the hybrid quantum-classical model should replace classical deep learning. The classical CNN remains clearly stronger. The interpretation is that the hybrid pipeline demonstrates feasibility, while also showing the limitations of current near-term quantum approaches in realistic medical image classification.

This conclusion is relevant for trustworthy AI because emerging technologies can easily be over-interpreted when evaluated without strong baselines. In a sensitive domain such as healthcare, a model should not be presented as useful just because it is novel or executable on advanced infrastructure. It should be assessed against practical alternatives and reported with limitations that are understandable to researchers, practitioners, and decision-makers.

The study supports three governance-oriented principles. First, controlled comparison is necessary. Both models must be evaluated on the same task, with the same data splits and clearly defined metrics. Second, limitations must be explicit. The hybrid model relies on CNN-derived features, dimensionality reduction, finite-shot measurement, and stochastic optimization. These constraints directly affect performance and stability. Third, deployment claims must be proportional to evidence. The current hybrid model is suitable as a research benchmark and educational prototype, not as a clinical decision-support tool. The responsible interpretation of the experimental findings is summarized in (Table 3).

Table 3. Responsible interpretation of the experimental findings

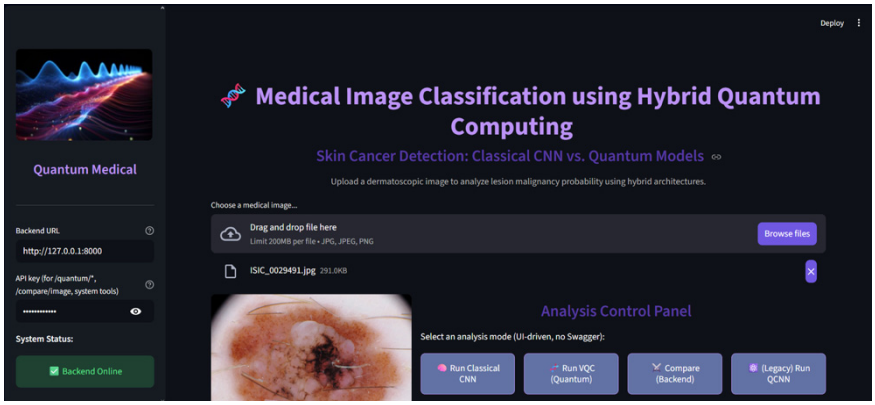
Aspect	Evidence from the study	Responsible interpretation
Predictive performance	The classical CNN reaches 95.46% test accuracy, while the hybrid model reaches 0.582 balanced accuracy and 0.610 AUC on the test set.	The hybrid model is not competitive with the classical baseline for practical classification.
Technical feasibility	The hybrid pipeline can be trained, selected on validation data, evaluated on test data, and executed on IBM Quantum backends.	The contribution is a feasibility study under current NISQ-era constraints.
Reliability	VQC training shows run-to-run variability due to finite-shot sampling and stochastic optimization.	Results must be reported with caution and should not be generalized beyond the experimental setting.
Healthcare relevance	The task concerns benign-versus-malignant dermoscopic classification, a high-stakes medical context.	The prototype is not a clinical tool and would require extensive validation before any medical use.
Governance relevance	The work compares a new AI direction with a mature baseline and documents limitations.	Transparent evaluation helps prevent exaggerated claims about emerging technologies.

Source: authors' own elaboration based on experimental findings

The prototype also has educational value. By allowing side-by-side comparison between the classical and hybrid predictions, it makes the evaluation process visible. Users can inspect cases of agreement and disagreement and understand why a weaker model should not be adopted simply because it belongs to a newer technological category.

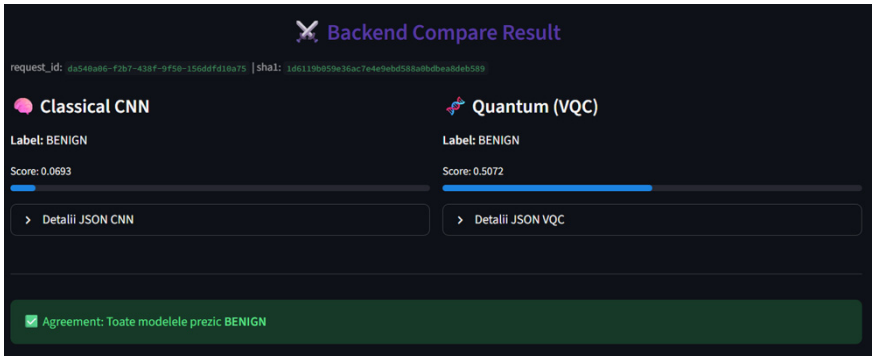
7. PROTOTYPE AND REPRODUCIBILITY SUPPORT

The software prototype was designed to support reproducible inference and transparent comparison. The backend exposes endpoints for single-model inference and comparative inference. The comparison workflow runs both models on the same uploaded image and returns structured outputs containing model labels, scores, agreement indicators, score differences, and selected comparison information. The upload interface is shown in Figure 4, while the comparison report is shown in Figure 5.



Source: authors' own screenshot of the developed prototype

Figure 4. Prototype interface for uploading a dermoscopic image



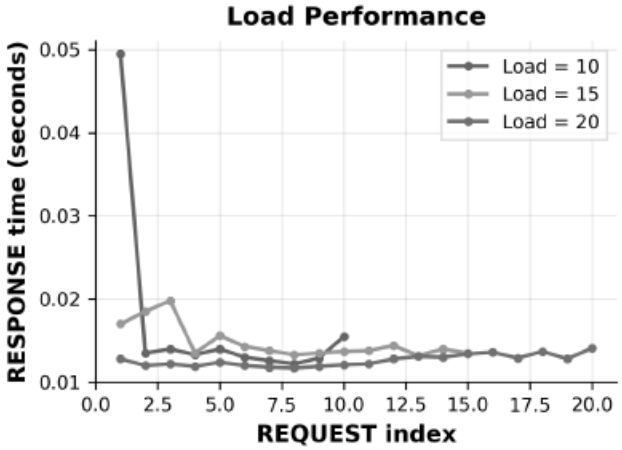
Source: authors' own screenshot of the developed prototype

Figure 5. Prototype interface showing the comparison report

The training process stores the preprocessing and model artifacts required for reproducible inference. For the hybrid model, these include the fitted scaler and PCA transformer, optimized circuit parameters, selected threshold, configuration metadata, and training reports. This artifact-based design allows the API to reload the same model state without retraining.

The system also includes operational support. Prediction caching is keyed by uploaded image hashes and can reduce response time for repeated submissions. Audit and monitoring utilities support inspection of API usage and model execution behavior. These elements improve the engineering transparency of the experimental platform.

The prototype was validated with 51 automated tests covering unit-level behavior, integration-level endpoints, repeated requests, and cache-related execution paths. The overall recorded code coverage was 73%, with 90% coverage for the VQC-related module and 100% coverage for the classical CNN module. Load testing indicated stable behavior for the tested repeated-request scenarios, with caching improving repeated submissions. The load-testing behavior of the deployed API is shown in Figure 6.



Source: authors' own processing of load-testing results

Figure 6. Load-testing performance of the deployed API

8. CONCLUSIONS

This paper presented an experimental evaluation of hybrid quantum-classical learning for binary dermoscopic skin lesion classification. The study compared a classical MobileNetV2 baseline with a hybrid pipeline that combines CNN feature extraction, PCA-based dimensionality reduction, and a variational quantum circuit. Both models were evaluated under the same train, validation, and test protocol on the HAM10000 dataset, and the selected hybrid pipeline was additionally validated for inference on IBM Quantum backends.

The results show that the classical CNN remains the stronger practical solution. It reaches 95.46% test accuracy, while the retained hybrid VQC configuration reaches 0.582 balanced accuracy and 0.610 AUC on the held-out test split. The hybrid model is therefore not competitive with the classical baseline for practical dermoscopic classification. Its value lies instead in demonstrating an executable research pipeline and in clarifying the present limitations of quantum-classical learning under NISQ-era constraints.

From a responsible AI perspective, the study reinforces the need for careful evaluation of emerging technologies. In healthcare-related tasks, claims should

be based on controlled comparison, transparent metrics, and explicit limitations. The hybrid quantum-classical model should be understood as a feasibility study and educational benchmark, not as a clinical decision-support system. Future work should investigate improved feature compression, more stable optimization, alternative circuit designs, noise-aware inference, and explainability mechanisms, while preserving the same discipline of comparison against strong classical baselines.

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IMPROVING REGIONAL DEVELOPMENT IN ROMANIA THROUGH EUROPEAN FUNDS: AN EMPIRICAL ANALYSIS[1]

ADINA DORNEAN
Alexandru Ioan Cuza University of Iași
Iași, Romania
amartin@uaic.ro

DIANA BUTNARU
Alexandru Ioan Cuza University of Iași
Iași, Romania
butnarudiana024@gmail.com

Abstract
Over the last two decades, Structural and Cohesion Funds have been regarded as the principal instruments for accelerating real economic convergence, reducing regional disparities, and modernizing infrastructure within the framework of European Union (EU) cohesion policy. This paper investigates the impact of European funds on regional development in Romania during the 2007–2022 period. The analysis is based on panel data covering the eight Romanian development regions and employs a fixed-effects econometric model. Regional GDP per capita is used as the dependent variable, together with several control variables, including unemployment, infrastructure, human capital, and foreign direct investment (FDI).
The findings reveal that infrastructure development and foreign direct investment represent the main drivers of regional GDP growth. European funds also exert a positive effect; however, their impact is characterized by a time lag, reflecting the multiannual implementation cycle of funded projects. Furthermore, the study highlights the persistence of the brain drain phenomenon, which helps explain the statistically insignificant contribution of human capital under the current economic structure. Consequently, the effectiveness of EU funding depends not only on the allocation of financial resources, but also on the quality of administrative capacity and the ability to retain skilled human resources at the regional level.

[1] This article is based on the master's dissertation of Diana Butnaru completed at Alexandru Ioan Cuza University of Iași under the supervision of Prof. Ph.D., Adina Dornean.

Keywords: *regional development; Structural and Cohesion Funds; panel data; Romania.*
JEL Classification: C23; R11; R58.

1. INTRODUCTION

The process of European integration brought Romania not only an alignment with Western political and social values but also access to a financial mechanism of historic importance: the European Union's (EU) cohesion policy. The fundamental aim of the EU cohesion policy is to reduce economic disparities. Over the past two decades, structural and investment funds have been promoted as the primary instrument for accelerating real economic convergence, correcting development imbalances, and modernizing the country's critical infrastructure. However, despite the massive influx of EU capital, the reality on the ground reveals that the reduction of disparities among Romania's eight development regions has not occurred uniformly, making the effectiveness of these funds a subject of intense debate among theorists and practitioners. This reality motivated us to address this topic, aiming to rigorously analyze the economic dynamics underlying the figures and to answer the research's central question: to what extent, and over what timeframe, do actual European fund disbursements translate into regional economic prosperity?

In this study, we will conduct an econometric analysis of the causal relationship between contracted funds and the evolution of regional GDP per capita over the 2007–2022 period. This extended timeframe is crucial, as it covers Romania's entire journey from EU accession to the present, capturing the successive stages of structural and cohesion fund implementation and absorption—including the financial crisis and the pandemic shock—thereby allowing for an assessment of how these funds behave during critical periods.

Methodologically, the study relies on a quantitative analysis using panel data and fixed-effects regression models—an approach that allows for isolating the specific characteristics of each region to determine only the impact of the analyzed variables. In addition, the model incorporates control variables such as the unemployment rate, foreign direct investment (FDI), and infrastructure, thereby providing rigorous statistical validation of the determinants of development and contributing by empirical evidence to the debate regarding the capacity of European funds to generate real economic convergence.

The main contribution of this paper lies in the empirical assessment of the impact of European funds, tailored to the specific characteristics of Romania's regions. A novel element is introduced through the design of an optimized econometric model that demonstrates whether EU payments stimulate regional GDP in the current year or with a time lag. The results provide an overview of the key factors involved in the implementation process of EU payments.

The paper is structured as follows: section 2 reviews the relevant literature, covering key economic theories and global scholarly debates regarding the effectiveness of cohesion policy; section 3 describes data and methodology, detailing the collection and organization of the panel dataset for Romania's eight development regions; section 4 presents the results and their interpretation. Finally, the paper concludes with section 5 dedicated to conclusions and recommendations.

2. LITERATURE REVIEW

The concepts of regional development and cohesion policy are two essential factors of modern European progress. They reflect the European Union's (EU) aspiration to ensure sustainable and balanced economic growth across its member states and regions. The existence of significant territorial and economic disparities indicates weak cooperation among member states. These concepts define the courses of action for reducing imbalances, boosting competitiveness, and strengthening solidarity among territories.

In the literature, these two concepts are consistently closely linked, yet each also holds its own distinct meaning. To better understand the connection between regional development and cohesion policy, one must understand the concept of a "region" – a term for which multiple definitions exist. Thus, according to the Community Charter on Regionalization (European Parliament, 1988, art. 1), a region is defined as "a territory forming, from a geographical standpoint, a distinct unit or a similar grouping of contiguous territories, where the population shares common characteristics and seeks to preserve and develop its distinctiveness in order to foster cultural, social, and economic progress". This definition appears most frequently in EU documents, highlighting the link between territorial identity and social cohesion.

Wallerstein (1984) views the region as a constituent element of social progress, representing a fundamental space where political, social, and economic processes align. The region is not merely a territory defined by boundaries, but rather a link between economic and social forces. These definitions imply that the region is not just a geographical unit, but a combination of factors uniting the common interests of a population.

Furthermore, in one of her works, Mungiu-Pupazan (2009) describes the region as an entity regarding which general statements applicable to the entire territory—viewed as a unified whole—can be formulated. Integrating these aspects is administratively necessary for formulating and implementing public plans and policies. This administrative perspective transforms the region from a mere geographical space into a tool for planning and analysis, essential for accessing funds and implementing cohesion policies.

Another concept described in the specialized literature is that of regional development (Cîrnu, 2010, p. 3). The author views this as a complex process that

supports each territory in harnessing regional potential, aiming to reduce economic and social disparities and improve the quality of life. This entails not only economic interventions but also the strengthening of social cohesion, administrative capacity, and territorial infrastructure.

Regional development also aims to boost and diversify economic activities, as well as to stimulate investments in the private sector, which contribute to reducing unemployment and improving living standards (Mungiu-Pupazan, 2009). According to Eurostat 2026, the Brussels-Capital Region recorded a GDP per capita in 2024, expressed in purchasing power standards (PPS), of approximately 192% of the EU average. In the same period, the unemployment rate for the 15-64 age group was approximately 10.4%, significantly higher than the national average of Belgium, which was 5.4%. These data show that, even in a developed region, stimulating investments and diversifying economic activities through regional policies may remain necessary to reduce unemployment and improve living standards.

The Treaty of Rome stipulated that one of the roles of the Community is to promote harmonious and balanced development. So, since its establishment, the EU has enshrined in its founding documents the reduction of regional imbalances as a fundamental objective of European integration. By making efficient use of the funds provided by the EU, but also by developing optimal strategies, member countries can achieve real convergence between regions (Albu, 2019).

Within the EU, the delimitation of regions from the most developed to the least developed was made according to the Gross Domestic Product (GDP) per capita. But the values to which they are referred have undergone some small changes. According to the 6th Report on EU Cohesion Policy (European Commission, 2014, p. 223), there are three categories of regions: the least developed, the transition and the most developed. For a region to fall into one of the three categories, it had to fall within a certain range of GDP per capita. The less developed regions included those regions where the GDP per capita was below 75% of the EU-27 average, those in transition were in the range of 75%-90%, and the developed ones exceeded the threshold of 90%. But according to the 8th Cohesion Report (European Commission, 2022, p. 278), two changes have occurred. Transition regions fall within the range of 75%-100%, and developed regions are those with a GDP per capita higher than 100% of the EU-27 average. The change was made due to the findings that some regions that exceeded the 90% threshold were suddenly losing access to a high level of support, although they did not yet have the necessary economic resilience.

At the same time, the 9th Cohesion Report (European Commission, 2024, p. 73, p.134) introduces non-economic indicators to delimit developed and less developed regions. One of these criteria is the demographic one. This criterion aims to pay attention to regions suffering from a *talent trap*, i.e. the decrease in

the youth population and the decline in the active population in the respective regions. Other criteria are digitalization, i.e. the allocation of funds is conditional on the adoption of digital technologies, and climate, with the emphasis on performance in reducing carbon emissions.

Regional development policy also has several basic objectives, including reducing existing regional imbalances, preventing the emergence of new imbalances, correlating with government sectoral policies and stimulating interregional, internal and international cooperation (Dornean, 2015, p. 142). These objectives highlight the unified nature of regional development policy, which aims not only to reduce existing imbalances, but also to prevent the emergence of new ones. Correlation with government sectoral policies ensures the coherence of public interventions, and the stimulation of interregional cooperation reflects the orientation towards balanced and sustainable development, based on partnership and territorial solidarity.

In addition to the objectives, there are also several principles on which the development and application of regional development policies are based, including the decentralization of decisions to the local and regional level, partnership between public institutions, the private sector and civil society, strategic planning of resource use, and co-financing (Cîrnu, 2010, p. 78). These principles highlight the fact that regional development policy is based on participatory governance, in which decisions are adapted to the local level through decentralization and partnership between public and private actors. Strategic planning and co-financing contribute to the efficient use of resources and to increased responsibility in the implementation of development projects.

Regional development policies fulfill two essential functions, namely a preventive and a corrective one. The former refers to eliminating the causes that led to the lack of development, and the latter refers to reducing the effects of disadvantaged lagging regions (Sîrbu, 2014). By combining the two functions, regional policy aims for balanced development, based on pro-active interventions and remedial measures adapted to the needs of each region.

Another concept closely related to regional development is cohesion. It was introduced by the Single European Act of 1986, which aims to eliminate economic disparities between regions. Also, by the Treaty of Rome, cohesion is defined as a fundamental objective of European integration. The concept of cohesion brings together three dimensions: economic, social and territorial.

In the EU context, cohesion policy is inseparable from the European integration process, this being one of the instruments through which member states are supported to achieve common economic and social standards through structural funds. Authors such as Popescu et al. (2024) consider that European funds are the main instrument of cohesion policy, they are not just simple transfers, but the main pillars of the investment strategy aimed at transforming the economic and social structure of the region.

But Becker (2019, p. 155) in one of his analyses observes a change in cohesion policy. If it was initially based on redistribution, it is now considered an investment policy. And this evolution is described by many authors as *Lisbonization* (Dornean, 2025, p. 21). This represents the realignment of cohesion policy with the Lisbon Strategy, changing funding priorities from classical infrastructure to research, innovation and digitalization. Following these changes, Deffa (2016) mentions that although urban growth poles were boosted, peripheral regions were marginalized, which still needed basic structural investments, such as roads, before focusing on innovation and research.

In his paper, Maris (2024, p. 1) states that cohesion policy is one of the three pillars of the European political and economic space, together with the single market and the monetary union. This represents the only EU policy that deals with economic and social inequalities.

Through cohesion policy, the EU aims to introduce a state of equilibrium both between member states and between their regions. This brings together three dimensions: the economic one, which aims to reduce GDP differences, but also to stimulate competitiveness; the social one, which aims to equalize opportunities, employment, but also social inclusion; and the territorial dimension which refers to fair access to infrastructure and public services for all citizens (Aparicio-Pérez, Espinosa and Pavía, 2025, p. 57). These dimensions are also the core of the philosophy of European policies, complementing each other and shaping an integrated vision of the development of the EU.

At the same time, cohesion policy is based on several specific principles, respectively concentration, partnership, programming and additionality. The principle of concentration refers to the fact that through cohesion policy, funds are directed towards priority regions and areas. The partnership principle refers to the fact that local actors are also involved in the development and implementation of cohesion policy. The programming principle takes into account that the planning of allocated funds is multiannual, being a broader process. And finally, the additionality principle refers to the complementarity between European funds and national resources. Respecting these principles ensures better implementation of cohesion policy (Albu, 2019).

A comparison of the last two programming periods, 2014-2020 and 2021-2027, highlights a maturation of cohesion policy. The move from the rigid thresholds of Regulation 1303/2013 to the flexibility offered by Regulation 2021/1060 demonstrates that the EU has moved from a poverty assistance policy to a strategic investment policy, capable of supporting regions at all stages of their development, while ensuring the transition towards a climate-neutral economy.

Even if we only highlighted the positive aspects of cohesion policy, there are also people who doubt its effectiveness. (Burlacu, 2019, p. 1) highlights the

fact that those who support the efficiency of cohesion policy are those who evaluate its success through quantitative indicators, such as absorption rates or the number of completed projects. On the other hand, those who criticize the usefulness of cohesion policy focus on real results. They question whether capital allocation alone is enough to lead to sustainable regional development or whether well-trained administrative leadership is also needed to use those funds as efficiently as possible. It is crucial to understand that European funds allocated through cohesion policy are not just a simple financial transfer, but a complex mechanism, the impact of which is conditioned by several factors such as the local context or the quality of governance.

Leonardi (2005, p. 11) offers a critical perspective on cohesion policy, defining it as a compensatory payment. The author suggests that the rich states of the EU use these funds to obtain the support of less developed countries in their economic integration efforts. In this view, the peripheral states accept the challenges of total market opening in exchange for financial transfers that will mitigate their immediate losses. Thus, Leonardi's (2005) interpretation reveals an ambiguity of cohesion policy: although theoretically it is a pillar of solidarity, in practice it functions as a rational political transaction between member states.

Also, Santos (2008, pp. 3-4) supports Leonardi's (2005) point of view. He highlights the fact that the objectives that were established in the European treaties for cohesion policy have not been met. At the same time, the author also argues that the effectiveness of the policy cannot be supported by empirical results, most of the time even if the results are significant, their relevance is reduced.

Another critical point brought to the cohesion policy and its results is that, although the European Commission periodically produces reports showing the efficiency of the allocated funds, some researchers have doubts regarding the correctness of the methods and results (Marzinotto, 2012). Therefore, even if critics attest that there is a causal relationship between European funds and regional development, they argue that this relationship is insignificant and that there are other factors that lead to those results.

Pienkovski and Berkowitz (2017, p. 3) argue that the use of various econometric models and the diversity of theoretical approaches in empirical studies naturally lead to divergent results and conclusions. The authors emphasize that demonstrating the effectiveness of European structural funds remains a controversial topic in literature. Furthermore, they highlight that, even in the case of studies reporting a positive impact, the magnitude and nature of these results vary considerably.

Also, authors such as Spilioti and Anastasiou (2024, p. 4) argue that the efficiency of allocated European funds does not depend only on their volume, but also on the context of application. Again, it is emphasized that regions with greater economic freedom and a better level of governance tend to use structural

funds more efficiently. This observation supports the theory of government quality as a determining factor of economic growth (Bachtler and Wren, 2007).

Sostar (2021, p. 197) states that state institutions are more important than the amount of money itself. He also argues that the entire process of allocating and using European funds should be protected from political desires, but rather be integrated into long-term development strategies, in order to capitalize on the non-reimbursable nature of resources, but also to have as real and sustainable economic growth as possible.

Several authors (Bachtler and Wren, 2007; Bouvet and Dall'erba, 2010; Pastor, Pons and Serrano, 2010) have noted that evaluating cohesion policy is a challenge due to its excessive complexity. They emphasize the difficulty in accurately quantifying results, relating them to the assumed political objectives. However, the same authors note the importance of cohesion policy within the EU during its development.

Despite recurrent criticism, cohesion policy remains a central symbol of European solidarity, its role being reconfirmed in times of crisis. Becker (2019) analyses two divergent scenarios that emerged in contexts of instability. On the one hand, beneficiary states that requested increased solidarity and extensive financial support, on the other hand, contributing states that prioritized the use of funds to stimulate their own economic growth and employment, while refusing to increase contributions to the EU budget. This conflict of interest indicates that, in critical times, the fundamental objective of reducing regional divergences was difficult to achieve.

Another study by Ciani and De Blasio (2015) focused on the southern region of Italy during the 2008 financial crisis, highlights the fact that EU funds had a limited impact on employment indicators, but also on the population and on consumer prices. The authors concluded that in the context of the crisis, the impact of European funds on employment and household welfare was limited. This conclusion reinforces the idea that the effectiveness of European funds is strictly conditioned by the regional institutional context, suggesting that capital injection cannot substitute for the necessary structural reforms in lagging regions.

Arbolino and Di Caro (2021) conducted very interesting research on the 20 NUTS 2 regions of Italy, for the period of 2008-2020. The authors analyzed economic resilience, using indicators such as the intensity of structural and investment funds and indicators such as the unemployment rate or GDP growth. Following the analysis, the conclusion they reached is that the regions that benefited from a higher volume of European funds were much more resilient to crises. At the same time, with the help of European funds, the recession period of the beneficiary regions was shorter.

Vukasina, Kersan-Skabi'c and Orli'c (2022, p. 856) argue that the main advantage of European funds is that they are financial resources that do not have

to be repaid, thus directly influencing the economic growth of a country. Another study that supports the importance and crucial role of European funds is that of Walesiak and Dehnel (2023). In their study, they analyzed the 16 NUTS 2 regions of Poland during the period 2010-2019. Using interval data, the authors analyzed whether there were significant differences between the regions of the country. They did not focus on fixed numbers, but they analyzed indicators related to the quality of life, the labor market, education and health. The result obtained was a positive one, with disparities between rich and poor regions decreasing during the period analyzed. Once again, it is confirmed that European funds play an essential role for regional development in some countries.

In order to analyze how effective European funds are and what their impact is on regional development, several studies have been conducted where different variables were analyzed. Shebanin, et al. (2022) analyzed the link between Cohesion Fund financing and the evolution of GDP, but also of gross value added in EU member countries with a focus on NUTS 2 regions. The authors analyzed the EU-27 member states between 2010 and 2020, using a multi-criteria methodology, based on their proposed synthetic indicator of the quality of development, which integrates economic, social and environmental dimensions. The research results indicate that regions characterized by high institutional quality manage to efficiently convert European funds into sustainable structural development. In contrast, regions with deficient administrative capacity tend to register only artificial or temporary economic growth, lacking solid long-term foundations.

Destefanis and Di Giacinto (2023) analyzed the relationship between structural funds payments and GDP at the level of European regions. They also highlighted the spillover effect. The authors analyze the period 1994-2018 and a sample of over 200 NUTS 2 regions in the EU using a Spatial Vector Autoregression (Sp-VAR) model. The result of this analysis was that there is a positive correlation between GDP growth and allocated funds, and regarding the spillover effect, the authors demonstrated that the benefits of European funds do not stop at the administrative border of a region, but on the contrary, positive externalities are also produced for neighboring regions. Also, they mentioned that the effects are not immediate but observed over time.

Maris (2024) analyzes the Visegrad Group (V4) countries for the period 2000-2018, using panel data, and observes a causal relationship between regional growth and the absorption of European Structural and Investment Funds (ESIF). The results show that the relationship between the two variables to be statistically significant, but very modest. The author emphasizes that the simple increase in the volume of funds does not guarantee a proportional acceleration of development, the success of the process fundamentally depending on the existence of an efficient strategy for the use of resources.

Table 1 summarizes the most important findings regarding our research topic.

Table 1. **Research on cohesion policy and its impact on regional development**

Authors	Period of analysis	Regions	Methodology	Variables	Results
Arbolino and Di Caro (2021)	2008–2020	20 regions (NUTS 2) in Italy	Construction of resilience scenarios; Econometric modeling	Employment rate, absorption of funds (ESF/ERDF), sectoral structure	EU funds act as a shock absorber for the labor market during crises, if strategically allocated
Cia and De Blasio (2015)	2007–2013	325 local labor markets (Southern Italy)	Econometrics based on actual payments; Specific trends	Cumulative payments of structural funds, employment growth, housing prices, migration	The ability of funds to offset the crisis was limited; insignificant impact on employment at the aggregate level
Destefanis and Di Giacinto (2023)	1994–2018	Over 200 regions (NUTS 2) in the EU	Spatial Vector Autoregression (Sp-VAR)	GDP per capita, Structural Funds payments, spatial weight matrix	The funds have a positive impact on GDP, generating benefits in neighboring regions (spillovers)
Mariš (2024)	2000–2018	NUTS 2 regions of the V4 countries	Panel data	Economic growth (GDP), ESIF absorption, regional investments, human capital	There is a causal relationship between funds and growth, but the impact is modest and unevenly distributed

Authors	Period of analysis	Regions	Methodology	Variables	Results
Shebanin et al. (2022)	2010–2020	EU-27 Member States	Entropy Method; Multi-criteria Evaluation	Quality pillars: Economic (GDP), Social (poverty), Innovation (R&D), Institutional (governance)	Institutional quality is the precondition for success; without it, growth is only temporary or artificial.
Walesia and Dehnel (2023)	2010–2019	16 regions (NUTS 2) in Poland	Interval data	Social cohesion indicators (education, health, housing, labor market) expressed as ranges [min, max]	Overall improvement of social cohesion and reduction of regional disparities in Poland

Source: authors' contribution

Summarizing, the literature provides an image of the link between regional development and cohesion policy, which are key concepts in the construction and development of the EU. Most specialized articles emphasize that regional development is a complex process, the main purpose of which is to reduce disparities and capitalize on the potential of the regions, and cohesion policy is the operational framework through which the objectives of regional development are put into practice. At the same time, these concepts have evolved from strictly economic interpretations to an integrated vision, including economic, social and territorial cohesion. Overall, we understand that these two concepts are essential, and their efficiency depends on the coordination of public policies, the involvement of local actors, but also on the strategic use of European resources.

3. DATA AND METHODOLGY

3.1. Objectives and Research Hypotheses

The main objective of the study is to assess the impact of European funds on the development of the eight development regions of Romania, by using a panel econometric analysis for the period 2007-2022. This period encompasses two complete financial programming periods of the EU, 2007-2013 and 2014-

2020, providing a relevant evolutionary analysis on how cohesion policy has contributed to reducing the gaps between the development regions of Romania.

Starting from the benchmarks provided by the literature and the structural features of the Romanian economy, we formulated three research hypotheses in order to guide the sensitivity analysis and to validate the identified economic mechanisms:

- *H1: Payments from European funds have a positive impact on regional GDP, but this effect is felt with a time lag of at least one year;*
- *H2: Technical infrastructure and foreign direct investment (FDI) are major determinants of regional economic growth, enhancing the effect of structural funds;*
- *H3: There is a high correlation between infrastructure endowment and the level of human capital in Romania's regions, a fact that requires a specific econometric approach to isolate the impact of each factor.*

The first hypothesis is consistent with the literature that states that structural public investments require a period of maturation before being reflected in aggregate production indicators. RodrÍguez-Pose and Fratesi (2004) highlight that the effect of European funds propagates asymmetrically over time, with major effects only visible through the introduction of time lags. Zaman and Cristea (2011) in a study focused on Romania, highlighted the existence of structural and administrative constraints that amplify this time-lag between the moment of payment settlement, and the generation of gross value added in regional economies.

The second hypothesis is supported by modern theories of economic growth. According to them, the accumulation of physical capital and the infusion of foreign capital are fundamental drivers of productivity. The introduction of technical infrastructure and foreign direct investment as independent variables is based on endogenous growth models, where public physical capital and foreign private capital infusions are considered driving forces of aggregate productivity (Aschauer, 1989; Borensztein, De Gregorio and Lee, 1998).

In the Romanian context, regions that have managed to attract significant volumes of FDI and that have a modernized transport network offer a favorable business environment, capable of absorbing and capitalizing on European funding more efficiently (Goschin, 2014). Thus, these variables not only directly influence regional GDP, but also act as complementary factors that maximize the return on EU funds.

The third hypothesis is often found in the literature and shows that local growth poles manage to bring together both good infrastructure networks and a very well-educated workforce (Man, et al., 2015).

From an econometric point of view, this dynamic hides the risk of multicollinearity in crowded regression models, where structural factors can

absorb each other in explaining GDP variation. This hypothesis substantiates the need for a sensitivity analysis by estimating dissociated alternative models, focused separately on infrastructure and human capital, respectively, thus ensuring the robustness and statistical correctness of the determined coefficients.

By testing these hypotheses, the study does not only aim to show whether or not European funds have a general impact. The goal is to highlight the clear paths and local conditions through which this available financial resource ends up influencing the economy and growth of each region in Romania.

3.2. Data and Variables

The sample used includes the eight development regions of Romania, defined by Law no. 315/2004. These regions correspond to the NUTS 2 level of the Eurostat classification. The period analyzed comprises 16 years, namely 2007-2022, a period that begins with the year of Romania's accession to the EU and the beginning of the first consistent financial flows received, as well as more recent years. At the time of writing this paper, the year 2022 is the last year for which we found data for the main independent variable, namely EU payments.

The construction of the econometric model and the selection of variables were based on literature. In his paper, Sîrbu (2014) demonstrated that the impact of structural funds is conditioned by specific local factors such as the capacity to attract private investment and the quality of infrastructure. The dependent variable is represented by the regional Gross Domestic Product (GDP). In most studies, this indicator is the standard measure of economic convergence. The main independent variable is represented by the EU payments made by the European Commission. As control variables we chose infrastructure, human capital, unemployment and foreign direct investment (FDI). The importance of infrastructure (modernized roads) in reducing regional disparities is supported by Apostolache (2014). Human capital (represented by the number of students enrolled in higher education) and unemployment are validated by the research of Aparicio-Pérez, Espinosa and Pavía (2025). At the same time, the inclusion of FDI is justified by the strong correlation identified by Sîrbu (2014) between investment flows and the reduction of development gaps at the level of regions in Romania.

Table 2 describes all the variables that we will use in the model.

Table 2. Description of variables and data sources

Variable type	Symbol	Indicator	Unit of measurement	Period analyzed	Data source	Expected impact
Dependent	GDP	Regional GDP	Euros per capita	2007-2022	Eurostat	
Independent	PAYMENTS	PAYMENTS	Euros per capita	2007-2022	European data	+

Variable type	Symbol	Indicator	Unit of measurement	Period analyzed	Data source	Expected impact
Control	INFRA	Length of modernized roads	Share of modernized roads in total roads	2007-2022	National Institute of Statistics	+
Control	HUMAN_CAP	Students enrolled in higher education	Number of students	2007-2022	National Institute of Statistics	+
Control	UNEMPLOYMENT	Unemployment rate	%	2007-2022	Eurostat	-
Control	FDI	Foreign Direct Investment	Euros per capita	2007-2022	National Bank of Romania	+

Source: authors contribution based on literature

3.3. Model

To analyze the impact of European funds on regional economic development, we use an econometric method based on panel data. Unlike simple analyses, which look at only one region over time or at several regions in a single year, panel data combines both dimensions: the cross-sectional one, the eight regions of Romania, and the temporal one, the period 2007-2022.

The regression model is given by equation (1).

$$GDP_{i,t} = \beta_0 + \beta_1 \times PAYMENTS_{i,t} + \beta_2 \times FDI_{i,t} + \beta_3 \times HUMAN_CAP_{i,t} + \beta_4 \times INFRA_{i,t} + \beta_5 \times UNEMPLOYMENT_{i,t} + \varepsilon_{i,t} \quad (1)$$

Where: i = region; t = year; β_0 = constant; $B_{1\text{-}5}$ = regression coefficients; ε = error term.

Although the theoretical relationship is presented in a simpler form, in the estimation stage we will apply the logarithmization of the variables expressed in absolute values. This transformation is necessary to reduce the heteroscedasticity of the data series and to allow the interpretation of the coefficients in the form of elasticity, providing a clearer picture of the sensitivity of the regional economy to the infusion of capital.

The methodology is structured in four successive stages, aimed at ensuring the statistical validity of the results.

In the first stage, we analyzed the stochastic properties of the data series using the Levin, Lin and Chu (LLC) unit-root test. The results indicated a mixed-type panel: some variables proved to be stationary at level (I(0)), while others presented non-stationarity. For the latter, we applied the first difference, an operation after which they became stationary (I(1)). Given this mix of integration orders, the application of classical cointegration tests was not appropriate, which is why we opted to control the trend through period fixed effects.

In the second stage, we chose the optimal panel specification, fixed effects or random effects. In this sense, we ran the Hausman Test. Given that the probability obtained was lower than the critical threshold of 5%, we rejected the null hypothesis. Therefore, we demonstrated that fixed-effects models are the most appropriate to capture the heterogeneity and structural differences between the eight regions of Romania.

The third stage aimed at diagnosing the relationships between the independent variables by building the correlation matrix. This analysis revealed a major technical problem: a high correlation between infrastructure (INFRA) and the level of human capital (HUMAN_CAP). And this overlap induces the risk of multicollinearity, a phenomenon that inflates standard errors and can make other essential variables, such as European funds, appear erroneously insignificant in the clustered models.

To overcome this obstacle related to the high correlation between variables, in the last stage we performed a sensitivity analysis by estimating separate alternative models. Specifically, we chose not to put infrastructure and human capital in the same equation, but to test them one by one. In addition, we analyzed the impact of European funds using time lags of 1 and 2 years. This approach allowed us to see not only which factor is more important, but also after how long European money starts to really help increase regional GDP.

4. EMPIRICAL ANALYSIS

4.1. Descriptive Analysis of European Funds and Regional Indicators in Romania

Before proceeding to the estimation of regression equations and hypothesis testing, it is essential to analyze the selected data in detail. A basic rule in econometrics stipulates that the final model is not estimated directly, but only after a descriptive analysis and a careful diagnosis of the variables. This process is mandatory to prevent obtaining erroneous results, determined by hidden problems in the database, such as major overlap between variables. Therefore, before interpreting the impact of European funds on regional GDP, it is mandatory to go through three preliminary statistical filters: descriptive statistics (Table 3), the unit root test (Table 4) and the correlation matrix (Table 5).

Descriptive statistics help us to obtain an overview of the data, tracking the average, minimum and maximum values. This will show us, for example, how large the differences in development and absorption of funds are between the regions of the country.

Table 3. Descriptive statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Jaque-Bera	Probability	Observations
LOG_GDP	8.996675	8.902432	10.48849	8.242756	0.460581	0.93459	3.631091	20.7579	0.000031	128
LOG_PAYMENTS	4.761171	4.877554	5.911246	2.878485	0.629707	-0.84317	3.178716	15.3368	0.000467	128
LOG_FDI	0.492833	0.289997	3.238623	-1.757	1.038582	0.960853	3.81816	23.26584	0.000009	128
UNEMPLOYMENT	6.075	5.7	10.8	2.1	2.193153	0.354604	2.165562	6.396062	0.040843	128
INFRA	0.411349	0.3785	0.877	0.1974	0.144097	1.448436	5.251798	71.7998	0	128
HUMAN_CAP	0.567423	0.3816	2.5965	0.1208	0.534506	2.072561	6.350618	151.513	0	128

Source: authors' elaboration in EViews

The fundamental financial variables, GDP and PAYMENTS, demonstrate a relative maturity of the data. The average value of GDP (8.99) and its positive asymmetry (0.93) suggest the existence of poles of prosperity that pull the average upwards compared to the rest of the country. On the other hand, the PAYMENTS variable presents a negative asymmetry (-0.84), which indicates that most observations are concentrated around high values. This is evidence of the fact that, over the 16 years, European financial flows have had a constant and significant presence in most regions, being a stable pillar of financing.

Analyzing the control variables INFRA and HUMAN_CAP we observe the largest discrepancies. The extremely high values of the skewness (Kurtosis 5.25, respectively 6.35) indicate a distribution where some extreme values are present. This reflects severe geographical concentration, while a few regions have massive university centers and modernized transport networks, the rest of the regions face a chronic deficit. The strongly positive asymmetry of human capital (2.07) is an alarm signal regarding the volume of students in each region, with large urban areas having an excess of students, leaving peripheral areas without the human resources necessary for development.

The unemployment rate (6.07%) stands out as the most stable variable, with a platykurtic distribution with a kurtosis below 3 and low asymmetry. This suggests that the labor market tends towards a certain homogeneity in periods of crisis or growth. In contrast, FDI is highly dispersed, demonstrating that private capital is much more selective than European public funds, orienting itself towards regions with already consolidated infrastructure and human capital.

Overall, descriptive statistics confirm the need for intervention through cohesion policy, demonstrating that, in its absence, market forces tend to widen regional disparities instead of reducing them.

Through the unit root test, we will check whether the data series are stationary. If we use non-stationary variables without correcting them by difference, the model will generate a spurious regression, that is, a statistical illusion where the variables appear correlated, but in reality, they have no economic connection.

Table 4. Results of data stationarity testing

Variable	Probability	First Difference (Prob.)	Integration order	Conclusion
LOG_GDP	0.0000***	-	I(0)	Stationary
LOG_PAYMENTS	0.1889*	0.0063***	I(1)	Stationary at diff. I
LOG_FDI	1.0000	0.0000***	I(1)	Stationary at diff. I
HUMAN_CAP	0.0333**	-	I(0)	Stationary
UNEMPLOYMENT	0.3327	0.0000***	I(1)	Stationary at diff. I
INFRA	0.6565	0	I(1)	Stationary at diff. I

Note: ***p<0.01, **p<0.05, *p<0.1.

Source: authors' elaboration in EViews

As we can see in Table 4, the results obtained from applying the Levin, Lin and Chu (LLC) unit root test highlight a mixed structure of the analyzed panel, the variables being divided into two distinct categories depending on their order of integration.

The first category includes variables that have proven to be stationary directly in their gross form, that is, at the (I(0)) level. These are the LOG_GDP indicators, which register a probability of 0.0000, and HUMAN_CAP, with a probability of 0.0333. In the case of the logarithm of regional GDP, we have maximum statistical significance, at an error threshold of only 1%, while for human capital, it guarantees stationarity at an error threshold of 5%. This highlights the fact that the data series for regional production and the number of students have a stable mean and variance over time, not being influenced by a distorted trend over the 16 years analyzed.

The other variables fall into the second category. At the initial level, all of them obtained probabilities above the critical threshold of 5%, which means that in their gross form they are non-stationary. This behavior being natural in economics, since indicators such as the length of modernized roads or foreign investment flows have increased constantly from year to year, being strongly influenced by the passage of time. To correct this trend and stabilize them, we applied the first-order differentiation operator, an operation through which the change from one year to the next was calculated. Subsequently, all four variables

became strongly stationary, their probabilities decreasing to 0.0000, a fact also confirmed by the maximum significance threshold of 1%.

After obtaining these results, we based the analysis on a panel model with period fixed effects. Through this technique, we eliminated the risk of false regression, and the test results show the real impact that each variable has on the regional GDP.

The correlation matrix measures the strength of the links between independent variables taken two by two. Its role is to detect in time the multicollinearity phenomenon. If two important economic forces grow in parallel and overlap, they block each other, masking the real meaning of European funds.

Table 5. **Correlation matrix**

	LOG_GDP	LOG_PAYMENTS	LOG_FDI	UNEMPLOYMENT	INFRA	HUMAN_CAP
LOG_GDP	1					
LOG_PAYMENTS	0.294980	1				
LOG_FDI	0.896981	0.182886	1			
UNEMPLOYMENT	-0.357468	-0.051639	-0.173555	1		
INFRA	0.776069	0.198934	0.751100	-0.210774	1	
HUMAN_CAP	0.742716	-0.155322	0.790233	-0.352546	0.702917	1

Source: authors' elaboration in EViews

Analyzing Table 5, we observe that there is an extremely strong correlation between GDP and FDI (0.89). At the same time, the close links between FDI, infrastructure (0.751) and human capital (0.790) are also highlighted. These data indicate that international private capital is predominantly attracted to regions that already offer structural advantages, such as a skilled workforce and connectivity, thus consolidating existing growth poles. We can also observe that the independent variable has a positive, but much lower, correlation with regional GDP (0.295). This value suggests that their impact may be indirect or mediated by other variables, such as infrastructure or human capital. And the weak and even slightly negative correlation with the control variable human capital (-0.155) suggests that European funds are strategically directed towards less developed regions, which face shortages of skilled labor and low GDP. Thus, EU funds act as a counterbalancing mechanism for private investment, trying to reduce the gaps that market forces tend to accentuate. In conclusion, the correlation matrix describes a dual regional economy, on the one hand,

accelerated growth driven by private investment and human resources concentrated in urban poles, and on the other hand, a European public intervention that tries to penetrate less developed areas.

In conclusion, the correlation matrix describes a dual regional economy, on the one hand, accelerated growth driven by private investment and human resources concentrated in urban poles, and on the other hand, European public intervention that tries to penetrate less developed areas.

4.2. Econometric Model Estimation and Results

The objective of this step is to see to what extent payments from European funds, along with other control factors, influence the dynamics of regional GDP in Romania.

An important moment in configuring the econometric model is represented by the Hausman Test. In the analysis of panel data, this test has the role of assessing whether or not specific differences between regions are correlated with the independent variables in the model. This test evaluates the null hypothesis (H0), according to which the random effects model is the most efficient and appropriate, in relation to the alternative hypothesis (H1), which supports the use of the fixed effects model. Since the eight development regions of Romania are extremely different from a structural point of view, running the Hausman test ensures that the selected model does not ignore these local particularities.

Table 6. Hausman test results

	Chi-Sq. Statistic	Chi-Sq. d.f.	Probability
Cross-section random	11.767988	5	0.0381

Source: authors' elaboration in EViews

The results obtained, presented in Table 6, after running the test indicate a value of the Chi-Square statistical indicator of 11.7679, with 5 degrees of freedom. The critical decision-making element in this analysis is represented by the probability value, which **records** the threshold of 0.0381. Since the probability value is lower than the standard threshold of statistical significance of 5%, the null hypothesis (H0) is rejected. Therefore, the test demonstrates that there is a significant correlation between the specific effects of each region and the independent variables introduced in the equation.

From a methodological point of view, this result demonstrates that the fixed-effects model is the only consistent and appropriate one for the present research. The choice is confirmed by the economic reality, the eight development regions of Romania presenting unique, stable particularities over time. By including fixed effects, the econometric model manages to isolate this

regional heterogeneity, guaranteeing that the errors are not correlated with the independent variables and that the impact of European funds is estimated without statistical distortions.

Table 7. Estimation results

	Coefficient	Std. Error	t-Statistic	Prob.
C	8.838102	0.107938	81.88196	0.0000
LOG_PAYMENTS (-1)	0.035576	0.020392	1.744667	0.0843
LOG_FDI	-0.042034	0.026575	-1.581700	0.1171
INFRA	0.017603	0.047934	0.367236	0.7143
UNEMPLOYMENT	0.004467	0.003014	1.485042	0.1409

Source: authors' elaboration in EViews

Table 7 presents the results of the econometric model estimation. It reflects the direct impact of European funds and control variables on regional GDP in Romania, bringing essential clarifications regarding the formulated hypotheses. Following successive tests, it was demonstrated that this specification, which excludes the human capital variable to eliminate collinearity distortions, represents the best estimated econometric model, providing the clearest and most robust statistical results in the entire research. The central variable of the analysis, LOG_PAYMENTS (-1), records within this optimal model a coefficient of 0.0355 and a statistical probability of 0.0843. Since this probability is below the critical threshold of 10%, the variable is considered statistically significant at a confidence level of 90%. The positive value of the coefficient demonstrates that European funds have a favorable impact on the economy, with a 1% increase in EU fund payments leading, on average, to an increase of approximately 0.035% in regional GDP per capita. But the fact that this effect becomes visible only when the variable is introduced with a time lag directly validates the first hypothesis (H1). We can confirm that European financial flows do not translate instantly into gross economic growth, with a lag of at least one year being required for investment projects to go through the administrative and execution stages before generating added value in the territory.

The infrastructure indicator has a positive coefficient of 0.0176, suggesting that road network modernization tends to support regional economic growth. However, its high probability of 0.7143 places the variable well above the standard thresholds of statistical significance. This result indicates that the direct impact of infrastructure is not strongly reflected in GDP from one year to the next in isolation, but rather acts as a long-term supporting factor, which partially reconfigures the expectations of the second hypothesis (H2).

On the other hand, FDI has a negative coefficient of -0.0420 and a probability of 0.1171, which places it slightly outside the 10% significance threshold. This surprising dynamic can be explained by the decision to isolate human capital in alternative models. That is, without the direct interaction with a highly skilled workforce within the same equation, foreign capital infusions cannot fully manifest their positive effects, a conclusion that fully confirms the arguments behind the third hypothesis (H3). Similarly, the unemployment rate obtains a coefficient of 0.0044 and a probability of 0.1409, proving to be statistically insignificant, which shows that small variations of this indicator at regional level do not represent a factor with a major or immediate impact on the fluctuations of GDP per capita during the analyzed period.

Finally, by eliminating the human capital variable and cleaning the model of severe statistical interferences, this econometric specification emerged as the most performing, managing to rigorously highlight the real, positive and delayed role of European funds in Romania.

Table 8 includes the synthesis and diagnostic indicators of the estimated specification. They confirm the statistical quality of the model and validate its predictive power. The coefficient of determination R-square, registers the value of 0.9698, which proves that approximately 96.98% of the fluctuations of the logarithm of the regional GDP are explained by means of the independent variables introduced into the equation, along with the specific fixed effects.

Table 8. Testing results

R-Square	0.969836	**Mean Dependent Var**	9.017332
Adjusted R-Square	0.963015	**S.D. Dependent Var**	0.458509
S.E. of Regression	0.035139	**Akaike Info Criterion**	-3.669862
Sum Squared Resid	0.116068	**Schwarz Criterion**	-3.065905
Log Likelihood	246.1917	**Hannan-Quinn Criter.**	-3.424592
F-Statistic	80.06707	**Durbin-Watson Stat**	0.974100
Prob(F-Statistic)	0.000000		

Source: authors' elaboration in EViews

This high performance is directly supported by the F-statistic, which records a value of 80.06707, associated with a probability Prob(F-statistic) of 0.0000. Since this probability is strictly equal to zero, the null hypothesis, according to which all the coefficients of the model would be simultaneously equal to zero, is rejected with certainty. This result guarantees the overall validity of the model from a statistical point of view and certifies that the selected variables exert a significant cumulative impact on the regional economy.

Finally, the diagnostic parameters of the model confirm that the chosen econometric specification is correct and representative of the economic reality of the development regions in Romania fo the period 2007–2022. The results thus obtained can be used to substantiate pertinent conclusions regarding the efficiency of cohesion policy in reducing regional disparities.

4.3. Discussions

In Table 9 we present the four regression models performed and their results.

Table 9. Sensitivity analysis

	Model 1 (base)	Model 2 (Lag -1)	Model 3 (Infra)	Model 4 (Human_cap)
C	8.541982*** (0.0000)	8.872600*** (0.0000)	8.838102*** (0.0000)	8.860301*** (0.0000)
LOG_PAYMENTS	-0.005889 (0.7659)	0.025013 (0.2673)	0.035576* (0.0843)	0.025355 (0.2217)
LOG_FDI	-0.002025 (0.8935)	-0.048449 (0.1233)	-0.042034 (0.1171)	-0.044456 (0.1030)
UNEMPLOYMENT	0.005027 * (0.0879)	0.004574 (0.1322)	0.004467 (0.1409)	0.04485 (0.1274)
INFRA	-0.027439 (0.5818)	-0.002437 (0.9580)	0.017603 (0.7143)	—
HUMAN_CAP	0.056504 (0.1274)	0.045465 (0.2624)	—	0.040913 (0.2364)
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R-squared	0.890099	0.913323	0.969836	0.940042
Adjusted R-squared	0.878631	0.901124	0.963015	0.937006
F-statistic	77.61641	77.70335	80.06707	81.73393
Number of obs.	128	120	120	120

Note: ***p<0,001, **p<0,05, *p<0,1.

Source: authors' elaboration in EViews

Model 1 represents the original equation with all variables included simultaneously and without any time lag. The result for EU funds payments was a misleading one, recording a negative coefficient of -0.0058 and a completely insignificant probability of 0.7659. This initial result suggests that the impact of European money cannot be captured instantly and that the model is strongly perturbed by the concurrent presence of infrastructure and human capital, two

control variables that massively overlap due to the very high correlation between them.

To test whether the time factor plays a decisive role, in Model 2 we introduced a one-year lag for European funds, keeping the rest of the structure of all variables the same. Following this step, we observed a clear improvement in the direction of the impact, with the coefficient becoming positive, at the value of 0.0250, but the variable remained statistically insignificant, with a probability of 0.2673. This result confirmed that simply applying a lag is not enough to clean up the model. Multicollinearity between infrastructure and human capital continued to inflate the standard errors and mask the real significance of European funds. To overcome this econometric blockage, we dissociated the two structural factors in the last two specifications, choosing to test them one by one. Thus, in Model 3 we eliminated human capital, while in Model 4 we did the opposite, isolating human capital and eliminating infrastructure. By directly comparing the two alternatives, we concluded that Model 3 is the best statistical choice for our work. In the infrastructure-focused model, the coefficient of European funds increased to 0.0355, and the probability dropped to 0.0843, becoming statistically significant at a 90% confidence level. In contrast, in Model 4, although a positive coefficient was maintained, European funds became statistically insignificant again, recording a probability of 0.2217.

This hierarchy between models demonstrates from a scientific point of view that Model 3 is the only one capable of effectively controlling heterogeneity and highlighting the technical channel through which public investments are transmitted to the territory. Through this comparative sensitivity analysis, we managed to rigorously validate the fact that European payments stimulate regional economic performance in Romania only when analyzed with a one-year time lag and in the absence of distortions caused by the overlap of human capital in the same equation.

As with any applied research, the results of the econometric model must be viewed in close connection with a series of constraints and data limits, but which opens the way to important possibilities for improvement in the future. The first major barrier that we encountered during the data collection was the availability of recent official statistical data. Due to the large processing and reporting gaps of statistical institutes, both at national level through INSSE and at European level through Eurostat, the year 2022 represented the deadline by which we could build complete and homogeneous series. This temporal restriction prevents us from capturing in the model the up-to-date macroeconomic effects of projects financed through recent financial frameworks or through the new recovery and resilience mechanisms. At the same time, another limit of the study is given by the level of territorial aggregation. The current model is based on development regions (NUTS 2), a useful scale of analysis for European cohesion policies, but which tends to standardize and hide the large internal discrepancies

between the component counties. The economic performance of a driver county such as Iași distorts the average of the entire region to which it belongs, masking the underdevelopment of neighboring counties. Therefore, a panel database structured at county level (NUTS 3) would significantly reduce the heterogeneity of the data and would provide much greater precision in isolating the real impact of EU funds. In addition to the time and space limitations, the proposed econometric model faced strict restrictions regarding the nature of the selected variables, using exclusively quantitative data. However, economic reality and the specialized literature demonstrate that the success of the implementation of European funds depends heavily on a series of intangible factors of a qualitative nature. During the research, we did not have qualitative variables available, such as solid indicators that measure the quality of local public administration or the level of regional bureaucracy. The introduction of proxies that capture institutional stability, the degree of digitalization of city halls or transparency in the organization of public tenders would represent a direction for improvement. Efficient and corruption-free local public management contributes to a high absorption rate and the transformation of money into real welfare for citizens.

The results obtained after running the four econometric models are confirmed or refuted by literature. For example, after running Model 1, we had as the main result the existence of a positive and statistically significant impact of the actual payments from European funds on the regional GDP per capita, conditioned by a time lag of one year. This result is supported by the results obtained by Pienkovski and Berkowitz (2017) and Marzinotto (2012). These authors have repeatedly emphasized, through meta-analysis studies, that the macroeconomic impact of cohesion policy is governed by temporal asymmetries and cannot be captured instantly due to complex administrative circuits.

Also, the fact that our model rejects the significance of payments in the current year and validates it in year t-1 provides a clear mathematical confirmation of the theories of Becker (2019), which highlights the transformation of cohesion policy from a simple redistribution instrument into a long-term structural investment policy. This dynamic is also closely linked to the classic view of Aschauer (1989) on the productivity of public spending, which argued that massive investments in fixed assets need time to generate positive externalities in the private sector and translate into gross value added.

On the other hand, the decision taken in the sensitivity analysis of the paper, namely the isolation of human capital in alternative models to eliminate distortions caused by multicollinearity, is also based on the results of empirical studies. Borensztein, De Gregorio and Lee (1998) have shown that human capital accumulation enhances the absorptive capacity of technology and capital, creating such close interdependence with other forms of structural investment that modeling them simultaneously in simple linear equations distorts the results.

This phenomenon explains from an econometric point of view why, in our initial models, the simultaneous presence of road infrastructure and human capital blocked the significance of funds. At the same time, the importance of including road infrastructure as an essential control variable in the final specification confirms the practical conclusions of Man et al. (2015), who argued that physical accessibility and the development of the road network in Romania represent critical pillars without which regional convergence cannot materialize.

However, the model partially justifies the criticisms launched by Sostar (2021) and Zaman and Cristea (2011) regarding domestic structural obstacles. The significance of the model only at the time lag level indicates that the bureaucratic bottlenecks and lack of simplification recently reported by Popescu et al. (2024), along with the poor quality of local public management highlighted by Shebanin et al. (2022), act as administrative brakes that delay the entry of European money into the real economy, confirming that the efficiency of European capital remains directly dependent on the quality and modernization of the institutions of the receiving state.

5. CONCLUSIONS

The objective of this paper was to analyze the impact of European funds on regional development in Romania, using the empirical study as the method of analysis. The literature emphasizes that the impact of structural and cohesion funds is not uniform or guaranteed; their efficiency is conditioned by the absorption capacity and the quality of the local institutional context. The results of our paper confirm modern theoretical perspectives that argue that cohesion policy does not function as an isolated growth mechanism, but rather as a catalyst whose success depends on the synergy with private investments. For our research, we used panel data with fixed effects, covering the eight development regions of Romania over 16 years (2007-2022). The main result of this study validates the fact that payments from European funds have a positive and significant influence on the fluctuations of regional GDP per capita, but this economic link is influenced by an important temporal asymmetry. The successive data runs and the substantiation of the econometric model demonstrated that the impact of financial flows does not occur instantaneously but requires a time lag of at least one year. This year represents the minimum period in which a million euros absorbed go through bureaucratic circuits, public tenders and actual execution in the field, transforming from capital stock into fixed assets capable of generating gross added value in the territory.

The sensitivity analysis also highlighted that in order to capture the real impact, it was indispensable to isolate human capital in the alternative models. This technical decision prevented the distortions caused by multicollinearity, demonstrating that the accumulation of highly qualified labor and the expansion of road infrastructure are interconnected phenomena in the economic reality of

Romania. And the attempt to measure them simultaneously in isolation risks blocking the model's explanatory capacity.

However, following the completion of this study, we also found some limitations, but which open perspectives for future research. Among these limitations is the impossibility of accessing homogeneous statistical data after 2022, due to gaps in the National Institute of Statistics and Eurostat reports. Another limitation would be the lack of qualitative variables that are able to accurately measure institutional transparency or the quality of public management at the local level. In order to deepen these results, a future research direction is to analyze the impact of European funds at the county level (NUTS 3), providing a much clearer picture of internal discrepancies and isolating the performing counties from the peripheral ones. The empirical results of the paper provide mathematical confirmation of the fact that EU payments stimulate regional GDP only after a one-year lag, which shows that the success of public policies should not be measured by the gross absorption rate, but by the speed of propagation in the territory. The main recommendation for management authorities is to reduce this gap by fully digitizing flows and simplifying settlement procedures. Also, the isolation of human capital from infrastructure demonstrates that physical investments lose their return if they are carried out in isolation. Decision-makers must strategically correlate road construction with funding schemes for education and the retention of the active workforce, the only way to attract investments with high added value.

Our contribution consists in the substantiation of an original econometric model, strictly adapted to the specifics of the Romanian regions, going beyond the descriptive analyses of the past. The methodological contribution consists in the configuration of a model, through which we solved the technical problem of multicollinearity that blocked the standard equations, and we econometrically demonstrated the existence of temporal asymmetry. The paper thus provides a precise analysis tool, mathematically proving that the real impact of European funds is conditioned by the institutional quality and implementation times, not only by the volume of capital received from the EU.

In conclusion, the success of regional development critically depends on the ability to fix human resources in the territory and to transform financial injections into durable assets, capable of generating sustainable and balanced growth.

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EU FINANCING OF RELIGIOUS INSTITUTIONS IN THE DIGITAL TRANSITION: GOVERNANCE, ACCOUNTABILITY, AND POLICY COHERENCE

CLAUDIU BAILAU
Alexandru Ioan Cuza University of Iași
Iași, Romania
bailau_claudiu@yahoo.com

BOGDAN-NARCIS FÎRȚESCU
Alexandru Ioan Cuza University of Iași
Iași, Romania
firtescu@uaic.ro

Abstract
Religious organisations in Romania, Bulgaria, and Greece can access EU public funding through instruments including the European Regional Development Fund (ERDF), European Social Fund Plus (ESF+), and cultural-heritage aid, subject to the same eligibility, selection, and accountability rules as other beneficiaries. The article examines how such access is structured and monitored within an increasingly digital funding environment. While Article 17 TFEU protects the national status of churches and religious associations, it creates no entitlement to EU funding; the analysis therefore distinguishes religious identity from the activities receiving support. Combining analysis of the EU legal and financial framework with the digital infrastructure through which funding is implemented—including the Financial Transparency System, Kohesio, the Funding & Tenders Portal, electronic data exchange, and eForms-based procurement—the paper focuses on three parts: the legal and institutional conditions governing access across the three countries; the difficulties of tracing funding to religious beneficiaries across diverse national legal forms and terminology; and the implications of digitalisation, which increasingly makes beneficiaries data-producing entities throughout the funding cycle.
Keywords: *EU public financing; religious institutions; digitalization; structural funds; digital governance; church–state relations; ESF+; ERDF.*
JEL Classification: H50; H83; K19; O35; Z12.

1. INTRODUCTION

Public funding of religious organizations constitutes a distinctive area of European governance, being positioned at the junction of Member States' autonomy in regulating relations (between the state and religious denominations) and the obligation to protect the financial interests of the European Union. This issue acquires an additional dimension in the context of the digital transition, as the management of European funds increasingly relies on electronic data exchange, information systems for management and control, the digital publication of information on beneficiaries, and risk analysis tools.

The legal starting point is Article 17 of the Treaty on the Functioning of the European Union (TFEU). It provides that the Union respects and does not prejudice the status enjoyed under national law, by churches and religious associations or communities in the Member States. The Article extends the same protection to philosophical and non-confessional organizations and establishes that the Union shall maintain an open, transparent and regular dialogue with these churches and organizations (European Union, 2016).

Article 17 TFEU does not automatically reserve all matters concerning religion to national competence. This interpretation helps distinguish the protection of national church–state arrangements from the application of EU law in areas falling within Union competence (Colombo, 2020).

Through cohesion policy and other relevant budgetary programmes, the European Union does not establish a general system intended to finance religious denominations as such. Instead, a religious organization may enter the EU funding framework where both the entity and the proposed project satisfy the legal and administrative requirements applicable to a specific funding instrument. In the case of European funds, the relevant question is therefore not merely whether the beneficiary is a religious organization/ institution, but rather for which activity it applies for or receives funding, under which financial instrument, and subject to which legal and administrative conditions.

Across European countries, religious organisations may have different legal statuses, including those of public-law entities or non-profit organisations. These distinctions influence their institutional relationships with public authorities and provide an important legal context for examining public funding arrangements (Dima, 2007).

At the country level, religious entities are part of the financial system, defined as an ensemble of the financial institutions, in a large sense, that are financed through public or private funds (Firtescu, 2010).

2. THE CHALLENGE OF IDENTIFYING FUNDING AWARDED TO RELIGIOUS ORGANISATIONS

The difficulty is primarily compounded by the legal structure of beneficiaries. An entity associated with a religious denomination may appear as

a church, parish, diocese, monastery, foundation, association, educational institution, or charitable organization. This gives rise to an important distinction between the legal identification of the beneficiary and its functional classification.

The issue becomes even more significant in a comparative analysis of Romania, Bulgaria, and Greece, where the terminology, legal structures, and institutional are not identical. A search based exclusively on terms such as “church”, “parish”, or “monastery”, together with their national equivalents, could either omit relevant entities or, conversely, include organizations that do not correspond to the intended selection criteria.

Therefore, the assessment of funding awarded to religious organisations requires the individual identification of each beneficiary and the correlation of that beneficiary with the project, the financial instrument, and the funded activity. This limitation in the availability and structure of data constitutes, in itself, an issue of governance and transparency.

For funds managed directly by the European Commission, the Financial Transparency System (FTS) publishes information on funding recipients. The system enables the identification of the beneficiary, its location, the purpose of the expenditure, the amount and type of funding, the responsible department, and the relevant budget line. Data concerning funding paid directly by the Commission have been available through the FTS since 2007 (European Commission, 2026e).

The information architecture differs for funds implemented under shared management. In this case, Member States and managing authorities bear direct responsibility for programme administration and for publishing information relating to beneficiaries. Regulation (EU) 2021/1060, which lays down the common provisions governing cohesion policy funds and other funds, establishes explicit obligations regarding visibility, transparency, and communication.

More precisely, Article 49 — titled ‘Responsibilities of the managing authority’ (Title IV, Chapter III, Section II of Regulation (EU) 2021/1060) — requires under paragraph (3) that the managing authority make the list of operations selected for support publicly available on the programme website, in at least one official language of the Union, and update that list at least every four months; Article 50 imposes complementary visibility obligations directly on the beneficiary. This is the specific mechanism through which an individual religious beneficiary's operation becomes traceable in an open, regularly updated format, and it is distinct from the beneficial-owner reporting obligation under Article 69, which is not itself a public-facing publication requirement.

For a religious beneficiary, effective traceability requires connecting the beneficiary, programme, project, funding amount, expenditure, procurement

procedures, results, and control records. The usefulness of this chain depends on consistent identifiers and accessible information across the relevant systems.

The European Commission currently provides several digital instruments for the publication of budgetary information. In addition to the FTS, European transparency platforms include Kohesio, which provides information on projects and beneficiaries under cohesion policy implemented through shared management, and Cohesion Data, which provides data on programme financing and achievements (European Commission, 2026h).

Earlier research on open-government information strategies for Structural Funds offers a useful point of comparison for assessing the public availability and reuse of cohesion-policy data (Reggi and Ricci, 2011).

The European Commission currently provides several digital instruments for the publication of budgetary information. In addition to the FTS, European transparency platforms include Kohesio, which provides information on projects and beneficiaries under cohesion policy implemented through shared management, and Cohesion Data, which provides data on programme financing and achievements (European Commission, 2026b).

The availability of information on EU Structural Funds through online platforms does not necessarily ensure effective transparency. Differences in the accessibility, organisation and usability of published data can limit public scrutiny of funding allocation and implementation (Reggi and Ricci, 2011).

The distinctive feature of these beneficiaries lies elsewhere: in their institutional identification and in the relationship between national legal autonomy and European financial accountability.

The second function attributed to public finance (public budgets), the control function, refers to the exercise, through public finance, of financial control over the conduct and outcomes of various economic and social activities. For this purpose, the sound administration of financial resources requires an accurate record of how resources are generated, transferred and used, as well as of their consumption and the resulting outcomes (Oprea, 2011).

In this respect, digitalization should be analyzed through four distinct functions:

1. Identification entails establishing precisely the legal entity receiving the funding and, where relevant for control purposes, its beneficial owner.
2. Traceability entails the ability to follow the relationship between the source of funding, the project, contracts, payments, expenditure, and results.
3. Verification entails the ability to compare information from different systems in order to identify irregularities, conflicts of interest, or double funding.

4. Accountability entails the existence of institutions capable of using this information and applying corrective measures when irregularities are identified.

Digital beneficiary accountability is defined as the capacity of the legal, administrative, and information framework as a whole to identify the beneficiary of funding, trace the use of resources, correlate relevant data, and enable verification and the attribution of responsibility for the use of funds.

In Romania, religious denominations were recognised as entities of public utility and could receive public funding. This provides institutional context for examining the relationship between religious organisations and public authorities (Stan and Turcescu, 2011).

Romania, Bulgaria, and Greece provide a relevant framework for examining this issue because all three are Member States of the European Union and participate in the European funding system, while their legal relationships between the state and religious organizations display important specificities.

In Romania, the legal framework is built on the principles of religious freedom, the autonomy of religious denominations, and cooperation between the state and religious institutions. Law No 489/2006 on Religious Freedom and the General Status of Religious Denominations regulates recognized religious denominations as well as religious associations and groups. Religious denominations are legal entities of public utility and are organized autonomously in accordance with their own statutes or canonical codes and the applicable legislation. The Law also provides for various forms of public support.

Andreescu (2007) examines the expansion of Orthodox places of worship in post-communist Romania, paying particular attention to church construction within state institutions, funding arrangements, and the relevant legal framework. His analysis highlights the importance of examining the relationship between religious organisations and public authorities when assessing the governance of religious infrastructure.

Voicu (2019) examines the relationship between the expansion of places of worship and church attendance in post-communist Romania. Her study suggests that the growth of religious infrastructure has facilitated access to religious services and supported the development of parish communities, illustrating the broader social relevance of investments in religious facilities.

These studies provide background context rather than evidence of EU funding received by individual beneficiaries.

In Bulgaria, Article 13 of the Constitution simultaneously establishes three relevant elements: freedom of religion, the separation of religious institutions from the state, and the recognition of Eastern Orthodox Christianity as the traditional religion of the Republic of Bulgaria. This model therefore combines institutional separation with the constitutional recognition of a specific religious tradition (Republic of Bulgaria, 1991).

In Bulgaria, the 2002 Denominations Act reflects the tension between religious pluralism and the legally recognised position of the Bulgarian Orthodox Church. This institutional arrangement illustrates the particularities of the Bulgarian model of church–state relations (Petkoff, 2005).

Also, in Bulgaria, the legal status of religious organisations reflects a particular balance between religious pluralism and the traditional position of the Bulgarian Orthodox Church. As Petkoff (2005) explains, the 2002 Denominations Act combines the constitutional principle of separation between religion and the state with a distinctive legal recognition of the majority church. This institutional framework is relevant to understanding the differences in the legal status and governance of religious organisations across the countries examined.

Greece presents a distinct configuration. Article 3 of the Greek Constitution establishes the Eastern Orthodox Church of Christ as the "prevailing religion", while Article 13 guarantees freedom of religious conscience and the freedom of known religions. The Constitution also separately regulates the status of Mount Athos under Article 105 (Hellenic Republic, 1975/2019).

The differences among the three Member States are relevant to the governance of European funds because beneficiaries do not exist in a European legal vacuum. Legal entities applying for or receiving funding are established and operate in accordance with national law, while the use of European resources simultaneously triggers the requirements of the relevant programmes and EU law.

This overlap creates a two-level governance structure: the beneficiary's autonomy and legal status are largely determined at the national level, while accountability for the use of European funds is subject to common Union rules and national implementation and control mechanisms.

The amount of own revenues in local budgets determines the capacity to undertake local public expenditure and, at the same time, reflects the degree of autonomy through the relationship between own revenues, transfers of funds from the state for balancing local budgets, and borrowing (Cigu, 2011).

3. LEGAL AND FINANCIAL FRAMEWORK FOR RELIGIOUS ORGANISATIONS' ACCESS TO EUROPEAN UNION FUNDS

Among the cohesion policy funds, the European Regional Development Fund (ERDF) provides some of the clearest avenues through which a religious entity may participate in European projects, particularly where it manages cultural heritage, provides services with a social function, or owns infrastructure that falls within the programme's objectives. Regulation (EU) 2021/1058 provides that the ERDF contributes to reducing disparities between the levels of development of the various regions and supports specific objectives structured around cohesion policy priorities. For the purposes of analyzing religious

organizations, the objectives relating to culture, heritage, and social inclusion are particularly relevant.

Under Policy Objective 4 – "a more social and inclusive Europe" – the Regulation allows interventions concerning social infrastructure, access to education and training, the inclusion of marginalized groups, social and healthcare services, and enhancing the role of culture and sustainable tourism in economic development, social inclusion, and social innovation. Policy Objective 5 provides for integrated local and territorial development, culture, natural heritage, and sustainable tourism.

Furthermore, Recital 26 of Regulation (EU) 2021/1058 specifies that investments in cultural and creative industries, cultural services, and cultural heritage sites may be financed under the various policy objectives, provided that the investment contributes to the specific objective concerned and falls within the scope of ERDF support.

This provision is particularly relevant to religious heritage. A church, monastery, or other property serving a religious function may simultaneously possess cultural heritage value. From the perspective of ERDF funding, however, the existence of a religious function does not in itself constitute sufficient grounds for funding. The component to be financed must be linked to heritage, culture, local development, economic efficiency, or another eligible objective.

Accordingly, two situations should not be conflated:

- the restoration of a religious monument for the purpose of preserving and enhancing cultural heritage may fall within an eligible area of funding;
- the financing of religious worship as such does not follow from the ERDF provisions concerning cultural heritage.

A second relevant avenue is the European Social Fund Plus (ESF+). Regulation (EU) 2021/1057 establishes as its general objectives support for employment, social protection, education, skills, and inclusive and cohesive societies. The Fund focuses on investment in people and systems rather than in religious infrastructure.

Article 4 of the Regulation includes among its specific objectives the promotion of active inclusion, the socio-economic integration of marginalized communities, access to quality services, the integration of people at risk of poverty or social exclusion, and the combating of material deprivation.

These objectives may intersect with the activities of religious establishments providing social, charitable, educational, or community services. Once again, eligibility derives from the function of the project and the type of entity permitted under the relevant call for proposals, rather than from the organization's confessional character. The ESF+ Regulation explicitly assigns a role to civil society. Article 9 requires Member States to ensure the meaningful

participation of social partners and civil society administrations in the implementation of employment, education, and social inclusion policies supported by the ESF+ strand under shared management. The ESF+ example illustrates particularly clearly the distinction between religious identity and funded function. An organization may have a religious identity while the activity receiving funding is exclusively social in nature: services for vulnerable people, the integration of marginalized groups, education, training, or the fight against poverty. The situation becomes more complex when a religious association engages in economic activities. In such cases, the funding may also require an assessment under Articles 107 and 108 TFEU concerning State aid.

This distinction is particularly important in the field of cultural heritage. The General Block Exemption Regulation — Regulation (EU) No 651/2014 — establishes, in Article 53, a specific regime for aid for culture and heritage conservation.

Article 53 allows, subject to the conditions laid down in the Regulation, aid for tangible cultural heritage, including movable and immovable heritage, monuments, historical sites, and buildings recognized as cultural heritage. Both certain forms of investment aid and certain forms of operating aid are eligible. About investment, the Regulation lists costs relating to the construction, upgrading, acquisition, conservation, or improvement of cultural infrastructure, subject to the conditions laid down therein. Projects undertaken by religious institutions must therefore be assessed along two distinct dimensions: eligibility for the European fund and, separately, their potential classification as State aid.

Cohesion policy funds are characterized by the principle of co-financing. Regulation (EU) 2021/1060 does not, however, establish a separate co-financing rate. Article 112 provides that the decision approving each programme establishes the co-financing rate and the maximum amount of support for each priority. For the "Investment for jobs and growth" goal, the Regulation establishes maximum rates that depend primarily on the category of region; in the current consolidated version, these rates reach up to 85% for less developed regions, 70% for transition regions, and 50% for more developed regions. Accordingly, the "national co-financing of a church", part of the national contribution to a European project may come from public funds, the beneficiary's own contribution, or other sources. The precise nature of the contribution is determined by the structure of the programme and the conditions of the call for proposals, rather than by Article 17 TFEU or merely by the beneficiary's religious status.

Local decision-makers may seek to avoid participating in the provision of local public goods, thus replacing local financing of public-good provision with central financing; such behavior can be avoided through the use of grants requiring beneficiary participation (Oprea, 2013).

Once selected for funding, a religious institution does not operate, in relation to European funds, outside the general accountability framework applicable to other beneficiaries. Regulation (EU) 2021/1060 assigns Member States responsibility for the legality and regularity of expenditure and requires the relevant authorities to prevent, detect, correct, and report irregularities, including fraud. Article 69 additionally provides for the collection of information on the beneficial owners of recipients of Union funding and for access to such information by the Commission, OLAF, and the European Court of Auditors.

The legal framework analyzed above can be summarized in Table 1.

Table 1. The Legal framework of Religious Institutions in the EU

Dimension	Applicable rule	Implications for religious institutions
Religious status	Art. 17 TFEU	Established and protected under national law; does not create an entitlement to funding
Beneficiary status	Art. 2, Regulation (EU) 2021/1060	May include public/private bodies and other entities; there is no separate category of "religious denomination"
Eligibility of expenditure	Art. 63, Regulation (EU) 2021/1060	Derives from EU rules, fund-specific rules, and national rules
Project selection	Art. 73, Regulation (EU) 2021/1060	Criteria must be transparent and non-discriminatory
Heritage/culture	Regulation (EU) 2021/1058	May allow projects relating to cultural heritage and local development
Inclusion/social dimension	Regulation (EU) 2021/1057	May allow social, educational, and inclusion activities
State aid	Arts. 107–108 TFEU; Case C-74/16; Regulation (EU) No 651/2014	Relevant where the activity is economic in nature The Court held that the tax exemption granted to the congregation for a building used partly for non-strictly-religious purposes may fall under Art. 107(1) TFEU to the extent those purposes are economic (Judgment of 27 June 2017, ECLI:EU:C:2017:496, operative part). For commentary, see A. Neffe, 'Congregación de Escuelas Pías Provincia Betania v Ayuntamiento de Getafe (Case C-74/16): Tax

Dimension	Applicable rule	Implications for religious institutions
		Exemption for Church Non-religious Activity as Unlawful State Aid', Oxford Journal of Law and Religion, 7(1) (2018), 143–152, DOI: 10.1093/ojlr/rwx064.
Co-financing	Art. 112, Regulation (EU) 2021/1060	Determined by the programme/priority and the category of region, rather than by the organisation's religious character
Transparency and control	Arts. 49 and 69, Regulation (EU) 2021/1060	The beneficiary becomes subject to the general system of publication, monitoring, and control

Source: author's own summarization based on EU legal framework

The current European framework can be reviewed through the following relationship: *national legal status + eligible activity + compatible programme + non-discriminatory selection + compliance with financial and State aid rules = legal possibility of obtaining European funding***.**

The analysis information about digital ecosystem funding is presented in the following.

4. RELIGIOUS ORGANISATIONS AS BENEFICIARIES IN THE DIGITAL ECOSYSTEM OF EU FUNDING

The digitalisation of European funding substantially changes the relationship between the beneficiary and the public authority. Accessing a European Union fund is no longer predominantly an administrative process based on physical documents and traditional correspondence, but rather a digital workflow that begins with identifying the funding opportunity and registering the applicant, and continues with the electronic submission of the application, exchanges of information with the managing authority, financial reporting, procurement procedures, monitoring of indicators, publication of project-related information and, where applicable, audit and control.

For religious organisations, this transformation has a twofold significance. On the one hand, digitalisation reduces some of the administrative costs associated with accessing funding and standardises interaction with public authorities. On the other hand, integration into electronic systems increases the traceability of the beneficiary's activities and generates a volume of data that can be used for transparency, verification, and risk identification. European funding thus creates what may be termed a *digital cycle of beneficiary accountability*, in which access to public resources is progressively accompanied by obligations relating to identification, documentation, reporting, and control.

The first level of digitalisation concerns access to information on funding opportunities. Under direct management, the European Commission uses the *Funding & Tenders Portal* as the main electronic gateway for identifying calls for proposals, registering organisations, and submitting proposals. The Commission specifies that, under direct management, applications for grants and procurement procedures are handled through this portal, with the process involving identification of the relevant call, creation of an account, registration of the institution, and electronic submission of the proposal (European Commission, 2026c). This infrastructure is neutral regarding religious identity. A faith-based organisation that satisfies the conditions of a call follows the same digital registration and submission process as any other comparable applicant. Under shared management, the system is decentralised. The Commission maintains a list of national single portals through which Member States publish information on available funding opportunities, eligible categories of applicants, targeted regions, budgets, and call deadlines. Bulgaria, Greece, and Romania have such national information points for the 2021–2027 programming period (European Commission, 2026d). Digital access does not, however, remove eligibility barriers. The online visibility of a call does not mean that every entity is entitled to apply for funding. The applicant's legal status, the scope of the project, its location, financial capacity, rights over the relevant infrastructure, and the other conditions laid down by the programme and the call remain decisive.

Within cohesion policy, the digitalisation of the administrative relationship is expressly embedded in Regulation (EU) 2021/1060. Article 69(8) establishes that exchanges of information between beneficiaries and the authorities responsible for programmes are to take place through electronic data exchange systems. The use of paper documents may be accepted exceptionally, at the beneficiary's explicit request, without removing the authority's obligation to record and store the data in the system (European Parliament and Council, 2021). For religious organisations, the consequence is significant: once a parish, diocese, faith-based foundation, or other entity becomes a cohesion policy beneficiary, its relationship with the managing authority is subject to the same electronic documentation and traceability mechanisms that apply to other beneficiaries. An important advantage of electronic systems is the possibility of reusing information that has already been provided. Under a traditional model, the beneficiary may be required to submit the same data repeatedly to several authorities. In an integrated system, information can be reused and verified without repeated resubmission of the same documents.

Annex XIV to Regulation (EU) 2021/1060 explicitly seeks to reduce repetitive exchanges of documents through automatic checks and the use of data already stored in the system. This mechanism may have a significant impact on small ones. A parish or local religious association may have substantially less

administrative capacity than a university, regional authority, or large company. Electronic standardisation can reduce some bureaucratic costs, but it may simultaneously create a new form of barrier: the beneficiary's digital capacity.

In the context of the digital transformation of public administration, competencies in the use and implementation of technological solutions are critical. Digitalisation enables improvements in operational efficiency, access to data, and transparency towards citizens (Bercu, 2024).

Effective access to funding therefore depends not only on legal and financial eligibility, but also on the organisation's capacity to manage electronic accounts, digital signatures, reporting platforms, structured forms, electronic financial documents, and digital procurement procedures.

For many European projects, obtaining funding represents only the beginning of the process. The funds must subsequently be used to procure works, goods, or services, which may trigger European and national public procurement rules depending on the beneficiary's status, the subject matter of the procurement, and the applicable legal conditions. The digitalisation of procurement is one of the most important components of financial accountability.

At EU level, *eForms* constitute the digital legislative standard for the publication of public procurement notices. These standardized forms, established by Commission Implementing Regulation (EU) 2019/1780, are used for the publication of notices in *Tenders Electronic Daily* and became mandatory in October 2023. The Commission regards eForms as a central component of the digital transformation of public procurement because the standardization of terminology and data facilitates the search, analysis, and transparency of information (European Commission, 2026g). The relevance to projects undertaken by religious institutions can be illustrated through a simple example. The restoration of a religious monument financed through the ERDF may involve the procurement of construction works, restoration works, or specialized services. Where public procurement rules apply to the beneficiary or to the operation concerned, the digital documentation of the procedure creates an additional information trail regarding how the resources were spent.

Empirical literature supports the relevance of this transformation. Khorana, Caram, and Rana (2024), in a study on public procurement transparency, find that electronic procurement systems are associated with higher levels of transparency, with the effect being influenced by the quality of infrastructure and institutions. More recent research also provides causal evidence regarding the effects of digitalisation. Digitalisation does not, however, automatically eliminate risks. Telles (2025) argues that the European e-procurement architecture has largely digitalised traditional procedures without fully exploiting the potential of structured data, so digitising as a procedure and the digital transformation of governance as different processes are emphasized.

Frigo and Mocetti (2026), using a difference-in-differences design that compares Italian local authorities required to adopt e-procurement from the beginning of 2024 with authorities that had already done so, find that the availability of information on contract awards increased by 4 to 7–8 percentage points and that the length of the awarding phase declined significantly, with the largest effects in authorities that were less transparent before the reform and in those with more qualified administrative staff (Frigo and Mocetti, 2026).

The value of this chain depends on informational continuity. If the beneficiary identifier changes across systems, procurement data cannot be linked to the project, or financial information is not available in a reusable format, the accountability chain is interrupted.

This dimension illustrates the organisation's information and communication resources – data, databases, information, communication networks, etc. – with the aim of assessing the risk of losing these sources of information or these channels of information distribution.

5. CONCLUSIONS

The analysis of the financial cycle highlights three different levels of digitalisation. The first is digitisation, namely the conversion of physical documents and procedures into electronic formats. The second process refers to the automation of calculations, verification, submission, information exchange, and data publication. The third is data-driven governance, in which information from different systems can be linked to assess performance and identify risks. Only at the third level begin to produce what may be described as digital accountability. The principal contribution to the funding of religious administration lies not merely in simplifying project submission, but the fundamental transformation is that the beneficiary becomes a data-producing entity throughout the entire funding cycle. This change has direct implications for the balance between autonomy and accountability. From this perspective, it becomes the mechanism through which the institutional diversity of beneficiaries can coexist with uniform standards of financial accountability.

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LEADERSHIP STYLES IN MILITARY AND LAW ENFORCEMENT ORGANIZATIONS: A LITERATURE REVIEW ON MOTIVATION, AUTONOMY, AND ORGANIZATIONAL EFFECTIVENESS IN THE CONTEXT OF EUROPEAN SECURITY GOVERNANCE

ALIN-ALEXANDRU GOROVEI
Alexandru Ioan Cuza University of Iași
Iași, Romania
goroveialin@yahoo.com

Abstract
Military and law enforcement organizations across Europe face increasing pressure to adapt their internal governance structures in response to a fragmented and unpredictable global security environment. While traditional paradigms have long emphasized external control and rigid hierarchical compliance as the primary mechanisms for managing personnel in such high-stakes contexts, a growing body of scholarly literature challenges this assumption. This paper presents a systematic literature review of leadership styles in military and public order institutions, with particular attention to their motivational dimensions and organizational outcomes.
Drawing on Self-Determination Theory (SDT) as a conceptual framework, this review examines how intrinsically motivated personnel demonstrate higher performance, resilience, and mission success rates. Recent empirical studies indicate that even within strictly hierarchical structures, the satisfaction of basic psychological needs — autonomy, competence, and relatedness — yields measurable improvements in individual and unit effectiveness. In this context, the "Mission Command" leadership philosophy, formally institutionalized within NATO structures, emerges as a particularly significant model. Studies by Knevelsrud and colleagues demonstrate that Mission Command functions as a motivational catalyst precisely because it operationalizes SDT principles: it empowers subordinates to exercise independent judgment under conditions of uncertainty, thereby satisfying their core psychological needs while maintaining operational coherence.
The review further incorporates findings on human resource management specificities in the military domain, including the unique risk profiles and performance requirements that differentiate military personnel management from civilian equivalents. Additional evidence is drawn from research on special intervention units (SWAT), highlighting the critical role of stress management programmed and physical preparedness in sustaining operational effectiveness and motivational engagement.

The broader relevance of these findings is contextualized within the European Union's current strategic moment. As Europe reasserts its institutional autonomy and strengthens its defence and public security architectures, the internal governance of military and law enforcement organizations becomes a matter of policy consequence. Adaptive, motivation-centered leadership models are not merely organisational best practices — they are structural enablers of the resilient, capable security institutions that European strategic autonomy demands.

This literature review contributes to the interdisciplinary dialogue between public administration, organisational psychology, and security governance, offering evidence-based insights applicable to both national defence structures and EU-level coordination frameworks.

Keywords: *leadership styles; Mission Command; Self-Determination Theory; military organizations; law enforcement.*

JEL Classification: H11; H56; J24; M12; M54.

1. INTRODUCTION

Leadership is not a new subject of study, but it remains one of the most debated topics in organizational science. Across different fields — from business management to healthcare, education, and public administration — researchers keep returning to the same essential question: what makes some leaders more effective than others? In most civilian sectors, this question has been explored extensively. The military and public order domains, however, present a specific set of conditions that make straightforward comparisons with civilian organizations difficult.

The traditional image of the military leader is someone who commands from above, whose authority is absolute, and whose orders are followed without question. This image is not entirely wrong — military environments do require clarity of command, especially in situations of combat or high operational pressure. But this picture is incomplete. Modern military and law enforcement organizations are not simply machines built from interchangeable parts. They are made up of individuals who bring their own motivations, values, and psychological needs to their work.

Over the past two decades, a stream of research has begun to challenge the assumption that external control is enough to get the best out of military and law enforcement personnel. Studies rooted in organizational psychology, management theory, and military science have demonstrated that when leaders attend to the intrinsic motivations of their subordinates — their need to feel competent, autonomous, and connected to others — the results are consistently better. This holds true even within highly hierarchical structures, where one might expect such concerns to be secondary.

The context in which this review is written matters as well. Europe is going through a period of significant strategic reassessment. Following geopolitical shifts, the resurgence of territorial conflicts, and questions about collective

defence, European nations are investing in the capability and resilience of their security institutions. In this climate, the internal governance of military and public order organizations is no longer a purely administrative concern — it has become a matter of strategic importance. How leaders lead, and how personnel are motivated and managed, shapes the operational readiness and institutional robustness that European security now demands.

This article reviews existing scholarly literature on leadership styles in military and public order contexts. It focuses particularly on: (a) the contribution of Self-Determination Theory to understanding motivation in hierarchical organizations; (b) the Mission Command philosophy as a leadership model with demonstrated motivational relevance; (c) human resource management specificities in security organizations; (d) stress management in special intervention units; and (e) the role of physical fitness in sustaining motivation and performance. The review draws on peer-reviewed literature, NATO doctrine documents, and established theoretical frameworks to map the state of knowledge in this field and identify themes of relevance for both research and policy.

2. METHODOLOGY

This article follows a narrative literature review methodology. The aim of a narrative review is not to produce a statistical synthesis of findings — as in a systematic meta-analysis — but rather to map the conceptual landscape of a research domain, trace theoretical developments over time, and identify how different streams of literature connect with one another. This is appropriate for a topic like leadership in military contexts, where the research is highly interdisciplinary and cuts across organizational psychology, military science, public administration, and governance studies.

The sources reviewed for this article were identified through database searches of PubMed, PsycINFO, Google Scholar, and ResearchGate, using search terms including: leadership styles military, Mission Command, Self-Determination Theory military, law enforcement leadership, SWAT stress management, transformational leadership police, military human resource management, and related combinations. The review prioritizes peer-reviewed articles published between 2000 and 2024, with foundational theoretical works (such as Burns, 1978; Ryan and Deci, 2000) included given their enduring relevance. Sources were selected based on their conceptual centrality, methodological quality, and relevance to the specific themes of this review.

3. THEORETICAL BACKGROUND: LEADERSHIP AND MOTIVATION IN ORGANIZATIONAL CONTEXTS

3.1. From Transactional to Transformational Leadership

The modern study of leadership underwent a significant shift in the late 1970s and 1980s, when scholars began distinguishing between leaders who manage through exchanges and rewards — transactional leadership — and those who motivate by appealing to higher-order values and shared vision. Burns (1978) first articulated this distinction, arguing that transformational leadership occurs when leaders and followers elevate one another to higher levels of motivation and moral commitment. Bass (1985) subsequently operationalized this concept, identifying specific behavioural dimensions such as idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

In military settings, transformational leadership has attracted considerable attention. As Barfod and Clifton (2025) observe, transformational leadership has been incorporated into the doctrines of several NATO member states and is explicitly endorsed in the NATO leader development framework. The British Army Leadership Code, for instance, calls on military leaders to promote shared values, vision, and trust — all core characteristics of the transformational approach. However, empirical research reveals a more complex picture: in fast-moving operational environments, the behaviours associated with transformational leadership do not always emerge naturally, and the conditions required to sustain them may be difficult to maintain under pressure.

For law enforcement, the implications are similar. In their study of transformational leadership and police officer performance, researchers have noted that officers who experience inspirational and intellectually stimulating leadership report higher job satisfaction, stronger commitment to the organization, and more adaptive behaviour in difficult situations (Alise, 2021). The key mechanism appears to be the degree to which followers internalize the organization's goals as their own — a process that resonates strongly with motivational theory.

3.2. Self-determination Theory and Its Relevance to Military Organizations

Perhaps the most influential motivational framework applied to military and public order organizations in recent years is Self-Determination Theory (SDT), developed by Ryan and Deci (2000). SDT proposes that human beings have three fundamental psychological needs: autonomy (the need to feel that one's behaviour is self-directed and intentional), competence (the need to feel effective in one's interactions with the environment), and relatedness (the need to feel meaningfully connected to others). When these needs are satisfied by the social and organizational context, individuals tend to develop autonomous motivation

— a form of motivation that is intrinsically driven and associated with sustained effort, creativity, wellbeing, and performance.

This theoretical perspective may seem counterintuitive when applied to military organizations. Conventional wisdom holds that military institutions function precisely through the suppression of individual autonomy in favour of obedience to command. However, SDT does not equate autonomy with independence or insubordination. Rather, it refers to the subjective sense that one's behaviour is self-endorsed and meaningful, even when following external rules. A soldier who obeys an order because they genuinely believe in the mission is experiencing autonomous motivation; one who obeys purely out of fear of punishment is not. The distinction has real consequences for outcomes.

Research guided by SDT in military contexts has found that leadership behaviours which support autonomy — such as providing rationale for decisions, acknowledging feelings, and offering choice within structured frameworks — are associated with higher levels of engagement, job satisfaction, and performance among military personnel (Knevelsrud et al., 2024). These effects hold even in strongly hierarchical environments, suggesting that the need for autonomy does not disappear simply because a structure is rigid; it finds expression through the quality of leadership relationships.

4. MISSION COMMAND: A LEADERSHIP PHILOSOPHY AT THE INTERSECTION OF DOCTRINE AND MOTIVATION

Of all the leadership frameworks developed specifically for military contexts, Mission Command is arguably the most significant for the purposes of this review. Unlike transformational leadership or SDT, which were developed primarily in civilian organizational research and later applied to military settings, Mission Command is a leadership philosophy that originated within military doctrine itself. It has been formally adopted by NATO and implemented, with some variation, across the armed forces of most Western nations.

At its core, Mission Command is built around the idea that effective military operations in complex and uncertain environments require subordinates who can exercise judgment and initiative. Rather than waiting for precise instructions that may become outdated as conditions change, Mission Command encourages leaders at all levels to understand the intent of the commander two levels above them and to act within that intent using their own judgment. The key principles that underpin this philosophy, as identified in NATO doctrine and scholarly analysis, include: mutual trust between leaders and subordinates, clear communication of intent, deliberate delegation of decision-making authority, and an organizational culture that tolerates — and even expects — subordinate initiative (Knevelsrud et al., 2024).

The connection between Mission Command and Self-Determination Theory is not merely theoretical. Knevelsrud, Sørlie, and Valaker (2024) conducted a

multi-study investigation of Norwegian military personnel to examine whether Mission Command leadership behaviours — as reported by soldiers — were associated with satisfaction of the three basic psychological needs identified by SDT, and whether these needs mediated the relationship between Mission Command and motivational outcomes. Their findings provided empirical support for this connection: Mission Command was significantly associated with autonomy need satisfaction, and through this pathway, with autonomous motivation and job satisfaction. Interestingly, the study found that the relationship between Mission Command and the needs for competence and relatedness was less direct, suggesting that the autonomy dimension of SDT is particularly central to why this leadership philosophy works.

These findings have practical significance for military organizations. Turnover intention — a major concern in all security institutions — was also reduced under Mission Command conditions, mediated by the same pathway of need satisfaction and autonomous motivation. This suggests that the philosophy is not simply a tool for operational effectiveness during missions; it has a sustained effect on how personnel relate to their organization over time. For NATO member states facing recruitment and retention challenges in their armed forces, this is a finding worth taking seriously.

It is important to note that Mission Command, while normative in character — it tells military leaders how they ought to lead — is not simply an abstract ideal. Its principles are embedded in training programmes, evaluation systems, and doctrinal publications. This formal institutionalization means that the leadership philosophy carries a form of legitimacy that purely academic models lack. At the same time, scholars have noted significant variation in how Mission Command is actually implemented across different services and national militaries, and there are organizational cultures in which the formal commitment to Mission Command coexists with an informal reality of centralized, control-oriented management (Barfod and Clifton, 2025).

5. HUMAN RESOURCE MANAGEMENT IN MILITARY ORGANIZATIONS: WHAT MAKES IT DIFFERENT

One of the persistent themes in the literature on military leadership is the difficulty of applying frameworks developed in civilian organizational contexts. Military and public order organizations are not simply more hierarchical versions of corporations or government agencies. They differ in ways that go to the heart of what it means to work in them.

The most obvious difference is the nature of the risk involved. Military personnel and law enforcement officers may be required to place their lives in danger as a routine aspect of their role. This is not a marginal or exceptional feature of the job — it is a defining characteristic. The willingness to accept this kind of personal risk, and to do so reliably under conditions of extreme stress,

requires a form of commitment that goes beyond what most employment relationships can be expected to generate. This commitment has motivational implications: if personnel are genuinely committed to the mission and to their colleagues, they are more likely to maintain performance under pressure; if they are merely compliant, the motivational reserves required for high-stakes decision-making may not be available when they are needed most.

The literature on military human resource management emphasizes that the institutional environment shapes the effectiveness of HRM practices in ways that have no direct parallel in the private sector. Research on Pakistani police forces, for example, found that organizational culture serves as a moderating variable between HRM practices and workplace wellbeing: a culture built on values of fairness and respect amplified the positive effects of supportive HRM policies, while an abusive supervision climate undermined them (PMC, 2025). This suggests that leadership practices cannot be evaluated in isolation from the organizational context in which they are embedded.

For researchers and policymakers in the European context, these findings highlight the need to attend not only to formal leadership models and HRM policies, but also to the informal cultural norms that either reinforce or undermine them. A military organization that formally espouses Mission Command values while informally rewarding risk-averse, compliance-oriented behaviour will not realize the motivational benefits that the philosophy promises.

6. STRESS MANAGEMENT IN SPECIAL INTERVENTION UNITS

The relationship between leadership, motivation, and performance becomes particularly acute in the context of special intervention units. Law enforcement agencies deploy SWAT (Special Weapons and Tactics) teams to respond to high-risk situations — hostage scenarios, terrorist incidents, armed confrontations — that exceed the capability of standard policing. Similarly, military special operations forces are assigned to missions that require exceptional skill, physical conditioning, psychological resilience, and the capacity for autonomous decision-making under extreme pressure.

Leadership plays a critical role in determining whether stress is managed effectively. Research on law enforcement leadership and resiliency has found that organizations where leaders actively model help-seeking behaviour, create psychological safety, and normalize the acknowledgment of stress among personnel see better outcomes in terms of both individual wellbeing and unit effectiveness (Journal of Leadership, Accountability and Ethics, 2025). Conversely, leadership cultures that stigmatize psychological vulnerability — treating it as a sign of weakness incompatible with the demands of the role — tend to produce personnel who hide their difficulties, which ultimately increases risk for the individual, the team, and the public.

The connection to motivational theory is again evident. An environment in which personnel feel they cannot acknowledge difficulty without risking professional consequences is one in which the need for relatedness — feeling genuinely connected to and supported by one's colleagues and leaders — is frustrated. According to SDT, persistent frustration of basic psychological needs does not merely reduce motivation; it actively undermines wellbeing and performance. Stress management programs that are integrated into the leadership framework of special units, rather than added as optional extras, represent a practical application of this insight.

7. PHYSICAL FITNESS AS A MOTIVATIONAL VARIABLE IN SECURITY ORGANIZATIONS

One area where military and law enforcement research has found consistent evidence is the relationship between physical fitness and motivational outcomes. In both organizational settings, physical conditioning is not merely a functional requirement — it serves as a proxy for competence, a source of self-confidence, and a reinforcer of group cohesion.

The SDT framework provides a useful lens for understanding this connection. Physical training in military contexts, when well-designed, satisfies the need for competence: personnel who can see tangible evidence of their own capability and improvement — whether in fitness scores, tactical performance, or the successful completion of demanding exercises — are more likely to feel effective in their role. This sense of competence, in turn, fuels intrinsic motivation.

From a leadership perspective, these findings suggest that the way physical training is organized and led matters as much as the content of the training itself. Leaders who use physical conditioning as an opportunity to develop competence, celebrate achievement, and reinforce unit bonds are doing more than maintaining physical readiness — they are actively building the motivational foundations that sustain performance across all aspects of the role.

8. DISCUSSION: LEADERSHIP, AUTONOMY, AND EUROPEAN SECURITY GOVERNANCE

The themes that emerge from this review point toward a clear and consistent message: in military and public order organizations, leadership that attends to the motivational needs of personnel — their need to feel autonomous, competent, and connected — produces better outcomes than leadership that relies exclusively on external control. This is true at the level of individual performance and wellbeing, at the level of unit effectiveness, and at the level of organizational sustainability as measured by retention and long-term commitment.

This conclusion does not imply that hierarchy is irrelevant or that the specific demands of security organizations can be wished away. It does imply that the way hierarchies function internally — the quality of relationships between leaders and subordinates, the degree to which personnel feel their contributions are recognized and their development supported, the culture that exists around psychological safety and stress acknowledgment — has a substantial effect on outcomes that no amount of formal structure can substitute for.

Situating these findings in the current European context, the implications are significant. The European Commission's 2026 Work Programme has placed particular emphasis on strengthening European defence capability, security institutions, and the resilience of public order frameworks. Member states are investing in their armed forces and law enforcement agencies at levels not seen in decades. But investment in equipment, technology, and formal structures will only translate into genuine capability if the human component of these institutions is functioning well. Personnel who are disengaged, poorly led, or psychologically distressed do not become more effective simply because they are given better resources.

In this sense, the leadership and motivational research reviewed in this article has a direct bearing on questions of European governance and security policy. The capacity of European nations to develop and sustain competent, resilient, and genuinely motivated security forces is a structural requirement for the kind of strategic autonomy that the EU is seeking to build. Leadership models that operationalize SDT principles — whether through Mission Command in military contexts or through autonomy-supportive management in law enforcement — represent practical pathways toward that goal.

There are, of course, important caveats. Much of the empirical research in this domain has been conducted in specific national contexts — Norway, the United States, the United Kingdom, South Korea — and the cultural, institutional, and operational contexts of these countries may not transfer directly to other European settings. The development of comparable research within diverse EU member states, including Central and Eastern European contexts, represents an important gap in the literature that future work should address.

Additionally, the normative character of models like Mission Command — which prescribes how leaders should behave without always grappling with the institutional and cultural barriers that prevent such behaviour in practice — needs to be balanced by more critical, implementation-focused research. Knowing what good leadership looks like is not the same as knowing how to create organizations in which it can flourish.

9. CONCLUSIONS

This literature review has examined the role of leadership styles in military and public order organizations, with particular attention to the motivational mechanisms through which leadership affects individual and organizational outcomes. The review has identified a number of consistent findings across the literature. First, Self-Determination Theory provides a useful and empirically supported framework for understanding why some leadership approaches work better than others, even within highly hierarchical structures. Second, Mission Command represents a concrete application of SDT principles within military doctrine, with demonstrated effects on autonomy satisfaction, autonomous motivation, job satisfaction, and retention. Third, the unique characteristics of security organizations — including the risks involved, the specific HRM dynamics, and the psychological demands of special operations roles — create conditions that make leadership quality particularly consequential.

These findings are not merely of academic interest. In the context of European security governance, they point toward a form of institutional investment that tends to be undervalued relative to material and structural resources: the investment in leadership quality, motivational climate, and psychological safety within security organizations. Personnel who are well-led, genuinely motivated, and psychologically resilient are not simply more effective operationally — they represent the human foundation without which any broader governance or security architecture will eventually struggle.

Future research should continue to develop the empirical base in this area, with particular attention to European contexts that remain underrepresented in the literature, to the implementation challenges that prevent best-practice leadership models from taking root, and to the intersections between leadership, wellbeing, and operational effectiveness in the evolving landscape of European security.

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EMERGING TECHNOLOGIES, FINTECH INNOVATION, CYBERSECURITY, AND THE EUROPEAN UNION'S VISION FOR THE FUTURE OF BANKING

VADIM GRIGORYAN
Armenian State University of Economics
Yerevan, Armenia
vadim.grigoryan@asue.am

DIANA GEVORGYAN
Armenian State University of Economics
Yerevan, Armenia
diana.gevorgyan91@gmail.com

LUSINE KIRAKOSYAN
Armenian State University of Economics
Yerevan, Armenia
lusine.kirakosyan@asue.am

Abstract
In the light of the "Bank of the Future" paradigm, this study examines how emerging technologies, fintech innovation, cybersecurity, and the European Union's digital transformation agenda are shaping the future of banking. It explores how innovations such as blockchain, artificial intelligence, and data analytics are transforming banking operations, improving efficiency, and enhancing customer experience. The study also investigates the growing role of fintech companies and decentralized finance in increasing competition and accelerating digital transformation across the European banking sector. Particular attention is given to the European Union's regulatory framework, including initiatives aimed at fostering innovation while ensuring financial stability, consumer protection, and cybersecurity resilience. Furthermore, the research highlights the increasing cybersecurity challenges associated with digitalization, including ransomware attacks, phishing schemes, and data breaches. The relationship between cybersecurity, regulatory compliance, and EU digital policies is examined as a critical component of risk management. The study adopts a mixed-methods approach to analyse survey data from bank executives and IT managers as well as qualitative insights from the institutional case studies. The empirical results validate that technology adoption has a significant positive association with operational efficiency.

The results also reveal that holistic cybersecurity alignment reduces cybercrime incidents and greatly improves digital trust. The findings emphasize the importance of balancing technological innovation with robust security frameworks and effective regulatory governance to support resilient, secure, and sustainable banking development within the European Union and beyond.
Keywords: *bank of the future; emerging technologies; Fintech innovation; cybersecurity; digital banking.*
JEL Classification: G21; O33; G28; M15.

1. INTRODUCTION

The rapid development of emerging technologies, the growth of fintech innovation, and the growing significance of cybersecurity in the digital age are driving a significant transformation of the global banking sector, heavily guided by the European Union's digital transformation agenda. Traditional financial institutions are changing from traditional service providers into technologically sophisticated, data-driven, and customer-focused ecosystems within the framework of the "Bank of the Future" paradigm. This change is a reflection of both the digitalisation of financial services and a basic reorganisation of the ways in which value is produced, provided, and maintained in the contemporary European financial landscape.

At the center of this change are cutting-edge technologies like data analytics, blockchain, and artificial intelligence (AI). Banks are able to improve decision-making, automate procedures, increase operational efficiency, and offer highly customised services to clients thanks to these technologies, which are increasingly adopted under the EU's "AI Continent Action Plan" and digital infrastructure goals. For instance, blockchain technology improves financial transaction security, transparency, and trust by enabling decentralised and tamper-resistant systems, while artificial intelligence supports predictive analytics, fraud detection, and credit risk assessment. Financial institutions can also better understand consumer behaviour, optimise services, and create cutting-edge financial products thanks to data analytics. Consequently, technology integration has emerged as a crucial factor in the banking industry's competitiveness and long-term viability across the EU.

At the same time, with the emergence of new fintech companies, the competitive nature of the financial services sector is changing, particularly with the development of decentralised finance, or DeFi, services inside the European banking sector. Fintech companies are offering new, innovative, and customer-centric services, changing the conventional nature of banking and speeding up the digital revolution in this sector. For instance, services such as mobile payments, peer-to-peer lending, and investment platforms are becoming popular, thus enhancing financial inclusion and accessibility. As such, conventional European banks are being forced to be more flexible in their approach, utilizing

regional open banking frameworks to remain competitive in this highly contested market.

However, with the increasing adoption of technology, financial institutions face a high risk of cybercrime. With the increasing interconnectedness and data-centricity of financial institutions, the risk of cybercrime is also increasing. Cybercrime is one of the most critical challenges faced by financial institutions, with phishing, ransomware, and data breaches posing a high risk to European financial stability. The financial and reputational risks associated with cybercrime, especially with data breaches, are substantial. The increasing risk of cybercrime suggests the need for financial institutions to develop effective cybersecurity strategies and keep pace with the ever-increasing risk, an objective prioritized by EU digital security frameworks.

In such a sense, the relationship between regulatory compliance and cybersecurity is particularly significant. In fact, whereas regulatory compliance is concerned with ensuring that financial institutions comply with legal and regulatory requirements—such as the Digital Operational Resilience Act (DORA) and the EU AI Act—cybersecurity is more concerned with ensuring that financial institutions are able to protect themselves from potential threats. Although such concepts are different in terms of their objectives and approaches, they are undoubtedly significant in ensuring a balance between financial institutions and their customers within the EU single market.

The aim of the article is to examine and discuss the role of emerging technology, fintech, and cybersecurity in relation to the banking industry and its future, specifically in relation to how it impacts banking operations, customer experience, and competition within the context of EU digital policies. The study seeks to gain a comprehensive understanding of how these factors contribute to the concept of the "Bank of the Future".

The main issues of the work include some critical aspects. The first is the role of emerging technologies, including artificial intelligence, blockchain, and data analytics, in banking operations and the provision of services. The second is the role of fintech innovation and decentralized finance in banking competition and the evolution of traditional banking. The third is the role of emerging technologies, including fintech and blockchain, in addressing the challenges of cybersecurity and ensuring the sustainability of banking operations. The fourth is the relationship between cybersecurity and regulatory compliance, which is critical in risk management. The fifth is the potential for banking operations to leverage technological innovation, including fintech and blockchain, in ensuring sustainability.

The subject of the research is the transformation of the banking sector under the influence of emerging technologies, fintech innovation, and cybersecurity challenges during the EU's digital transformation phase. More specifically, the study focuses on the interaction between technological

advancement, financial innovation, and risk management processes in banking systems.

In order to tackle these problems, a comprehensive approach is taken in the current study, drawing on theories from finance, information systems, and cybersecurity studies. This will enable a more profound understanding of the intricate and intertwined nature of digital transformation in banking. In addition, by examining different aspects of technological, economic, and security factors in a single framework, this study will be able to contribute to the existing literature and provide implications for European banking institutions, financial authorities, and policymakers.

The future of banking is not just dependent on technological advancements in banking sectors, but also on managing risks and ensuring trust in such technologies. Thus, to talk of a "Bank of the Future" is to talk of a banking institution that is not only secure, adaptable, and promotes innovation, but is able to strike a balance between technological advancement, security, and regulations in a constantly evolving environment. In such a constantly evolving environment, a balance between innovation, security, and regulations will be required to sustainably and securely shape the future of banking within the European Union and on a global scale.

2. METHODOLOGY

The research study is based on a mixed research design that focuses on the impact of emerging technology, fintech innovation, and cybersecurity on the evolution of the banking sector within the European Union's digital business landscape. The rationale behind the study is based on the need to explore the impact of technology adoption in the banking sector, as well as the contextual perspectives of the stakeholders regarding the evolution of the sector in the digital age. The study is based on a mixed research design that ensures the research provides a comprehensive understanding of the impact of technology adoption in the banking sector, as well as the need to address cybersecurity challenges under the EU's evolving digital transformation agenda.

Quantitative methods enable measuring and examining trends in technology uptake, operational efficiency, and cybersecurity. The study uses survey questionnaires targeting bank executives, IT managers, and fintech practitioners from selected European banking institutions, including Deutsche Bank (Germany), BNP Paribas (France), ING Bank (Netherlands), Santander (Spain), UniCredit (Italy), and Erste Group Bank (Austria). The survey questionnaires are designed to assess the extent of AI, blockchain, and data analytics uptake using Likert scale and multiple-choice questions. The study also seeks to assess the benefits of AI, blockchain, and data analytics uptake in enhancing operational efficiency and cybersecurity preparedness within the framework of EU regulatory standards. Furthermore, secondary data analysis is

used to examine existing literature and data from various sources such as the European Central Bank (2026), World Bank (2026), IMF (2026), and Statista (2026). The study examines regional digital banking trends, cybercrime rates, and financial performance indicators. Statistical methods are used to examine relationships between technology uptake, innovation outcomes, and cybersecurity. Descriptive analysis, correlation analysis, and regression analysis are used in this study.

Qualitative research helps gain in-depth insights into the strategic, regulatory, and operational dimensions of digital transformation. In this study, semi-structured interviews are conducted with EU financial regulators, fintech entrepreneurs, cybersecurity experts, and banking practitioners to gain deeper insights into challenges, motivations, and ethical issues concerning the adoption of emerging technologies. In addition, case study research on selected European banks using AI, blockchain technology, and fintech partnerships is undertaken to understand best practices and nuances in technology adoption under compliance mandates like DORA and GDPR. Thematic analysis software such as NVivo is used to identify emerging themes and challenges in cybersecurity, regulatory compliance, and digital trust.

The use of quantitative as well as qualitative methods will allow for triangulation, thus ensuring reliability and validity in the study's results. Quantitative methods will be used to measure technology adoption, efficiency gains, and the efficacy of risk management, while qualitative methods will be employed to understand the reasons, strategies, and responses behind these phenomena. This will allow for a complete understanding of how new technologies, fintech, and cybersecurity will impact the future of banking in the context of EU digital policies.

3. LITERATURE REVIEW

The banking sector's evolution in the digital age is a subject of extensive literature, and researchers have highlighted the fact that this evolution is not only technological in nature, but it also involves structural changes driven by the European Union's digital policies. In this context, some of the initial literature focused on the contribution of digitalization in boosting efficiency, lowering transactional costs, and facilitating financial services. However, current literature highlights the strategic adoption of emerging technologies, including AI, blockchain, and data analytics, within the EU digital transformation framework as critical success factors for banking sector evolution, innovation, sustainability, and customer personalization.

Fintech has evolved as a significant driver of change in the financial services industry, representing the integration of finance and information technology. The literature highlights the fact that fintech, including peer-to-peer lending, mobile payments, robo-advisory, and digital wallets, promotes financial

inclusion and creates disruptions in the financial services industry (Gomber, Kauffman, Parker and Weber, 2018; Philippon, 2016). The fintech industry and DeFi systems have resulted in high competition, forcing traditional financial institutions across the European banking sector to focus on customer-centric banking and leverage regional open banking standards. Although fintech creates opportunities for financial services institutions, there are challenges associated with fintech, especially with regards to financial risk, consumer protection, and data privacy regulations like GDPR.

Blockchain technology is said to fundamentally change the nature of trust in financial transactions. It increases transparency, reduces costs, and boosts efficiency in financial transactions due to a decentralized approach that does not need intermediaries. DeFi is a further development of blockchain technology, which facilitates smart contracts in financial transactions without intermediaries, presenting a new financial intermediation paradigm. However, within the EU market, a number of factors—including compliance with the Markets in Crypto-Assets (MiCA) regulation—are shaping the mainstreaming of DeFi, highlighting the need to manage risks to effectively incorporate these decentralized systems into the formal financial ecosystem.

The introduction of AI and machine learning technologies has revolutionized banking services through predictive analytics, risk assessment, fraud detection, and customer experience personalization (Ghosh and Gupta, 2021). The use of algorithms in banking services has allowed for real-time credit scoring, customer-specific financial advice, and operational efficiency. However, there are ethical and regulatory issues with AI and machine learning in banking services, which must be addressed under strict compliance standards like the EU AI Act to ensure digital trust and transparency in AI-based banking services (Brummer and Yadav, 2019).

With the digitalization of banking services, cybersecurity has been recognized as a key concern for regional financial stability. The literature shows that cybercrimes such as ransomware attacks, phishing, and data breaches have escalated to alarming levels, and banks and their customers have been bearing the financial and reputational consequences thereof (Global Cybersecurity Index, 2023). Theorists have emphasized the need to have robust cybersecurity governance and strict operational resilience frameworks, such as the EU's Digital Operational Resilience Act (DORA), to minimize the risks of cybercrimes and build trust in digital banking systems (Zetzsche et al., 2020).

Recent research has also emphasized the need to ensure that digital transformation is achieved in such a way that it is socially and ethically acceptable. The sustainable banking model has been discussed as a model that needs to integrate ESG factors into fintech strategies to ensure that digital banking is achieved without compromising the principles of ESG factors and EU sustainable finance disclosure requirements (Weber and Scholz, 2017; Zhang et

al., 2022). The research shows that banks that have been able to strike a balance between digital banking, human factors, and regulatory compliance have been able to achieve sustainability in the banking system.

These studies, collectively, demonstrate the multidimensionality of the banking industry's transformation, which is not only technological and economic in nature but also incorporates the regulatory and ethical dimensions. Technologies, fintech, and cybersecurity are intertwined aspects of the banking industry's future. On one hand, technological progress is the driving force behind efficiency and customization, and on the other, compliance, risk management, and sustainability under EU digital policies are critical aspects of banking services.

These findings provide a strong foundation upon which the implications of emerging technology and fintech on the operational model, customer relationship, and cybersecurity of the "Bank of the Future" can be discussed.

4. RESULTS

The quantitative study helps in understanding the trend in the adoption of emerging technology, fintech, and cybersecurity in banking institutions within the European Union's digital business landscape. The data was collected using survey questionnaires from bank executives, IT managers, and fintech experts. The results showed that AI, blockchain, and data analytics are highly adopted in banking institutions. AI-based technology was found to be used most in fraud detection and credit risk measurement. The results also showed that banks experienced significant improvements in efficiency and customer satisfaction, especially in banks that adopted multiple emerging technologies at once under the EU's digital transformation roadmap.

The secondary data was obtained from European Central Bank (ECB), World Bank, International Monetary Fund (IMF), and Statista reports. The results supported the study findings, showing that there is an upward trend in digital banking, fintech partnerships, and investment in cybersecurity in banks globally and across EU member states. According to Statista (2024), banks experienced a 35% increase in blockchain-based technology in the last three years. According to IMF (2023), banks in financial hubs are investing heavily in AI and cybersecurity infrastructure to align with regional operational resilience demands.

From the descriptive statistics, the average adoption score of the AI systems was 4.2, blockchain 3.8, and data analytics 4.0, based on a 5-point Likert scale. The correlation analysis revealed a strong and positive linear relationship between technology adoption and operational efficiency ($r = 0.72, p < 0.01$).

The regression analysis revealed that the higher the levels of AI and blockchain implementation, the higher the levels of improvement in customer experience and risk mitigation ($\beta = 0.65, p < 0.01$).

The cybersecurity levels among the banks varied, and approximately 68% of the banks had already implemented strong cybersecurity protocols in place to prevent phishing, ransomware, and data breaches. This reflects a growing alignment with the EU's Digital Operational Resilience Act (DORA) standards. The smaller banks had not yet caught up, a fact that is in line with the World Bank (2023) data on cybersecurity investment gaps in medium-sized banks.

The qualitative analysis sheds light on the intricacies of how banks, regulators, and fintech industry players engage with issues of digital transformation, cybersecurity, and technology adoption within the European market framework. The results of the semi-structured interviews with regulators, fintech industry founders, cybersecurity experts, and banking industry professionals pointed to some commonalities. The need for strategic planning and organisational flexibility was highlighted by all the participants as critical success factors for the adoption of AI, blockchain, and data analytics technology under EU digital policies. The need for banks to be strategically positioned to adopt technology was highlighted, and it was pointed out that technology adoption was driven by competitive, customer, and regulatory pressures—such as the EU AI Act—as opposed to operational pressures.

Cybersecurity and regulatory compliance were highlighted as significant challenges in the context of the evolving EU digital banking rules. The need for banks to be proactive in managing risks and ensuring adequate staff training was highlighted. The challenges faced by smaller banks in ensuring adequate security and keeping pace with strict European technology mandates were pointed out by some of the participants.

The case studies conducted with banks adopting AI, blockchain, and fintech partnerships offered insights into best practices for digital transformation. The successful banks, in adopting new technologies, were able to leverage these technologies with effective governance, coordination, and upskilling of employees within regional parameters.

Thematic analysis, using NVivo, was conducted to determine the conceptual categories that were evident in the study:

- technological integration – adoption strategies, system interoperability, and innovation-driven service improvement aligned with the EU's digital transformation roadmap,
- cybersecurity and risk management – proactive security measures, regulatory alignment with frameworks like DORA and GDPR, and mitigation of cyber threats,
- customer-centric innovation – personalization of services, digital engagement, and trust-building in digital channels under European consumer protection standards.

The study’s qualitative results support the quantitative study, reinforcing that technology adoption positively impacts efficiency and customer satisfaction,

while governance, ethics, and cybersecurity compliance play critical roles in regional digital transformation success.

The qualitative analysis was based on semi-structured interviews with 23 key European stakeholders (bank executives, fintech founders, cybersecurity specialists, and regulators) and case studies of five banks implementing AI, blockchain, or fintech collaborations. The analysis focused on three dimensions: strategic integration of technologies, cybersecurity governance, and customer-centric innovation.

From the interviews, it was noted that 85% of the participants emphasized the importance of partnerships with fintech companies for the promotion of innovation, 90% emphasized the need for leadership support, and 80% emphasized the need for strategic planning as key drivers of technology adoption.

For banks with proper alignment and leadership support, the adoption of AI and blockchain technology was successful, leading to a 15-25% improvement in operational efficiency. Delays were also reduced. For banks without proper planning or those struggling with complex EU regulatory adjustments, the adoption of technology was poor.

Table 1. Drivers of technology adoption in banks

Driver	% of Respondents	Key Role
Leadership Support	90%	Motivates teams, aligns goals
Fintech Partnerships	85%	Provides expertise and accelerates innovation
Strategic Planning	80%	Ensures investment aligns with organizational goals
Employee Training	70%	Improves readiness for technology adoption

Source: authors elaboration using NVivo results

All banks (100%) were compliant with regulatory compliance guidelines including GDPR, while 75% used real-time threat monitoring, 65% conducted staff training, and 60% had incident response plans in place to meet upcoming regional resilience metrics. The importance of cybersecurity measures cannot be overstated, given the rise in cyber threats such as phishing, ransomware, and data breaches across the cross-border banking network.

Banks that employed various cybersecurity measures experienced fewer cybercrime cases by 30%, while banks with low cybersecurity measures suffered losses, reputational damage, and regulatory issues under EU frameworks.

Table 2. Adoption of cybersecurity measures

Measure	Adoption Rate (%)	Observed Effect
Regulatory Compliance	100%	Ensures legal adherence
Threat Monitoring	75%	Detects risks proactively
Staff Training	65%	Reduces human errors
Incident Response	60%	Minimizes breach impact

Source: authors elaboration using NVivo results

In terms of customer experience, 60% reported a high positive impact, 30% reported a moderate impact, and 10% reported a low impact. These emerging technologies include AI, blockchain, and data analytics, which provide personalized services, financial services, and faster transactional services. These services promote ethical and transparent banking under EU compliance standards, thus fostering customer trust.

Banks that successfully implemented emerging technology enhanced customer satisfaction by 20-30%. On the other hand, banks with unsuccessful emerging technology implementations resulted in customer confusions and lower levels of customer trust.

The five European banks analyzed revealed additional insights:

- banks using AI technology for detecting fraud reduced the number of fraud cases by an average of 28%,
- banks using the blockchain technology for payment processing reduced the delays associated with transactions by 22%,
- banks offering customer-centric innovations, including mobile banking with AI chatbots, recorded a 35% increase in digital engagement,
- banks offering both fintech partnerships and robust cybersecurity recorded higher digital trust scores than those offering either one of these.

Table 3. Case study insights

Bank	Technology Applied	Operational Improvement	Customer Engagement Increase	Cyber Incident Reduction
A	AI fraud detection	20%	30%	28%
B	Blockchain payments	22%	25%	20%
C	AI chatbots + analytics	18%	35%	15%
D	Fintech partnerships	25%	28%	22%
E	AI + Blockchain integration	24%	32%	30%

Source: authors elaboration using NVivo results

The qualitative results indicate that:

- strategic alignment, leadership support, and fintech alliances are critical for technology adoption to increase efficiency and deliver customer benefits within the EU digital framework,
- cybersecurity governance, such as ensuring compliance with DORA, monitoring threats, and training employees, can help mitigate losses due to cybersecurity incidents and increase customer trust,
- customer-centric technologies driven by artificial intelligence, blockchain, and data analytics can increase customer satisfaction, engagement, and loyalty,
- the case studies demonstrate the synergies between technology adoption, cybersecurity governance, and fintech alliances in delivering customer benefits during the EU's broader digital evolution.

The mixed-methods findings show that emerging technologies such as AI, blockchain and data analytics are widely adopted by banking institutions leading to significant improvements in operational efficiency and customer satisfaction when applied within strategic cross-functional frameworks. Secondary data indicates a global increase in fintech alliances and digital infrastructure investment. The analysis emphasises the need for robust cybersecurity governance and proactive regulatory alignment with EU compliance mandates (DORA, GDPR) to facilitate successful digital transformation. In the end, banks that adopt the right combination of fintech partnerships with leadership buy-in and stringent operational security controls are benefiting from a significantly lower number of cybercrime events and increased digital trust scores, highlighting the strong synergies between technology innovation, risk minimisation and customer-centric value proposition in the rapidly changing European banking landscape.

5. CONCLUSIONS

This study illustrates that the "Bank of the Future" is not only about technology but is also about the comprehensive transformation of banks in terms of efficiency, strategy, cybersecurity, and customer-centric innovation within the European Union's digital business landscape. The emerging technologies of the future, such as AI, blockchain, and advanced data analytics, not only revolutionize banking services but also enable banks to make predictive decisions, manage risks in real-time, and offer personalized financial services under strict EU regulatory standards. The research results show that banks that strategically adopt emerging technologies and have strong leadership and fintech partnerships achieve better efficiency and speed in their operations and introduce new and innovative services to their customers across the digital single market.

Cybersecurity governance is another important pillar of banking services in the future. While European banks must comply with regulatory requirements—such as the Digital Operational Resilience Act (DORA) and GDPR—to ensure cybersecurity, it is equally important to adopt proactive cybersecurity measures to address emerging regional cyber risks such as ransomware, phishing, and data breaches. Banks that have adopted comprehensive cybersecurity approaches have achieved lower cybersecurity breaches and financial losses and have gained customer confidence within highly regulated financial corridors.

From a pragmatic point of view, the study highlights the need for financial institutions to embrace a holistic socio-technical approach in their technology adoption process, which should be aligned with organizational strategy, ethics, and ESG considerations in order to build and sustain trust, inclusiveness, and sustainability under EU sustainable finance disclosure frameworks. Customer-centric technology innovations driven by AI and data analytics not only improve the customer experience but also build customer loyalty and engagement, as well as promote financial inclusion. Financial institutions that do not embrace these regional digital transformation standards may experience operational challenges and reduced competitiveness.

The study offers actionable recommendations to the various stakeholders in the fintech value chain. First, bank executives should focus on strategic planning and fintech partnerships in order to fast-track the adoption of technology in the sector. Second, European regulators should continue to develop adaptive regulatory frameworks—similar to the EU AI Act and MiCA—that balance fintech innovation and cybersecurity concerns, as well as consumer protection. Third, fintech companies should seek opportunities in partnerships with traditional banks in order to fast-track the adoption of fintech and digital financial services within the regional banking network.

Lastly, the current study will contribute to the academic and professional discourse on the subject since it provides a multidimensional view of the banking transformation process during the EU's ongoing digital evolution.

Future studies can focus on the long-term effects of technology on the banking industry, calculating the ROI of technology partnerships across different regulatory borders, and designing a predictive model for cybersecurity risks. With the application of the above ideas and concepts, banks can be transformed into robust, innovative, and customer-centric organizations, which can effectively cope with the challenges and opportunities of the digital age.

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COMPREHENSIVE ANALYSIS OF ACCOUNT-BASED MARKETING STRATEGIES IN THE CONTEXT OF EU DIGITAL TRANSFORMATION

ARMEN GRIGORYAN
Armenian State University of Economics
Yerevan, Armenia
armengrigoryan.asue@gmail.com

VADIM GRIGORYAN
Armenian State University of Economics
Yerevan, Armenia
vadim.grigoryan@asue.am

LILIT KOLYAN
Armenian State University of Economics
Yerevan, Armenia
kolyanlilit@gmail.com

ANNA BADALYAN
Armenian State University of Economics
Yerevan, Armenia
badalyanann4@gmail.com

LUSINE KIRAKOSYAN
Armenian State University of Economics
Yerevan, Armenia
lusine.kirakosyan@asue.am

Abstract

This paper examines account-based marketing (ABM) as a strategic approach for business-to-business (B2B) marketing in the digital era, with particular emphasis on its application within the European Union's evolving digital business landscape. Focusing on high-value accounts rather than broad lead generation, ABM enables personalized, data-driven engagement that aligns marketing initiatives with organizational objectives. The study explores the theoretical foundations of ABM, content personalization, customer relationship management (CRM) integration, and value-based selling, while

highlighting the role of digital technologies in ABM implementation. Special attention is given to the influence of EU digital transformation initiatives, data governance requirements, and regulatory frameworks, including GDPR, on the development and execution of ABM strategies. A multi-method qualitative approach—including descriptive analysis, expert surveys, and a case study of PiLog Group — provides both conceptual insights and practical applications. Analytics based on engagement metrics, intent data, and AI-driven insights demonstrate ABM's effectiveness in improving return on investment (ROI), strengthening marketing-sales alignment, and optimizing account-level performance. The research identifies implementation challenges, regulatory considerations, and measurement gaps, offering directions for future studies on digitally enabled B2B marketing within the European Union and global markets.
Keywords: *Account-Based Marketing (ABM); EU digital transformation; CRM integration; marketing-sales alignment; data-driven engagement.*
JEL Classification: M31; M15; 033.

1. INTRODUCTION

In the domain of B2B marketing, companies increasingly face the challenge of operating with precision, efficiency, and strategic alignment between marketing and sales, particularly within the changing European regulatory and economic environment. The rise of digital platforms and data-driven decision-making has fundamentally shifted marketing from broad, volume-based outreach toward highly targeted, personalized strategies. Within this context, accelerated by the European Union's digital transformation initiatives, ABM has emerged as a strategic marketing approach that concentrates organizational resources on engaging a clearly defined set of high-value target accounts. Unlike traditional marketing, which often casts a wide net in the hope of capturing potential leads, ABM treats each account as a distinct market, customizing campaigns, communications, and content to meet the unique needs and expectations of specific clients while operating within strict EU data governance standards.

The aim of this article is to provide a comprehensive analysis of ABM as a strategic approach in digital B2B ecosystems in the context of EU digital transformation. The study seeks to evaluate ABM's theoretical foundations, its practical applications in real-world organizations, and its measurable impact on key business outcomes, including engagement, lead quality, customer retention, and return on investment (ROI). Through this analysis, the article intends to offer insights into how ABM enables organizations to focus resources on accounts with the highest potential for conversion and long-term value, while enhancing marketing-sales alignment and operational efficiency across diverse EU member states.

The main issues addressed in this work include understanding the operational methods, strategic significance, and digital implementation of ABM, as well as the challenges organizations face when applying this model. Despite its growing adoption, ABM remains a relatively new discipline in many

industries, and organizations often encounter difficulties in scaling strategies, integrating technology, and measuring outcomes. In Europe, these challenges are further complicated by regional market fragmentation and regulatory compliance requirements. Variations in implementation, gaps in understanding its long-term effectiveness, and uncertainty regarding future trends create substantial knowledge gaps that require academic and practical inquiry. This study investigates these challenges, explores how digital platforms facilitate ABM execution, and examines factors that contribute to successful strategy adoption, including content personalization, intent-based targeting, and the integration of sales and marketing efforts within the EU regulatory frameworks.

The subject of this research is the application and performance of ABM strategies on digital platforms within the European digital business landscape, with particular focus on case studies such as PiLog Group's initiatives using platforms like LDG and Smar Ig. The research examines how digital tools support personalized engagement, track account interactions, optimize campaigns, and enable data-driven decision-making. Additionally, it explores the broader implications of ABM for organizational performance, emphasizing strategic alignment, client relationship management, and measurable business outcomes under compliance standards like GDPR. By combining theoretical exploration with practical examples, the study aims to provide a holistic understanding of ABM's role in contemporary B2B marketing and its contribution to organizational growth during the EU's digital evolution.

The study also addresses the relevance of ABM in the current B2B landscape, where personalized, high-value engagement is increasingly demanded by buyers. ABM not only aligns marketing and sales teams around target accounts but also emphasizes delivering value at every stage of the customer journey. This is particularly critical in complex European corporate environments involving multiple decision-makers across borders, where trust, relevance, and strategic alignment are central to success. By focusing on account-level strategies, ABM enables firms to prioritize quality over quantity, cultivate long-term relationships with high-potential clients, and achieve measurable improvements in engagement and ROI.

This research is guided by several key questions: What is Account-Based Marketing, and how does it differ from traditional marketing approaches? What constitutes ABM as a distinct and strategic B2B methodology? How is ABM executed on digital platforms, and what is the role of technology in enhancing its effectiveness? What are the future trajectories of ABM in the context of rapidly advancing EU digital transformation initiatives? And, what strategic evolutions may ABM undergo in the coming years?

The study draws on academic literature, industry reports, practitioner case studies, and primary data, including expert interviews and surveys. Academic sources provide theoretical grounding, while industry benchmarks and case

studies, including PiLog Group, illustrate practical implementation. This combination allows for a detailed evaluation of ABM's effectiveness, challenges, and best practices in digital environments.

Ultimately, this article seeks to articulate not only how ABM functions today but also how it can evolve to shape the future of B2B engagement. By examining conceptual foundations, operational practices, and digital implementation, the study aims to provide actionable insights for marketing professionals, strategists, and business decision-makers, offering a comprehensive framework for executing and scaling ABM strategies in the EU digital era.

2. METHODOLOGY

This research applies a multi-method approach to examine the role of ABM on digital platforms within the European Union's evolving digital business landscape. Both qualitative and quantitative methods are used to get reliable analysis under regional regulatory and market frameworks. The descriptive method establishes the conceptual foundation of the research. It defines ABM, differentiates it from traditional B2B marketing, and explains the three basic models: one-to-one, one-to-few, and one-to-many. It also outlines how these models are implemented through CRM systems, content personalization tools, and marketing automation platforms, while considering the alignment with EU digital transformation initiatives and strict data governance policies like GDPR.

The observation method was used to monitor a live ABM campaign. The main aspects analyzed include cross-functional collaboration between sales and marketing, the use of CRM systems, and LinkedIn Campaign theoretical principles, specifically looking at how target account identification operates within European legal boundaries regarding digital tracking and consent. The case study method focused on an ABM campaign implemented by PiLog Group, targeting high-value enterprise clients across EU member states in industries such as Oil & Gas, Utilities, Mining, and Manufacturing. The researchers had direct access to campaign design and evaluation processes. The case analysis examined industry-specific targeting, personalized content for European decision-makers, and digital engagement metrics with ROI tracking under regional compliance standards. To complement these findings, a survey was conducted with three experienced European B2B marketing professionals. The survey explored ABM implementation practices, tools used, localized challenges, ROI comparison with traditional marketing, and emerging trends in the context of the EU's digital evolution. The responses provided practical industry validation. Quantitative analysis was integrated through performance metrics such as click-through rates, engagement duration, conversion rates, and cost per account. Forecasting models were developed to project future engagement and campaign effectiveness within the digitally transforming EU

ecosystem. Secondary data, including industry reports, CRM exports, and European benchmarking studies, further strengthened the analysis. Overall, the combination of methods bridges theory and practice, and analyzed ABM performance on digital platforms within the specific context of EU digital transformation.

3. LITERATURE REVIEW

The evolution of modern B2B marketing has been marked by a structural shift away from mass, volume-based outreach to highly targeted, value-driven strategies. Traditionally, B2B marketing has been focused on a lead-generation strategy. Marketers have targeted a wide range of industries to create a large number of potential buyers, frequently resulting in low conversion rates and tension between sales and marketing teams (Kotler et al., 2019). However, the rapid development of digital transformation initiatives in global markets, especially in the common digital marketplace of the European Union, has compelled organisations to optimise the allocation of resources. In this environment, ABM has become an influential strategic business philosophy, transforming the traditional sales funnel into a unique market of one for every high-value corporate account (Marketo, 2021).

Theoretical underpinning of ABM is deeply grounded in the theory of relationship marketing, and the resource based view of the firm. Relationship marketing aims to customer retention and co-creation of value rather than purely transactional relationships (Morgan and Hunt, 1994). Within the theory of relationship marketing, ABM translates this principle into a theory where organization resources are solely concentrated on account where there are the highest probabilities of long-term customer lifetime value. From a resource-based view perspective, high customized marketing and sales resources being used for specific strategic accounts build rare, inimitable organizational competencies for competitive advantage (Barney, 1991). Recent articles highlights that this strategic fit is not only tactical, but it needs structural cohesion, sales, marketing and customer success should report on unified revenue-linked KPIs instead of traditional lead metrics in individual functions.

The scale and delivery of ABM has been radically accelerated due to the exponential growth of the digital age. ABM execution is now dependent on the sophisticated martech stack comprising of artificial intelligence (AI), CRM systems, and natural language processing tools (Gartner, 2024) in B2B organizations that can pull and integrate huge, complex data (firmographics, technographics, real-time behavioral intent etc) which in turn enables predictive buyer intent, and mapping complex buying centers in the account, allowing the delivery of customized content at automated omnichannel touchpoints (Kumar and Reinartz, 2018). This suggests an ongoing shift from traditional ABM toward account-based experience where personalized experience can be

delivered throughout the entire customer lifecycle – across marketing, sales and continued service touchpoints.

Although there is a plethora of literature detailing the performance gains from implementing ABM, the actual deployment faces significant strategic and operational barriers. The most pertinent issue raised by recent literature is data fragmentation, with corporate systems' silos preventing an unpolluted single customer view across cross-border activities (Verhoef et al., 2021). Moreover, there is the problem of integrating sophisticated ABM personalization technologies with legacy martech stack which, in turn, requires large capital investment and highly specialized technical know-how. Another barrier cited in the literature is a perennial shortage of candidates with a comprehensive mix of data analytics, martech platform, and higher-order marketing strategy capabilities.

Operational implications to ABM fueled by data, especially in the European markets, introduce an additional level of complexity to business operation. Given that ABM is heavily driven by the acquisition of real-time intent based behavior data and the establishment of in-depth corporate buyer profiles, adherence to strong data privacy frameworks becomes essential. According to the European literature, executing an effective ABM operation within the EU requires hyper-personalization combined with strict EU mandates for GDPR and shifting digital governance, European Commission (2023). Hence, ethical, and accountable B2B ABM processes driven by data transparency, data enrichment limits and the right of consumers to privacy rights have come to occupy the core principles in modern B2B risk management frameworks compelling firms to focus on both data governance and targeting precision.

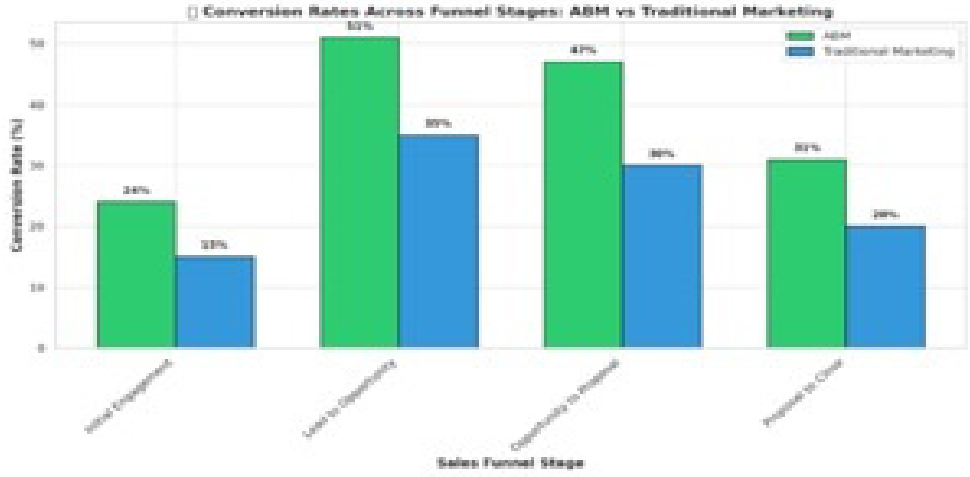
In less developed markets in close proximity or integrated with the EU digital economy, like Armenia, the process of ABM adoption has peculiar characteristics. Investigations have demonstrated that although ABM holds great potential in enabling cost-effective and target oriented B2B growth in low-resource contexts, general market understanding and workforce capabilities shortages, as well as an immature technical infrastructure delay the rapid deployment of ABM, European Bank for Reconstruction and Development (EBRD), (2023). Nonetheless, government supported digitalization efforts and compliance with EU digital transformation policies are leading B2B enterprises to exploit pilot testing on high-value accounts. Through personalized localization of content together with basic cloud-based CRM tools, emerging markets have been seen to overcoming limitations in infrastructural development to enable resource efficient business growth, World Bank, (2024).

To conclude, the existing literature establishes that account-based marketing as a paradigm shift toward relation-based marketing and the resource-based view; it also shows how modern marketing technology allows effective hyper-personalization but the operative challenge may be represented by data

silos and regulations such as the EU's GDPR. Thus, ABM appears to be the strategic pathway to enhance Armenia as an emerging ecosystem toward borderless competition, by focusing on bridging infrastructural gaps via pilot approaches. At long-term, integration, tech alignment, the rigor of data management and cross-functional strategy will determine the overall success.

4. RESULTS

ABM represents a transformative shift from traditional volume-based marketing to highly targeted, personalized engagement with strategic accounts, acting as a key driver within the European Union's digital business landscape. Unlike conventional methods that prioritize generating large numbers of leads, ABM treats each account as an individual market, with marketing and sales teams collaborating to deliver content, messaging, and outreach tailored to account-specific challenges, decision-making structures, and EU data compliance laws.



Source: authors elaboration based on Intercom (2019)

Figure 1. ABM vs traditional marketing comparison framework

Table 1. Comprehensive comparison of ABM vs traditional marketing approaches

Aspect	ABM	Traditional Marketing
Targeting Approach	Highly targeted, focuses on specific high-value accounts	Broad audience, mass outreach to generate volume leads
Personalization	Deeply personalized messaging tailored to account	Generalized messaging with limited customization

Aspect	ABM	Traditional Marketing
	needs	
Sales & Marketing Alignment	Close collaboration; shared goals and metrics	Often siloed with independent objectives
Measurement Focus	Account-level metrics: engagement, pipeline velocity, ROI	Campaign-level metrics leads generated, cost per lead
Resource Allocation	Concentrated investment on fewer, high-value accounts	Dispersed investment across many prospects
ROI and Efficiency	Higher ROI; better CAC due to focused efforts	Lower ROI; higher CAC due to broad, less qualified leads
Sales Cycle	Longer, relationship-driven with emphasis on retention	Typically shorter, transactional focus
Content Strategy	Account-specific, personalized content	Mass-consumption content like blogs and webinars

Source: authors elaboration based on Intercom (2019)

As Table 1 illustrates, ABM's strategic value lies in its ability to deliver higher ROI, improved efficiency, and enhanced engagement for high-value accounts. Industry surveys report that 93% of organizations implementing ABM consider it very or extremely successful, and 98% deem it highly important for marketing objectives within the digitally transforming marketplace.

Despite its effectiveness, ABM adoption faces organizational and technological barriers:

- ***Sales-marketing misalignment:*** 47% of organizations report inefficiencies and inconsistent messaging due to siloed teams.
- ***Data quality and compliance:*** 40% cite difficulties in collecting, managing, and validating firmographic, technographic, and intent data while fully satisfying GDPR regulations.
- ***Platform integration:*** With 70% of organizations using dedicated ABM platforms, managing multiple tools and integrating AI-driven analytics within EU cloud frameworks remains complex.
- ***Scalability of personalization:*** Hyper-personalization drives engagement and conversion (up to 20% higher engagement and 10–15% higher conversion), but requires detailed account intelligence that respects user privacy rights.

Advanced personalization strategies include:

- ***Website personalization:*** Dynamic content based on compliant company IP identification.
- ***Content hubs:*** Industry- or European account-specific resource libraries.

- ***Multichannel personalization:*** Consistent messaging across email, social media, digital ads, and direct mail.

Channel effectiveness:

- LinkedIn: Personalized campaigns increase response rates fivefold.
- Email: Role-specific segmented campaigns maintain high engagement.
- Direct Mail: Response rates of 5% with conversion up to 40%, demonstrating impact in saturated digital environments.

To realize the full value of ABM, organizations rely on a suite of interrelated formulas and KPIs that connect strategy to measurable impact:

A. ABM ROI Calculation

ABM's focus on high-value accounts means marketing spend is more efficient and ROI is easier to quantify. The core formula is reflected in Figure 2.

$$\text{ABM ROI} = \frac{(\text{Revenue from Target Accounts} - \text{Cost of ABM Campaign})}{\text{Cost of ABM Campaign}} \times 100\%$$

Source: authors elaboration based on IDBS Global (2025)

Figure 2. ABM ROI formula

Benchmark: 87% of B2B marketers report ABM outperforms other marketing initiatives in ROI within competitive regional markets.

B. Customer Acquisition Cost (CAC)

CAC tracks the total investment needed to win a new customer within a targeted account, as reflected in Figure 3.

$$\text{CAC} = \frac{\text{Total Sales and Marketing Expenses}}{\text{Number of New Customers Acquired}}$$

Source: authors elaboration based on IDBS Global (2025)

Figure 3. Customer Acquisition Cost formula

ABM Advantage: By focusing on accounts with higher Annual Contract Value (ACV), ABM often lowers CAC over time, as resources are concentrated where they matter most across the fragmented EU market.

C. Account Engagement Scoring

ABM analytics allow for detailed scoring of account interactions, combining fit, intent, and engagement, as in Figure 4.

$$\text{Account Score} = \text{Fit Score} \times (\text{Intent Score} + \text{Engagement Score}) - \text{Time Decay}$$

Source: Authors elaboration based on IDBS Global (2025)

Figure 4. Account Engagement Scoring formula

Example: Activities like webinar attendance, content downloads, and direct meetings are weighted based on their relevance and recency, with European decision-makers' actions scored higher.

D. Conversion Rate Calculation

Conversion rates in ABM are tracked at each stage of the account journey, not just at the point of sale (Figure 5).

$$\text{ABM Close Rate} = \frac{\text{Total Target Accounts Converted}}{\text{Total Target Accounts Engaged}} \times 100\%$$

Source: Authors elaboration based on IDBS Global (2025)

Figure 5. ABM Conversion Rate formula

Industry Benchmark: ABM campaigns consistently deliver higher conversion rates than traditional methods, with some reporting 25-33% close rates for targeted accounts versus 15-20% for broad campaigns.

Below is a simplified framework illustrating how these metrics interconnect throughout the ABM journey (see Table 2):

Table 2. ABM analytics framework and metric interconnection

Stage	Key Metric	Formula	Benchmark/Insight
Account Selection	Fit/Intent Score	Custom (Firmographics, Technographics, Engagement)	High-value, high-intent accounts
Engagement	Account Score	Fit × (Intent + Engagement) – Time Decay	Prioritize active, decision-ready accts
Pipeline Progression	Conversion Rate	Accounts Converted / Accounts Engaged × 100%	ABM: 25–33% vs. Traditional: 15–20%
Revenue Impact	ABM ROI	(Revenue – Cost) / Cost × 100%	87% say ABM > other marketing ROI
Acquisition Efficiency	CAC	Total Expenses / New Customers	Lower CAC with higher ACV focus

Source: author's elaboration based on relevant literature and industry sources

The strength of ABM analytics lies in their interconnectedness. Engagement scoring informs pipeline prioritization, conversion rates reveal the effectiveness of personalization, and ROI and CAC calculations tie every effort back to business outcomes. This data-driven feedback loop allows European organizations not only to optimize campaigns in real time but also to justify continued investment in ABM as a growth engine. As AI and intent data tools become more sophisticated, ABM analytics will deliver even deeper predictive insights, helping teams anticipate account needs, time their outreach for maximum impact, and continually refine their approach for sustained revenue growth under regional data policies. ABM's analytical advantage lies in its ability to measure what matters most—engagement, efficiency, and revenue—at the account level.

This clarity empowers teams to focus, personalize, and grow with confidence, making ABM the strategy of choice for modern European B2B organizations seeking both depth of engagement and precision in measurement.

Building on the strategic and analytical frameworks outlined earlier, PiLog Group's ABM initiative exemplifies how a data-driven, technology-enabled approach can transform B2B marketing outcomes across multiple European industries during digital transformation.

PiLog Group, a global mid-sized technology firm specializing in Master Data Management and Data Governance, traditionally relied on broad-based lead generation channels such as LinkedIn ads, SEO, and email outreach. Despite generating volume, these efforts faced declining engagement and diminishing returns in a competitive landscape.

Recognizing these challenges, PiLog launched a 12-month ABM campaign targeting 200 pre-selected accounts across Europe, the UK, and the US, focusing on five key industries: Oil & Gas, Chemicals/Petrochemicals, Utilities, Railways, and Mining & Metals. The campaign targeted senior European executives including CEOs, CFOs, CTOs, and Procurement Managers, evolving from a one-to-one to a scalable one-to-many industry-based ABM model, balancing personalization with regional market reach.

Initially designed as a one-to-one ABM strategy, the campaign evolved into a "one-to-many industry-based approach" to balance personalization with scalability. This allowed PiLog to develop targeted content and messaging for each industry cluster while addressing the specific needs, regulatory limitations, and cultural challenges of each European decision-maker group.

Executing an ABM strategy of this scope required robust technology support aligned with EU digital evolution goals. PiLog utilized a blend of compliant intent data platforms, CRM integration tools, content personalization software, and outreach automation. Cross-functional collaboration between marketing, sales enablement, and business development was critical. Joint strategy sessions aligned account prioritization, messaging, and buying

committee mapping. Close partnership with ZoomInfo enhanced targeting precision within regulatory limits, increasing engagement rates by 25%.

PiLog implemented several targeted initiatives:

- Industry-specific landing pages with customized content addressing sector-specific challenges and European digital goals,
- Personalized video messages embedded in emails and landing pages tailored to decision-makers' roles,
- Automated and manual email and LinkedIn outreach sequences using HubSpot and Sales Navigator,
- Real-time engagement scoring, tracking email opens, clicks, page visits, and video views to prioritize sales follow-up.

The campaign produced notable improvements in key performance indicators compared to previous efforts. Email open rates averaged 45%, more than double previous campaigns. Click-through rates reached 10% overall, with Oil & Gas campaigns achieving 14%. Landing page conversion rates averaged 7%, exceeding typical B2B benchmarks of 3–5%, and average dwell time on pages increased to three and a half minutes. Video full play through rates reached 35%, surpassing standard B2B engagement rates. Qualified meetings booked approximately 40, nearly double the prior 12-month period.

Engagement scores improved, with accounts above threshold increasing by 30%, allowing sales to focus on the most promising opportunities. Early pipeline velocity estimates indicated a $500K monthly revenue flow from engaged accounts. Conversion from engaged accounts to qualified meetings reached approximately 20%, outperforming traditional marketing baselines of 10%. Customer acquisition cost decreased by an estimated 15% due to concentrated targeting and automation.

The campaign improved targeting accuracy through enhanced intent data usage, increased engagement rates by 25%, and strengthened sales-marketing alignment, lowering lead rejection rates by 18%. ABM-generated leads converted to sales conversations 25% faster than traditional channels, and previously unresponsive European enterprise accounts were successfully engaged.

PiLog anticipates a 150–200% revenue uplift from ABM-engaged accounts over the next 12 months. The strategy is expected to expand into Pharmaceuticals and Aerospace, leveraging the insights gained, and deeper integration between ZoomInfo and HubSpot will enhance personalization and automation in line with the EU's Digital Decade objectives.

Experts contributing to this study each have at least five years of hands-on experience in B2B marketing, with specific ABM expertise within the European marketplace. They specialize in ABM for SaaS or B2B organizations, have worked closely with both sales and marketing teams, and are familiar with

leading ABM tools and platforms. Professionals with international and European campaign experience were prioritized to provide multi-regional perspectives.

The expert profiles are described as follows:

- A B2B Paid Media Marketing Manager with over eight years of digital marketing experience, specializing in ABM for SaaS clients and leveraging compliant intent data and paid channels to drive enterprise account expansion in Europe.
- An ABM and LinkedIn Ads Specialist with extensive international digital marketing experience, skilled in LinkedIn advertising and aligning sales and marketing for high-value European account targeting.
- A B2B Growth Marketer focused on ABM, AI-driven personalization, and CRM automation, experienced in integrating platforms such as Salesforce, Marketo, HubSpot, and 6sense to enable cross-functional growth under EU data governance laws.

Here are the key findings from the expert survey:

1) ABM is a highly targeted, strategic approach where marketing and sales jointly engage and convert high-value accounts. Customization occurs at the account and decision-maker levels, supported by intent-based targeting and account expansion strategies. The emphasis is on alignment, budget allocation for ABM accounts, and quality-driven engagement within European legal frameworks.
2) Technology integration is critical, including CRM systems, marketing automation platforms, intent data tools, project management software, and LinkedIn Campaign Manager. Real-time visibility and integration with CRM dashboards enable cross-functional collaboration across EU member states.
3) Execution challenges include attribution and measurement difficulties, data quality and targeting issues, organizational alignment gaps, content personalization at scale, and platform-specific limitations under GDPR constraints.
4) ABM ROI evaluation focuses on pipeline influence, account engagement quality, and revenue outcomes, in contrast to traditional marketing's focus on lead volume. Key metrics include pipeline velocity, deal size, conversion rates, and engagement depth within European buying committees.
5) Account prioritization in one-to-one versus one-to-few models relies on firmographics, technographics, engagement history, and intent signals. One-to-one ABM targets high-value, enterprise accounts with hyper-personalized outreach, while one-to-few focuses on mid-sized accounts with semi-personalized messaging.
6) Future ABM trends include AI-driven personalization at scale, privacy-conscious first-party data strategies in line with EU digital

transformation goals, multichannel engagement, and digital-first buyer behavior. Experts recommend recommending mastering current AI and automation capabilities before pursuing emerging technologies like quantum marketing. The ABM market is rapidly expanding, projected to grow from $19.49 billion in 2025 to $96.47 billion by 2034, driven by digital marketing adoption, demand for personalized marketing, and ROI-focused strategies. Emerging opportunities include AI and machine learning for predictive analytics, omnichannel account-based advertising, and cloud-based solutions. Quantum computing holds future potential to enhance ABM execution but remains nascent.

Enterprise and mid-market adoption is increasing, with technology, healthcare, manufacturing, financial services, and retail leading verticals. North America and Europe dominate the market, though Asia-Pacific is growing fastest. CRM and marketing automation integration is essential, and major players like Salesforce, Oracle, SAP, and Adobe drive innovation. ABM objectives span lead generation, account nurturing, and customer expansion within the framework of the EU's growing digital business environment.

5. CONCLUSIONS

This research set out to provide a comprehensive analysis of Account-Based Marketing (ABM) as a transformative strategy for B2B marketing in the digital era, with particular focus on its application within the European Union's evolving digital business landscape. Throughout this study, ABM's theoretical foundations, practical applications, challenges, and future potential were explored using a mixed-methods approach that included secondary data analysis, a detailed case study of PiLog Group, descriptive research, and expert surveys. The findings offer actionable insights for marketers, academics, and businesses considering or currently implementing ABM strategies under EU digital transformation frameworks.

A key finding of this research is the distinction between ABM and traditional lead-based marketing. ABM represents a strategic shift from volume-based outreach to value-driven engagement. Unlike traditional marketing, which casts a wide net to generate large numbers of leads, ABM focuses on high-value accounts, often treating each account as a market of one. Personalization, cross-functional collaboration, and deep account insights drive engagement strategies. ABM inverts the conventional sales funnel by starting with selected accounts and expanding engagement within them over time, leading to stronger alignment between marketing and sales, better resource utilization, and higher ROI. The PiLog Group case study confirmed this, demonstrating measurable improvements in engagement and conversion metrics compared to broader campaigns.

ABM is fundamentally strategic rather than merely tactical. Its success relies on the alignment of sales, marketing, and customer success teams around shared revenue goals. By focusing on KPIs such as pipeline contribution, account engagement, and revenue growth, organizations practicing ABM create cohesive go-to-market strategies. Advanced data analytics, segmentation by firmographics and technographics, and behavioral intent signals enable prioritization of high-value accounts, ensuring resources are efficiently allocated to opportunities with the highest likelihood of long-term value.

The digital era has amplified ABM's effectiveness, driving its adoption across European markets. Modern ABM execution relies on platforms that enable precise targeting, real-time engagement tracking, and performance measurement aligned with the EU's digital transformation initiatives. Tools such as cloud-based platforms, AI-driven analytics, and CRM systems allow for scalable and personalized ABM campaigns. AI and natural language processing tools help marketers derive actionable insights, understand buyer intent, and deliver account-specific content. Marketing automation further enables omnichannel execution across email, social media, paid advertising, and personalized web experiences. Integration between sales and marketing platforms ensures unified access to real-time customer data, enhancing collaboration and campaign efficiency within strict regional compliance and data infrastructure standards.

The future of ABM lies in deeper technology integration, AI-driven personalization, and predictive analytics operating within the evolving European business ecosystem. Market projections indicate rapid growth, with the ABM market expected to increase from $19.49 billion in 2025 to $96.47 billion by 2034, heavily supported by Europe's digital adoption. ABM will evolve from single-channel campaigns to fully omnichannel experiences, integrating account-based advertising, conversational marketing, AI-driven content recommendations, and real-time personalization. Predictive analytics and intent data will allow marketers to anticipate customer behavior, prioritize high-propensity accounts, and deliver tailored outreach with greater precision. Revenue-focused KPIs will continue to replace traditional lead-based metrics, further cementing ABM as a revenue-driving strategy in the EU digital marketplace.

Expert insights and secondary research suggest several strategic developments in ABM:

1) Integration of AI and machine learning to identify buying signals earlier in the customer journey.
2) Centralized and harmonized data through Customer Data Platforms for more effective targeting.
3) Expansion into Account-Based Experience (ABX), optimizing customer experiences across marketing, sales, and service touchpoints.

4) Programmatic ABM using automation and real-time bidding for scalable, hyper-targeted account-based advertising.
5) Ethical and responsible ABM practices, emphasizing data privacy, transparent communication, and full compliance with EU regulations like GDPR.

The study identified several key challenges:

- ***Talent shortages:*** A lack of professionals with integrated ABM skills spanning marketing strategy, data analytics, and platform management.
- ***Data fragmentation:*** Siloed systems hinder the creation of unified customer views across cross-border operations.
- ***Technology integration:*** Complex integration of ABM tools into existing martech stacks requires localized expertise and investment under EU data governance rules.
- ***Scalability:*** Personalized strategies are effective for a limited number of accounts but challenging to scale across fragmented European member states.
- ***Measurement:*** Attribution of ROI remains complex due to long and intricate B2B sales cycles.

In emerging markets neighboring or integrating with the European digital ecosystem, such as Armenia, ABM offers high potential for efficient, targeted B2B growth, but adoption is constrained by limited awareness, insufficient technological infrastructure, and human capital shortages. Strategic investment in training, cloud-based tools, and alignment with EU digital transformation standards and government-backed digitalization initiatives can help overcome these barriers.

Organizations considering ABM are advised to:

1) strengthen sales-marketing alignment through joint account planning and unified KPIs,
2) invest in data quality, enrichment, and governance to ensure reliable targeting and measurement while fully respecting EU data privacy frameworks,
3) begin with pilot programs for select high-value accounts before scaling,
4) leverage AI and automation to enhance targeting accuracy and personalization,
5) focus on content personalization and storytelling to resonate with account-specific challenges,
6) implement closed-loop measurement to track engagement and revenue contribution across the full customer journey.

This study's limitations include a small expert sample, a case study with region-specific dynamics, and limited technical evaluation of ABM platforms. Future research could:

- expand the sample across industries and geographies,

- conduct longitudinal studies on ABM's long-term impact,
- explore the role of generative AI in ABM content creation,
- assess ABM effectiveness across different cultural, linguistic, and regulatory contexts within the European Union and global markets.

ABM is more than a marketing tactic; it is a strategic business philosophy aligning organizational resources to build meaningful, revenue-generating relationships with high-value accounts. Its success depends on technology, data, talent, and cross-functional alignment. For businesses operating during the EU's digital transformation, ABM offers a pathway to efficient resource utilization and sustainable growth, provided there is deliberate investment in training, technology, and organizational change. As digital transformation continues, ABM will remain a key driver of personalized, revenue-focused B2B marketing, offering practical guidance for organizations embracing it as a core go-to-market strategy in European and global environments.

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THE CHALLENGES OF EUROPEAN GOVERNANCE IN A RAPIDLY CHANGING WORLD

GILLES GRIN
Jean Monnet Foundation for Europe, University of Lausanne
Royal Academy of Economic and Financial Sciences of the Institute of Spain
Lausanne, Switzerland
gilles.grin@fjme.unil.ch

Abstract
This paper deals with the challenges of European governance in a rapidly changing world. It discusses global upheavals, recalls the historical context of European governance, brings considerations on the nature of the EU as a political entity, analyses possible future scenarios, and outlines key factors for future success.
Keywords: *European Union; European governance; international system; history; foresight.*
JEL Classification: N44.

1. INTRODUCTION

This chapter is structured as follows. We shall start by discussing global upheavals. We will then highlight the fact that we are seeing a growing sense of relative European isolation in this new world: certainly not total, but one that is nevertheless increasing. We will then recall the historical context of the nature of European governance up to the mid-20th century, which included political divisions, wars, but also mutual emulation with powerful technological, economic, societal and political effects. We shall continue the presentation by discussing European integration after the Second World War. This has involved forms of supranationalism, though these have often been viewed with suspicion.

There has been economic and political integration – primarily economic at first, and then increasingly political. At this stage, we need to understand the nature of the European Union as a political entity, which will involve several issues. We will then present and analyse four possible scenarios for the future, and evaluate them. Finally, we will finish with some concluding remarks, which will outline the key factors for future success.

2. GLOBAL UPHEAVALS

Global upheavals are significant and rapid. They are having a powerful influence on Europe. The 2008 crisis and its consequences in the years that followed marked a significant turning point: the end of 'happy globalisation'. We have witnessed, in Europe and beyond, technological upheavals, a rise in inequality, a fear of social decline among many sections of society, the rise of nationalism, populism and strongmen, the weakening of the multilateral framework (whether in terms of law or institutions), the end of the peace dividends, Russian neo-imperialism, the return of war to Europe, threats to the Atlantic alliance, new American protectionism, and imperialist tendencies, as in the case of Greenland (Applebaum, 2024; Cox, 2023b; da Empoli, 2025; Reiterer, 2023).

The analytical framework for understanding Europe's situation is more of an 'outside-in' type than an 'inside-out' one, thus showing how the Old Continent is subject to powerful exogenous effects rather than being able to influence the rest of the world, with European integration becoming increasingly dependent on powerful external shocks (Segers and Van Hecke, 2024). We are witnessing the rise of an era of empires across the world (Russia, China, and now also the United States). The experiments in European integration seem even less capable of shaping the global framework, whereas they appeared to be moving in tandem from 1945 until the 2000s. The Old Continent's influence on the world is in decline. You need only look at demographics, relative economic power, military capabilities, the influence of political values and global political standing.

Our new world seems characterised by a forgetting of history, or at the very least by a desire to ignore it through a transactional approach to international relations, as practised by the Trump administration in the United States. The press is in decline, social media is booming, and countervailing powers are under threat. The historical cycles of war and peace seem insurmountable in the long term. Humanity is caught in a sort of 'myth of Sisyphus' (Cox, 2023b).

3. A FORM OF EUROPEAN ISOLATION

It is difficult for Europeans to fully grasp the scale of the changes – which have been significant and have occurred at an accelerated pace over the last twenty years or so. They are left feeling stunned. Admittedly, there are still like-minded countries around the world. For example, Canada, Australia, New Zealand, South Korea and Japan. But that is not enough. What would indeed remain of the West without the United States? Global empires are asserting themselves ever more strongly. The BRICS, a group of emerging economies, do not represent a homogeneous category, but they have been joined by the US in a shared determination to dismantle the liberal and multilateral order gradually developed after 1945 (Cox, 2023b; Zwahlen, 2020; Zwahlen, 2023).

4. THE NATURE OF EUROPEAN GOVERNANCE: HISTORICAL CONTEXT UP TO THE MID-20th CENTURY

No empire has been able to become hegemonic in Europe since the Middle Ages. The aspiration to a universal monarchy dissolved with the advent of modern Europe. Traditionally, a system of balance of power, often accompanied by wars, has prevailed. What is known as the Westphalian system was established at the end of the Thirty Years' War in 1648. It means that there is no supra-state sovereignty. International relations represent the sum of the interactions, and often the clashes, between these national sovereignties.

Europe rose to the centre of the world at the turn of the15th century, whilst China had turned in on itself. Technological progress accelerated, European actors spurred one another on thanks to a decentralised political system, and great discoveries were made. This led to colonisation, with its very dark aspects that were long kept silent.

At the heart of this order lay the tragedy of wars caused by unchecked rivalries. Wars between great powers were, unfortunately, very frequent. Europe hit rock bottom with the two world wars. It was severely weakened in 1945. It was to become heavily dependent on the United States and the Soviet Union, which were unable to see eye to eye due to their ideological, political, military, economic and social rivalries. Europe was to experience division and the Cold War (Grin, 2025b).

5. EUROPEAN INTEGRATION AFTER THE SECOND WORLD WAR

Western Europe after the Second World War was caught between intergovernmental cooperation and supranationalism. This is what has been termed the dispute between unionists and federalists. The federalists' vision remained an elitist one that did not materialise after the war. National sovereignties remained largely resilient. Unionist approaches in Western Europe after the war were certainly characterised by an openness to cooperation between states, but remained constrained by the dogma of the omnipotence of the nation-state.

The Hague Congress in 1948 led to the creation of the Council of Europe the following year, shaped by the unionist vision. The creation of the OEEC, the Organisation for European Economic Cooperation, in 1948 and of NATO, the North Atlantic Treaty Organisation, in 1949, illustrated the importance of American involvement in Western Europe. Admittedly, the US was not a member of the OEEC, but it was the driving force behind this organisation, which was set up to manage Marshall Plan aid and promote economic cooperation among recipient countries. The US has always been a member of NATO. The birth of the Atlantic Alliance demonstrated the crucial role of the United States in European security from that moment onwards. It is

understandable why, more than three-quarters of a century later, Europe's weaning off American support appears so difficult (Grin, 2022a).

The European Communities represent a different vision, incorporating a certain degree of supranationality. In fact, they were a blend of supranational and intergovernmental approaches.

The European Coal and Steel Community, the ECSC, was the first Community to exist. It was the most supranational of all the Communities because it was limited to two sectors of the economy. But coal and steel were absolutely strategic sectors. They had previously been at the heart of the countries' war effort. The ECSC made war both unthinkable and materially impossible. Innovative institutions (the High Authority, the Assembly, the Court of Justice, the Council of Ministers) were created to foster the common interest. Jean Monnet, the architect and first president of the ECSC, spoke of a federal logic (Grin, 2022a; Grin, 2025a).

The European Economic Community, or EEC, which was established in 1958, represented a move towards general economic integration. It synthesised supranational and intergovernmental approaches and pioneered the Community method. In the decades that followed, this approach proved highly effective in the regulatory sphere (Grin, 2022a; Grin, 2025a).

The interplay between economic and political integration is subtle. From the very beginning of the European Communities, the driving force was political. A supranational political structure was established, with a new set of institutions and a *sui generis* arrangement. However, the matters covered were primarily economic in nature. Historically, the European Communities promoted public policies geared more towards regulation than redistribution. With this new reality, Europe is united in trade matters vis-à-vis the rest of the world (Grin, 2022b).

The establishment of the European Union in 1993 marked a turning point, particularly in terms of the federalisation of national monetary policies. The Union has led to a more political structure at its periphery, but also a more intergovernmental one with crucial fields such as economic and fiscal policies, foreign policy, security and defence, police and judicial cooperation (Grin, 2025a).

6. THE NATURE OF THE EUROPEAN UNION AS A POLITICAL ENTITY

We will summarise the various points we consider relevant (Grin, 2025a). They are the following: methods of integration; rule of law; democracy; institutional architecture; public policies; normative power; discretionary weakness of the executive authority; categorisation; challenges of effectiveness, efficiency and legitimacy; strengths; weaknesses; Mario Draghi's call for a 'pragmatic federalism'.

Regarding methods of integration: the use of supranationality facilitates the emergence of the common interest and decision-making. Generally speaking, this approach falls short of a federal model. However, unanimity remains required for fundamental aspects: treaty reform, enlargement, the unilateral right of withdrawal, foreign policy, defence, the financing of the Union and taxation. And sometimes the decision-making processes are hybrid.

As regards the rule of law, the European public authorities are bound by the law. There is a separation of powers with independent courts; fundamental rights and freedoms are protected; and all people are equal before the law (République française, 2026).

As for democracy, the EU institutions are democratic. The will of the people is the cornerstone of everything and is respected (Levrat 2012).

As regards the institutional architecture, the legislative branch is bicameral. The European Parliament directly represents citizens, and the Council of the European Union represents the Member States through their governments. This is typical of a political federation, albeit with the additional feature that the Commission holds a monopoly on legislative initiative. This system is known as the 'Community method'. Executive power is divided between an executive par excellence (the Commission) and two institutions representing national governments (the Council of the European Union and the European Council). The judiciary is of a federal nature, with the Court of Justice of the European Union at its apex.

The public policies established are more regulatory than redistributive. The emphasis is on the creation of an internal market with accompanying policies, to which are added a monetary union, elements of an economic union (unfinished), plus elements of political union (even more unfinished).

Normative power is linked to regulatory policies. It enables the *ex ante* definition of general legal rules. These rules are sometimes adopted outside the Union (Bradford, 2020).

The discretionary weakness of the executive authority is a striking feature. Beyond the rules, the EU's political power is more limited when it comes to taking discretionary measures, often in response to crises. The EU's institutions function as a machine for generating compromises. This is unspectacular and sometimes time-consuming. The budgetary process and foreign and defence policy are typical examples of the EU's lack of discretionary power (Starcevic, 2026).

As for the question of its categorisation, the EU is partly confederal and partly supranational and federal. It is sometimes undergoing a process of political federalisation, but this is incomplete and there is no federal state (at least in the traditional sense) at the top of the Union. The question of the Union's political nature is, however, a matter of debate (Beaud, 2007; Kahn, 2026).

The EU must address the challenges of effectiveness, efficiency and legitimacy. In other words, it must do the right things, do them well, and be recognised for doing so. At Member State level, national governments appear to be the winners in this process, whilst national parliaments are often the losers (Grin, 2025a). Hence the importance of the European Parliament. As to whether the EU does the right things and does them well, one could argue that there is too much regulation, which tends to be overly complex (see the Draghi report in particular) (Draghi, 2024), and not enough discretionary executive power. The EU remains a lean structure on a continental scale, but it is sometimes difficult to achieve effective interoperability between national administrations (European Commission, 2020).

The EU has great strengths. It enables countries to unite whilst preserving their identities, in line with the motto 'united in diversity'. It is a unique construct – *sui generis*. It is a force for peace, prosperity and freedom that has broken the historical inevitability of the past.

There are also certain weaknesses: structural limitations of the Union that make the European organisation (and indeed the wider European project) complex, a lack of clarity for citizens, and a lack of a boost to democracy at Union level (Levrat, 2012). In practical terms, the rigidity of the EU's 'constitutional' framework forces a variable geometry, hence the aforementioned problems; there is a regular risk that a single state could, in certain cases, single-handedly paralyse the progress of a continent (see, in particular, the example of Hungary under Viktor Orbán). One might use the metaphor of the existence of an accelerator and numerous simultaneous brakes. The lack of discretionary power within the executive branch appears particularly problematic in these highly turbulent times for the international order (Starcevic, 2026). Perhaps too much emphasis is placed on standards. The financial resources allocated to the Union (1% of its GDP and, exceptionally, 2% for the period 2021–2027) are too limited.

Against the backdrop of a challenging global situation calling for strong and swift European solutions, the statesman Mario Draghi, former Prime Minister of Italy (2021-22) and President of the European Central Bank (2011-19), has called for 'pragmatic federalism', enabling those countries ready to do so to move forward together more quickly in order to make Europe more competitive and turn it into a true power (Draghi, 2025; Draghi, 2026).

7. FOUR POSSIBLE FUTURE SCENARIOS

The first scenario is that of the dismantling of Europe. It could unfold in the following ways: following Brexit in 2020, other countries, typically net contributors, would leave the Union (which would be particularly serious if these countries were major players); supranationalism would collapse and thus the sense of a common interest would disappear; EU law and the role of the

Court of Justice would be called into question; a form of institutional paralysis would emerge; common policies would unravel; external powers would succeed in manipulating European states and pitting them against one another. This last point would be problematic if external powers have agents they can activate within EU countries.

The second scenario is that of a Europe of economic integration and political deconstruction. Here, the EU would remain in the position of a normative power and preserve its internal market and the euro, whilst public policies would continue to exist within an economic framework. However, it would (still) fail to assert itself as a power.

The third scenario is that of a Europe of pragmatic economic and political integration. Here, Europe would remain institutionally highly complex, both within the EU and beyond; the EU itself would see variable geometry (or differentiation) develop; the supranational would not fully prevail and would not allow for the establishment of a complete political union, even if certain qualified majority votes on matters of sovereignty were accepted, albeit within strict limits; control of military force would not be transferred to the EU.

The fourth scenario is that of a federalised Europe: certain countries would agree to press ahead with political integration under a supranational, federal-style framework; they would form a core or a vanguard open to the subsequent participation of other states that would be invited to join them.

In any scenario, the situation must always be considered alongside the continent's geographical reality. It seems unthinkable that all European countries would converge towards the same model of integration. It remains to be seen, in particular, what the largest states – in the EU and outside – will do: Germany, France, the United Kingdom, Italy, Spain, Poland and Ukraine. It should be noted that the United Kingdom has been outside the EU since 2020 but is developing political and security ties with its partners on the continent. Furthermore, the difficulties in integrating Ukraine are likely to be acute (Cox, 2023a).

In terms of comparing scenarios, we would say that scenario 3 seems the most likely in the medium term, over the course of a decade or perhaps a little longer. This would be a Europe where crises and necessity drive progress, but at the same time one that faces the considerable resilience of national sovereignties and partial misalignments in the political timing of European states, which hinder progress. The EU would then not be the only strong multilateral framework in Europe; a European security pillar would likely not overlap exactly with the EU (with some states included, others excluded, somewhat along the lines of the 'coalition of the willing' working to assist Ukraine in the face of Russian aggression).

We believe that the instability of Scenario 2 must be highlighted, as it risks ultimately leading to Scenario 1. The disastrous nature of Scenario 1 cannot be

overstated, with a divided Europe, politically and economically weak, under the thumb of other world powers. This Scenario 1 could be the second most likely.

Scenario 4 would take time – for example, it took Switzerland over 500 years to achieve it (Grin, 2020). There is a high risk that the new global context will not give Europe that time. But a lesson from the history of European integration is that Europe is forged in crises and enables a shift from necessity to results.

Once again, the future seems to be a race between progress and catastrophe, harmony and chaos. It is impossible to predict with certainty who will prevail.

8. CONCLUSIONS

We would like to outline six key factors for future success. These factors are the following: competitiveness; defence of values; historical memory and citizenship; democratic channels; institutions; and security.

Firstly, European competitiveness must be promoted. This is the crowning achievement of, and gives meaning to, European economic integration. It sometimes requires more regulation, sometimes less. It demands unwavering political commitment from European leaders and a wide range of reforms in public policy. Europe must become more innovative and position itself strategically in relation to the rest of the world. Without this, the impoverishment of many citizens will continue. Without widespread prosperity, it becomes extremely difficult to sustain democracy in the long term. The reports by Enrico Letta and Mario Draghi, both published in 2024, point the way forward (Letta, 2024; Draghi, 2024).

Secondly, the defence of values must be promoted, particularly the rule of law, democracy, and human rights. This role falls not only to the EU and its Member States, but also to the Council of Europe (Berset, 2026).

Thirdly, European historical memory and the teaching of European citizenship must be promoted. These should be reinforced in education. It must be made clear that the European dimension is not intended to replace national models but to complement them.

Fourthly, democratic channels must be promoted, that is to say, strengthen the basic conditions and intermediaries of a healthy democracy in Europe. The continent needs high-quality media and political parties as well as a vibrant civil society that are strengthened at European level. This involves limiting and countering the harmful effects of social media (Berset, 2026; Levrat, 2012).

Fifthly, institutions in Europe – within the EU but also beyond – must be reformed wherever necessary, in order to translate shared interests into common frameworks for action and to prevent Europe from being divided from the outside. The key remains the same at the supranational level: identifying the areas in which states will be stronger by acting together, strengthening legislative powers with dual legitimacy at the level of citizens and states,

creating executive powers capable of making decisions and dealing with emergencies, and ensuring judicial powers that uphold the rule of law and the force of law. In other words, Europeans must therefore develop their collective power whilst preserving their soul (Grin, 2025a).

The sixth key factor for future success is security. European countries must collectively be able to deter any potential external aggressor, even without US support. To achieve this, they will need to create an efficient and resilient defence industry at the continental level. This entails adapting the current foundations of competition policy and establishing a sound link between competition policy, industrial and technological policy, and security and defence policy. Europeans must protect themselves effectively against emerging or critical threats (drones, missiles, cyber, space). In the absence of a common European command, national armed forces should become interoperable within the framework of an effective, united and US-independent common structure (it is in this sense that the Wilfried Martens Centre for European Studies has called for the creation of a 'European Security Council' going beyond intergovernmental practice) (Grin, 2025b; Grin, 2025c).

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IDENTIFYING AND ANALYZING RELEVANT CORRELATIONS BETWEEN THE LEVEL OF TAXATION AND THE EXTENT OF TAX EVASION (QUANTITATIVE ANALYSIS)

MARIAN-ROMEO GUIU
Alexandru Ioan Cuza University of Iași
Iasi, Romania
guiuromeo@yahoo.com

Abstract
Combating tax evasion and corruption has become a priority objective for all specialized bodies, which have developed fiscal policies adapted to the dynamics of these manifestations, aiming to reduce their impact on society by implementing effective measures. In analyzing the relationship between the level of tax evasion and the degree of compliance with taxes and duties by the private sector, the specialized literature highlights the existence of a complex set of factors that influence both taxpayer behavior and the efficiency of the tax system, so the investigative approach had as a starting point the analysis of the share of budgetary losses generated by tax evasion and considered the hypothesis that the size of the underground economy can influence the calculation basis for tax evasion. However, increasing the level of taxation in a context already characterized by a high degree of perception of tax pressure can generate counterproductive effects, determining the intensification of avoidance or evasion behaviors from paying tax obligations. The purpose of the research was to identify and analyze the relevant correlations between the level of taxation and the extent of the phenomenon of tax evasion. The research results support the idea that public decision-makers need to identify a balance between the need to increase budget revenues and maintain a fiscal system perceived as fair and sustainable.
Keywords: *tax evasion; corruption; fiscal pressure.*
JEL Classification: H21; H26; H30.

1. INTRODUCTION

In analyzing the relationship between the level of tax evasion and the degree of compliance with taxes by the private sector, the specialized literature highlights the existence of a complex set of factors that influence both taxpayer behavior and the efficiency of the tax system.

Numerous empirical studies have investigated the impact that the level of taxation has on the phenomenon of tax evasion, starting from the hypothesis that

changing tax rates could lead to an increase or, on the contrary, a decrease in tax non-compliance behaviors.

However, the results of these studies are often contradictory, suggesting that the relationship between the level of tax revenue collection – expressed as a share of gross domestic product – and the level of tax evasion cannot be explained exclusively by means of tax pressure. In reality, this relationship is much more complex and involves the integrated analysis of economic, institutional, psychological and social factors that influence taxpayers' tax behavior. In this context, identifying effective public policies involves adopting measures capable of contributing to increasing the level of budget revenue collection, without amplifying the tax pressure on taxpayers who correctly fulfill their tax obligations. It is well known that Gross Domestic Product is an essential indicator of a state's economic performance. In this context, Mutașcu et al. (2007) analyzed, at the European Union level, the influence exerted by direct and indirect taxes on GDP during the period 1995-2005. According to the results obtained, a 1% increase in direct taxes leads to a 1.61% increase in GDP per capita, while a similar increase in indirect taxes generates a 0.83% decrease in this indicator. These findings support the idea that a process of fiscal harmonization could be preferable to the practice of fiscal competition between member states.

According to available data, in 2024 the budget revenues of the Romanian state represented approximately 32.6% of GDP. In order to improve this indicator, Romania has several fiscal policy options. A first direction is the increase in taxes and duties. The Romanian tax system was characterized, until recently, by the existence of numerous tax exemptions and exemptions that led to the reduction of the taxable base, as well as by the application of preferential tax regimes for certain economic sectors or categories of taxpayers. At the same time, some tax rates were lower compared to those existing in other European Union member states. Increasing the level of taxation in a context already characterized by a high degree of perception of tax pressure can generate negative effects such as tax evasion.

A second line of action aims to improve the efficiency of tax collection. The structure of tax revenues in Romania is characterized by a significant dependence on indirect taxes and social contributions, which represent approximately 82.6% of total tax revenues – the highest share recorded at the European Union level. In contrast, the average structure of tax revenues at the European level reflects a relatively balanced distribution between direct taxes, indirect taxes and contributions to social security systems, with average shares of approximately 32.3%, 33% and 34.7%, respectively. In this context, reducing the VAT gap is a strategic priority for improving the level of tax revenue collection, given that value added tax is the main source of budget revenues in Romania.

2. THEORETICAL CONTEXT ON THE DETERMINANTS OF TAX EVASION

Some authors have argued that one of the central causes of tax evasion is the faulty or incomplete management of records on income, expenses and tax obligations. Although this explanation is valid, there is a lack of in-depth analyses of the motivations that determine contributors to avoid declaring, registering and paying tax debts. In recent specialized literature, the phenomenon of tax evasion is increasingly analyzed from the perspective of institutional and macroeconomic factors that influence the capacity of states to collect tax revenues or the capacity of the state to detect and sanction them.

In the specialized work of the author Richard J. Cebula (1997), the inverse relationship between the level of evasion and the perceived probability of detection is highlighted, namely, the more taxpayers believe that the state has a greater capacity for control, the less tempted they are to avoid paying taxes and duties due. Duncan and Peter (2014), developed this idea, showing that not only the real probability but also the perceived probability of detection matters and emphasizes the role of taxpayers' perceptions, institutional transparency and trust in authorities in determining tax behavior, therefore, the efficiency of control mechanisms and the degree of voluntary compliance are essential factors in delimiting and manifesting different forms of tax evasion.

The classification practically highlights the role of the state's institutional capacity in limiting the phenomenon of tax evasion (control, digitalization, international cooperation).

In a complementary approach, Pluskota (2022) analyzes the determinants of tax revenue collection in Poland and in the member states of the European Union, with the aim of identifying the macroeconomic variables that influence the efficiency of tax systems. The results of the empirical analysis show that, although the impact of factors such as consumption or the level of corruption differs between Poland and other EU Member States, there is a set of economic variables that exert a significant influence on the tax collection process. These include economic growth, trade intensity, consumption level and the degree of institutional corruption. These variables prove to be relevant both for the Polish economy and for the European economies as a whole, suggesting that the efficiency of tax collection is determined not only by the architecture of the tax system, but also by the economic and institutional context in which it operates.

In the studies conducted by Medina and Schneider (2019) and Asllani and Schneider (2022) to quantify the size of the underground economy, they monitored a number of 158 countries over a period of approximately three decades, 1995-2022, using the Multiple Indicators Multiple Causes macroeconomic model, the results being expressed as a percentage of GDP, thus providing a standardized measure that allowed international and temporal comparability.

Thus, the authors listed have defined the underground economy through a series of activities that violate the legal and fiscal system, such as undeclared transactions (monetary/non-monetary operations that would become taxable but would be registered/reported), informal work (employment without legal forms, provision of services that generate income "on the sly", various unauthorized activities), hidden financial circuits (various forms of small-scale savings or storage that are not in the sights of the tax authorities).

James Andreoni et al. (1998), define tax evasion as a phenomenon influenced not only by economic factors, but also by social norms, fiscal morality and psychological factors, arguing that individuals do not act exclusively based on a cost-benefit calculation, but also according to social values and perceptions.

The study conducted by Bătrancea et al. (2017) emphasizes that a citizen's decision to pay taxes is not only economic in this case "fear of fine" but also a psychological one, centered on the following concepts: trust in authorities (if citizens have confidence that the money is used correctly, compliance is voluntary), the power of the authorities (the state's ability to detect and punish evasion, leading to forced compliance) and fiscal education (a high level of fiscal education reduces uncertainty and fear, increasing the desire to pay taxes correctly).

While Tagkalakis et al. (2023) shows that governments that do not comply with strict fiscal rules end up changing taxes "on the fly", destroying that predictability that citizens need. Although the two approach the research from different angles, they reach a similar conclusion, namely that only the quality of the institutions of the statute is essential, thus Bătrancea et al. (2017) says that good institutions increase trust and therefore voluntary payment, and (Tagkalakis et al., 2023) states that good institutions such as Fiscal Councils ensure responsible management of public money.

As a final conclusion, if we were to put the studies undertaken by the two in antithesis, it would be the following: the efficiency of a fiscal system does not depend only on the level of tax rates, but also on a balance between the citizen's perception (Bătrancea et al., 2017) and institutional stability (Tagkalakis et.al., 2023). A fiscal policy that ignores the taxpayer's psychology will fail, no matter how rigorous the macroeconomic rules are, because it will generate resistance and tax evasion.

In the study carried out by Cnossen (2022) he argues that countries with developing economies should adopt simple VAT systems with a broad base, with minimal exemptions that would ensure an increase in income and implicitly their development, while Alognon et al. (2021) following the study concluded that the application of a uniform VAT rate has the potential to generate very large reductions in the VAT deficit.

Overall, the results of this research highlight the fact that reducing tax evasion and improving the level of budget revenue collection depend on the interaction between the institutional framework, economic performance and the efficiency of tax administration mechanisms, therefore, the analysis of the VAT gap and other forms of tax losses becomes essential for the formulation of tax policies capable of strengthening the sustainability of public finances and reducing the size of the underground economy. We must also consider behavioral and institutional factors to understand the mechanisms underlying tax non-compliance.

3. RESEARCH METHODOLOGY AND RESULTS

This research is based on a hierarchical approach to the determinants of tax evasion, integrating institutional, fiscal and structural perspectives into a unified analytical framework, respecting institutional factors, represented by the level of corruption, considered fundamental determinants of tax compliance behavior. Starting from the concept that the impact of corruption on tax evasion manifests itself both directly and indirectly, through the efficiency of tax administration, and high levels of corruption erode institutional capacity, reduce collection efficiency and increase tolerance towards evasive behaviors.

To quantify the size of the underground economy in the 27 EU member states and other OECD countries, the study by (Asllani and Medina, 2022) extended to 2023 used the Multiple Indicators Multiple Causes macroeconomic model, concluding that the informal economy began to decline slightly in 2021 and 2022 due to the official economic recovery, after experiencing an increase in 2020 due to the COVID pandemic.

Their research from this period provided essential data for policymakers, highlighting the relationship between the tax burden (high tax rates can push economic agents towards the informal sector), the quality of institutions (how poor governance and corruption fuel the underground economy) and digitalization (the role of electronic payments in reducing tax evasion).

The analysis was based on statistical data provided by Eurostat, regarding the share of tax evasion as a percentage of GDP, the VAT Gap, the inflation rate for 27 European Union member states, for the year 2022, respectively the DESI index according to the European Commission. These data were supplemented with the Corruption Perception Index (CPI), taken from Transparency International reports, as well as the tax level indicator, highlighted by World Bank reports. The purpose of the research was to identify and analyze the relevant correlations between the level of taxation and the extent of the tax evasion phenomenon.

Regarding the justification for the choice of the variables mentioned above:

– Inflation rate: the VAT GAP may temporarily increase through collection gaps as price increases distort the VAT base;

- Level of digitalization: traceability of transactions carried out by companies highlighted through e-Invoice, SAF-T can determine a reduction in the phenomenon of tax evasion, especially the VAT GAP;
- Perceived corruption level: corruption reduces tax compliance, determines a high VAT GAP level;
- Taxation level: high rates stimulate tax evasion, especially the VAT GAP;
- Tax revenues: in the specialized literature, a higher level of tax revenues (% of GDP) is associated in most opinions with a better fiscal capacity and shows the efficiency of the tax administration in collecting taxes and fees.

This research had in mind the following specific objectives:

OS 1. Assessing the impact of institutional integrity, respectively the perception of corruption on the degree of compliance by taxpayers;

OS 2. Analysis of the relationship between the efficiency of collection in this case the VAT GAP and the size of tax evasion;

OS 3. Determination of the role of fiscal pressure, revenues as a percentage of GDP in stimulating the underground economy;

OS 4. Determination of the influence of the digitalization of the economy in combating tax evasion, using the DESI index:

Table 1. Comparative economic and fiscal indicators

Country	Share of tax evasion in relation to GDP %	Average taxation level	Corruption perception index	Tax revenues, % of GDP	GAP TVA	Inflation Rate %
Austria	3,81	53	74	44,53	3	5,5
Belgium	7,42	57	73	44,35	6,9	5,7
Bulgaria	8,43	27,1	42	31,4	4,9	2,9
Czech Republic	5,31	48,52	54	34,9	7	6,6
Cyprus	9,13	23,21	53	35,99	8,3	4
Croatia	7,97	19	47	36,15	5,7	3,5
Denmark	6,29	26,1	88	48,8	5	3,1
Estonia	6,81	49,4	74	34,9	1,4	12,1
Finland	5,18	40,1	88	42,93	0,4	3,5
France	5,41	66,5	71	47,7	4,9	2,8
Germany	4,18	48,8	80	43,88	2,8	4,9
Greece	11,31	49,9	49	40,3	17,8	5,1
Ireland	2,71	25,95	74	22,54	6,7	5,5
Italy	11,48	65,41	56	43,5	10,8	4,2
Latvia	7,12	35	59	33,8	7,3	4,7
Lithuania	8,39	42,7	61	31,45	14,5	6,4
Luxembourg	3,19	20,3	81	38,9	2	2,4
Malta	9,51	41,8	54	32,5	4,1	1,6
Netherlands	3,35	39	82	38,85	4,2	2,7

Country	Share of tax evasion in relation to GDP %	Average taxation level	Corruption perception index	Tax revenues, % of GDP	GAP TVA	Inflation Rate %
Poland	8,28	38,8	56	37,6	12,4	5,1
Portugal	6,7	42,54	62	37,45	8,7	0,5
Romania	10,27	43,8	45	27,2	33	5,1
Slovakia	6,91	48,7	52	35,12	5	2,7
Slovenia	6,9	32	57	37,9	1,9	2
Spain	5,68	58,3	61	42,93	0,8	3,1
Sweden	3,81	49,45	85	44,6	4,7	2,7
Hungary	8,32	48	43	33,6	4,4	5,1

Source: author's calculations based on European Commission data

According to the data presented in Table 1, Greece, Italy and Romania are the European Union Member States that record the highest levels of tax evasion.

At a first primary analysis, it can be observed that there is an interdependent relationship between the level of tax evasion and the corruption perception index, thus we can see that the share of tax evasion in GDP is relatively low in states with low CPI values, such as Austria, Denmark, Estonia, the Netherlands, Germany, Sweden and Luxembourg, while in states characterized by high CPI values, there is also a higher share of tax evasion in GDP.

Regarding the relationship between the level of taxation and the CPI index, the results of the study indicate a heterogeneous situation. For example, in states such as Ireland, Luxembourg and Denmark, where the level of taxation is below the European Union average, the CPI index reflects a low level of corruption. At the same time, in states such as Austria, Belgium, the Netherlands and Sweden, despite a level of taxation above the European average, the CPI index also indicates a low degree of corruption. These findings suggest that a high level of taxation does not necessarily imply a high level of corruption, highlighting the need to include in the analysis additional factors that may influence taxpayer behavior.

Romania stands out for its high level of tax evasion (10.27%), associated with the largest VAT gap in the sample (33%), one of the lowest levels of tax revenues as a percentage of GDP (27.2%) and a relatively low corruption perception score (45), these characteristics indicate a combination of inefficiency in collection and institutional vulnerability.

For a correct understanding, we have made the following synthesis after analyzing the data in the table, which results in the following economic relationships:

– Corruption and evasion

Countries with lower scores on the corruption perception index tend to have higher evasion, Romania (45), Bulgaria (42), Hungary (43) →High tax evasion, which suggests a positive relationship between corruption and evasion;

– VAT GAP and tax evasion

An obvious positive relationship is observed, (VAT GAP→tax evasion) countries such as Romania (33→10.27), Greece (17.8→11.31)), Italy (10.8→11.48), which suggests that the VAT GAP is a relevant predictor for evasion;

– Tax revenues (% of GDP)

An inverse relationship can be observed, countries with high tax revenues, such as France, Denmark, Sweden, record low evasion, while countries with low incomes such as Romania and Bulgaria show a high level of tax evasion, which suggests administrative efficiency in developed countries;

– Taxation level

The relationship is not clearly linear, countries such as France (66.5) and Italy (65.41), although they register a high level of taxation, register a low/acceptable percentage of tax evasion, which suggests that it is not the level of taxation itself that matters, but the quality of the institutions.

– Inflation

There is no clear relationship in the estimated model, countries such as Estonia (12.1) register moderate evasion and Portugal (0.5) → medium evasion, which suggests a possible weak or time-dependent effect. Given the current context in which decision-makers, hoping to reduce the budget deficit, have taken several measures, including increasing the VAT rate from 19% to 21%, hoping that higher levels of taxes and fees can ensure more efficient collection, the research will aim to identify critical levers for reducing tax evasion.

In this sense, we tested a multiple regression model that includes institutional factors (corruption, digitalization), fiscal (VAT GAP, tax revenues) and macroeconomic factors (inflation, fiscal pressure) starting from the central hypothesis that institutional integrity and digitalization can have a more pronounced impact on tax compliance than the nominal level of taxes.

The expected signs of the coefficients are, in general:

– higher tax pressure may stimulate evasion;
– a larger VAT gap indicates high levels of evasion;
– high inflation may erode tax compliance;
– digitalization should reduce tax evasion;
– higher tax revenues reflect more efficient collection;

The estimated econometric model has the form:

$$EVFi=\beta0+\beta1IMPi+\beta2INFi+\beta3DESIi+\beta4GAPTVAi+\beta5CORi+\beta6VFi+Ei \quad (1)$$

Where: EVF = tax evasion (% of GDP); IMP = average tax level; INF = inflation rate; DESI = digital economy and society index; GAP TVA = VAT

gap; COR = corruption perception index; VF = tax revenues (% of GDP); Ei = error term.

The estimation was carried out under the classical assumptions of the linear regression model: linearity, independence of errors, homoscedasticity and lack of perfect multicollinearity. We used a cross-section model because the data available for all variables included in the model were not complete for several years for all the analyzed states, under these conditions, we opted for a representative year, which allows for comparative analysis between the member states of the European Union, however I admit that a panel model would have offered more robust results by capturing dynamics over time and controlling for unobserved heterogeneity, allowing the introduction of fixed or random effects capturing the specific characteristics of each economy, but overall the result obtained provides a relevant picture of structural differences between EU states.

At a secondary level, the model integrates direct fiscal determinants, such as the VAT gap and fiscal pressure, which influence taxpayers' economic incentives.

At the same time, the digitalization of the economy is introduced as a variable with an ambivalent effect, being able to both reduce evasion by increasing transparency and facilitate sophisticated forms of tax avoidance in the absence of a robust institutional framework. Furthermore, the model tests the existence of moderation effects, assuming that the impact of digitalization is conditioned by the level of corruption, as well as nonlinear relationships in the case of fiscal pressure, suggesting the possibility of a critical threshold above which incentives for evasion increase rapidly.

Macroeconomic variables, such as inflation or the level of tax rates, are included as control factors, having a secondary role in explaining the phenomenon. The paper proposes an integrated model in which tax evasion is conceptualized not only as a result of economic incentives, but as an emergent phenomenon determined by the interaction between institutional quality, administrative capacity and the digitalization of the economy.

Table 2. Variables used in the estimated model

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Venituri fiscale, procent% din PIB, RATA INFLATIEI %, INDICE DESI, Nivel mediu de impozitare, GAP TVA, Indice perceptie coruptie[b]	.	Enter

a. Dependent Variable: Ponderea evaziunii fiscale în raport cu Pib %

b. All requested variables entered.

Source: author, using SPSS

This table presents the factors that can influence the level of tax evasion, as the purpose of my research is to see to what extent corruption, inflation, digitalization, or the level of taxes can explain why tax evasion increases or decreases in an economy.

Table 3. Model summary for the regression analysis regarding factors of tax evasion

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,872[a]	,761	,681	1,37399

a. Predictors: (Constant), Venituri fiscale, procent% din PIB, RATA INFLATIEI %, INDICE DESI, Nivel mediu de impozitare, GAP TVA, Indice perceptie coruptie

Source: author, using SPSS

According to the data highlighted by the Model Summary Table, at first analysis the value recorded by the multiple correlation coefficient R(.872) indicates a very strong and positive correlation, so the closer the value is to 1, the closer the connection between the chosen variables is, but the strongest indicator in this table is undoubtedly the value obtained by the determination coefficient R Square(.761), which means that 76.1% of the variation in tax evasion is explained by the variables introduced, the remaining 23.9% is determined by other factors that were not introduced in this model.

Also, the value obtained by Adjusted R Square is important for the relevance of the model, as the R indicator tends to increase artificially as we add more variables, adjusted R corrects this tendency to provide a more realistic picture, being especially useful when we have a smaller data sample, therefore the model has a real predictive power of 68.1%, which represents a solid score for an economic model. The value recorded by Std.Error of the estimate (standard error of the estimate) -1.37399 can be considered good, it practically represents the average distance at which the real data points are located from the regression line (mathematical model), the smaller this value is, the more accurate the model's predictions are.

Tabel 4. ANOVA (Analysis of Variance) for regression significance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	107,976	6	17,996	9,533	<,001[b]
	Residual	33,981	18	1,888		
	Total	141,957	24			

a. Dependent Variable: Ponderea evaziunii fiscale în raport cu Pib %

b. Predictors: (Constant), Venituri fiscale, procent% din PIB, RATA INFLATIEI %, INDICE DESI, Nivel mediu de impozitare, GAP TVA, Indice perceptie coruptie

Source: author, using SPSS

From the point of view of the statistical validity of the regression model, the ANOVA (Analysis of Variance) table shows us how much the model explains (if the explanation is real or the result of chance), practically in a research it represents the most critical indicator.

Since the p-value / Sig. is < .001 is below the threshold of.0.05 we reject the null hypothesis, which suggests that the model is statistically significant, respectively there is a probability of less than 0.01 that the observed relationship between the independent variables (corruption, DESI, taxes, inflation, tax revenues) and tax evasion is accidental, therefore we can state with a confidence of over 99% that at least one of the predictors significantly influences the dependent variable. Also the value of 9.533 recorded by the F Test (F ratio) is considerably higher than 1, which suggests that the variation explained by the regression model (Regression Mean Square) is 9.5 greater than the variation due to the error (Residual Nean Square), which confirms the robustness of the proposed model.

In conclusion, the results of the ANOVA test indicate that the multiple linear regression model is valid and statistically significant, the predictive capacity of the set of independent variables on the share of tax evasion is not accidental, the model providing an adequate fit of the analyzed data, and from a research point of view, the empirical result obtained allows us to move on to the next stage, namely the analysis of individual coefficients to identify which of the analyzed predictors has the most pronounced impact.

Table 5. Coefficients for the regression analysis regarding the determinants of tax evasion

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	2,913	3,348		,870	,396		
	Nivel mediu de impozitare	-,016	,026	-,087	-,609	,550	,656	1,525
	RATA INFLATIEI %	,228	,141	,212	1,619	,123	,780	1,283
	INDICE DESI	,140	,071	,545	1,973	,064	,174	5,744
	GAP TVA	,197	,059	,554	3,312	,004	,475	2,105
	Indice perceptie coruptie	-,211	,047	-1,186	-4,484	<,001	,190	5,263
	Venituri fiscale, procent% din PIB	,223	,069	,574	3,224	,005	,420	2,383

a. Dependent Variable: Ponderea evaziunii fiscale în raport cu Pib %

Source: author, using SPSS

The following equation results from the regression analysis:

$$Y=2.913-0.016X1+0.228X2+0.140X3+0.197X4-0.211X5+0.223X6 \quad (2)$$

Where: Y = Share of tax evasion in GDP (%); X1 = Average tax level; X2 = Inflation rate (%); X3 = DESI index; X4 = VAT GAP; X5 = Corruption perception index; X6 = Tax revenues (% of GDP).

Table 6. Results of hypothesis testing regarding the factors that determine tax evasion

Hypothesis structure

Hypothesis	Theoretical statement	Coefficient (B)	Significance (p)	Result
H1	Reducing corruption leads to decreasing tax evasion	-0,211	< 0,001	Confirmed
H2	The increase in the VAT GAP favors tax evasion	0,197	.004	Confirmed
H3	Fiscal pressure (revenues % GDP) directly influences tax evasion	0,223	.005	Confirmed
H4	The level of digitalization (DESI) reduces the evasion phenomenon	0,140	.064	Disabled (Marginal)
H5	Inflation rate is a predictor of tax evasion	-0,063	.123	crippled
H6	The average tax rate determines the level of tax evasion	0,052	.550	crippled

Source: author, using SPSS

Following the research, we can formulate the following conclusions:

- The corruption perception index (p<.001) represents the strongest predictor of the estimated model, the coefficient β=-1.186(negative) indicates that as this index registers increasing values, in this case the country is perceived as less corrupt, tax evasion will decrease significantly;
- The VAT GAP, (p=.004) the predictor has a positive impact, thus an increase in the VAT gap is directly linked to an increase in the phenomenon of tax evasion;
- Tax revenues as a percentage of GDP % (p=.005), represents the surprise in this model, thus a higher share of tax revenues in GDP is associated with higher evasion β=.223, which suggests that the tax pressure is felt to be too high.

Regarding the validity of the model, the results indicate a robust model that highlights a high capacity to explain the variation of the dependent variable, recording a coefficient of determination of $R^2 = 0.761$, however the adjusted coefficient of determination (Adjusted $R^2 = 0.681$), signals a reduction in explanatory power after correcting the number of predictors, which suggests a possible presence of some predictors with marginal contribution (DESI index) or redundant within the model (inflation, tax rates) therefore (VIF) indicates the presence of moderate multicollinearity in the case of the DESI variables and the corruption perception index, although the values do not exceed the critical threshold of 10, these may affect the stability of the coefficients and their individual interpretation.

Overall, the empirical results obtained confirm the relevance of the analyzed macroeconomic and institutional variables (such as tax revenues, inflation rate, DESI index or corruption perception) in explaining the studied phenomenon, but suggest the need to refine the model by eliminating insignificant predictors and testing possible multicollinearity problems, in order to obtain a more statistically robust model.

As we can see, the collinearity tests reveal VIF values ranging from 1.28 to 5.74. The DESI Index and the Corruption Perception Index present values slightly above the conservative threshold of 5, which can be maintained in the model due to their major theoretical relevance for the phenomenon of tax evasion, but in order to eliminate the moderate collinearity of these variables, since the overlap reflects the intrinsic link between administrative digitalization and corruption reduction, I decided to eliminate the DESI Index.

The Beta coefficient of corruption (-1.186) indicates a high sensitivity of the model to this variable, suggesting that institutional integrity remains the strongest explanatory factor, even in the presence of information overlaps with other predictors.

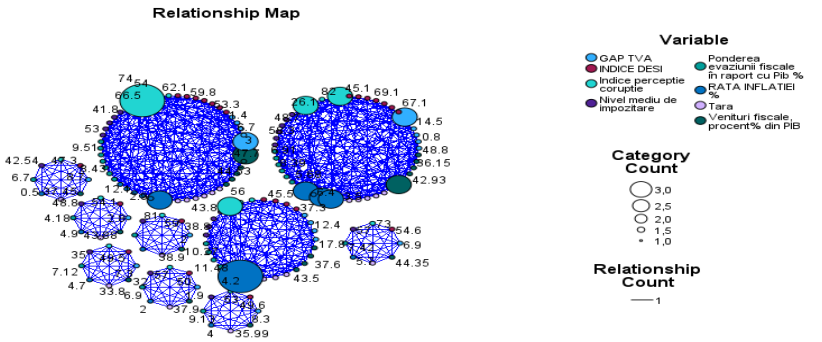
To ensure the validity and robustness of the empirical conclusions, the regression model was subjected to an integrated methodological analysis that combined the visualization of the relationships between variables through the relationship map, the assessment of multicollinearity and the testing of the normality of the distribution of independent variables through the Normal P-P Plot graphs.

Such an approach allows us to understand from a holistic point of view, the determinants of tax evasion and the structural interdependencies between the analyzed factors (economic and structural).

3. RELATIONSHIP MAP

In order to obtain a complex visual perspective on how research variables interact with each other, we call upon the relationship map visualization that

complements regression analysis, showing the density of connections in the dataset.



Source: author, using SPSS

Figure 1. Histrogram - Frecquency distribution of link intensities

From the visualization of the graphical representation of the relationships between variables according to the Relationship Map, we can observe the complex and interdependent nature of the analyzed phenomenon, which indicates the existence of several distinct groups of observations (clusters), which suggests that the variables tend to organize themselves according to the structure of the data associated with groups of states characterized by similar economic and institutional conditions.

It can be observed that the image representing the Main Cluster, located in the upper left area of the graphical representation, is dominated by the Corruption Perception Index variable, represented by the node of the largest size.

The size of this node practically reflects a high frequency of the corresponding values within the analyzed sample (N=25), which suggests the central role that the indicator occupies in the relational architecture of the model. Its prominent position in the network indicates that the perception of corruption represents a major structural determinant of the investigated phenomenon. and is consistent with the multiple regression results, where that variable is the strongest predictor of the dependent variable, having an estimated coefficient of $\beta=-1.186$.

A second relevant cluster is observed in the upper right area of the map, where a concentration of relationships is noted around the VAT GAP and tax revenue variables. The connections between these variables indicate a high density, which suggests the existence of a strong correlation between them, thus

explaining the relatively high values of the inflation factor (VIF) identified in the analysis of the coefficients of the econometric model.

From the perspective of the structure of interdependencies between variables, the size of the circles (Category Count) indicates a more pronounced representation of these categories in the data set, at the same time, the density and thickness of the connection lines (Relationship Count) express the intensity of the relationships between the variables. Therefore, we can conclude that the presence of a dense network of connections suggests the existence of a complex system of mutual determination between the analyzed indicators, which justifies the use of a multiple regression model to investigate causal relationships.

The graphically illustrated relational structure also provides an explanation for certain statistical characteristics identified within the econometric model. For example, the partial overlap of the networks associated with the DESI Index and tax revenues variables indicates the existence of a structural proximity between them, suggesting a relatively high degree of correlation. This situation explains the higher values of the VIF indicator observed in the multicollinearity analysis, signaling that the respective variables partially share the same connections within the relational network.

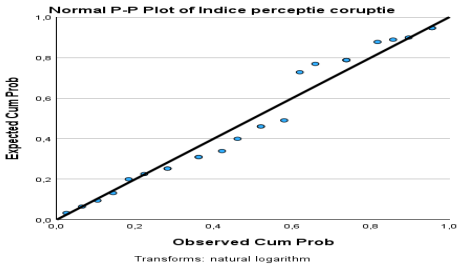
The results of this analysis, carried out in correlation with the analysis of the distribution of the variables illustrated by the P–P Plot graphs, indicate that, following the application of the natural logarithmic transformation, the analyzed variables (VAT Gap), inflation, DESI index and the level of taxation, present a distribution close to normality, which indicates that the density of the relationships observed within the map is not influenced by extreme values or significant deviations from the normality hypothesis.

In conclusion, from the analysis of the relational map, we can say that the investigated phenomenon cannot be interpreted as a simple isolated process, but must be understood as the result of the complex interaction between economic, institutional and structural factors, which act simultaneously in determining the level of tax evasion.

It can also be observed that certain variables, such as the inflation rate, are located at the edge of the network, being represented by smaller nodes compared to the central core, which suggests an insignificant statistical impact on the dependent variable within the model. In addition, the peripheral position of this variable visually confirms the conclusions drawn from the coefficient table, namely, inflation is not a structural determinant of tax evasion, unlike the corruption perception index, which is located at the center of the network and plays a decisive role in explaining tax behavior.

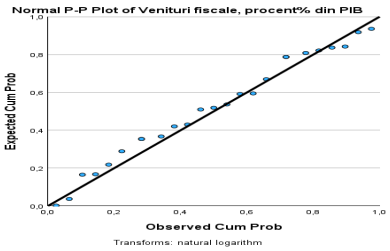
Regarding the justification of the density of connections visualized in the Relationship Map or Spider Web, as it is called in research, the network analysis highlights an extremely dense structure of lines between all variables, which raises the question of whether the data would not be excessively interdependent.

However, this density reflects the complexity of the fiscal phenomenon, in which factors do not operate in isolation, but interact with each other, so although it explains the presence of high values of multicollinearity (VIF > 5 for DESI INDEX and Corruption Perception Index), it legitimizes the use of multiple regression instead of simple correlation analyses. The images below show the normal probability plots (Normal P-P Plot) for the standardized residuals of the regression.



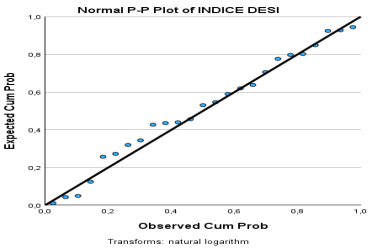
Source: author, using SPSS

Graph 1. Normal P-P Plot of regression standardized residuals (Model 1)



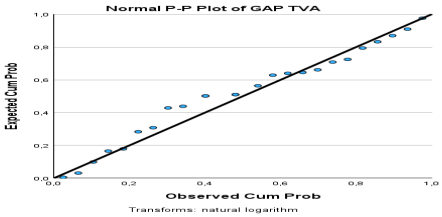
Source: author, using SPSS

Graph 2. Normal P-P Plot of regression standardized residuals (Model 2)



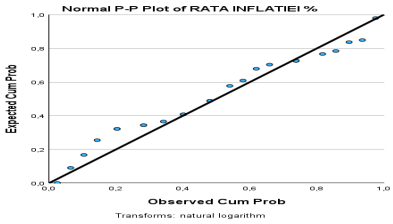
Source: author, using SPSS

Graph. 3. Normal P-P Plot of regression standardized residuals (Model 3)



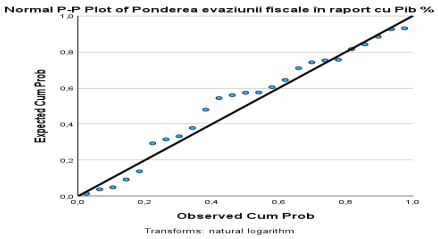
Source: author, using SPSS

Graph 4. Normal P-P Plot of regression standardized residuals (Model 4)



Source: author, using SPSS

Graph 5. Normal P-P Plot of regression standardized residuals (Model 5)



Source: author, using SPSS

Graph 6. Normal P-P Plot of regression standardized residuals (Model 6)

All independent variables were transformed in natural logarithms, the Normal P–P Plot graphs indicate the alignment of points that closely follow the diagonal line, which demonstrates that the residuals (errors) of the model are normally distributed, this confirms that the relationship found between Corruption, VAT Gap and Evasion is mathematically valid and is not the result of a specification error.

In this framework, the model manages to extract the signals specific to each individual variable from a "noise" generated by dense interconnections, providing a robust estimate of the effects of factors on tax evasion. Regarding the justification of the logarithmic transformation through the Normal P–P Plot graphs, the analysis raises the methodological question: How can we be sure that

the complex network of relationships visualized on the map is not influenced by distortions generated by distribution errors? The research conducted led to the formulation of the following answer:

The validity of the structure of the relationships represented on the Relationship Map is confirmed by the analysis of the Normal P–P Plot graphs. These graphs highlight the fact that, after applying the natural logarithmic transformation, the model residuals follow a normal distribution, with the observed points aligning almost perfectly on the theoretical reference diagonal and indicate that the density and connections of the variables on the map are not determined by extreme values or statistical errors, but reflect real relationships and consistent trends within the analyzed data set.

The overlap of the networks between the DESI index and Fiscal Revenues clearly shows why these variables have a high VIF, in this case over 5, which highlights the fact that the two variables "share" the same connections in the relationship map. The central position of corruption reflected by the presence of the node in the largest cluster, explains why this variable emerged as the strongest predictor β=-1.186 in the coefficient table.

4. CONCLUSIONS

Regarding the determinants of tax evasion, the results of the quantitative research suggest the following:

- the DESI variable does not contribute independently to explaining tax evasion, its effect being absorbed by institutional variables, especially the corruption perception index whose coefficient remains robust and significant in all specifications, thus confirming the central role of institutional quality in determining tax compliance.
- the VAT GAP variable, the result obtained indicates that tax evasion is directly influenced by the efficiency of tax administration, independently of other macroeconomic factors
- the tax revenue variable, the positive relationship between this variable and tax evasion suggests the existence of a „tax pressure" effect, in which the increase in the tax burden stimulates evasive behaviors.

The comparative analysis of the model indicates that the optimal specification is the one that excludes variables affected by multicollinearity, while maintaining variables with institutional relevance and robust statistical significance, in this context a new (restricted) model offers a more faithful representation of the determinants of tax evasion.

The research also highlighted some surprising results, first of all Tax revenues have a positive impact 0 on evasion, although normally an efficient collection should mean a lower degree of evasion. The result obtained suggests that in the context of the analyzed sample, a high fiscal pressure (expressed by revenues as % of GDP), without a broad tax base and without high institutional

integrity, determines a behavior of taxpayers towards the informal area. We thus obtained an empirical confirmation of the fact that the efficiency of collection (negatively represented by the VAT GAP) is more important than the volume of taxes collected.

Secondly, the research highlighted the fact that tax evasion is not determined by the level of taxes, but rather represents an institutional and structural phenomenon, thus the most eloquent result is the lack of significance of the average level of taxation (p=0.550) in relation to the impact of corruption (p=< 0.001), which demonstrates that fiscal morality and trust in institutions are more important vectors for fiscal compliance.

Thirdly, the research results highlight the vulnerability of collection, thus the direct correlation between the VAT GAP and tax evasion confirms that current tax administration systems present structural niches that allow capital leakage to the informal economy.

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FREEDOM OF EXPRESSION, HATE SPEECH AND DIGITAL GOVERNANCE: CONTEMPORARY LEGAL CHALLENGES IN DEMOCRATIC SOCIETIES

ARMINE KHARATYAN
Armenian State University of Economics
Yerevan, Republic of Armenia
kharatyan.armine@asue.am

GEGHETSIK GRIGORYAN
Armenian State University of Economics
Yerevan, Republic of Armenia
ggrigorian08@gmail.com

VAHE TOROSYAN
International University of Applied Sciences in Armenia
Yerevan, Republic of Armenia
vaxinak91@mail.ru

Abstract
The rapid development of digital technologies and communication platforms has fundamentally transformed the exercise of freedom of expression and the dissemination of information in contemporary societies. At the same time, the growing prevalence of hate speech in online environments has generated significant legal challenges concerning the protection of human dignity, equality, non-discrimination, and democratic values. These developments require legal systems to identify appropriate mechanisms for addressing harmful forms of expression while preserving the fundamental right to freedom of expression.
This article examines the legal concept of hate speech and the criteria used to distinguish protected expression from speech that may legitimately attract legal responsibility. The research is based on doctrinal legal analysis, comparative examination of international and regional legal standards, and the study of contemporary judicial approaches. Particular attention is paid to the jurisprudence of international courts and the evolving regulatory frameworks governing digital platforms and online intermediaries.
The paper further analyses the increasing role of digital governance mechanisms, including content moderation policies, algorithmic amplification, and platform

accountability, in shaping modern approaches to harmful online content. It also explores recent developments in judicial practice, including the application of the six-factor threshold test of the United Nations Rabat Plan of Action as a structured methodology for assessing potentially harmful speech.

The study argues that effective regulation of hate speech requires a contextual and proportionate approach that simultaneously safeguards freedom of expression and protects individuals and groups from incitement to hatred, discrimination, or violence. It concludes by proposing legal and policy recommendations aimed at improving regulatory frameworks and strengthening accountability mechanisms in the digital environment.

Keywords: *freedom of expression; hate speech; digital governance; human rights; platform accountability.*

JEL Classification: K24; K33; K38.

1. INTRODUCTION

Freedom of expression is both an individual right and an institutional condition of democratic government. It enables the circulation of information and ideas, political pluralism, scrutiny of public power, and participation in matters of public concern. Its protection is therefore especially strong in relation to political debate, journalism, academic inquiry and other forms of public-interest expression. Yet freedom of expression is not absolute. It may come into conflict with human dignity, equality, privacy, personal security and the right to be protected against discrimination and violence. The central legal task is not to grant automatic priority to either side, but to identify criteria that distinguish protected, even offensive, speech from expression that may legitimately attract legal responsibility.

Digital communication has made that task substantially more complex. Social networks, video-sharing services, search engines and online news platforms allow a single user to reach a large and often indeterminate audience almost instantly. Visibility is shaped not only by the speaker's choices but also by recommender systems, ranking mechanisms, paid promotion, network effects and design features intended to maximise engagement. Content may be replicated, decontextualised and amplified long after its initial publication. Consequently, harmful expression in the digital environment cannot be understood solely as a bilateral relationship between a speaker and an addressee. Its social impact may be co-produced by the architecture and governance choices of online intermediaries.

The term 'hate speech' is widely used in legal and policy discourse, but it does not denote one universally defined offence. It covers expressions of different gravity, purposes and legal consequences. Some forms reach the high threshold of advocacy that constitutes incitement to discrimination, hostility or violence and may warrant criminal prohibition. Others may justify civil, administrative, professional or platform-based responses. Still others remain

legally protected, even when they are intolerant, disturbing or socially harmful, and are more appropriately addressed through counter-speech, education, media literacy and support for targeted communities (Council of Europe, 2022; Ghazaryan and Asatryan, 2021). Treating all these situations as a single category risks both under-protection and over-restriction.

This article addresses three interrelated questions. First, which legal criteria distinguish protected expression from hate speech that may legitimately be restricted, particularly where criminal liability is contemplated? Second, how do algorithmic distribution and platform moderation affect the assessment of reach, risk, and remedy? Third, what does the Armenian Court of Cassation's reliance on the six-factor Rabat threshold test in Case No. ED/1485/01/21 reveal about the domestic judicial application of international standards? The decision is examined as a focused case study rather than as the article's principal analytical framework. Its broader comparative relevance lies in demonstrating both the potential and the limitations of incorporating an international threshold test into domestic criminal adjudication.

The article's principal contribution is an integrated three-stage model of legal assessment. The first stage concerns contextual legal characterisation: the target, protected characteristic, communicative purpose, institutional setting and relationship between speaker and audience. The second stage concerns the threshold and form of response: criminal, civil, administrative, professional, platform-based or non-legal. The third one concerns the governance of dissemination: the role of algorithmic amplification, platform design, notice-and-action procedures, reason-giving and redress. By connecting substantive human-rights thresholds with the procedural architecture of the Digital Services Act, the model treats the Rabat factors not merely as possible grounds for restriction, but also as safeguards against mechanical or excessively broad interference with freedom of expression.

2. METHODOLOGY AND ANALYTICAL FRAMEWORK

2.1. Research Design

The study follows a qualitative legal research design combining doctrinal legal analysis, comparative legal analysis, systemic interpretation, normative mapping and a focused case-study method. These methods are used for different but connected purposes. Doctrinal analysis identifies the legal elements and safeguards governing restrictions on expression. Comparative analysis examines the interaction of United Nations, Council of Europe and European Union standards rather than undertaking a complete country-by-country comparison. Systemic interpretation connects substantive rules on incitement with procedural duties concerning content governance, transparency and redress.

The primary normative corpus comprises Articles 19 and 20 of the International Covenant on Civil and Political Rights (ICCPR), General Comment No. 34 of the Human Rights Committee, the Rabat Plan of Action, Articles 10 and 17 of the European Convention on Human Rights (ECHR), the relevant case law of the European Court of Human Rights, Recommendation CM/Rec(2022)16 of the Committee of Ministers of the Council of Europe, and ECRI General Policy Recommendation No. 15. At European Union level, the analysis includes Council Framework Decision 2008/913/JHA, Regulation (EU) 2022/2065 on a Single Market for Digital Services (Digital Services Act, or DSA), and Regulation (EU) 2024/1689 laying down harmonised rules on artificial intelligence (AI Act). The Council of Europe Framework Convention on Artificial Intelligence and Human Rights, Democracy and the Rule of Law supplies an additional lifecycle-based human-rights perspective.

Normative mapping is used to separate four questions that are frequently collapsed in debates on online hate speech: what substantive conduct is prohibited; which actor bears the relevant duty; which procedure governs the decision; and which remedy or safeguard is available. This distinction is particularly important because the DSA does not harmonise the substantive criminal law of hate speech. It regulates the governance of intermediary services while the illegality of particular content continues to depend on applicable Union or national law.

Table 1. Normative mapping of the principal legal sources

Source	Principal legal question	Primary addressee	Function in the analysis
ICCPR arts. 19–20 and Rabat Plan	When does advocacy become incitement, and when may criminal prohibition be justified?	States, legislators and courts	High substantive threshold; legality, intent, context and likelihood safeguards
ECHR arts. 10 and 17; ECtHR case law	When is interference prescribed by law, necessary and proportionate, and when do positive obligations arise?	States and domestic courts	Contextual proportionality review and protection of democratic debate

Source	Principal legal question	Primary addressee	Function in the analysis
CM/Rec(2022)16 and ECRI GPR No. 15	How should legal and non-legal responses be differentiated according to severity?	States, public officials, media, intermediaries and civil society	Graded response, prevention, remedies, counter-speech and stakeholder duties
EU Framework Decision 2008/913/JHA	Which serious racist and xenophobic expressions must be criminalised within its defined scope?	EU Member States	Minimum criminal-law approximation for public incitement and specified denial offences
Digital Services Act	How must intermediary services govern illegal content, platform rules, recommender systems and systemic risks?	Intermediary services, online platforms, VLOPs/VLOSEs and regulators	Procedural accountability, transparency, redress, risk assessment and scrutiny
AI Act and CoE AI Framework Convention	Which safeguards should govern AI-supported detection and moderation?	Public authorities and relevant AI actors	Risk-sensitive transparency, oversight, accountability, equality and impact management
Armenian Case No. ED/1485/01/21	How can the Rabat factors be applied in domestic criminal adjudication?	National courts	Focused case study of structured contextual reasoning and its limits

Source: authors' elaboration

2.2. Case-Study Protocol and Limitations

The Armenian component is based on Article 42 of the Constitution of the Republic of Armenia, Articles 329 and 330 of the Criminal Code, and the decision of the Criminal Chamber of the Court of Cassation in Case No. ED/1485/01/21, delivered on 23 April 2026. Article 329 addresses public speech aimed at inciting or promoting hatred, discrimination, intolerance or enmity on

the grounds enumerated by the Code, whereas Article 330 addresses public calls for violence, the public justification or advocacy of such violence, and the dissemination of related materials on comparable grounds, subject to the statutory conditions. The case itself concerned the aggravated form of the offence under Article 330(2)(2). This distinction is central to the analysis: domestic law separates hate-based inciting speech from the more specific communicative act of calling for violence, even though the two categories may overlap in particular cases. The case analysis separates three levels: the facts and procedural history established by the judgment; the Court's own legal propositions; and the authors' assessment of their broader significance. The Rabat factors operate here as an analytical framework within the case-study method, not as an independent empirical research method.

The article does not compare the complete legislation of multiple jurisdictions, quantify the prevalence of online hate speech, or test the performance of a particular commercial moderation system. Nor does it treat a single domestic judgment as evidence of a settled regional trend. Its objective is normative and explanatory: to formulate a coherent path from legal characterisation to a proportionate remedy while identifying the additional duties and safeguards created by digital dissemination.

3. THE LEGAL CONCEPT OF HATE SPEECH AND THE NEED FOR A GRADED RESPONSE

3.1. A Broad Concept, not a Single Offence

The absence of a single binding international definition is not merely terminological. Legal systems differ in the protected characteristics they recognise, the conduct they prohibit, the mental element they require, and the degree of likely harm that must be shown. Recommendation CM/Rec(2022)16 adopts a broad human-rights-based understanding that encompasses forms of expression which incite, promote, spread or justify violence, hatred or discrimination against a person or group, or denigrate them, on the basis of real or attributed personal characteristics or status. The Recommendation simultaneously insists on differentiated responses according to the severity, context and likely impact of the expression (Council of Europe, 2022).

This approach is preferable to treating hate speech as a self-executing legal label. A statement may fall within a social or policy understanding of hate speech without satisfying the elements of a criminal offence. Conversely, a threat or public call for violence may be criminally punishable even if it is not directed against a group defined by a protected characteristic. Legal characterisation must therefore proceed from the applicable offence or cause of action, not from the prior assumption that all harmful expressions belong to one legal category.

The normative debate also cautions against simple answers. Brown (2015) shows that 'hate speech law' is not one homogeneous regulatory object, but a cluster of distinct legal restrictions that require different justificatory arguments. Waldron (2012) emphasises the harm that public denigration causes to the social standing and assurance of members of vulnerable groups. Heinze (2013), by contrast, warns that broad prohibitions in the sphere of democratic public discourse may suppress participation and viewpoint diversity. Lepoutre (2020) further questions whether the expressive value of prohibition, standing alone, can justify bans where counter-speech may communicate public condemnation. Armenian legal scholarship likewise warns that broad or indeterminate hate-speech rules may be applied disproportionately and should therefore be tested through legality, necessity and proportionality (Odabashyan, 2020; Ghazaryan and Asatryan, 2021). These positions are not entirely incompatible. They support a distinction between direct incitement, targeted harassment and exclusionary conduct on the one hand, and general, even deeply objectionable, opinions in public debate on the other. The legal response should correspond to the communicative act and the risk it creates, rather than to the offensiveness of the viewpoint alone.

3.2. Distinguishing Adjacent Legal Categories

Hate speech must be distinguished from insult, defamation, threat and hate-motivated crime. Insult primarily concerns an attack on an individual's dignity; defamation generally concerns the dissemination of a false factual allegation capable of harming reputation. A threat communicates an intention to cause harm or reasonably creates fear, while a public call for violence seeks to influence others to engage in violent conduct. A hate-motivated crime involves an independently punishable act, such as assault or property damage, committed with a bias motive. In hate-speech cases, by contrast, the immediate object of legal assessment is the communication itself.

The distinctions may overlap in practice, but they remain legally significant. A statement targeting an individual public official may be insulting, threatening or an incitement to violence without constituting classic group-based hate speech. Criticism of a religion, ideology, political party or public institution must be distinguished from advocacy of discrimination or violence against persons associated with that belief or institution. Likewise, the use of harsh or humiliating language does not automatically prove an intention to incite. The decision-maker must identify the target, the relevant characteristic, the conduct encouraged, and the connection between the expression and the response sought from the audience.

This is particularly important in criminal law, where legal certainty and strict interpretation apply. Terms such as 'hatred', 'hostility', 'propaganda', 'promotion' and 'incitement' cannot function as interchangeable moral

assessments. Incitement requires a communicative relationship between the expression and discriminatory, hostile or violent conduct by the audience. The more serious the sanction, the more precise the proof required regarding intent, context and likely impact (UN Human Rights Committee, 2011; OHCHR, 2012).

3.3. Protected characteristics and legal certainty

International instruments traditionally refer to race, colour, national or ethnic origin and religion, while contemporary European standards recognise a broader and non-exhaustive range of characteristics, including sex, gender, gender identity, sexual orientation, language, disability, age and other personal status (Council of Europe, 2022; ECRI, 2015). An open list can respond to emerging and localised forms of discrimination, but it also requires principled interpretation. If every temporary professional, political or institutional affiliation is treated as equivalent to historically marginalised status, hate-speech provisions may be transformed into devices for shielding powerful organisations or public authorities from criticism.

The identification of a protected characteristic should therefore be accompanied by analysis of vulnerability, patterns of discrimination, power relations and the effect of the expression on equal participation in social life. Domestic legislation may legitimately protect additional grounds, including political opinion, but courts should explain the legal basis and the consequences of doing so. The mere fact that a statement concerns politics does not make it protected, just as the mere reference to a political identity does not automatically convert it into group-based hate speech.

Table 2. A graded model of responses to harmful expression

Level	Indicative legal character	Primary responses	Essential safeguards
I. High threshold	Intentional advocacy constituting incitement to discrimination, hostility or violence; direct and serious public calls for violence	Criminal prohibition as ultima ratio; urgent protective measures where strictly necessary	Accessible and foreseeable law; proof of intent; contextual analysis; likelihood assessment; proportional sanction; judicial review

Level	Indicative legal character	Primary responses	Essential safeguards
II. Intermediate	Unlawful or rights-infringing expression below the criminal threshold	Civil, administrative, professional or targeted platform measures; right of reply; compensation; removal or visibility reduction where justified	Necessity and proportionality; reason-giving; distinction between fact and opinion; effective appeal; protection of journalism, research and counter-speech
III. Lawful but harmful	Intolerant, prejudicial or degrading expression that remains legally protected	Counter-speech, education, media and digital literacy, support for targeted persons, voluntary moderation and community standards	No coercive censorship; viewpoint neutrality; transparency; inclusion of affected communities

Source: authors' elaboration

4. INTERNATIONAL AND EUROPEAN STANDARDS FOR RESTRICTING HATE SPEECH

4.1. The Combined Operation of Articles 19 and 20 ICCPR

Article 19 ICCPR protects the freedom to seek, receive and impart information and ideas of all kinds. Restrictions are permissible only when provided by accessible and foreseeable law, directed to a legitimate aim recognised by the Covenant, and necessary and proportionate to that aim. The requirement of legality is qualitative: a formal statutory basis is insufficient if the rule is too vague to guide conduct or confers uncontrolled discretion on enforcement authorities (UN Human Rights Committee, 2011, paras. 22–36).

Article 20(2) requires States to prohibit by law advocacy of national, racial or religious hatred that constitutes incitement to discrimination, hostility or violence. The provision does not require the prohibition of every intolerant or offensive opinion. Its elements include advocacy of hatred, an inciting relationship to audience conduct, and a sufficient risk of discrimination, hostility or violence. Articles 19 and 20 must be read together. Even where prohibition is mandatory, the content and application of the law must remain compatible with legal certainty, necessity and proportionality.

This combined reading prevents two opposite errors. The first is to treat freedom of expression as excluding all positive duties to protect targeted persons and groups. The second is to treat Article 20 as an autonomous license for broad criminalisation. The Rabat Plan of Action was developed precisely to reduce these risks by setting a high threshold and requiring structured analysis of the circumstances in which advocacy becomes incitement (OHCHR, 2012, para. 29).

Within the European Union, Council Framework Decision 2008/913/JHA requires criminalisation of specified forms of public incitement to violence or hatred directed against groups or members of groups defined by race, colour, religion, descent, or national or ethnic origin. Its narrower criminal-law scope should not be confused with broader policy definitions of hate speech. The Framework Decision confirms that criminal liability must remain tied to precisely defined conduct and protected grounds, while national systems may employ other proportionate measures for harmful expression falling below that threshold.

4.2. Articles 10 and 17 ECHR and the ECtHR's Contextual Approach

Under Article 10 ECHR, freedom of expression applies not only to information and ideas that are favourably received, but also to those that offend, shock or disturb. This protection reflects the demands of pluralism, tolerance and broadmindedness in a democratic society (Handyside v. the United Kingdom, 1976, para. 49). Interference must be prescribed by law, pursue a legitimate aim and be necessary in a democratic society. The European Court of Human Rights examines the expression in context, including its contribution to public debate, the speaker's position, the target, form, medium, audience and likely consequences.

Article 17, which prohibits the abuse of rights, may exclude from Convention protection expression aimed at destroying the rights and values guaranteed by the Convention. Its use should remain exceptional and confined to extreme cases (Perinçek v. Switzerland [GC], 2015, para. 114). Borderline cases are better examined under Article 10(2), where the State must demonstrate a pressing social need and proportionality. Automatic reliance on the label 'hate speech' risks removing speech from meaningful judicial scrutiny.

The Court's case law also requires attention to communicative role. In Jersild v. Denmark (1994, paras. 31, 33-35), the Court distinguished racist statements made by interviewees from the journalist's critical presentation of those statements. The distinction is highly relevant online, where automated tools may fail to separate original advocacy from quotation, documentation, condemnation, satire or academic analysis. Context is not an optional mitigating factor; it is part of the legal characterisation of the expression.

The Convention framework includes positive obligations. In Beizaras and Levickas v. Lithuania (2020, paras. 125-129), the Court found that the authorities had not responded effectively to serious homophobic comments and calls for violence posted online. In Budinova and Chaprazov v. Bulgaria (2021, paras. 62-67) and Behar and Gutman v. Bulgaria (2021, paras. 67-70), the Court recognised that extreme group-directed stereotyping may reach the threshold of Article 8 by affecting the identity, dignity and social participation of group members. These judgments show that protection against hate speech is not reducible to punishment of speakers; it also requires accessible remedies, effective investigation and equality in enforcement.

The Court has approached intermediary and account-holder responsibility through fact-sensitive analysis. In Delfi AS v. Estonia (2015, paras. 142-162), liability concerned a professionally managed commercial news portal, manifestly unlawful comments, the platform's control and economic role, and the effectiveness of remedies. In Sanchez v. France (2023, paras. 161-192), the Grand Chamber considered the responsibility of a politician who failed to remove unlawful third-party comments from a publicly accessible social-media page used during an election campaign. Neither judgment establishes universal strict liability for all user-generated content. Both require attention to the actor's role, knowledge, control, context and the nature of the comments.

4.3. The Six-Factor Rabat Threshold Test

The Rabat Plan of Action proposes six interdependent factors for determining whether expression reaches the threshold of incitement: (1) the social and political context; (2) the speaker's position or status; (3) intent; (4) content and form; (5) the extent of dissemination; and (6) the likelihood, including imminence, of harm (OHCHR, 2012, para. 29). The test is designed for a high threshold, especially where criminal sanctions are contemplated. It therefore serves a dual function: identifying genuinely dangerous incitement and preventing the use of vague hate-speech provisions against protected expression.

No factor should be treated as conclusive in isolation. A powerful speaker's status does not replace proof of intent. Wide dissemination does not by itself demonstrate a real likelihood of harm. Violent or degrading vocabulary may be evidence of dangerousness, but it does not automatically establish incitement. The decision-maker must explain how the factors interact in the particular case. This is especially important in digital environments, where reach may be produced by platform recommendations rather than by the speaker alone, and where apparent content may be detached from its original context.

The test should also be connected to the choice of remedy. A finding that expression is harmful does not predetermine criminal liability. The degree of intent, reach and likelihood may instead support civil protection, administrative

enforcement, professional discipline, platform intervention or non-coercive responses. Recommendation CM/Rec(2022)16 reinforces this differentiated model and places criminal law at the highest end of a broader continuum of measures (Council of Europe, 2022).

Table 3. The Rabat factors and their digital-governance relevance

Rabat factor	Core legal inquiry	Additional digital consideration
Context	Political tension, discrimination patterns, vulnerability and surrounding events	Coordinated campaigns, platform-specific norms, virality and cross-platform migration
Speaker	Authority, influence, institutional role and relationship with the audience	Verified or high-reach accounts, paid promotion, network centrality and control over a public page
Intent	Purpose to incite discrimination, hostility or violence	Use of coded language, repeated targeting, coordination and behavioural signals; caution against inferring intent from automation alone
Content and form	Meaning, tone, directness, imagery, repetition and call to action	Memes, multimodal content, irony, quotation, synthetic media and context collapse
Extent	Public nature, scale, frequency, audience and means of dissemination	Recommendation systems, personalised ranking, resharing, microtargeting and actual–not merely theoretical–reach
Likelihood and imminence	Real probability that the audience will engage in prohibited conduct	Speed of diffusion, audience susceptibility, offline mobilisation signals, and whether mitigation reduced the risk

Source: authors' elaboration

5. DIGITAL GOVERNANCE AND PLATFORM ACCOUNTABILITY

5.1. Substantive Illegality, Platform Rules and Systemic Governance

The legal debate on online intermediaries must distinguish liability for a particular item of content from accountability for the systems through which content is governed and distributed. A platform is not legally responsible for every unlawful statement posted by a user merely because it hosts or recommends information. It may nevertheless be required to maintain transparent procedures, respond to sufficiently precise notices, give reasons for restrictions, provide redress, assess systemic risks and subject its governance arrangements to scrutiny. Platform accountability is therefore broader than content liability, but it is also legally distinct from the speaker's responsibility.

The DSA preserves conditional exemptions from liability for intermediary services and prohibits the imposition of a general monitoring or active fact-finding obligation (arts. 4–8). At the same time, it establishes differentiated due-diligence duties according to the function and scale of the service. This architecture seeks to avoid both blanket immunity and universal strict liability. The latter would create powerful incentives to remove lawful but controversial expression, particularly where the applicable legal rule is uncertain.

The distinction between illegal content and content that merely violates private terms of service is central. Under the DSA, whether content is illegal depends on applicable Union or national law; the Regulation does not create a general substantive definition of illegal hate speech. Platforms may adopt broader community standards, but users should be able to identify whether a restriction was based on law, contract, or a systemic-risk measure. Conflating these grounds obscures the applicable test, the responsible decision-maker and the available remedy.

5.2. Notice-and-Action, Reason-Giving and Redress

Article 14 DSA requires providers to explain significant restrictions in their terms and conditions and to apply those restrictions diligently, objectively and proportionately, with due regard to the rights and legitimate interests of all parties. Article 16 requires hosting services to establish accessible notice-and-action mechanisms for specific items alleged to be illegal. Notices must be sufficiently precise and substantiated to permit an informed assessment; their processing must be timely, diligent, non-arbitrary and objective. The procedure is therefore not a notice-and-automatic-removal model. It is a notice-and-action system in which the response depends on a legally and factually reasoned assessment.

Article 17 requires a statement of reasons when a hosting service removes, disables access to, demotes, restricts monetisation, suspends an account or otherwise limits content for reasons of illegality or incompatibility with its

terms. Articles 20 and 21 add internal complaint-handling and certified out-of-court dispute settlement. These safeguards are essential where private moderation decisions affect participation in political, journalistic, academic or human-rights discourse. A rights-compatible system must protect both persons exposed to illegal content and users whose lawful expression is restricted in error.

Transparency obligations also support accountability at an aggregate level. Articles 15 and 24 require reporting on content moderation, including the use of automated tools, while Article 17 decisions feed a public statements-of-reasons database. For very large online platforms and very large online search engines (VLOPs and VLOSEs), Articles 37, 40 and 42 add independent audit, data access and enhanced reporting. These mechanisms make it possible to examine recurring errors, inconsistent treatment across languages, and the relationship between moderation policy and platform design.

5.3. Recommender Systems and Systemic Risks

The DSA also addresses the architecture of visibility. Article 27 requires transparency concerning the main parameters of recommender systems. For VLOPs and VLOSEs, Articles 34 and 35 require assessment and mitigation of systemic risks associated with the design or functioning of the service, including risks to fundamental rights, civic discourse, electoral processes and public security. Article 38 requires an option for a recommender system not based on profiling. The regulatory focus thus extends beyond the binary question whether content remains online to the ways in which ranking, recommendation, advertising and repeated exposure shape harm.

Algorithmic amplification changes the evidential meaning of the Rabat factor concerning extent. Content that is formally public may have negligible exposure, while a post initially addressed to a limited audience may acquire extensive reach through recommendation, paid promotion, coordinated sharing or cross-platform migration. Where available, decisions should therefore consider actual dissemination: impressions, resharing patterns, audience composition, duration of availability, repetition, monetisation and the contribution of automated recommendation.

Amplification also complicates attribution. The speaker remains responsible for the content and intended dissemination; the platform may bear separate governance duties arising from control over distribution systems, knowledge of systemic risks and capacity to mitigate them. The platform's recommender system does not prove the speaker's intent, and the speaker's intent does not determine whether the platform complied with its procedural or systemic obligations. Keeping these legal bases separate is necessary for both fairness and effective regulation.

Table 4. DSA duties relevant to online hate-speech governance

DSA mechanism	Relevant provisions	Human-rights function	Implication for hate-speech governance
Liability architecture and no general monitoring	Arts. 4–8	Prevents automatic attribution of all user content to intermediaries and limits incentives for over-removal	Platform duties must be analysed separately from speaker liability
Terms, notice-and-action and reasons	Arts. 14, 16–17	Legal certainty, objective processing and intelligible justification	Distinguish illegality, terms-of-service violations and risk-mitigation measures
Appeal and out-of-court redress	Arts. 20–21	Effective remedy and correction of erroneous restrictions	Affected users and notifiers require accessible contestation procedures
Transparency and moderation data	Arts. 15, 24, 42	Public scrutiny of moderation practices and automation	Report outcomes by legal ground, content category, detection method and type of restriction
Recommender transparency and user choice	Arts. 27, 38	User autonomy and visibility of ranking logic	Assess how profiling and recommendation alter reach and exposure
Systemic-risk assessment and mitigation	Arts. 34–35	Protection of fundamental rights, civic discourse and public security	Examine design incentives, coordinated abuse, language disparities and proportional mitigation
Independent audit and data access	Arts. 37, 40	External verification and evidence-based oversight	Enable research into prevalence, amplification, error patterns and mitigation effectiveness

Source: authors' elaboration

5.4. Proportionality and a Ladder of Interventions

Rights-compatible governance does not require maximal removal. Where content is manifestly illegal or presents an urgent threat to life or safety, removal or disabling access may be necessary. In other cases, proportionate measures may include restricting paid promotion, reducing recommendation, limiting resharing, adding context, imposing temporary functionality limits, age-appropriate restrictions, or preserving content for evidential and research purposes while limiting its circulation. The selected measure should correspond to the legal basis and demonstrated risk.

This ladder of interventions must not become an informal system of invisible censorship. Demotion and de-amplification can significantly affect public participation even when content remains technically accessible. Such measures should therefore be covered by clear rules, reason-giving, transparency reporting and effective appeal. The same principle applies to co-regulatory arrangements: public authorities may set procedural and risk-management duties, but should not transfer vague censorship mandates to private actors or to infrastructure providers that lack meaningful control over the specific content.

6. AUTOMATED MODERATION AND ARTIFICIA INTELLIGENCE

6.1. The Limits of Automated Classification

Automated systems can assist in detecting large volumes of potentially harmful content, but legal qualification cannot be reduced to lexical matching or statistical similarity. Hate speech is context-dependent and may be expressed through ambiguity, coded language, irony, images, historical references or local political meanings. The same words may constitute incitement, quotation, condemnation, satire, journalism or academic analysis. Research also demonstrates substantial disagreement among legally trained annotators when they apply different national laws to the same material (Korre et al., 2024, p. 4).

Two complementary studies illustrate why legal concepts should not be collapsed into a single binary label. Khurana et al. (2022, pp. 176-191) propose modular criteria concerning target groups, dominance, speaker characteristics, forms of negative group reference and potential effects, allowing definitions to be adapted transparently to the purpose of a specific task. Zufall et al. (2022, pp. 53-64) show that decomposing legal assessment into sub-decisions concerning the target group and the targeting conduct can improve both annotation consistency and the transparency of automated outcomes when compared with an end-to-end classification of punishability. These approaches support structured legal reasoning, but do not eliminate the need for qualified human judgment.

Errors are not evenly distributed. Systems trained on dominant-language datasets may perform poorly in smaller languages and dialects. They may over-identify the speech of minority communities or fail to recognise coded attacks

directed against them. False positives restrict lawful expression; false negatives leave targeted persons exposed. The legal relevance of an error depends not only on accuracy rates in the abstract, but also on the affected right, the reversibility of the decision, the availability of human review and the distribution of errors across groups.

Automated tools are particularly unsuitable as sole decision-makers where the issue concerns political speech, journalistic reporting, human-rights documentation, satire or the criminal threshold of incitement. In such cases, the system may prioritise content for review, identify patterns of coordinated dissemination or assist with evidence preservation, but the final legal assessment should remain with a qualified human decision-maker.

6.2. Human Oversight, Explanation and Impact Assessment

Meaningful human oversight requires more than the formal presence of a reviewer. The reviewer must have access to the relevant context, authority to depart from the automated recommendation, sufficient time, appropriate language and cultural competence, and protection from performance incentives that merely reproduce the machine's output. High-impact moderation systems should be audited for false-positive and false-negative rates, disparate effects on protected groups, handling of appeals and performance in the languages in which they are deployed.

Reason-giving is equally important. A user should be informed whether content was restricted because it was considered illegal, because it violated contractual terms, or because a risk-mitigation measure was applied. The reason should identify the rule, the key facts and the available remedy without disclosing information that would enable abuse of detection systems. Aggregate transparency reports should explain the role of automation, the number and outcome of appeals, and the frequency with which human review reverses automated decisions.

The AI Act contributes a risk-based regulatory framework, but it should not be presented as a complete code for online content moderation. Moderation and recommendation systems are not automatically classified as high-risk, and requirements such as human oversight cannot be generalised beyond the categories to which the Regulation makes them applicable. Its broader concepts of risk management, data governance, transparency and AI literacy remain relevant where the legal conditions are met. Recent legal scholarship similarly treats AI-supported hate-speech moderation as a field requiring calibrated legal safeguards, not technical accuracy alone (Balavadze, 2025). The Council of Europe Framework Convention on Artificial Intelligence adds a lifecycle-based human-rights perspective through principles of transparency and oversight, accountability, equality and non-discrimination, and risk and impact management. In the specific field of online speech, however, the DSA and

general human-rights law remain the more direct sources of procedural protection.

7. DOMESTIC JUDICIAL APPLICATION OF THE RABAT TEST: THE ARMENIAN COURT OF CASSATION

7.1. Case No. ED/1485/01/21: Facts and Holdings

Case No. ED/1485/01/21 concerned statements made by a schoolteacher during a lesson in the presence of pupils. The statements included explicit calls for lethal violence against the Prime Minister of Armenia and members of his family. The first-instance court convicted the defendant under Article 330(2)(2) of the Criminal Code, concerning public calls for violence committed through the use of an official or functional position. The Criminal Court of Appeal quashed the conviction and acquitted the defendant. On 23 April 2026, the Criminal Chamber of the Court of Cassation quashed the appellate judgment and restored the legal effect of the first-instance judgment (Court of Cassation of Armenia, 2026).

The Court of Cassation addressed the relationship between political expression and criminally punishable calls for violence. It recognised the importance of broad protection for political debate and criticism, but held that political subject matter does not immunise expression whose communicative content and context amount to a call for violence. The Court also rejected an exclusively formal understanding of 'use of official position'. It considered the teacher's professional role, the institutional setting of the classroom and the authority exercised over pupils relevant to the aggravated form of the offence.

Most importantly for the present article, paragraph 13.1 of the judgment reproduced the six Rabat factors: context; the speaker's identity or status; intent; content and form; extent of dissemination; and likelihood, including imminence, of harm. The Court did not create a separate seventh factor of 'audience vulnerability'. Rather, the pupils' age and relationship to the teacher were relevant within the context, speaker-status and likelihood analysis. The judgment also stated that the offence of a public call for violence is formal in the sense that the occurrence of actual violence or another material consequence is not required for completion of the offence.

The Court's analysis nevertheless did not reduce the offence to the presence of prohibited words. It examined the institutional setting, the relationship between speaker and audience, the nature of the statements and their potential influence. This combination is important: the absence of a required material consequence does not dispense with the need to demonstrate that the communication is genuinely a public call for violence and that criminal interference with expression is justified.

7.2. Comparative Significance and Doctrinal Limits

The decision's principal contribution is methodological. It moves the assessment from isolated words towards structured contextual reasoning and expressly incorporates an international threshold test into domestic criminal adjudication. For other jurisdictions, the case illustrates how non-binding international guidance can become operational through judicial interpretation without being treated as a substitute for the statutory elements of the offence.

Its broader significance should, however, be stated with precision. The case concerned public calls for violence against identified persons in a classroom setting. It was not a case concerning the liability of a digital platform, recommender system or online intermediary. Nor does it conclusively establish that the targeted public official and family members constituted a protected group in the classic international-law sense of group-based hate speech. The domestic statutory framework referred to political or other views, but the factual target remained specific individuals. The decision is therefore best characterised as an authoritative ruling on public calls for violence and the limits of political expression, informed by international incitement criteria.

A second issue concerns the relationship between a formal offence and the Rabat factor of likelihood and imminence. Because a material result is not an element of the offence, the prosecution need not prove that violence actually occurred. Yet likelihood remains relevant to the expressive nature of the conduct, the necessity of criminal intervention and the proportionality of punishment. If likelihood is treated as irrelevant, the Rabat test becomes ornamental; if it is treated as a requirement of completed harm, the domestic offence is altered. The more coherent approach is to use likelihood as evidence that the expression had a genuine inciting or calling character and that criminal law, rather than a less restrictive response, was warranted.

A third limit is evidential. Domestic courts should not merely list the six factors. They should identify the facts supporting each factor and explain their interaction. Speaker authority, audience age, repetition, publicity and political tension may increase risk, but none replaces proof of intent or the legal elements of the offence. Properly applied, the Rabat framework can strengthen both protection from violence and protection against arbitrary criminalisation.

8. DISCUSSION: AN INTEGRATED RIGHTS-BASED GOVERNANCE FRAMEWORK

8.1. Stage One: Legal Characterisation Before Legal Sanction

The analysis supports a three-stage model. The first stage is legal characterisation: who or what is targeted, on which ground, with what communicative purpose, in what institutional and social setting, and through what relationship between speaker and audience? This inquiry must distinguish group-directed incitement from threats, defamation, insult, harassment, public

calls for violence and hate-motivated offences. The expression should not be assigned a sanction merely because it falls within a broad policy definition of hate speech.

A broad or 'umbrella' definition may be useful for policy coordination, education, monitoring and victim support, provided that it does not operate as a self-executing basis for punishment. Each form of criminal, administrative or civil liability must rest on a separate, precise and foreseeable legal rule. This separation protects legal certainty and reduces the risk that a general commitment to combat hate speech is used to suppress criticism of governments, public officials, religious beliefs or influential social actors.

8.2. Stage Two: Threshold, Remedy and Institutional Safeguards

The second stage asks whether the expression reaches criminal incitement, another form of unlawful expression, or the category of lawful but harmful speech. Criminal responsibility should remain an ultima ratio response. It may be justified where the offence is foreseeable, intent is established, the expression genuinely advocates or calls for prohibited conduct, and the contextual evidence supports a real likelihood of discrimination, hostility or violence. A court should identify each relevant Rabat factor and explain how it relates to the statutory elements rather than merely reciting the six-factor list.

Below the criminal threshold, civil, administrative or professional measures may provide effective protection, but they are not inherently harmless. Administrative fines, licence restrictions and excessive damages can produce a chilling effect comparable to criminal punishment. Such measures require precise legal bases, independent decision-making, judicial review and proportionality. Civil remedies should prioritise cessation, correction, reply, declaratory relief and compensation linked to demonstrated harm rather than punitive awards imposed solely because expression is offensive.

Where speech remains lawful, non-coercive responses should be preferred: counter and alternative speech, education, media and digital literacy, support for targeted persons, professional ethics and inclusive public communication. This approach is consistent with the United Nations Strategy and Plan of Action on Hate Speech, which treats prevention and coordinated response as compatible with the protection of freedom of expression (United Nations, 2019), and with Armenian studies cautioning against reliance on criminalisation alone (Odabashyan, 2020; Ghazaryan and Asatryan, 2021). Public officials have an additional responsibility to avoid legitimising prejudice and to respond promptly to serious group-directed hostility without demanding unlawful censorship.

8.3. Stage Three: Governance of Dissemination

The third stage concerns dissemination governance. Public authorities and platforms should identify how recommendation, repetition, paid promotion,

coordinated behaviour and moderation decisions affected the scale and persistence of the risk. The central policy recommendation is not a universal notice-and-take-down duty, but a differentiated notice-and-action framework directed to actors with the technical and operational capacity to act on specific content. Internet access providers, domain registrars, hosting services and social-media platforms should not be treated as functionally interchangeable.

For platforms, a rights-based governance framework has six minimum components: clear differentiation between illegality and private rules; accessible and substantiated notice procedures; reasoned and contestable decisions; a proportionate ladder of interventions; systemic-risk assessment of recommender and advertising systems; and independent scrutiny through transparency reporting, audits and data access. These obligations should include attention to smaller languages and regional contexts, where moderation resources and appeal quality are often weaker.

For automated systems, the framework requires meaningful human control. Performance should be evaluated by language and affected group rather than only through aggregate accuracy. Political, journalistic, academic, artistic and human-rights documentation should receive enhanced contextual review. Automation may assist with triage, pattern detection and evidence preservation, but it cannot determine by itself whether a specific expression is protected, unlawful or criminally inciting.

8.4. Implementation, Evidence and Accountability

Implementation should be evidence-based. Public authorities should collect anonymised data on the legal provision used, protected characteristic, medium, procedural outcome, remedy and sanction. Platforms should report the ground for action, detection method, use of automation, type of restriction, appeal rate and reversal rate. Without disaggregated and comparable information, it is difficult to determine whether a framework protects targeted groups consistently, discriminates across languages, or is deployed selectively against political opposition and minority voices.

The Armenian case study illustrates the judicial dimension of the same framework. International threshold tests gain value when they discipline reasons and evidence, not when they function as labels. Their domestic application requires an explicit connection between each factor, the statutory offence and the sanction. A national judgment becomes internationally relevant not because it creates a global precedent, but because it reveals the practical conditions under which soft-law criteria can strengthen - or, if applied mechanically, weaken - rights-based adjudication.

9. CONCLUSION

The regulation of hate speech in digital environments must address two simultaneous risks: failure to protect persons and groups from discrimination, hostility and violence, and excessive restriction of democratic debate. Neither risk can be managed through lists of prohibited words, the speaker's self-description of intent, or the audience's subjective offence alone. The legally decisive inquiry combines context, speaker influence, intent, content and form, actual dissemination, and the likelihood of harm.

The Rabat six-factor test provides a valuable high-threshold structure. Its function is protective in both directions: it identifies exceptional cases in which criminal prohibition may be justified, and it constrains criminalisation where intent, extent or likelihood are not established. Recommendation CM/Rec(2022)16 complements that threshold with a graded framework of criminal, civil, administrative, professional, platform-based and non-legal responses. A broad policy definition of hate speech may coordinate these measures, but legal liability must remain attached to precise and foreseeable rules.

European digital regulation adds a procedural and systemic layer. The DSA does not harmonise the substantive law of hate speech or impose universal liability for user content. Its contribution lies in differentiated due-diligence duties: notice-and-action, reason-giving, redress, transparency, recommender-system governance, systemic-risk assessment, audit and data access. These mechanisms make platform power more accountable while preserving the distinction between illegal content, private community standards and lawful but harmful speech.

Algorithmic amplification may alter the extent and practical risk of expression, but it does not merge the responsibility of the speaker with the duties of the platform. Automated moderation should support, not replace, human legal judgment. The AI Act and the Council of Europe AI Framework Convention reinforce the importance of risk-sensitive transparency, oversight, accountability and equality, while the DSA and human-rights law remain the more direct frameworks for content-governance decisions.

The Armenian Court of Cassation's decision in Case No. ED/1485/01/21 is significant as an example of domestic judicial use of the Rabat factors in assessing public calls for violence. Its comparative value lies in structured contextual reasoning and in the tension, it exposes between a formal criminal offence and the continuing relevance of likelihood and proportionality. The judgment is not a general authority on platform liability or every form of group-based hate speech. Precisely that disciplined characterisation allows the case study to contribute to a broader international inquiry into how domestic courts can apply international standards while preserving legal certainty and freedom of expression.

The resulting governance model is therefore integrated but not undifferentiated. States must define liability precisely and provide effective remedies; courts must reason through the relevant threshold factors; platforms must govern dissemination transparently and proportionately; and automated systems must remain subject to meaningful human control. This division of responsibilities offers a more sustainable response than either unrestricted private censorship or exclusive reliance on criminal law.

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PARTICIPATORY GOVERNANCE IN PRACTICE: CHALLENGES AND VULNERABILITIES OF LOCAL ACTION GROUPS IN ROMANIA

IRINA TEODORA MANOLESCU
Alexandru Ioan Cuza University of Iasi
Iasi, Romania
irina.manolescu@gmail.com

MIHAI TALMACIU
Alexandru Ioan Cuza University of Iasi
Iasi, Romania
mtalm@uaic.ro

Abstract
Local Action Groups (LAGs) represent one of the most important instruments designed to support the transformation and modernization of rural communities within the framework of European rural development policies. In the North-East Region of Romania, one of the least developed regions in the European Union, the establishment of LAGs generated considerable expectations regarding their potential role in promoting local entrepreneurship, social cohesion, and sustainable regional development. Despite these expectations, the operationalization and consolidation of LAGs have proven to be complex processes marked by administrative, organizational, and strategic difficulties. This paper aims to analyze the main characteristics and development patterns of LAGs operating in Romania, with a particular focus on the relationship between organizational identity, assumed development roles, and public perception of institutional effectiveness. The methodological approach is qualitative and exploratory. The research is based on the collection, systematization, and interpretation of information derived from secondary sources, including reports issued by development agencies, strategic and operational documents, academic studies, institutional analyses, and articles published in local and national media. The findings suggest that LAGs have contributed to increasing local visibility, facilitating access to development funding, and creating networks of regional cooperation. However, the research also identifies persistent vulnerabilities that limit their effectiveness, including organizational inertia, excessive dependence on public-sector actors within the partnership structure, insufficient strategic prioritization, bureaucratic constraints, and limited stakeholder engagement. The study concludes that although LAGs remain relevant instruments for

rural development, their long-term effectiveness depends on the implementation of efficiency-oriented reforms both at organizational and systemic levels.
Keywords: *Local Action Groups (LAGs); rural space; participatory governance; regional development; stakeholders.*
JEL Classification: R58; O35.

1. INTRODUCTION

The current challenges of regional development, particularly in rural areas, require transdisciplinary collaboration and coordination across policies, institutions, and levels of governance. No single organization possesses all the resources and competencies required to address complex problems. Therefore, the development of governance structures based on cooperation and interdependence is necessary (Boix Fayos and De Vente, 2023). The transition from the exogenous model of rural development towards the endogenous and neo-endogenous paradigms places local communities at the center of the decision-making process, promoting participatory governance and the integration of local resources into broader development networks. In this context, the LEADER approach represents one of the most relevant European mechanisms for operationalizing participatory principles at the local level (Crunțeanu, Comșa, and Fîntîneru, 2024). In this regard, the social innovations promoted by LAGs are particularly important, as they involve the reconfiguration of social practices and the creation of new forms of collaboration, knowledge exchange, and community participation. These may contribute to increasing the attractiveness of rural areas to investors and improving the quality of life. These partnership-based structures were expected to stimulate local initiative, strengthen participatory governance, and contribute to reducing regional disparities. Nevertheless, the operationalization of partnership-based structures involving entities with different organizational cultures, often without prior experience of collaboration, cannot always be achieved without difficulties. Public debates and institutional evaluations continue to highlight numerous criticisms regarding the actual capacity of these entities to function as effective catalysts of local development and as authentic representatives of community interests. In several cases, LAGs have demonstrated the potential to act as promoters of regional leadership and community mobilization. In many other cases, however, institutional reports have highlighted problems which, unless properly acknowledged, are unlikely to generate, in the short term, sufficient attention to improving managerial capacity. The study aims to illustrate the main characteristics of LAGs in Romania, with a particular focus on those operating in the North-East Region. Particular emphasis is placed on highlighting critical aspects, both structural and context-specific, as well as their potential negative effects.

2. THEORETICAL BACKGROUND

2.1. From Rural Development to Place-Based Development

Under current economic and social conditions, rural development is no longer viewed exclusively through the lens of agriculture or infrastructure, but rather in terms of a territory's capacity to generate dynamic and synergistic processes through which members of a group jointly develop and use resources to undertake individual and collective actions that support addressing sustainability challenges within complex socio-ecological systems. Thus, a significant transformation of the rural development paradigm is required, involving a shift from traditional administrative and governance models towards endogenous development models that entail the mobilization of local resources and the use of participatory and collaborative governance mechanisms (Shucksmith, 2000). Although changes in individual behavior are important for addressing major challenges related to sustainable development, they are insufficient to generate large-scale social and ecological transformations. The mobilization of communities and the development of effective forms of collective action are necessary, particularly in sectors that require sustainable ecosystems (Talmaciu, Manolescu and Percic, 2020; Ansell, Sørensen and Torfing, 2022).

The main current challenges facing rural areas are often related to improving the efficiency of agri-food production and addressing ecological concerns. Current agri-food systems are subject to major pressures generated by globalization, climate change, population growth, limited natural resources, and changing consumer demands. To overcome these limitations, new methods for analyzing and steering agri-food systems towards sustainability need to be identified and applied. These approaches are based on transdisciplinary and participatory processes involving researchers, farmers, representatives of the food industry, retailers, non-governmental organizations, and policymakers. The adoption of such participatory processes can facilitate the identification of technical solutions for steering agri-food systems towards sustainability, while also contributing to the development of equitable and transparent relationships among actors across the food chain, the co-creation of knowledge on sustainable practices, and increased community engagement and social well-being. The sustainable transformation of agri-food systems requires innovative approaches that combine stakeholder participation with an action-oriented perspective. Such approaches can contribute to identifying common pathways towards sustainable development and implementing concrete measures to improve the economic, social, and environmental performance of agri-food systems (Hubeau et al., 2017). A key aspect is the governance of innovation processes through the creation of mechanisms for collaboration and collective learning, which involve establishing common objectives and fostering the emergence of innovative solutions across the agri-food system as a whole. This perspective entails the

adoption of new forms of cooperation among actors, as well as public policies capable of supporting radical innovation processes and the development of food systems that are more resilient, efficient, and environmentally friendly (Meynard et al., 2017).

In many areas, collective action is more effective than interventions focused exclusively on individuals. The development of collective environmental literacy can support the creation of communities that are more resilient, equitable, and capable of responding to sustainability challenges (Ardoin, Bowers and Wheaton, 2023). The effectiveness of participatory governance structures depends on the existence of favorable institutional and social conditions, such as social capital, trust among participants, shared values, collaborative leadership, adequate resources, effective communication, institutional support, and appropriate accountability mechanisms. In their absence, local partnerships may become vulnerable to situations such as elite capture, tokenistic participation, conflicts of interest, and limited administrative capacity.

2.2. LEADER as a Place-Based and Participatory Development Approach

The European LEADER initiative represents a mechanism for encouraging and supporting local development through broad partnerships among different local actors and by leveraging the endogenous resources of communities. Participatory governance represents a decision-making process based on dialogue, deliberation, and cooperation among stakeholders, through which the actors involved collectively contribute to the formulation and implementation of public policies adapted to the needs of local communities. From this perspective, collaboration goes beyond mere institutional coordination and seeks to generate public value through the co-creation of solutions, prioritization, and the shared assumption of responsibilities (Ansell, Sørensen and Torfing, 2022; Manolescu, Medeleanu and Talmaciu, 2024).

According to the LEADER approach, community development emphasizes that the progress of rural communities depends on the capacity of local actors to act collectively and participate in decision-making processes. Citizen participation in strategy development and decision-making contributes to strengthening social capital, community cohesion, and the legitimacy of public interventions. The success of local initiatives depends on the capacity of communities to generate new forms of cooperation, collaboration, and governance. Communities characterized by high levels of trust, local leadership, effective communication, and civic participation are better able to support sustainable development processes (Dobay, 2021). An important contribution of participatory governance mechanisms is knowledge co-creation, defined as a collaborative process through which researchers and societal actors jointly produce knowledge about development-related problems, objectives, and solutions. In this way, actors can contribute to the co-production of three

complementary forms of knowledge: system knowledge, which involves a shared understanding of local conditions and development-related challenges; target knowledge, which refers to the formulation and sharing of a common vision of the future; and transformation knowledge, which addresses the pathways and instruments required to achieve strategic objectives (Hubeau et al., 2017). The multi-stakeholder model offers numerous advantages, such as combining the competencies of different categories of actors, increasing the credibility of decision-making processes and strengthening their acceptance by citizens, stimulating innovation, and fostering participatory governance processes. At the same time, these initiatives also face challenges related to differences in interests, power imbalances, communication difficulties, and limited project management capacity (Manolescu and Talmaciu, 2021). Participatory governance develops through complex processes of collaboration among public, private, and civil society actors, within which policies are reinterpreted and adapted to local conditions. Thus, the development of policy instruments is not a linear process, but rather one of institutional "translation", in which priorities, roles, and mechanisms of action are reshaped by local actors. Empirical studies highlight the existence of persistent tensions between participatory logic and administrative constraints, as well as the important intermediary role played by social capital and coordination mechanisms in the success of local initiatives (Ek Österberg and Zapata, 2025).

2.3. Local Action Groups as Territorial Governance Mechanisms

Collaborative governance can be understood as a dynamic process based on dialogue, negotiation, and shared responsibility, in which effective cooperation depends on trust, commitment, and common objectives. Trust-based relationships, norms of reciprocity, social networks, and the capacity for cooperation provide important resources for mobilizing actors and sustaining collective action. In this context, social capital is both an outcome of interaction and a condition that facilitates the initiation and continuation of cooperation. For LAGs, collaborative leadership and collective learning are particularly relevant because they can strengthen the capacity of partnerships to coordinate actors, respond to changing circumstances, and develop community resilience (Ardoin, Bowers and Wheaton, 2023). This capacity is particularly important given the role attributed to LAGs in reducing territorial disparities, especially those between rural and urban areas, and in supporting sustainable rural development. Their effectiveness depends not only on access to funding but also on organizational capacities such as professional expertise, communication, transparency, and strategic competencies. Strengthening these capacities can increase the contribution of LAGs to regional development.

The relevance of partnership-based approaches has become increasingly prominent in the literature on rural governance and territorial development.

Within the European Union, the LEADER approach and the establishment of LAGs have been developed as mechanisms for involving local stakeholders in the formulation and implementation of integrated territorial strategies. Rather than relying exclusively on hierarchical forms of policy implementation, these arrangements seek to connect public institutions, economic actors, civil society, and local communities around territorially specific development priorities. This approach is also relevant to the implementation of the Sustainable Development Goals (SDGs), whose achievement depends to a considerable extent on the capacity to translate broad policy objectives into locally appropriate actions. Sustainable development initiatives are more effective when embedded in local institutional structures and supported by adequate financial and administrative capacities. Local governments occupy a particularly important position because of their proximity to citizens and their capacity to translate national and international objectives into local policies. Favorable financial conditions and effective institutional arrangements can facilitate SDG implementation, whereas fragmented decision-making may hinder coordination. Consequently, the capacity to pursue integrated development objectives depends substantially on administrative capacity, coordination, and available resources rather than on the pursuit of isolated policy objectives (Bisogno et al., 2023).

Within this institutional context, LAGs occupy an intermediary position between European and national development policies and local communities. Their significance therefore extends beyond the distribution of European funds. By bringing together actors with different interests, resources, and competencies, LAGs can facilitate more inclusive decision-making and help adapt broader policy objectives to local conditions (Cardenas Alonso and Nieto Masot, 2020). This intermediary function may generate institutional and territorial added value through increased participation, strengthened social capital, and improved local coordination. The territorial position of LAGs also gives them a potential role in multi-level governance. By connecting actors operating at different institutional and territorial levels, they can support the coordination of local development processes and facilitate new forms of cooperation between public administrations, businesses, and civil society organizations. Their activities may also encourage dialogue among actors with divergent interests, strengthen a culture of participation, and enhance local capacities to formulate and implement development initiatives (European Commission, 2022).

However, formal partnership structures do not automatically result in effective cooperation or sustainable development outcomes. Their performance is influenced by the capacity of local actors and organizations to respond to institutional, financial, and contextual pressures. In this respect, resilience represents an important dimension of LAG performance. It concerns the capacity to overcome administrative, financial, or political constraints while adapting to changing circumstances. For LAGs, relevant sources of vulnerability include

frequent legislative changes, excessive bureaucracy, fluctuations in funding, difficulties in maintaining community engagement, and dependence on a limited number of local leaders. These factors underline the importance of organizational and relational capacities alongside institutional arrangements and financial resources. In particular, leadership quality may affect member engagement, implementation capacity, and the sustainability of local partnerships (Dalla Torre et al., 2020). Leadership can therefore be viewed as one of the mechanisms through which existing institutional opportunities are translated into coordinated local action. The behavioral dimension becomes particularly relevant in the context of crises and global challenges such as climate change. Individuals frequently act not only as autonomous agents but also as members of communities, organizations, and social movements. Their willingness to participate in collective action is influenced partly by their perception that their actions can contribute to achieving desired outcomes. This principle, commonly addressed through self-efficacy theory, provides a useful complement to institutionally oriented explanations of collective action. For LAGs and other partnership-based structures, this perspective suggests that effective participation requires not only formal opportunities for involvement but also the perception that participation can produce meaningful results. Individual self-efficacy can therefore interact with perceptions of collective capacity, whereby actors believe that coordinated action can generate change. Such perceptions may constitute an important resource for civic engagement and collective responses to social and ecological challenges (Hamann et al., 2024).

These institutional, organizational, and behavioral dimensions help explain the potential contribution of LAGs to rural development. Territorial partnerships can strengthen local capacities by facilitating access to European funds, encouraging participation in economic and social initiatives, and supporting the preservation and promotion of local heritage. They may also contribute to employment creation, economic development, modernization of rural areas, educational opportunities, and cultural activities. The specific objectives pursued by LAGs vary according to regional economic characteristics and socio-cultural conditions. Common priorities include supporting the social activities of residents and non-governmental organizations, supporting small enterprises and creating jobs, developing agriculture, and promoting its multifunctionality. Priority may also be given to projects contributing to the renovation and development of villages, support for microenterprises, and the diversification of non-agricultural activities, as well as reducing unemployment through vocational training and grants (Wojciechowska-Solis, 2022).

Taken together, these perspectives indicate that the role of LAGs in rural development cannot be reduced to financial intermediation or project implementation. Their broader contribution lies in their capacity to connect actors and institutional levels, facilitate collective action, strengthen local

capabilities, and adapt broader development objectives to territorial circumstances. This provides a basis for examining LAGs not only in terms of their formal structure and functions, but also in terms of the organizational and relational conditions that may enable or constrain their contribution to rural development.

2.4. Social Capital, Networks and Local Development

By definition, LAGs constitute forms of network governance, supported by mechanisms that facilitate the accumulation and mobilization of social capital, such as communication, training, networking, collaboration, trust, inclusion, and representative governance. Their functioning can reshape the structure of local networks by increasing connectivity and strengthening the role of certain actors as "bridges" between otherwise disconnected groups (Fitzpatrick, Baycan and Akgüngör, 2023). These arrangements create opportunities for local innovation and adaptation, while also generating challenges related to coordination and negotiation among the actors involved (Ek Österberg and Zapata, 2025).

An important aspect highlighted in the LEADER literature is the contribution of LAGs to strengthening social capital and stimulating community participation. The involvement of local actors in decision-making processes can foster trust, cooperation, and collective learning. Accordingly, the outcomes of LEADER should not be considered exclusively in terms of economic indicators, but also in relation to its effects on community mobilization and territorial identity. A significant share of the outcomes generated by LAGs is intangible and includes increased social participation, the development of local networks, and a strengthened sense of belonging to the territory (Cardenas Alonso and Nieto Masot, 2020). Social capital, in its different forms - bonding, bridging, and linking – constitutes an important resource for rural development and for the functioning of participatory arrangements. Bonding social capital strengthens internal cohesion and trust among community members, bridging social capital facilitates cooperation across different groups, while linking social capital connects local actors with institutions and centers of power. For LAGs, the capacity to combine these three forms of social capital is particularly relevant. Weak external connections may limit access to resources, funding, and development opportunities (Fitzpatrick, Baycan and Akgüngör, 2023).

The transition from network connectivity to meaningful participation also depends on individual and collective perceptions of efficacy, as well as on collective identity and a sense of belonging. Actors are more likely to engage actively in processes of change when they believe that their own actions or the collective efforts of the group can generate tangible outcomes and when they identify with the group, perceiving it as part of their social identity. Conversely, the absence of such perceptions may contribute to passivity and withdrawal from participatory processes (Hamann et al., 2024). These relational resources can

also provide the foundation for social innovation. Networks involving public, private, and civil society actors can support innovation processes whose effects extend beyond direct beneficiaries to the actors involved in implementation, contributing to their autonomy, competencies, and decision-making capacity. Social innovation processes frequently emerge from a combination of local resources and external connections, reflecting the logic of neo-endogenous development. Empirical studies indicate that the most sustainable initiatives are often generated by local actors who possess in-depth knowledge of the community context and enjoy legitimacy within the territory (Dalla Torre et al., 2020). This emphasis on local agency leads to the concept of community empowerment, understood as a process through which local actors develop their competencies, autonomy, and capacity for collective action. Empowerment can consequently strengthen both social capital and territorial resilience by enabling communities to mobilize their own resources and participate more effectively in development processes. Multi-actor partnerships, the integration of local knowledge, and meaningful community participation therefore represent key conditions for the success of local development initiatives (Dushkova and Ivlieva, 2024).

3. METHODOLOGICAL ASPECTS

The study explores the extent to which LAGs have succeeded in fulfilling the principles of participatory governance and bottom-up development promoted by the European rural development framework. The research adopts a qualitative and exploratory approach, based on the documentary analysis of secondary sources of information relevant to the activity of LAGs in the North-East Region of Romania. The documentary corpus includes institutional and LAG reports, strategic and operational documents, academic studies, institutional analyses, as well as articles published in the local and national press. The information collected was systematized and analyzed through an interpretive approach, with the aim of identifying the main organizational characteristics, the roles assumed in local development, and perceptions regarding institutional effectiveness. A comparative analysis of the official image promoted by LAGs and the outcomes reflected in sources available at the community level made it possible to identify discrepancies between stated objectives and perceived performance. Finally, the main organizational and systemic vulnerabilities that may influence the capacity of LAGs to contribute to sustainable rural development were identified.

4. RESULTS AND DISCUSSION

4.1. Critical Perspectives on LEADER and LAGs

The LEADER approach represented a major innovative step in the EU paradigm of regional development. While the operationalization of participatory structures and their benefits for local communities are widely recognized,

various criticisms have also been raised, together with opportunities for enhancing their positive effects. Against this background, several important paradoxes in the functioning of LAGs have been identified at the European level (Table 1).

Table 1. Contradictory aspects in the operationalization of LAGs

Characteristic	Description
Bottom-up development vs. administrative control	LAGs are expected to enable locally driven decision-making, but they operate within a system that is strongly regulated by the EU and national authorities.
Participation vs. elite capture	Who effectively participates in decision-making? Does the LAG represent the community as a whole, or primarily local actors with greater resources and influence?
Partnership vs. formal partnership	The presence of representatives from the public sector, private sector, and civil society does not automatically translate into genuine collaboration.
Innovation vs. risk aversion	LEADER promotes innovation, but funding rules may favor relatively conventional projects and approaches.
Local autonomy vs. bureaucracy	The capacity of LAGs to identify and implement locally appropriate solutions may be constrained by administrative procedures.
Territorial inclusion vs. territorial inequalities	A community may be formally represented, while certain groups or categories of actors may nevertheless remain marginalized.

Source: European Commission (2022)

Many LAGs in EU countries are established primarily on administrative criteria rather than on the basis of shared territorial identities, common interests, or similar socio-cultural characteristics. Although LAGs facilitate the implementation of local projects, they do not always succeed in generating cohesive territorial communities or in developing a strong collective identity (Opria, Corodescu-Roșca and Roșu, 2024). The participatory nature of LAGs is often constrained by formal administrative requirements and programme regulations, generating tensions between the "bottom-up" philosophy of the LEADER initiative and the realities of institutional governance. Although LAGs contribute to local development through project implementation, community mobilization, and the strengthening of social capital, their functioning remains highly dependent on access to external funding. This financial dependency, combined with the risk of public-sector dominance and formal rather than substantive participation, constitutes a major source of vulnerability for participatory governance structures in rural areas (Wojciechowska-Solis, 2022; Manolescu, Percic and Talmaciu, 2019).

Among the vulnerabilities identified in studies of local governance and highlighted in the literature are coordination deficiencies, political fragmentation, resource dependency, and limited administrative capacity. Identifying and understanding the factors that facilitate the functioning of LAGs, on the one hand, and their vulnerabilities and constraints, on the other, are essential for assessing their capacity to contribute to sustainable rural development and to the broader objectives of participatory governance (Bisogno et al., 2023). Other vulnerabilities are related to significant discrepancies between rural development objectives formulated at the European level and their implementation at the local level. In this regard, policy complexity, limited resources, and uneven institutional capacity may reduce the effectiveness of the implementation process (Boix-Fayos and De Vente, 2023).

According to the Triple-A model (Agent – Action - Aim), when applied to LAGs, vulnerability may arise from ambiguity regarding roles and objectives, particularly from a lack of clarity concerning the responsibilities of local actors, the role of governing structures, and the expected outcomes of participation (Hamann et al., 2024).

Local elites, whether administrative/political or economic, represent key actors in rural development due to their privileged access to economic, informational, and institutional resources. Evidence indicates that administrative elites exert a stronger influence on the performance of associative/ participatory structures and on development outcomes than economic elites. It is highlighted the vulnerability of participatory structures to the phenomenon of elite capture, whereby a relatively small group of influential actors monopolizes decision-making processes and the distribution of public resources for its own interests (Li et al., 2023). The risk of concentrating decision-making power in the hands of a limited number of local actors, particularly public administration representatives or influential economic leaders, has also been highlighted in the European literature on the implementation of the LEADER approach (Cardenas Alonso and Nieto Masot, 2020). Such concentration may affect the representativeness and legitimacy of local development processes.

In summary, the vulnerabilities of LAGs encompass several dimensions that require continuous attention in terms of their operationalization and the mitigation of potential adverse effects. Despite the vulnerabilities identified in the literature, LAGs have also stimulated networking at the regional, national, and international levels. They have made a significant contribution to fostering cooperation among local authorities, businesses, NGOs, and local communities, facilitating the exchange of good practices and the development of joint projects.

4.2. Challenges of the LEADER Approach and LAGs in Romania

The implementation of LEADER principles is more challenging in post-socialist countries, where institutional and cultural legacies affect participatory

processes. The lack of social capital, low levels of interpersonal trust, a limited culture of dialogue, and insufficient experience of cross-sectoral collaboration constitute important barriers to the development of genuine participatory governance. In Romania, the persistence of centralized administrative practices and the predominance of top-down approaches may constrain the capacity of LAGs to function as genuine participatory bodies (Marquardt, Möllers and Buchenrieder, 2012; Opria, Corodescu-Roșca and Roșu, 2024). The operationalization of these structures has also been challenging. It is worth noting that Romania was the last EU Member State to establish the National Rural Development Network (NRDN) in 2012 and the first to discontinue its operation, following the termination, in June 2013, of the contract with the Spanish company *Innovacion y Desarrollo Local*, which had administered the Network Support Unit since November 2012.

In Romania, the LEADER approach has contributed to strengthening local governance structures and stimulating the participation of local actors in rural development processes. However, its implementation has taken place within an institutional environment characterized by considerable differences in administrative capacity, managerial resources, and the quality of participatory processes. The literature points to the influence of local authorities and political actors on decision-making, limited participation of civil society organizations, and difficulties in integrating vulnerable groups, particularly Roma communities. These factors may constrain the ability of LAGs to transform formal participation into substantive co-governance and locally embedded development processes (European Commission, 2022). Participatory governance bodies bring together actors with different and often conflicting objectives. Reaching consensus therefore requires continuous negotiation, trust-building, and mediation mechanisms. In the case of Romanian LAGs, tensions may arise from the influence of particular local groups, the interests of public administrations, conflicts between economic interests and community development objectives, and the dependence of partnerships on a small number of key individuals. Such conditions may affect the legitimacy of strategies and decisions and the capacity of partnerships to maintain balanced relationships among participating actors (Hubeau et al., 2017; Talmaciu and Manolescu, 2023).

A related challenge concerns the substantive quality of participation. Although LAGs are designed to provide a framework for local actors to influence development priorities, community participation may remain predominantly consultative, with limited influence over strategic decisions. The involvement of strategic external actors, such as universities, within this broader consultative framework is also sporadic and, in many cases, largely formal (Talmaciu and Manolescu, 2025; Talmaciu, Percic and Manolescu, 2023). Research conducted in Romania suggests that these limitations affect the

capacity of LAGs to fully implement the principles of Community-Led Local Development (CLLD) and to address socio-economic disparities between territories. The effectiveness of participatory governance consequently depends not only on the existence of formal participation mechanisms, but also on the extent to which these mechanisms enable actors to exercise meaningful influence over local development decisions (Crunțeanu, Comșa and Fîntîneru, 2024).

Another important dimension concerns the capacity of local actors to sustain participation over time. Recurrent vulnerabilities identified in the literature include limited institutional capacity, leadership deficits, weak cooperation, and insufficient civic engagement. These factors are particularly relevant to LAGs, whose functioning depends on the ability of diverse local actors to coordinate resources, maintain partnerships, and translate collective priorities into development initiatives (Dushkova and Ivlieva, 2024).

The role of social capital is similarly ambivalent. Although social capital can support cooperation, collective action, and local development, it may also generate exclusionary effects, resistance to innovation, preferential treatment of certain groups, or clientelistic relationships. In Romanian rural communities, informal networks and the dominance of established groups may therefore influence the transparency and inclusiveness of decision-making. Low civic engagement, social fragmentation, political divisions, and excessive dependence on local elites may further weaken the effectiveness of participatory governance mechanisms (Farkas, 2021). This is particularly relevant in the Romanian LAG context, where local authorities and institutional leaders may possess substantial capacity to coordinate decision-making and mobilize financial and administrative resources. The concentration of influence among a limited number of actors represents a related governance risk. Local elites, whether political, administrative, or economic, may have privileged access to institutional, informational, and financial resources, potentially allowing them to shape priorities and resource allocation. Such dynamics may lead to forms of elite capture, reducing the representativeness of participatory structures and limiting the involvement of less influential actors. The risk is especially relevant where governance arrangements are characterized by weak accountability mechanisms or limited countervailing capacities among civil society and other non-dominant stakeholders.

Empirical research conducted in Romania indicates that, despite the contribution of LAGs to rural development, their effectiveness remains affected by structural conditions extending beyond the internal functioning of individual organizations. These include dependence on European funding, low levels of inter-territorial cooperation, rural depopulation, and continued economic dependence on agriculture (Ilie et al., 2021; Prigoreanu, Verzea, and Brezuleanu, 2025). At the same time, insufficient involvement of vulnerable groups and

limited innovation capacity may constrain the transformative potential of LEADER-based governance (Lupușor and Stoicov, 2024; Ansell, Sørensen and Torfing, 2022). Consequently, the long-term contribution of LAGs to territorial development depends not only on the continuity of financial support, but also on the capacity of local institutions and partnerships to adapt to broader demographic, economic, and social challenges.

The Romanian experience reveals several institutional vulnerabilities that affect the capacity of LAGs to generate structural change in local communities. These include the limited tradition of local collaboration associated with the post-communist institutional legacy; uneven administrative and managerial capacity; strong dependence on European public funding; difficulties in translating the principles of Community-Led Local Development into effective development practices; limited capacity to address economic and demographic disparities in rural areas; and challenges related to digitalization (Manolescu, Vîrlan and Talmaciu, 2025; Crunțeanu, Comșa and Fîntîneru, 2024). An additional institutional issue concerns the absence of clearly defined quality standards for the selection of local development strategies. Unlike most of the countries analyzed in the European Court of Auditors report (2022), Romania did not define minimum quality standards for this purpose. This situation may affect the consistency of participatory processes and the capacity of LAGs to formulate coherent and results-oriented strategies. The absence of clear quality criteria may contribute to significant differences between LAGs in institutional capacity, difficulties in performance monitoring, the formulation of strategies with overly broad objectives, and reduced transparency and accountability in decision-making. The European Court of Auditors (2022) report identifies several further structural issues affecting the efficiency and added value of LEADER implementation in Romania:

- High administrative costs (€77.3 million), representing 28.8% of the value of projects financed through the LEADER initiative (€268.4 million).
- Overlap in the financing of measures already available through other programmes, including investments in agricultural machinery, projects for young farmers, and investments in agricultural holdings, potentially reducing the efficiency of resource allocation.
- The predominance of conventional projects and traditional local investments, rather than innovative initiatives emerging from complex participatory processes.
- Governance-related imbalances, including weak representation of young people in LAG decision-making bodies, gender imbalances in leadership structures, overly broad strategic objectives, difficulties in demonstrating impacts on social capital, complex administrative

procedures, and difficulties in measuring the added value generated by LEADER initiatives.

Taken together, these findings point to a gap between the formal institutional design of LEADER and the capacity of local governance arrangements to generate substantive participatory, innovative, and transformative outcomes. In the case of Romania, the European Commission's recent assessment (2024) of the impact of the LEADER approach indicates that LAGs have made progress in strengthening local participation, cross-sectoral cooperation, and social capital in rural areas. However, several challenges continue to affect the effectiveness of these arrangements. In summary, the main vulnerabilities of LAGs in Romania concern several interconnected but analytically distinct dimensions: institutional and administrative capacity, the quality of participation, the distribution of decision-making power, social capital and trust, innovation and cooperation, and the broader socio-economic context in which LAGs operate. Strengthening managerial capacity, improving participatory mechanisms, increasing transparency, and enhancing strategic adaptability are essential conditions for consolidating the role of LAGs as sustainable drivers of local and regional development.

4.3. Challenges and Vulnerabilities of LAGs in the North-East Region of Romania

The European initiative translated into the Romanian context through the establishment of LAGs generated high expectations within society, particularly in less developed areas, including the North-East Region of Romania. An analysis of the evolution of participatory structures in this region reveals several positive developments: the number of LAGs has evolved positively, with growth exceeding initial expectations; most LAGs continued their activities beyond the first programming period; the geographical area covered increased; and their typology became more diversified, including the emergence of urban LAGs.

At the same time, an analysis of the activities of LAGs in the North-East Region (https://www.asociatii-romania.com/grupuri-de-actiune-locala-gal-uri; https://gal.afir.ro/) and of institutional statistics and reports concerning their outcomes (https://www.fonduri-structurale.ro/) highlights a number of characteristics that raise concerns regarding their capacity to assume broader and more significant roles at the regional level. These include limited managerial capacity, organizational inertia, the predominance of the public sector within partnerships, weak prioritization and communication, and statutory ambiguity.

Limited managerial capacity. Reports analyzing the implementation of national rural development programmes indicate that 64% of LAGs report relying on external consultants for documentation and local development strategies, while the proportion of LAGs in the region under analysis facing this situation is higher than the national average. This practice may generate

difficulties in the implementation and monitoring of projects and strategies, reduced autonomy compared with other countries, and difficulties in assuming the role analogous to that of a managing authority for local programmes implemented through the National Rural Development Programme. Inadequate planning may also encourage a "last-minute spending" syndrome, whereby funds are spent toward the end of the implementation period in order to meet deadlines, with potentially negative effects on the usefulness and quality of the products and services procured.

Inertia. Although expectations regarding the activities of LAGs were high, their operationalization has been a slow process. Many community animation activities tend to replicate activities already included in the programmes of local authorities, with limited additional effects. Evaluation reports on funding programmes, including the Regional Operational Programme and the National Rural Development Programme, contain negative findings regarding the involvement of LAGs in attracting funding. The context fostering this inertia is associated with systemic problems affecting sustainable rural development, limited administrative and community capacity, shortages of qualified human resources, deficient infrastructure, low quality of life, and limited economic attractiveness.

Predominance of the public sector within partnerships as a potential determinant of low effectiveness. The distribution of LAGs according to the professional or institutional background of their presidents indicates a predominance of the public sector, although the partnerships themselves are predominantly composed of private-sector entities. The proportion of LAGs with presidents originating from the public sector is the highest at the national level in the North-East Region (Manolescu and Talmaciu, 2021). The limited visibility of LAG activities in the region can also be highlighted through national-level evaluations. Thus, at the *Rural Fest* events recognizing LAG achievements, only one of the ten awarded LAGs was from the North-East Region – *Asociația „Grupul de Acțiune Locală Podu Înalt Vaslui"* – while none of the three awarded cooperation projects originated from the North-East Region. At the *Structural Funds Gala*, only one of the 28 awards was granted to an initiative from the North-East Region, namely to *Asociația Grupul de Acțiune Locală Ceahlău*, for the project *"Implementation of the Local Development Strategy of the Ceahlău Microregion"*.

Weak prioritization. For regions with limited resources, prioritization becomes particularly important for improving the efficiency of activities. Through their local development strategies, LAGs should clearly communicate the priorities they intend to address. Although prioritization offers clear advantages, it needs to be supported by long-term strategic planning and adequate communication. During certain periods, resource allocation is strictly oriented towards the internal functioning of LAGs, with this component

accounting for a substantial proportion of available resources and, in some cases, reaching as much as 100%, leaving no funds allocated to projects. Support measures for potential beneficiaries are consequently considered a lower priority, with delays, insufficient resources, and a lack of continuity in programmes being reported.

Inadequate communication. Analytical reports indicate that potential beneficiaries are often unaware of the funding opportunities offered by LAGs. Romania is identified in the report on the results of the questionnaire conducted by the European Network for Rural Development (ENRD) on LEADER implementation at the LAG level across the EU as one of the countries with the lowest proportion of LAGs responding to the questionnaire (8%), together with Hungary (7%). At the operational level, an analysis of LAG websites reveals that some are non-functional or insufficiently updated, while activity reports are sometimes inadequately structured and predominantly descriptive. Public-facing office hours are often organized on a part-time basis, which may constitute an additional barrier for potential beneficiaries.

Statutory ambiguity. LAGs have been declared ineligible under certain programmes or measures for which applicants could not be public-sector actors, despite the fact that private-sector actors constitute the majority of their partnerships. Although decision-making power formally belongs to the private sector, according to the partnership agreement (public-sector actors generally account for no more than 40% of total partners), there is a perception that, in practice, LAGs remain under the direct influence of mayors and political authorities.

5. CONCLUSIONS

The findings suggest that the vulnerabilities of LAGs in the North-East Region are primarily associated with the gap between the administrative and strategic responsibilities assumed by these structures and their actual capacity to fulfil them. Their limited organizational scale, insufficient human and financial resources, and dependence on external expertise constrain the development of an autonomous strategic orientation, while the complexity of procedures and documentation, which are insufficiently adapted to varying administrative capacities and territorial contexts, creates additional implementation difficulties. Moreover, still limited institutional maturity and dependence on centralized financing and control mechanisms constrain the operational autonomy of LAGs, sometimes encouraging the assumption of a predominantly administrative role at the expense of their role as catalysts of local development. Nevertheless, LAGs retain significant potential for community animation, mobilizing local actors, and facilitating cooperation, and the realization of this potential depends on strengthening managerial capacity, adapting administrative requirements, and aligning available resources with the strategic objectives pursued.

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EUROPE'S DIGITAL INDEPENDENCE: GOVERNANCE, STRATEGIC AUTONOMY AND REGULATORY TRANSFORMATION IN THE EUROPEAN UNION

SERGIU-FLORIN MOCANU
Attorney-at-Law, Member of the Iași Bar Association
Iași, Romania
avocatsergiumocanu@gmail.com

Abstract
In an increasingly fragmented global economy, digital technologies have become central not only to economic competitiveness but also to political influence, institutional resilience, and strategic autonomy. The European Union's growing dependence on non-European digital infrastructures, technological platforms, data ecosystems, and external digital providers has intensified debates concerning digital sovereignty and Europe's capacity to exercise autonomous strategic decision-making. This paper examines Europe's digital independence as an emerging dimension of European governance and analyses the regulatory transformation through which the European Union seeks to strengthen its strategic autonomy in the digital sphere. Particular attention is devoted to the evolution of the EU regulatory and policy framework, with reference to the Digital Services Act, the Digital Markets Act, the Artificial Intelligence Act, and broader EU digital strategies aimed at ensuring technological competitiveness while safeguarding democratic values, market fairness, and citizens' rights.
Adopting a doctrinal and policy-oriented approach, the paper explores the relationship between governance, regulation, and strategic power, arguing that digital independence should not be understood as technological isolation or economic protectionism. Rather, it reflects the development of institutional capacity, regulatory coherence, and strategic resilience intended to reduce structural dependencies and reinforce the European Union's position within an increasingly competitive geopolitical environment. The paper concludes that Europe's pursuit of digital independence represents a broader transformation of governance and regulatory power, illustrating how law and public policy have become essential instruments through which the European Union seeks to preserve both competitiveness and strategic autonomy in the twenty-first century.
Keywords: *digital independence; digital sovereignty; strategic autonomy; EU digital regulation; regulatory maturity.*
JEL Classification: K23; K24; O38; L51.

1. INTRODUCTION

The twenty-first century has witnessed a profound transformation in the sources of economic and geopolitical power. While access to natural resources, industrial production and financial capital traditionally determined the strategic position of states, the digital economy has introduced a new category of strategic assets: data, artificial intelligence, cloud infrastructures, semiconductor technologies and advanced digital networks. Control over these resources increasingly influences not only economic competitiveness but also institutional resilience, national security and the capacity of governments to exercise strategic autonomy in an interconnected global environment (European Commission, 2026a).

The acceleration of digital transformation has simultaneously generated unprecedented opportunities and significant structural vulnerabilities. The growing concentration of digital infrastructures and technological capabilities in the hands of a limited number of global actors has exposed the European Union to multiple forms of external dependence. In response, European digital policy has gradually evolved beyond its initial objective of creating a Digital Single Market. Today, the European Union seeks to strengthen its digital independence by developing technological capabilities, reducing strategic dependencies and reinforcing its regulatory capacity in areas considered essential for Europe's future competitiveness and security (European Commission, 2026b).

This evolution reflects a broader change in the function of European regulation. Legislative instruments such as the Digital Services Act, the Digital Markets Act, the Artificial Intelligence Act and the Data Act are no longer intended solely to improve the functioning of digital markets or protect consumers. Increasingly, they constitute elements of a comprehensive governance strategy through which the European Union seeks to promote technological resilience, strengthen critical digital infrastructure and enhance its capacity to act independently within an increasingly fragmented global economy. The adoption of the European Commission's Communication on European Tech Sovereignty in 2026 further confirms this strategic transition by placing technological capacity, digital infrastructure and innovation at the centre of the Union's long-term policy agenda (European Commission, 2026c).

In this paper, digital independence does not denote technological isolation, economic protectionism or the complete absence of foreign technologies. Such an objective would be unrealistic in an economy characterised by globally integrated supply chains, cross-border data flows and technological interdependence. The concept is instead used to describe the Union’s capacity to transform dependency into governable interdependence: to determine the legal and institutional conditions under which technologies, platforms, data and critical digital products operate within its jurisdiction, while developing strategic capabilities of its own.

Against this background, the present paper examines how the European Union is constructing its digital independence through the progressive transformation of its regulatory framework. It asks whether, and under what conditions, EU regulatory power can reduce structural technological vulnerabilities without producing technological isolation or undermining openness, innovation and competitiveness. The paper argues that recent legislative and policy developments demonstrate that European digital regulation has evolved beyond market governance and increasingly functions as an instrument of strategic autonomy. Adopting a doctrinal and policy-oriented approach, the analysis considers the principal legislative acts governing the European digital ecosystem together with the latest policy initiatives on technological sovereignty, examining both their distinct legal objectives and their cumulative strategic function. Following this introduction, the paper traces the transition from Digital Single Market integration to digital independence, analyses the emerging European regulatory architecture, evaluates regulation as an instrument of strategic autonomy and, finally, considers the movement from regulatory expansion towards regulatory maturity. In doing so, it seeks to demonstrate that regulation has become one of the principal mechanisms through which the European Union pursues long-term digital resilience, competitiveness and geopolitical influence.

2. FROM DIGITAL MARKET INTEGRATION TO DIGITAL INDEPENDENCE

For more than two decades, the European Union's digital policy was organised principally around the completion of the Digital Single Market. Its objectives were to remove barriers to cross-border digital services, facilitate the free movement of data and services, protect consumers and preserve fair competition. Within this model, digital regulation performed a recognisably economic function: it supplied the legal conditions for market integration and treated technological development primarily as a source of growth and efficiency. Questions of infrastructure ownership, supply-chain exposure and foreign technological dependence remained comparatively peripheral.

Geopolitical and technological developments have altered that hierarchy of concerns. Dependence on non-European providers of cloud services, artificial intelligence, semiconductors and other critical infrastructures has shown that technological capability is also a component of economic security, institutional resilience and strategic autonomy. EU policy has accordingly expanded from regulating transactions within the internal market to addressing the conditions under which that market depends on external technologies and providers. The shift is therefore one of scope rather than abandonment: market integration remains important, but it is now evaluated alongside security, resilience and the

capacity to act in strategically significant digital sectors (European Commission, 2026a).

The resulting policy tension is not between openness and complete technological self-sufficiency. The Union continues to depend on international trade, cross-border data flows, foreign investment and globally distributed supply chains. The relevant distinction is instead between ordinary interdependence and dependencies that become structurally difficult to replace, diversify or govern. The Commission's concern is that excessive reliance on a limited number of external providers may constrain policy choices, expose critical services to disruption and weaken the Union's bargaining position. Digital independence thus adds a resilience test to the traditional criteria of market efficiency and competitiveness (European Commission, 2026b).

This interpretation is consistent with scholarship that treats European digital sovereignty as an attempt to reconcile open markets with the reduction of excessive external dependencies. Christakis identifies the difficulty of navigating between the Union's global regulatory influence and its search for strategic autonomy. The distinction is important: the capacity to impose rules on firms operating in the European market does not by itself establish technological leadership, but it can preserve regulatory choice, constrain private concentrations of power and create conditions for European capabilities to develop. Regulatory influence and technological capacity are therefore related, but they are not interchangeable (Christakis, 2020).

The transition is visible in the cumulative development of the European regulatory framework. The Digital Services Act, the Digital Markets Act and the Artificial Intelligence Act address different legal problems, yet each also limits forms of private power capable of shaping the European digital environment. The DMA is particularly illustrative: its immediate purpose is to secure fair and contestable markets by regulating gatekeepers, not to create technological autonomy directly. As has been noted in recent scholarship, contestability rules respond to the structural influence of major platforms and may widen the practical space in which competitors can operate. The strategic contribution of such legislation is therefore indirect and must be assessed through its effects rather than inferred from its adoption (Irinescu, 2024).

The move from Digital Single Market integration to digital independence consequently changes the questions asked of EU law. It is no longer sufficient to determine whether a measure corrects a market failure or harmonises national rules. The additional inquiry is whether the measure reduces a strategically relevant vulnerability, preserves meaningful institutional choice or contributes to capabilities that the Union can sustain. This analytical distinction provides the basis for examining the regulatory architecture in the next section.

3. BUILDING A EUROPEAN DIGITAL REGULATORY ARCHITECTURE

The European Union has not pursued digital independence through a single legislative instrument. It has developed an incremental architecture addressing different sources of power and vulnerability within the digital ecosystem. The Digital Services Act and Digital Markets Act govern platform responsibility and market power; the Artificial Intelligence Act addresses technological risk; the Data Governance Act and Data Act regulate access to and use of data; the Cyber Resilience Act concerns the security of products with digital elements; and the Chips Act targets semiconductor capacity. These measures do not share a single legal basis or immediate objective, but together they connect market structure, data availability, technological safety, cybersecurity and industrial capacity (European Commission, 2026b).

A systemic interpretation is especially relevant because the European Union does not possess technological dominance comparable to that of the principal global technology powers. Its strongest established asset is its ability to set standards for access to a large internal market. Bradford's 'Brussels Effect' explains how firms may extend EU requirements across their international operations, thereby giving European rules an influence beyond the Union's borders. In the digital sphere, this externalisation of standards can support autonomy by preserving the Union's authority to define acceptable market conduct. It should nevertheless be distinguished from control over infrastructure, intellectual property or production capacity (Bradford, 2012).

The contribution of each instrument must therefore be identified with precision. The DSA increases the accountability of intermediary services and very large platforms. The DMA imposes ex ante obligations on gatekeepers to protect contestability and fairness. The AI Act establishes a risk-based system for AI development and deployment, while the Data Governance Act and Data Act seek to make data more accessible and usable within the European economy. The Cyber Resilience Act introduces horizontal cybersecurity requirements for connected products, and the Chips Act addresses the material foundations of digital production. Romanian scholarship on the DMA likewise emphasises the importance of responding to the structural power of platforms. The architecture is complementary, but complementarity does not eliminate differences in enforcement, institutional responsibility or capacity to produce measurable strategic effects (European Commission, 2026a; Regulation (EU) 2022/1925; Regulation (EU) 2022/2065; Regulation (EU) 2024/1689, 2024; Irinescu, 2024).

The architecture also distributes authority among EU institutions, national regulators, courts and private platforms. This is particularly visible under the DSA, where public supervision coexists with platforms' own rules on content moderation, recommender systems and risk management. Because those private rules affect the exercise of fundamental rights, digital governance cannot be

reduced to a conventional relationship between regulator and regulated undertaking. Its effectiveness depends on coordination among multiple actors, adequate supervisory resources and judicial review. Fragmentation at the level of enforcement may therefore weaken an otherwise coherent legislative design (Golunova, 2026).

Research on European digital sovereignty identifies foreign dependencies, fragmented governance and security vulnerabilities as distinct but interconnected policy concerns. The regulatory architecture addresses them unevenly. It can establish conditions of market access, data use, accountability and security, but it cannot by itself manufacture semiconductors, create competitive cloud infrastructure or guarantee access to critical inputs. Its strategic value should therefore be assessed according to the dependency targeted, the legal mechanism employed and the institutional or industrial capacity available to implement it. This prevents the existence of a broad legislative corpus from being treated as proof that autonomy has already been achieved (Anand et al., 2026).

EU digital policy increasingly combines internal-market objectives, fundamental rights considerations, and geopolitical interests. This produces a hybrid model rather than a replacement of economic regulation by geopolitical policy. A measure may protect competition or rights while also increasing resilience, but those effects should not be assumed to coincide in every case. Requirements that strengthen accountability may impose compliance costs; restrictions on dominant firms may improve contestability without ensuring that European competitors emerge. The dual function of regulation is therefore a source of strategic potential as well as possible policy tension (Broeders, Cristiano and Kaminska, 2023).

The architecture is also subject to revision once implementation reveals conflicts among ambition, administrative capacity and competitiveness. Regulation (EU) 2026/1744-Digital Omnibus on AI, illustrates this adaptive dimension by amending the implementation of the AI Act. Its adoption shows that an integrated regulatory architecture is not a finished structure but an iterative system whose rules may require adjustment when complexity impedes enforcement, innovation or legal certainty. Whether such adjustment constitutes mature recalibration or regulatory retreat cannot be decided merely from the fact of amendment; it depends on the content and effects of the changes, a question examined in Section 5 (Regulation (EU) 2026/1744, 2026).

European digital governance has thus developed from sector-specific interventions into a connected, though not fully unified, regulatory architecture. Its instruments govern different objects, rely on different institutions and contribute to autonomy through different causal pathways. Their cumulative strategic significance lies in the possibility of coordinating market contestability, platform accountability, trustworthy AI, access to data, cybersecurity and industrial capacity. The next question is not whether regulation forms part of the

Union's autonomy strategy, but under what conditions regulatory power can translate into durable strategic capability.

4. REGULATION AS A STRATEGIC INSTRUMENT OF EUROPEAN DIGITAL AUTONOMY

To describe regulation as a strategic instrument requires more than identifying geopolitical language in EU policy documents. Regulation contributes to digital autonomy only where it produces at least one of three effects: it preserves the Union's freedom to make and enforce collective choices; it reduces exposure to coercive or irreplaceable external dependencies; or it supports the development of technological and institutional capabilities within Europe. This functional test separates strategic effect from regulatory ambition and makes it possible to evaluate different legal instruments on comparable terms.

The first mechanism is normative and jurisdictional. By conditioning access to the internal market, the Union can impose ex ante obligations before private market structures become irreversible. The DMA limits specified gatekeeper practices, the DSA requires systemic-risk governance and the AI Act determines the conditions under which certain AI systems may be developed or used. These rules do more than correct harm after it occurs: they allocate responsibility and establish boundaries for technological development. In that sense, anticipatory regulation preserves public authority over choices that might otherwise be determined principally by dominant firms.

The second mechanism concerns resilience. Rules on portability, interoperability, access to data, cybersecurity and supplier obligations can lower switching costs, diversify access and make disruption easier to absorb. Yet the legal creation of alternatives is not equivalent to their economic availability. A right to move data has limited strategic value where no viable alternative infrastructure exists; cybersecurity duties cannot remove dependence on a concentrated supply chain. Regulation is most effective strategically when legal rights are matched by enforcement capacity, investment and credible substitutes.

The third mechanism is the projection of standards beyond the Union. The Brussels Effect can induce multinational firms to adopt European requirements across their operations and thereby extend EU normative influence. As highlighted in recent legal scholarship examining Europe's geopolitical ambitions, however, normative power does not automatically overcome material technological dependence. Global standard-setting may strengthen the Union's voice while leaving essential infrastructure, capital and intellectual property controlled elsewhere. Regulatory reach is therefore one dimension of autonomy, not a substitute for technological capability (Broeders, Cristiano and Kaminska, 2023).

Regulation can consequently support digital autonomy, but it can also generate countervailing effects. Complex or unstable obligations may raise entry costs, discourage investment or burden smaller European firms more heavily than established global actors. Conversely, under-regulation may entrench private power and deepen dependence. The relevant policy choice is not between regulation and innovation, but between regulatory designs with different distributive and strategic consequences. European digital autonomy therefore requires a combination of proportionate rules, effective enforcement, industrial investment, research capacity and international cooperation.

5. THE FUTURE OF EUROPEAN DIGITAL GOVERNANCE: FROM REGULATION TO REGULATORY MATURITY

The entry into force of Regulation (EU) 2026/1744 - Digital Omnibus on AI, provides an early test of whether European digital governance is moving from regulatory expansion towards regulatory maturity. That conclusion is plausible but not self-evident. Amendment may demonstrate an institution's capacity to learn from implementation, yet it may also expose weaknesses in the original design or reflect a political shift in the balance among protection, competitiveness and innovation. Regulatory maturity should therefore be treated as an evaluative standard rather than as an automatic consequence of legislative simplification.

The case for interpreting the Omnibus as recalibration rests on its stated objective of simplifying implementation while preserving the safeguards of the AI Act. The changes respond to practical difficulties faced by businesses, regulators and innovators and seek to improve timelines, legal clarity and proportionality. On this view, stability does not mean legislative rigidity. A mature framework must be capable of correcting excessive burdens and aligning obligations with available administrative and technical capacity without abandoning its underlying objectives (European Commission, 2026d).

The contrary interpretation cannot be dismissed. Legal scholarship on the Omnibus debate indicates, simplification may reopen substantive political choices embedded in the original regulatory settlement. Changes presented as technical can redistribute risks, compliance costs and institutional authority, while repeated amendment may reduce predictability for regulated actors. The relevant question is therefore not whether the framework has become lighter, but whether the revised allocation of obligations remains legitimate, coherent and capable of protecting the public interests that justified regulation (Beckers, 2026).

Four criteria are useful for assessing the outcome. First, revised rules should remain coherent with the objectives and fundamental-rights safeguards of the wider digital acquis. Second, simplification should improve implementability for supervisory authorities as well as compliance for firms. Third, it should reduce

unnecessary burdens without shifting disproportionate risks to citizens or smaller market participants. Fourth, it should contribute to innovation and investment through greater legal certainty rather than through the simple removal of obligations. These criteria connect regulatory maturity to observable institutional performance.

The future of European digital governance will consequently depend on the quality of implementation and review. Formal coherence among legislative instruments must be accompanied by sufficient expertise, resources and coordination at both EU and national levels. Enforcement outcomes, market entry, infrastructure investment, switching possibilities and the resilience of critical services offer more meaningful indicators of autonomy than the number of regulations adopted. The transition to maturity will occur only if the Union can use such evidence to refine its framework without subjecting regulated actors to continuous and unpredictable redesign.

The Digital Omnibus should therefore be understood as a test, not proof, of regulatory maturity. It may represent a constructive second phase in which the Union reconciles ambition with implementability, but that assessment depends on subsequent enforcement and market effects. More broadly, European digital autonomy will require the regulatory framework to remain coherent, adaptable and proportionate while operating alongside industrial policy, scientific investment and resilient infrastructure. Maturity lies in the capacity to preserve essential objectives through evidence-based adjustment, not simply in adopting more rules or fewer rules.

6. CONCLUSIONS

This paper has argued that the European Union's pursuit of digital independence is changing the function of digital law within the integration process. EU regulation continues to organise markets and protect rights, but it also increasingly preserves institutional choice, addresses strategic dependencies and shapes the conditions under which digital technologies operate. Digital autonomy is therefore not a separate field of legislation; it is a strategic dimension that cuts across competition, platform governance, data, artificial intelligence, cybersecurity and industrial policy.

The analysis also establishes a necessary limit to the concept. Digital independence cannot plausibly mean technological isolation or complete self-sufficiency. It is better understood as the capacity to govern interdependence: to identify dependencies that create unacceptable vulnerability, diversify or reduce them where possible and retain sufficient legal, institutional and technological capability to make autonomous choices. This definition is consistent with an open economy while distinguishing openness from exposure that cannot be managed.

The principal legislative instruments contribute to that capacity through different mechanisms. The DSA and DMA constrain forms of platform power; the AI Act structures technological risk; the data legislation affects access, sharing and switching; the Cyber Resilience Act addresses security; and the Chips Act supports material capacity. Their existence does not itself prove autonomy. Their strategic value depends on enforcement, coordination and whether the legal framework produces viable alternatives, resilient infrastructure and competitive European capabilities.

Regulatory power consequently remains both an advantage and a constraint. It enables the Union to project standards and protect public interests despite the absence of technological supremacy, but poorly calibrated or unstable rules may impose costs that weaken innovation and investment. Strategic autonomy requires regulatory design to operate together with research, industrial development, capital formation, skills and international cooperation. The decisive issue is the alignment of these instruments, not the predominance of law over technological or economic policy.

The Digital Omnibus illustrates the next institutional challenge. Its simplification of the AI framework may constitute mature recalibration, but only if implementation demonstrates greater clarity and effectiveness without eroding fundamental safeguards. The future position of Europe in the global digital order will therefore be determined less by the volume of its legislation than by its capacity to translate coherent rules into enforceable choices, technological capability and resilient economic structures. On that measure, digital independence remains a project under construction rather than an accomplished condition.

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DECENTRALISATION AND LOCAL SELF-GOVERNMENT: THE FUNDAMENTAL AXIS OF THE REFORM OF LOCAL PUBLIC ADMINISTRATION IN THE REPUBLIC OF MOLDOVA

SERGHEI PALIHOVICI
Moldova State University, School of Public Administration
Chișinău, Republic of Moldova
sergiupalihovici@gmail.com

AURELIA ȚEPORDEI
Moldova State University, School of Public Administration
Chișinău, Republic of Moldova
aurelia.tepordei2018@gmail.com

Abstract
This article examines the importance of decentralisation and local self-government in the context of local public administration reform in the Republic of Moldova.
Decentralisation and local self-government constitute the substantive axis of local public administration reform. In the context of reform in the Republic of Moldova, they must represent both its foundation and its ultimate objective. They form the foundation because they determine how powers, resources and responsibilities are distributed between central and local government, in accordance with the principle of subsidiarity and the requirements of local democracy. At the same time, they constitute the reform's ultimate objective, since institutional, territorial and functional changes should culminate in autonomous local authorities capable of effectively managing public affairs in the interests of the communities they represent.
The article analyses the incoherence and insufficiency of decentralisation processes in the Republic of Moldova. These shortcomings underlie the functional problems of local public administration and result directly from the flawed implementation of effective decentralisation in all its forms; ultimately, they have decisively influenced, and continue to influence, the low recorded level of local self-government.
In the context of the discussions and debates on an optimal and efficient model of local public administration reform, asymmetric decentralisation may offer an effective means of steering reform in the optimal direction. In the Republic of Moldova, it may have a dual meaning and application: first, as a pragmatic instrument for adapting decentralisation to differences in the actual capacity of administrative-territorial units;

and second, as a political and institutional mechanism for integrating Gagauz autonomy within the unitary state.
Local self-government is the ultimate objective of reform because it expresses the intended outcome: local authorities possessing both the right and the effective capacity to manage a substantial share of public affairs in the interests of local communities. The article demonstrates that the direct relationship between decentralisation and local self-government should be understood as one between means and ends. Decentralisation provides the instruments of reform, while local self-government embodies its intended result: a functional and accountable local administration that is close to citizens and capable of responding to community needs.
From the perspective developed in this article, local public administration reform cannot be reduced to administrative-territorial reorganisation or the amalgamation of administrative-territorial units. Changes to the territorial structure may serve as an instrument of reform, but they do not constitute its essence.
The essence of reform lies in clarifying powers, securing financial resources and assets, strengthening administrative capacity and guaranteeing the decision-making freedom of local authorities. Only when these conditions are met can local self-government become effective and decentralisation produce tangible improvements in public service quality and the development of local communities.
Keywords: *local public administration; reform; decentralization; local self-government; asymmetric decentralization.*
JEL Classification: H77; H83; R58.

1. INTRODUCTION

From a conceptual and theoretical perspective, local public administration reform is a complex process involving the political, legal, organisational and functional transformation of the manner in which public authority is exercised at territorial level. Although the constitutional and legal framework of the Republic of Moldova recognises the principles of local self-government and decentralisation, administrative and institutional practice demonstrates that local authorities do not yet enjoy full autonomy and that decentralisation has not become a sustainable, coherent and irreversible process.

In the context of local public administration reform in the Republic of Moldova, ***decentralisation and local self-government must constitute both the foundation and the ultimate objective of the reform process.*** They form the foundation because they determine how powers, resources and responsibilities are distributed between central and local government, in accordance with the principle of subsidiarity and the requirements of local democracy. At the same time, they constitute its ultimate objective, because institutional, territorial and functional changes should culminate in autonomous local authorities capable of effectively managing public affairs in the interests of the communities they represent.

2. DECENTRALISATION AS THE FOUNDATION AND ULTIMATE OBJECTIVE OF LOCAL PUBLIC ADMINISTRATION REFORM

Decentralisation is the foundation of reform because it establishes the organising principle governing relations between central public authorities and local communities. It requires a substantial share of public affairs to be managed at the level closest to citizens whenever that level has the capacity to perform those functions effectively.

According to the OECD, decentralisation refers to the transfer of powers and responsibilities from central government to elected authorities at subnational level, including regional authorities and municipalities, which enjoy a degree of autonomy. It also entails reshaping relations between central and local government so that national or federal governments assume a more cooperative and strategic role. Decentralisation is multidimensional, encompassing distinct but interconnected political, administrative and fiscal dimensions. The political dimension concerns elected authorities with decision-making and implementation powers; the administrative dimension covers responsibilities and functions, personnel and assets; and the fiscal dimension includes an authority's own budget and accounts, together with adequate revenue-raising and expenditure powers. These dimensions are interdependent: fiscal decentralisation cannot, or should not, exist without political and administrative decentralisation. Conversely, political and administrative decentralisation are meaningless in the absence of fiscal decentralization (OECD, 2019).

Through decentralisation, central public administration does not relinquish its overall responsibility; rather, it distributes powers rationally between central and local levels. Central government should retain functions of national interest, including regulation, coordination, review of legality and the guarantee of minimum standards, while local authorities should exercise powers directly affecting community life: municipal services, local development, local infrastructure, spatial planning, local assets, certain social services and other matters of local interest.

In this respect, ***decentralisation constitutes the foundation*** of reform because it answers at least several essential questions:

- *Who should take decisions, and at what level should public functions be exercised?*
- *What are the relevant powers, functions and services, and how should responsibility for them be allocated across levels of government?*
- *What resources are required to exercise those powers, and what is the nature of those resources?*

Without decentralisation, local public administration reform risks becoming a mere administrative restructuring exercise. Territorial boundaries may be altered and institutions may be reduced in number or merged; however, if

decision-making, resources and responsibility remain concentrated at central level, local administration becomes neither more autonomous nor more efficient.

The decentralisation process is currently the subject of extensive debate in Moldovan society. The central question concerns the place and role of decentralisation within the broader reform of public administration. Adopted in 2012, the National Decentralisation Strategy was the principal policy document governing local public administration; it set out national mechanisms for decentralisation and for ensuring genuine local self-government. The true indicator of how decentralisation has been implemented in the Republic of Moldova is the low degree of implementation of the National Decentralisation Strategy (Parliament of the Republic of Moldova, 2012). The difficult institutional and functional situation confronting local authorities today can be explained precisely by the failure of the decentralisation process. It is therefore crucial to understand decentralisation as an ultimate objective of reform. If we failed to understand decentralisation, or could not or would not use it as the foundation of reforms in local public administration, then let us consider what a reformed and "sufficiently" decentralised system of local public administration should potentially look like.

As an ***ultimate objective***, decentralisation is not limited to the formal transfer of functions from central to local authorities. It is reflected in the actual capacity of local administration to make decisions, manage resources and deliver public services efficiently, responsibly and in a manner adapted to community needs.

Accordingly, decentralisation as an ultimate objective of reform requires a balance between powers, resources and accountability. Reform can be regarded as genuinely decentralised only when local authorities possess not merely statutory functions, but also sufficient financial resources, assets, qualified personnel and effective decision-making freedom. In the absence of these elements, decentralisation remains declaratory or incomplete.

At institutional level, decentralisation is reflected in local authorities that are capable of exercising their own powers without excessive intervention by central government. This requires a clear division of responsibilities between levels of government, fewer institutional overlaps and stronger mechanisms for cooperation between central and local administration.

At functional level, decentralisation is expressed through local public services that are more accessible, of higher quality and better adapted to territorial realities. Citizens do not experience decentralisation through legal formulations but through tangible results: maintained local roads, functioning social services, community infrastructure, access to education, water, sanitation and transport, and opportunities for local development.

At democratic level, decentralisation strengthens the accountability of local authorities to their communities. Decisions are taken closer to their

beneficiaries, and citizens can exercise more direct oversight of the use of public resources. In this sense, decentralisation also becomes a mechanism for strengthening local democracy.

It should nevertheless be reiterated that no state is either completely centralised or completely decentralised. The path towards decentralisation as an ultimate objective is therefore permanent and continuous, just as reform itself is. We can identify with some precision when a reform is initiated and launched, but we cannot assume that, once formally completed, its effects will remain sustainable over the long term. Reforms - decentralisation among them - and in particular reforms in public administration, are a continuous and adaptive process shaped by the political, economic and social contexts of a society.

3. THE INCOHERENCE OF THE DECENTRALISATION TRAJECTORY IN THE REPUBLIC OF MOLDOVA

The discourse on decentralization has maintained a fluctuating presence on the public and political agenda of the Republic of Moldova. Following a period of heightened interest between 2012 and 2015, the issue entered a phase of declining political relevance during 2015-2026.

The National Decentralisation Strategy, approved by the Parliament of the Republic of Moldova in 2012 and extended until 2018, was a broad and comprehensive policy document intended to serve as the principal reference for local public administration policies. It established national decentralisation mechanisms designed to ensure genuine local self-government. Nevertheless, representatives of central government themselves acknowledge that no more than 50 per cent of the Strategy's action plan was implemented.

An important step towards reforming local public finance was taken in 2014-2015 through the introduction of a clear formula for equalisation transfers and a reduction in the scope for districts to interfere in the distribution of public funds. This achievement was, however, overshadowed by the reintroduction of caps on local taxes and by other fiscal reforms that adversely affected local budgets, including changes concerning taxes on natural and legal persons and tax amnesties.

Whereas decentralisation and local self-government were formulated as distinct priorities in earlier government programmes, subsequent government documents addressed these objectives only marginally.

This trend is also reflected in the limited activity of the Joint Commission for Decentralisation, the principal platform for coordinating decentralisation reform. The Commission operates largely as a formality and is convened infrequently, even though the legal framework requires an active mechanism for dialogue between central and local authorities.

In Recommendation 436 (2019), the Congress of Local and Regional Authorities of the Council of Europe found that the National Decentralisation

Strategy and the Roadmap for the implementation of Recommendation 322 (2012), jointly endorsed by the Congress and the Government of the Republic of Moldova, had been implemented only to a limited extent (Congress of Local and Regional Authorities, 2019). The Congress also warned of the risk that recentralisation tendencies could erode local self-government and noted the incomplete implementation of its earlier recommendations.

The 2025 recommendations of the Congress of Local and Regional Authorities of the Council of Europe on the state of local democracy in the Republic of Moldova identify certain advances, including improved dialogue between central and local authorities, measures to strengthen fiscal decentralisation and a commitment to administrative-territorial reform. Important structural problems nevertheless persist: an unclear division of powers, overlapping responsibilities, limited financial autonomy and an excessive administrative burden on local authorities.

Taken as a whole, Council of Europe assessments show that decentralisation in the Republic of Moldova remains incomplete and must be deepened. In accordance with European standards of local democracy, local authorities must have clearly defined powers, adequate resources and genuine autonomy if they are to perform their functions effectively.

4. ASYMMETRIC DECENTRALISATION IN THE CONTEXT OF LOCAL PUBLIC ADMINISTRATION REFORM

The experience of contemporary states demonstrates that no single model of decentralisation exists. Even among unitary states with similar political systems, considerable cultural and historical diversity exists between regions of the same country. A broader analysis also reveals differences in the administrative and institutional capacities of local authorities, the level of economic development of administrative-territorial units, the dynamics of local politics, and natural conditions and resources. Political, administrative and financial approaches should therefore be tailored to each local authority and administrative-territorial unit in the light of existing objective conditions and the aims pursued.

Under these circumstances, asymmetric decentralisation - a design adapted to different regions - may constitute a reasonable solution. Its application may be more likely in unitary states, since federal states tend to grant broader, and potentially full, autonomy to their subnational governments. Unitary states may apply several forms of decentralisation, including extended, limited and special autonomy. The Republic of Moldova provides an example through the Autonomous Territorial Unit of Gagauzia.

Asymmetric decentralisation is therefore present when two or more forms of decentralisation are implemented simultaneously for different administrative-territorial units within the same state.

Asymmetric decentralisation is not a departure from the fundamental idea of decentralisation. Rather, it strengthens the objectives of decentralisation by increasing the effectiveness and efficiency of public authorities and reinforcing local democracy. In this case, local power is strengthened by preserving the specific characteristics, potential, needs, and socio-historical context of the community.

Moreover, taking into account the unique political, social, and cultural profile of each region, asymmetric decentralization can act as a targeted strategy to mitigate regional issues for the national government. Contemporary states therefore use decentralisation not only as a political strategy for transferring power from the centre to regional and local levels, but also as a mechanism for achieving balance between levels of government. This new balance could be achieved by reducing state intervention and expanding the operational autonomy of regional and local authorities (Palihovici, 2024).

An analysis of the principal trends in local-level change across several contemporary countries indicates that new models for the territorial organisation of public authority tend to favour asymmetric arrangements (Cornea, 2019).

In contrast to the homogeneous structure of the Napoleonic state, contemporary organisational change has placed a multitude of new actors alongside traditional authorities - the state, regions and municipalities - resulting in differentiated forms of legal recognition. Specific rules have emerged for urban areas, including capital cities. Associations of municipalities seek the geographic scale necessary to fully exercise their statutory competencies. This asymmetry is reinforced in many decentralised states by allowing regions to shape the local government system. The broad regulatory powers exercised by regions in local matters also mean that local government may assume different forms within a single state (Nogueira Lopez, 2007).

Asymmetric decentralisation may provide a mutually beneficial solution to conflicts between advocates of a unitary state and proponents of separatism. Its application does not necessarily transform the basic political structure of a unitary state into a federation. Because the principal objective is to improve the quality of public services for people, the opposition between unitary and federal states, or between decentralised and deconcentrated systems, is no longer relevant. The essential point is that both unitary and federal states have equal opportunities to promote asymmetric decentralization (Utomo, 2009).

Asymmetric decentralisation makes it possible to channel local separatism into constructive dialogue and thereby to prevent the disintegration of the state under the pressure of centrifugal tendencies. Responding to concerns that decentralisation might encourage separatism in Ukraine, Gianni Buquicchio, then President of the Venice Commission, stated that decentralisation is, rather, an alternative to separatism (UBR.ua, n.d.).

For the Republic of Moldova, asymmetric decentralisation may have a dual meaning and application: on the one hand, as a pragmatic instrument for adapting decentralisation to differences in the actual capacity of administrative-territorial units; and, on the other, as a political and institutional mechanism for integrating Gagauz autonomy within the unitary state.

5. ASYMMETRIC DECENTRALISATION IN THE CONTEXT OF ADMINISTRATIVE-TERRITORIAL REORGANISATION

In the Republic of Moldova, asymmetric decentralisation should not be understood exclusively as a special regime granted to territories with a distinct identity, but also as a functional solution for managing objective differences between localities.

Any future administrative-territorial reorganisation is likely to produce a new local architecture comprising larger administrative-territorial units with greater populations and stronger fiscal and administrative foundations, alongside smaller local administrations with limited resources. In this context, assigning the same powers uniformly to all local authorities could generate further inequality: stronger localities would be better placed to benefit from decentralisation, while vulnerable ones could remain dependent on transfers, technical assistance and intervention by central government.

Asymmetric decentralisation may therefore operate as a mechanism for the rational differentiation of powers. Localities or municipalities with strong administrative capacity could receive broader powers in areas such as local economic development, asset management, urban planning, infrastructure, public services and investment attraction. Units with lower capacity, by contrast, could benefit from a gradual regime based on core powers, shared services, intermunicipal cooperation and institutional support from the state.

Asymmetric decentralisation would thus make it possible to avoid two major risks: first, formal decentralisation, whereby functions are transferred without the necessary resources and capacity; and second, excessive recentralisation justified by the inability of some local authorities to manage complex responsibilities. An asymmetric model would allow decentralisation to be differentiated, phased and conditional upon the effective capacity of local authorities.

6. ASYMMETRIC DECENTRALISATION IN THE CASE OF GAGAUZ AUTONOMY

In the Autonomous Territorial Unit of Gagauzia, asymmetric decentralisation has a distinct dimension. The issue is not confined to administrative differences or institutional capacity; it also concerns a special autonomy regime with a legal and political foundation. Law No. 344/1994 establishes Gagauzia as an autonomous territorial unit with a special legal status

within the Republic of Moldova, while the legal framework of autonomy expresses the Gagauz population's right to internal self-determination within the constitutional limits of the state.

From this perspective, asymmetric decentralisation may be regarded as an instrument of political integration and prevention of separatism. It makes it possible to recognise Gagauzia's identity-related, linguistic, cultural and institutional specificities without transforming the Republic of Moldova into a federal state. In other words, special autonomy preserves the unitary character of the state while introducing differentiated self-government mechanisms for a territory with its own political and identity profile.

If applied coherently, asymmetric decentralisation can shift local claims from a logic of confrontation to one of institutional negotiation. Rather than treating tensions between the centre and the autonomy exclusively as security risks or manifestations of separatism, they can be managed through dialogue, clarification of powers, mandatory consultation mechanisms and reciprocal legal guarantees. In this sense, the proposition that decentralisation is an alternative to separatism is relevant to the Republic of Moldova, including in its relationship with Gagauzia.

Asymmetric decentralisation should not, however, be equated with unlimited autonomy. It requires a balance between recognition of regional specificities and respect for the constitutional framework of the state. In Gagauzia, the principal problem is not a total absence of autonomy, but the incomplete, ambiguous and at times strained operation of cooperation mechanisms between central and autonomous authorities. Asymmetric decentralisation should therefore seek not an arbitrary expansion of powers, but their clarification, the avoidance of overlaps and the strengthening of institutional channels for dialogue.

7. THE RELATIONSHIP BETWEEN DECENTRALISATION AND LOCAL SELF-GOVERNMENT

Decentralisation and local self-government are distinct but inseparable concepts. Decentralisation is the process through which powers, resources and responsibilities are transferred to the local level, while local self-government is the institutional and functional condition resulting from effective decentralisation.

The relationship between decentralisation and local self-government should be understood as one between means and ends. Decentralisation provides the instruments of reform, while local self-government embodies the intended result: a functional and accountable local administration that is close to citizens and capable of responding to community needs.

For the Republic of Moldova, strengthening this relationship requires not only the transfer of powers, but also adequate resources, administrative capacity,

institutional clarity and effective legal protection of local self-government. Where decentralisation is incomplete, local self-government remains formal. Where local self-government is merely formal and lacks legal protection, decentralisation may be ineffective, reversible or subject to excessive control by central government.

This relationship is especially important in the Republic of Moldova because many problems confronting local administration arise not only from the small size of administrative-territorial units, but also from the imbalance between powers and resources, financial dependence on the centre, weak administrative capacity and ambiguity in relations between levels of public administration.

In other words, the functional problems of local public administration in the Republic of Moldova result directly from the flawed implementation of effective decentralisation in all its forms, which has ultimately contributed, and continues to contribute, decisively to the persistently low level of local self-government.

8. LOCAL SELF-GOVERNMENT AS A PRINCIPLE AND ULTIMATE OBJECTIVE OF LOCAL PUBLIC ADMINISTRATION REFORM

Under Article 3(1) of the European Charter of Local Self-Government (Council of Europe, 1985), local self-government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population.

The European Charter of Local Self-Government guarantees local authorities the right and effective ability, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population. This right is also enshrined in the Constitution of the Republic of Moldova, Law No. 435-XVI of 28 December 2006 on administrative decentralisation and Law No. 436-XVI of 28 December 2006 on local public administration. These acts establish that local public authorities enjoy decision-making, organisational and financial-management autonomy, have the right of initiative in all matters concerning the administration of local public affairs, and exercise their authority, in accordance with the law, within the territory under their administration.

Local self-government should not, however, be understood merely as a "certain kind of formal independence" on the part of local authorities. It is expressed through at least four dimensions:

- *decision-making autonomy - local authorities may adopt their own decisions in matters falling within local competence;*
- *financial autonomy - local authorities have sufficient and predictable revenues;*

- *asset-related autonomy - local authorities may manage community assets;*
- *organisational autonomy - local authorities may organise their administrative apparatus according to local needs, within the limits of the law.*

At the same time, a clear distinction must be drawn between formal or declaratory autonomy and effective autonomy.

Formal autonomy exists where the law recognises certain powers of local authorities, but those powers cannot be exercised in practice because of insufficient resources, personnel, assets or administrative capacity. This paradigm in fact describes the current state of local self-government in the Republic of Moldova.

Effective autonomy exists where local authorities possess all the elements required to act:

- *clearly defined powers;*
- *proportionate financial resources;*
- *local assets;*
- *qualified personnel;*
- *access to information and technology;*
- *decision-making freedom;*
- *protection against unjustified interference;*
- *limited and proportionate review of legality.*

Local public administration reform must seek to move from declaratory to effective autonomy. This is one of the most important implications of the paradigm according to which decentralisation and local self-government constitute both the foundation and the ultimate objective of reform.

Local self-government is the ultimate objective of reform because it embodies the intended outcome: local authorities possessing the right and the effective capacity to manage a substantial share of public affairs in the interests of local communities.

At the same time, local self-government should not be interpreted as "isolation from the state" or as "absolute freedom of decision". Whatever form it takes, local self-government operates within the unitary state and requires a balance between national and local interests. The state retains its role as guarantor of legality, territorial cohesion and minimum quality standards in the provision of public services. This role must not, however, become excessive control or indirect recentralisation, as has occurred, and continues to occur, in Moldova in relation to health, social assistance and education services.

Debate on local public administration reform often tends to equate reform solely with changes to the administrative-territorial structure: reducing the number of mayoralties, amalgamating localities, reorganising districts or creating regional structures.

Such measures may be necessary, but they are not sufficient. A larger mayoralty is not automatically more autonomous. A reorganised district is not automatically more efficient. A new administrative map does not guarantee better public services unless it is accompanied by genuine decentralisation, adequate funding and a clear division of powers.

The comparative study „Patterns of Local Autonomy in Europe" (Ladner et al., 2019), shows that local autonomy is influenced more strongly by institutional mechanisms and levels of citizen trust than by the size of territorial units or structural reforms. Territorial reforms, including mergers of administrative-territorial units, do not automatically guarantee an increase in local autonomy. Local autonomy is instead positively associated with system performance, particularly financial autonomy, a broader range of policy responsibilities and the discretionary authority of local government.

9. CONCLUSIONS

From this perspective, local public administration reform cannot be reduced to administrative-territorial reorganisation or the amalgamation of administrative-territorial units. Changes to the territorial structure may serve as an instrument of reform, but they do not constitute its essence.

In conclusion, the essence of reform lies in clarifying powers, securing financial resources and assets, strengthening administrative capacity and guaranteeing the decision-making freedom of local authorities. Only when these conditions are met can local self-government become effective and decentralisation produce tangible improvements in public service quality and the development of local communities.

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THE DIGITAL TRANSFORMATION OF PUBLIC INSTITUTIONS IN ROMANIA: A MATERIAL, NOT HUMAN, DIVIDE? EMPIRICAL TERRITORIAL PERSPECTIVES ON DIGITAL MATURITY

FLORIN ROBERT PANDICHI
Alexandru Ioan Cuza University of Iasi
Iasi, Romania
robert@feaa.uaic.ro

VALERICĂ GREAVU-ȘERBAN
Alexandru Ioan Cuza University of Iasi
Iasi, Romania
valy.greavu@feaa.uaic.ro

Abstract
The digital transformation of public administration is usually diagnosed through aggregate indicators that place Romania at the bottom of European rankings and that associate rurality with a generalized digital lag. This paper empirically tests that assumption from a territorial perspective, drawing on primary data collected through a 23-item questionnaire administered in November–December 2023 to 568 respondents from municipalities, prefectures and county councils (response rate 17.8%; 9 historical regions, more than 30 counties). Digital maturity is measured through a composite Digital Maturity Index (DMI) built from 18 ADKAR-type Likert items (Cronbach's $\alpha = 0.96$). The results show that there are no significant differences in DMI either between rural (3.57) and urban (3.53; Mann-Whitney $p = 0.54$) institutions, between regions (Kruskal-Wallis $p = 0.34$), or across seniority levels ($p = 0.75$). By contrast, urban institutions hold significant advantages at the material level, equipment, software, dedicated digital roles, Ghișeul.ro enrolment and citizen-communication practices (all $p < 0.01$). The strongest and only robust correlate of DMI is the practice of monitoring and two-way communication with citizens ($\rho = 0.34$), a relationship that holds within both environments. An item-level analysis reveals that the weakest links of maturity are not attitudes but continuous training and hands-on practice. The central conclusion is that the digital divide of the Romanian administration is predominantly material and organizational, not attitudinal, with direct implications for the design of digitalization policies.
Keywords: *digital governance; institutional transformation; digital maturity; territorial development; public administration.*
JEL Classification: H40; O33; D73; R58.

1. INTRODUCTION

The digitalization of the public sector has ceased to be a technical option and has become a structural dimension of contemporary governance. In a broad sense, it denotes the transition from a paper-based administration to one mediated by digital tools and technologies; in a narrow sense, it entails functional transformations of the administrative apparatus that reconfigure decision-making processes and place the emphasis on intra- and inter-institutional collaboration and on participatory governance (Mergel, Edelmann and Haug, 2019; Vial, 2019).

Romania offers a particular context for studying this process. The European DESI index has consistently placed the country at the bottom of the digital maturity ranking (European Commission, 2022), while international assessments highlight a persistent gap between strategic ambitions and effective administrative capacity (OECD, 2023). Most diagnoses, however, remain quantitative and aggregated at the national level, offering a limited picture of internal territorial heterogeneity and, above all, of the organizational mechanisms that support or hinder digitalization at the local level.

This paper addresses that gap through an empirical, primary-data analysis of the digital maturity of Romanian public institutions, with a focus on the territorial dimension (rural/urban and regional). It is part of a broader research program on the same dataset, the results of which were previously published from a multidimensional perspective (infrastructure – employees – citizens) by Greavu-Șerban, Gheorghiu and Ungureanu (2025) in *World Development*. Unlike that paper, the present contribution shifts the analytical focus from the general multidimensional framework towards the **statistical testing of territorial hypotheses** and towards the decomposition of the digital divide into its material and its human components.

The central question is twofold: (a) to what extent do residence environment and region explain the level of digital maturity of public institutions, and (b) if they do not, which organizational factors do? The answer outlines a counter-intuitive thesis with respect to the dominant narrative: the digital divide of the Romanian administration is predominantly material and organizational, whereas digital human capital, awareness, motivation, competencies, citizen orientation, is distributed remarkably uniformly across the territory.

2. THEORETICAL FRAMEWORK AND RELATED LITERATURE

The study sits at the intersection of four complementary theoretical strands, presented in turn below: institutional transformation, digital-era governance, citizen orientation and co-production, and territorial development and the digital divide.

2.1. Institutional Transformation and Digital Isomorphism

The first strand treats digitalization not as a mere adoption of technology but as a change in organizational routines, norms and competencies. Recent literature defines digital transformation as a socio-technical process whereby organizations respond to pressures in their environment by using digital technologies to reconfigure their value-creation processes (Vial, 2019), with success depending less on the availability of equipment and more on the capacity to manage organizational barriers. In the public sector, Mergel, Edelmann and Haug (2019) show, based on expert interviews, that civil servants themselves define digital transformation in terms of culture, skills and ways of working, not merely of tools.

Neo-institutional theory offers an additional lens: isomorphic pressures, coercive (European regulations and obligations), mimetic (imitation of institutions perceived as successful) and normative (the professionalization of civil servants), explain why organizations operating in different material contexts come to share similar norms and expectations regarding digitalization (DiMaggio and Powell, 1983). This perspective anticipates a certain homogenization of digital attitudes, independent of local resources, a hypothesis that our data will support. The ADKAR model (Hiatt, 2006), which decomposes change into awareness, desire, knowledge, ability and reinforcement, provides the operational instrument through which this human dimension can be measured.

2.2. Digital-Era Governance and the Stages of E-government

The second strand, digital-era governance (Dunleavy et al., 2006), reinterprets post-New Public Management administrative reform by reintegrating processes around citizens' needs and by digitalizing the state–citizen relationship. The e-government literature has documented an evolution in stages, from mere online presence to transaction, vertical/horizontal integration and transformation (Layne and Lee, 2001), an evolution accompanied by changes in citizens' attitudes towards public services (West, 2004). Janowski (2015) nuances this model through the concept of contextualization: digital maturity is not a universal scale but depends on the specific institutional and territorial context.

An important consensus in this literature is that the determinants of e-government success are predominantly organizational and managerial rather than technological: Gil-García and Pardo (2005) map success factors around institutional capacity, leadership and collaboration, while Meijer and Bekkers (2015) propose a metatheory that places the interaction between technology and institutions at its core. For the local level, Norris and Reddick (2013) empirically

find that change is often incremental and far less determined by size or location than commonly assumed, a direct warning against geographic determinism.

2.3. Citizen Orientation, Co-production and Social Media

The third strand shifts the emphasis from service delivery to the two-way relationship with the citizens. Linders (2012) proposes a move from "e-government" to "we-government," in which the citizen becomes a partner rather than a customer, through coproduction mediated by social media and digital platforms. Bonsón et al. (2012) document how local administrations use social networks for transparency and engagement, albeit with uneven intensity. This literature suggests that genuine digital maturity is manifested less through equipment and more through practices of listening, monitoring and responding to citizens, precisely the dimension that, in our data, proves to be the strongest correlate of maturity.

2.4. Territorial Development and the Digital Divide

The fourth strand draws attention to the risk that digitalization may reproduce or deepen pre-existing spatial inequalities. The classic urban–rural digital divide hypothesis predicts more digitally mature urban institutions, since these have greater fiscal capacity, human expertise and more robust administrative systems, whereas rural administrations face limited resources and institutional fragmentation. Recent research nuances this picture, however, distinguishing between a divide of ***access and endowment*** (infrastructure, equipment, connectivity) and one of ***use and skills***. Classic empirical decompositions of the digital divide show that an important part of it stems from differences in unit attributes, with the remainder attributable to "place" differences. The distinction is crucial for public policy: a material divide is addressed through infrastructure investment, whereas a skills divide requires training. The present paper contributes precisely by empirically separating these two components at the level of Romanian public institutions.

2.5. Synthesis of the Literature and Research Gap

The four strands converge towards a common hypothesis, insufficiently tested empirically in the Eastern European context: the digital maturity of the administration depends more on organizational factors (capabilities, communication practices, institutional culture) than on material endowment or geographic location. Yet most studies either aggregate data at the national level (DESI, OECD) or treat digitalization as a unitary construct, without separating the material from the human component. For Romania and, more broadly, for Central and Eastern Europe, there is a lack of primary-data, institution-level analyses that explicitly distinguish these components and test the role of the

residence environment. The present paper addresses this gap by offering an empirical decomposition of the digital divide into its material and its human components, on a national sample.

3. DATA AND METHODOLOGY

3.1. Sample and Data Collection

The data comes from an online questionnaire (Microsoft Forms) with 23 items, including demographic, Likert, open-ended and multiple-choice items. The target population consisted of the administrative-territorial units (municipalities), prefectures and county councils of Romania. Contact details were collected through web scraping and manual correction, starting from 3,186 units; 6,990 county-personalized e-mails were sent via mail merge, of which 13.3% required subsequent correction.

The campaign ran between 23 November and 22 December 2023 and generated 568 complete responses, equivalent to a 17.8% national response rate, above the 15% target threshold. The unit of analysis is the individual respondent (civil servant), not the institution; several respondents may come from the same administrative-territorial unit. The sample covers 9 historical regions and more than 30 counties, with 427 respondents from rural areas (75.3%) and 140 from urban areas (24.7%); one value is missing for the environment variable.

3.2. Construction of the Digital Maturity Index (DMI)

The Digital Maturity Index (DMI) was built as the mean of 18 Likert items (1 = strongly disagree – 5 = strongly agree) capturing the dimensions of the ADKAR model at the staff level: awareness of the strategy, understanding and motivation, absence of fears, active support, digital competencies, continuous training, the ability to perform the new activities, hands-on practice, the support received and organizational reinforcement. The internal consistency of the scale is very high (Cronbach's $\alpha = 0.96$; $n = 505$ complete cases), confirming the functional one-dimensionality of the index but also a degree of redundancy among items, which the interpretation considers.

In addition, the following variables were operationalized: material-endowment variables (the number of equipment/application types, of software solutions and of dedicated digital roles), an index of citizen-communication monitoring (the mean of six frequency items recoded 0 = never, 1 = occasionally, 2 = regularly), seniority in the position (ordinal, three levels), enrolment in the national Ghișeul.ro platform (dichotomous) and the institution's environment (rural/urban).

3.3. Statistical Analysis

Given the ordinal nature of the variables and departures from normality, non-parametric tests were used: Mann-Whitney U for dichotomous comparisons, Kruskal-Wallis for multiple comparisons, the Spearman coefficient (ρ) for associations and the χ^2 test for contingency tables. The robustness of the key relationship was verified through partial correlations computed separately within each environment. The significance threshold was $\alpha = 0.05$; analyses were performed in Python (SciPy 1.17).

4. RESEARCH HYPOTHESES

Based on the theoretical framework, six hypotheses were formulated:

H1. Urban institutions exhibit a significantly higher DMI than rural ones.

H2. Practices of using and monitoring digital communication are positively correlated with DMI.

H3. A greater number of equipment and software solutions is associated with a higher DMI.

H4. Enrolment in Ghișeul.ro is more frequent in institutions with high DMI and in urban areas.

H5. Greater seniority in the position is associated with a lower level of digital maturity.

H6. There are significant regional variations in DMI, independent of the rural/urban factor.

5. RESULTS

5.1. Sample Distribution

The sample is dominated by rural areas (75.3%), reflecting the country's administrative structure, in which communal municipalities are the majority. The regional distribution is uneven: Moldova, Transylvania and Muntenia account for approximately 68% of responses, while Dobrogea (n = 13) and Bucovina (n = 21) are underrepresented (Table 1). This imbalance calls for caution in interpreting regional estimates, especially for small urban subgroups.

Table 1. Distribution of respondents and mean DMI by historical region (DMI computed on n = 543 valid cases)

Region	N	% of sample	Mean DMI
Moldova	142	25.0%	3.47
Transylvania	124	21.8%	3.53
Muntenia	122	21.5%	3.59
Oltenia	73	12.9%	3.57
Banat	26	4.6%	3.51
Maramureș	25	4.4%	3.46
Crișana	22	3.9%	3.68
Bucovina	21	3.7%	3.71
Dobrogea	13	2.3%	4.22
Total / National	568	100%	3.56

Source: author's elaboration

5.2. Digital Maturity: No Rural/Urban Divide

The national DMI is 3.56 (SD = 0.90), corresponding to a moderate-to-high level on the 1–5 scale. Contrary to the expectation in H1, the difference between rural (M = 3.57; n = 405) and urban (M = 3.53; n = 138) institutions is negligible and statistically non-significant (Mann-Whitney U = 28,924; p = 0.54; effect size r = 0.03). Hypothesis H1 is therefore rejected: in attitudinal-competency terms, rural institutions are no less digitally mature than urban ones.

5.3. Regional Variation is Not Significant

Although the regional means of the DMI vary apparently between 3.46 (Maramureș) and 4.22 (Dobrogea), the Kruskal-Wallis test indicates no significant differences across the 9 regions (H = 9.03; df = 8; p = 0.34). Dobrogea's high value rests on a very small subsample (n = 13) and does not survive the omnibus test. Hypothesis H6 is thus rejected. This result corrects an earlier descriptive interpretation according to which regional variations were substantial: inferential analysis shows that they fall within the limits of sampling variability.

5.4. Seniority Does Not Affect Digital Maturity

Contrary to hypothesis H5, there is no significant difference in DMI across seniority levels in the position: 1–5 years (M = 3.59; n = 210), 6–10 years (M = 3.58; n = 117) and over 10 years (M = 3.52; n = 213); Kruskal-Wallis H = 0.58;

$p = 0.75$. Senior civil servants are therefore no less digitally mature, a result that contradicts the stereotype of "resistance to change" among senior staff and suggests that normative professionalization pressures act transversally (DiMaggio and Powell, 1983). Hypothesis H5 is rejected.

5.5. The Real Divide is Material and Organizational

The picture changes radically at the level of material endowment. On average, urban institutions have significantly more equipment types (3.37 vs. 2.58), more software solutions (1.74 vs. 1.37) and more dedicated digital roles (1.89 vs. 1.05), all differences being highly significant ($p < 0.001$; Table 2). Enrolment in the Ghișeul.ro platform is far more frequent in urban areas (74.6%) than in rural ones (50.4%; $\chi^2 = 24.0$; $p < 0.001$). Moreover, the practice of monitoring and communicating with citizens is itself more developed in urban areas (mean index 0.95 vs. 0.66 on the 0–2 scale; $p < 0.001$).

Table 2. Rural vs. urban comparison: material endowment and practices vs. digital maturity (Mann-Whitney U and χ^2 tests; n.s. = non-significant).

Indicator	Rural (M)	Urban (M)	p	Verdict
No. of equipment types	2.58	3.37	< 0.001	Urban >
No. of software solutions	1.37	1.74	< 0.001	Urban >
No. of dedicated digital roles	1.05	1.89	< 0.001	Urban >
Citizen-monitoring index (0–2)	0.66	0.95	< 0.001	Urban >
Ghișeul.ro enrolment	50.4%	74.6%	< 0.001	Urban >
DMI ("human" maturity)	3.57	3.53	0.54	n.s.

Source: author's elaboration

The contrast is the essence of the contribution: the urban–rural divide is real, but it manifests at the level of material resources, access to the national e-government infrastructure and organizational practices, not at the level of staff training and attitudes. Rural institutions have civil servants who are just as aware, motivated and digitally competent as their urban counterparts, but who work with fewer means.

5.6. What explains digital maturity?

The analysis of Spearman correlations with DMI (Table 3) clarifies the hierarchy of factors. The strongest and only robust correlate of DMI is the index of monitoring and two-way communication with citizens ($\rho = 0.34$; $p < 0.001$).

The number of equipment types (ρ = 0.09; p = 0.04) and of dedicated roles (ρ = 0.10; p = 0.02) show positive but weak associations, while the number of software solutions (ρ = 0.08; p = 0.08) does not reach the significance threshold. Thus, H3 receives only weak support, while H2 is confirmed in its "practice" variant (monitoring/communication) rather than its purely infrastructural one. Seniority (ρ = −0.03) and urban environment (ρ = −0.03) do not correlate with DMI, reconfirming the earlier results.

Table 3. Spearman correlations between DMI and the main factors (n ≈ 536–543; *** p < 0.001, * p < 0.05)

Factor associated with DMI	ρ (Spearman)	p	Interpretation
Citizen-monitoring index	+0.34	< 0.001	strong ***
No. of dedicated digital roles	+0.10	0.02	weak *
No. of equipment types	+0.09	0.04	weak *
No. of software solutions	+0.08	0.08	non-significant
Urban environment	−0.03	0.54	non-significant
Seniority in position	−0.03	0.52	non-significant

Source: author's elaboration

The relationship between monitoring and DMI is robust: it holds, with similar intensity, within both environments (rural ρ = 0.33; urban ρ = 0.39; both p < 0.001), which rules out the possibility that the association is a mere artefact of the urban/rural difference. Notably, material endowment does not "buy" the communication practice: the correlation between the number of equipment types and the monitoring index is null (ρ = 0.07; p = 0.08). In other words, an institution may have equipment without communicating with its citizens, citizen orientation is an organizational choice, not an automatic consequence of endowment.

5.7. The ADKAR Profile: Where the Weak Links Lie

Decomposing the DMI at the item level reveals a coherent pattern. The highest-rated items pertain to awareness and understanding: civil servants understand why the institution is digitalizing (M = 3.93), understand its impact (M = 3.89) and are informed about projects (M = 3.89). The lowest-rated items pertain to knowledge and operational ability: the opportunity to practice the new activities (M = 3.10), continuous training in the digital field (M = 3.14) and in communicating with citizens (M = 3.21). This profile, high awareness but

deficient training and practice, shows that where a "human" deficit exists, it is one of training supply, not of attitude. It is therefore, again, an organizational and resource deficit, not one of mindset.

At the ADKAR dimension level, the profile is telling: Awareness = 3.85, Desire = 3.57, Reinforcement = 3.49, Ability = 3.41 and Knowledge = 3.27. The pattern A > D > R > B > K confirms that the Romanian administration has already gone through the awareness and motivation stages but lags in operational knowledge (training) and ability (practice), precisely the components that depend on the organizational supply of training (Table 4).

Table 4. Means of the 18 DMI items, grouped by the dimensions of the ADKAR model (ordered descending within each dimension)

Dimension	Item (synthesized wording)	Mean (1–5)
Awareness	Understand why the institution is digitalizing	3.93
Awareness	Have received information about projects	3.89
Awareness	Understand the impact of the changes	3.89
Awareness	Know the digitalization strategy	3.80
Awareness	Informed about the digital means	3.73
Desire	Management supports the process	3.77
Desire	Motivated to be part of the process	3.54
Desire	Actively support digitalization	3.54
Desire	Have no fears about change	3.41
Knowledge	Have the necessary digital competencies	3.46
Knowledge	Continuously trained (citizen communication)	3.21
Knowledge	Continuously trained (digital field)	3.14
Ability	Receive support when facing difficulties	3.81
Ability	Can easily perform the new activities	3.32
Ability	Have been able to practice the new activities	3.10
Reinforcement	Perceive support for the change	3.69
Reinforcement	Are encouraged to use the tools	3.57
Reinforcement	No consequences if they do not use them	3.21

Source: author's elaboration

5.8. Enrolment in Ghișeul.ro

Institutions enrolled in Ghișeul.ro have a significantly higher DMI than non-enrolled ones (3.67 vs. 3.41; Mann-Whitney $p = 0.002$), and enrolment is significantly more frequent in urban (74.6%) than in rural (50.4%) areas, fully confirming H4. At the regional level, enrolment rates range from 38.5% (Banat) to about 69% (Dobrogea, Transylvania), suggesting that access to the national e-government infrastructure exhibits a territorial heterogeneity that the DMI does not reflect, further evidence that the divide is located in the material and access sphere, not in the human one.

5.9. Summary of Hypothesis Testing

Table 5. Summary of the verdicts on the hypotheses

Hypothesis	Statement (summary)	Verdict
H1	Urban > rural in DMI	Rejected ($p = 0.54$)
H2	Use/monitoring ↔ DMI	Confirmed (monitoring, $\rho = 0.34$)
H3	More equipment/software ↔ DMI	Weak support ($\rho \approx 0.08–0.10$)
H4	Ghișeul.ro ↔ high DMI and urban	Confirmed ($p = 0.002$; $p < 0.001$)
H5	Greater seniority ↔ lower adoption	Rejected ($p = 0.75$)
H6	Significant regional variations	Rejected ($p = 0.34$)

Source: author's elaboration

6. DISCUSSION

6.1. A Reinterpretation of the Digital Divide

The results converge towards a reinterpretation of the "digital divide" in the Romanian public administration. The dominant narrative, supported by aggregate DESI-type indicators, associates rurality with a generalized digital lag. The present data nuance this picture: the divide exists, but it is located in the material sphere, equipment, software, specialized roles, access to the national e-government infrastructure, and in that of organizational practices, not in the human sphere, where the awareness, motivation, basic competencies and citizen orientation of staff are remarkably uniform across environments, regions and generations. The theoretical distinction between an access/endowment divide and a skills divide thus finds empirical confirmation at the level of public institutions: in the Romanian case, the dominant divide is one of endowment.

6.2. The Human Deficit, Where it Exists, is One of Training

The ADKAR profile refines this conclusion. The fact that awareness and understanding items are the highest-rated, while the training and practice items are the lowest, shows that resistance to digitalization is not a matter of attitude but of opportunity: civil servants are willing and understand, but do not receive enough continuous training and practice opportunities. This places responsibility at the organizational and policy level, not at the level of the individual. The result is consistent with the literature that links the success of digital transformation to the development of capabilities rather than to the mere acquisition of technology (Vial, 2019; Mergel, Edelmann and Haug, 2019).

6.3. Citizen Orientation as the Engine of Maturity

The fact that the strongest predictor of DMI is the practice of monitoring and two-way communication with citizens, a relationship robust in both environments and independent of endowment, supports the digital-era governance perspective (Dunleavy et al., 2006) and the transition from "e-government" to "we-government" (Linders, 2012). Digital maturity appears to be a property of a citizen-oriented institutional culture and of coproduction practices (Bonsón et al., 2012) rather than of the technical inventory. The finding that equipment does not automatically generate communication confirms the classic thesis that the success factors of e-government are organizational, not technological (Gil-García and Pardo, 2005; Meijer and Bekkers, 2015).

6.4. Reconciliation with Literature and a Neo-institutional Interpretation

This distinction reconciles the apparent tension with results previously published on the same dataset (Greavu-Șerban, Gheorghiu and Ungureanu, 2025), which had found a more intensive urban adoption of certain digital tools. The two findings do not contradict each other: urban institutions use more tools because they have more resources, but this material advantage does not translate into superior "human" digital maturity. The uniformity of attitudes and competencies, across environments, regions and seniority levels, is consistent with the thesis of institutional isomorphism (DiMaggio and Powell, 1983): coercive (European and national requirements), mimetic (imitation of good practices) and normative (the professionalization of the civil service) pressures homogenize the digital culture of staff, even where material resources remain unequal. Digital human capital thus appears to be distributed more equitably across the territory than material capital.

7. POLICY IMPLICATIONS

If the divide is material and organizational, and human capital is uniform, then digitalization policies should be reordered accordingly. Four directions emerge:

1. ***Differentiated investment in infrastructure, not in generalized awareness-raising.*** Resources should be directed towards the material endowment of rural and small institutions (equipment, software solutions, digital roles), not towards awareness campaigns whose necessity the data do not confirm.
2. ***A government SaaS cloud for small administrative units.*** Since the urban advantage lies in access to infrastructure and platforms (including Ghișeul.ro), a centralized offering of web hosting, institutional e-mail and applications would reduce the material divide without depending on local budgets.
3. ***Continuous-training and hands-on-practice programs.*** Because the weakest links of maturity are continuous training and practice, rather than attitudes, applied training programs, with real opportunities for practice, would have a greater impact than theoretical awareness courses.
4. ***Stimulating citizen-communication practices.*** Since monitoring and two-way communication are the strongest correlate of maturity and do not depend on endowment, generalizing standards and indicators for citizen communication could have a knock-on effect on the entire digitalization process.

Unlike strictly regional recommendations, the data does not justify targeting by region (since regional variation is non-significant), but rather targeting by ***institution type and level of endowment***, the relevant criterion being material and organizational capacity, not geographic location.

8. LIMITATIONS

The study has several limitations. The data are self-reported and come from individual respondents, with possible social-desirability effects and with several respondents per administrative unit. The sample is imbalanced (75% rural / 25% urban), and some regional subgroups, especially urban ones, are too small for reliable estimates. The very high internal consistency of the DMI ($\alpha = 0.96$) suggests a degree of item redundancy that could be refined through confirmatory factor analysis. Finally, the cross-sectional design does not allow causal inference; the reported correlations describe associations, not mechanisms. Future research could test these relationships through a longitudinal design and through multivariate regression models that simultaneously control material, organizational and territorial factors.

9. CONCLUSIONS

Based on a sample of 568 respondents from public institutions across Romania, the paper shows that the “human” digital maturity of the administration, measured through awareness, motivation, competencies and

citizen orientation, does not differ significantly between rural and urban areas, between regions, or by seniority. The real digital divide is material and organizational: urban institutions have more equipment, software, dedicated roles, communication practices and access to the Ghișeul.ro platform. The strongest factor associated with digital maturity is the institutional practice of communicating with citizens, not technical endowment, geography or staff seniority, and where a human deficit exists, it is one of training and practice, not of attitude.

The policy implication is one of reordering priorities: from generalized awareness campaigns towards targeted material investment in poorly equipped institutions, applied training programs and the encouragement of a citizen-communication culture. The distinction between a material and a human divide, empirically confirmed here, provides a more precise criterion for allocating digitalization resources in public administration.

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THE EU SANCTIONS AGAINST RUSSIA: EVALUATING THE CLARITY, EFFECTIVENESS AND PROPORTIONALITY OF RESTRICTIONS ON DUAL-USE GOODS AND FINANCIAL TRANSACTIONS

SABIN-TIBERIU PÎNZARIU
Attorney-at-Law
Iași Bar, Romania
av.sabinpinzariu@gmail.com

Abstract
The European Union's sanctions regime against Russia has undergone significant expansion following the outbreak of the war in Ukraine, with restrictions on dual-use goods and financial transactions emerging as key instruments of European Union external actions. While these measures pursue legitimate objectives related to international security and the protection of the international order, their growing complexity raises important legal and practical challenges. This article examines several practical aspects concerning the implementation of international sanctions, as well as the risk of failing to achieve the objectives targeted by such sanctions, in the absence of adequate interpretative guidance and a clear allocation of responsibilities among the public authorities designated to enforce them. Given the lack of clear legal provisions in this area, difficulties also arise when it is necessary to identify the competent state authorities responsible for sanctions enforcement, as well as the drafting of the contravention reports. As a consequence, courts may uphold challenges brought by petitioners against the contravention reports, thereby undermining the effectiveness and practical enforcement of the applicable European Union legal framework.
Keywords: *international sanctions; legal framework; dual-use goods*.
JEL Classification: K33; F51; F53; K23.

1. INTRODUCTION

The European Union's response to Russia's attacks on Ukraine was not long in coming. The European Union imposed numerous sanctions on Russia across a wide range of areas to weaken the attacking country's economy. As the war crisis evolved, the European Union has progressively imposed a wide range of sanctions, affecting different sectors of the Russian economy. The UE sanctions framework has necessarily grown more complex, as new restrictions have been added to an already extensive body of rules. The application of these measures therefore represents an increasingly relevant area of legal analysis.

The effectiveness of such restrictive measures largely depends on the extent of economic interdependence between the parties concerned, as well as on the changing political circumstances surrounding their adoption or subsequent removal (Missiroli, 2016).

The measures taken have a restrictive character and pursue legitimate and significant objectives, including contributing to international security, responding to violations of international law and limiting the economic resources available to support Russia's military activities. At the same time, sanctions' effectiveness depends on their practical implementation. Rules adopted at European Union level must be understood by those subject to them and applied by the authorities responsible for monitoring and enforcing compliance. Their effectiveness may therefore depend not only on the substantive content of the restrictions, but also on the clarity of the applicable rules, the consistency of their interpretation and the existence of an adequate enforcement framework.

The topic of the present article is highly relevant, particularly in the current geopolitical context. Legal doctrine and studies are relatively underdeveloped, and the existing framework contains certain legal lacunae.

Furthermore, applying the relevant regulations raises several difficulties, both for the authorities responsible for identifying and sanctioning contraventions and for the courts when examining complaints brought by alleged offenders. These difficulties are mainly caused by certain inconsistencies in the relevant directives and regulations, differences in the way the competent authorities apply and enforce the rules, and varying interpretations among legal practitioners.

The objective of this article is to illustrate, through a case study, how the theoretical framework presented above can be applied to a specific situation. This article examines a series of practical impediments, debates and divergent interpretations, as well as their potential implications for the parties involved in the proceedings.

2. THE APPLICABILITY AND THE EFFECTIVENESS OF EU LEGISLATION REGARDING THE EU SANCTIONS AGAINST RUSSIA

2.1. The Legal Order of the European Union

The European Union's legal order consists of legal rules that govern the functioning of EU institutions, as well as the relationships between the European Union, its Member States, and the persons and entities subject to EU law. In exercising the powers given to it by the Treaties, the European Union adopts different types of legal acts through which it establishes rights and obligations

and pursues specific objectives. These acts form part of the EU legal order and may have different legal effects within Member States' national legal systems.

Article 288 of the Treaty on the Functioning of the European Union (TFEU), consolidated version, provides that the European Union "shall adopt regulations, directives, decisions, recommendations, and opinions". These legal acts differ in their binding nature, their addressees, and how they produce legal effects. Regulations, directives and decisions are binding, while recommendations and opinions are not legally binding. A regulation is of general application. Its provisions therefore apply within the national legal systems without the need for national legislation to transpose the regulation. Once a regulation enters into force, it becomes part of the legal framework applicable in the Member States. National authorities must apply and enforce the Regulation. This characteristic is important in the field of EU restrictive measures, where direct uniform application of EU rules across all Member States is essential.

Directives operate differently. A directive is one of the European Union's principal legislative instruments, alongside regulations. It seeks to balance the need to ensure a certain degree of uniformity in applying EU law with the need to respect the diversity of national legal traditions and institutional structures (Borchardt, 2016).

Therefore, directives generally require Member States to adopt national measures to implement their provisions in domestic law. The Member States must take the necessary legislative or administrative measures within the period set by the directive. Unlike regulations, directives generally do not become directly applicable in their entirety simply because they have entered into force.

Decisions are another type of binding EU legal act. Under Article 288 TFEU, consolidated version, 'a decision is binding in its entirety'. Where a decision identifies its addressees, it binds only those addressees. Decisions may therefore be addressed to Member States, natural or legal persons, or other specific entities, depending on their subject matter. Their legal effects therefore depend, among other things, on the persons or entities to which they are addressed.

The Treaties also recognize recommendations and opinions as legal instruments available to EU institutions. They allow these institutions to communicate their views to the Member States and, in certain cases, to individuals. However, such instruments are not legally binding and therefore do not create any legal obligation for those to whom they are addressed (Borchardt, 2016).

The distinction between these different types of EU legal acts is particularly important when examining the relationship between EU law and national law. The legal effects of an EU act and the obligations arising from it depend, to a significant extent, on the type of act adopted by the Union. Regulations have a

particularly important position because they are directly applicable in all Member States. This is especially relevant in the context of the restrictive measures adopted by the European Union in response to Russia's actions against Ukraine, many of which are established through EU regulations that apply directly within the Member States.

In this context, EU Regulation no. 833/2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, consolidated version, provides a relevant example of the practical application of EU law within Member States' national legal systems. Although the Regulation is directly applicable, its effective application and enforcement may require action by national authorities. It may also operate alongside national legislation establishing the competent authorities, procedures, and sanctions for infringements of EU restrictive measures. The relationship between the Regulation's direct applicability and the role of national authorities is therefore an important aspect of implementing and enforcing EU sanctions against Russia.

The Regulation's direct applicability does not mean Member States have no role in implementing it. On the contrary, enforcement of EU rules may, in certain respects, depend on appropriate national mechanisms that allow national authorities to meet the obligations established at EU level. It is important to spot the differences between the Regulation's direct applicability and the national measures needed to ensure its enforcement.

2.2. The EU Sanctions

Sanctions, more accurately referred to within the EU framework as ‘restrictive measures’, have increasingly become instruments of foreign policy. While their use predates the Maastricht Treaty — for instance, sanctions were imposed on South Africa as early as the late 1980s — the last two decades have witnessed a considerable expansion in both their frequency and scope. This development has been accompanied by a gradual shift away from comprehensive sanctions, such as broad trade restrictions or oil embargoes, toward more targeted measures, commonly described as “smart sanctions”, including asset freezes and travel restrictions.

The subjects of EU restrictive measures have likewise become increasingly diverse. Rather than being directed solely at states, as illustrated by the measures adopted in relation to Syria, sanctions may also target individuals and non-state actors. These have included terrorist organizations, political figures such as Robert Mugabe and persons associated with him, as well as companies linked to the military junta in Burma/Myanmar.

The EU has adopted restrictive measures across a broad spectrum of foreign policy situations and objectives. Their use has extended from addressing human rights concerns, as illustrated by the measures adopted in respect of Belarus and Uzbekistan, to responding to international crises

involving, among others, Afghanistan and Russia. The range of contexts in which these measures have been adopted reflects their growing importance as an instrument through which the EU pursues and implements its external policy objectives (Missiroli, 2016).

The developments, particularly regarding the use of sanctions as an important foreign policy tool and, in particular, towards Russia, demonstrate that the EU has managed to combine its economic weight with its efforts to play a greater role internationally (Craig et al., 2020).

Russia's full-scale war of aggression against Ukraine has brought about profound changes within the European Union, affecting various dimensions of the Union's legal and institutional framework, while also prompting the adoption of restrictive measures widely regarded as unprecedented in both scope and intensity (Finelli et al., 2023).

The restrictive measures imposed on Russia by the European Union have been developing continuously since 2014, following the illegal annexation of Crimea and Sevastopol. In recent days, the European Council has reiterated the EU's intention to maintain and intensify pressure on Russia, particularly by further targeting its war economy. These measures are aimed at encouraging Russia to put an end to its war of aggression and to engage in genuine negotiations with a view to achieving peace (Council of the EU, 2026).

Although sanctions against Russia are now closely associated with the war that started with the Russian invasion on 24 February 2022, the foundations of the current legal framework were already established in 2014. The current regulations do not constitute a separate regime of restrictive measures; rather, they represent the development of an existing sanctions regime.

The current sanctions regime adopted in response to the situation in Ukraine traces back to European Regulation no. 269/2014 of 17 March 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. Through this Regulation, the EU has made clear that it intends to keep Russian business elites, commonly referred to as "oligarchs", on the sanctions list, with a view to preventing their assets from being transferred outside the EU (Finelli, 2026).

Subsequently, on 31 July 2014, the European Regulation No. 833/2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine was adopted. This Regulation became an important part of the EU sanctions framework against Russia. It introduced restrictions on, among other matters, financial transactions and the transfer of certain dual-use goods, as well as other measures relevant to this article's analysis.

Regulation No. 833/2014 is a starting point for the economic sanctions imposed on Russia. The initial version of Regulation 833/2014 was relatively brief, consisting of only 14 articles and three annexes (I, II and III), and covered just 11 pages (Maly et al., 2023).

Nevertheless, its provisions did not remain unchanged. Shortly after the Regulation entered into force, the situation in Ukraine continued to deteriorate, which led the EU to extend its restrictive measures further. The EU introduced the first additional sanctions packages on 12 September 2014.

Between 2015 and 2021, the EU regularly extended the economic sanctions. This means that, before 24 February 2022, a well-developed European legal framework already governed the restrictive measures the EU adopted against Russia.

Regulation (EU) no. 833/2014, consolidated version, was amended several times, with additional restrictions being introduced in areas such as financial transactions, technology and transport, among others.

In the case study discussed above, the relevant legal framework consists, at the European level, of Regulation (EU) No. 833/2014, consolidated version, and, at the national level, of Romania's Government Emergency Ordinance No. 202/2008, consolidated version, which also covers the implementation of international sanctions. The interaction between these two legal frameworks is particularly relevant, since the application of restrictive measures adopted at EU level is complemented by the mechanisms and obligations established under Romanian law.

2.3. Case Study

A specific practical situation will be examined, as it raised several issues of interpretation and application, ultimately placing the alleged offender in the position of having to lodge a contravention complaint. This was mainly due to a number of irregularities identified in the report drawn up by the authorities with regard to the application of Regulation (EU) No 833/2014, consolidated version.

In this case, a transport company, hereinafter referred to as Company X, was fined 30.000 RON by the Romanian Customs Authority for an alleged contravention. The fine was imposed by means of a contravention report, which also ordered the confiscation of the goods being transported. The goods belonged to Company Y, a company established in the Republic of Moldova.

According to the description of the facts included in the report, the goods covered by the transit declaration were intended to transit Romania, with Russia as their final destination. The goods were detained at the border customs office for the purpose of confiscation, as the customs authorities considered that their transportation was in breach of UE Regulation no. 833/2014, consolidated version.

The authorities ordered the confiscation of a total of eight goods belonging to Company Y and being transported by Company X. Two of these goods were confiscated on the ground that they were considered to be potentially subject to dual-use restrictions. The remaining six goods were confiscated because the

financial transactions relating to them had been carried out through Sberbank, a Russian bank included on the EU sanctions list.

Since 2014, EU law has prohibited the export of dual-use goods for military purposes. This prohibition is not limited to goods intended for military end-users. It may also apply where the goods are exported to civilian end-users or for civilian purposes. Only a limited number of exemptions and derogations are available, and these are subject to specific conditions (EU Comission, 2026).

This may be regarded as a disproportionate measure, given that various economic operators engaged in the import and export of goods classified as dual-use items, even though it was difficult to envisage how such goods could have been used in the context of the war. As a result, these sanctions restricted or even halted the ordinary business activities of many economic operators, as was the case with Company Y in the present case. The EU should ensure its restrictive measures are proportionate and do not impose an unreasonable burden on economic operators, especially those based in third countries, as the circumstances of the present case show. This approach appears in the United Kingdom, where proportionality between the measures adopted and the objectives pursued is recognized as an important principle in economic security (Yih, 2026).

Therefore, Company X lodged a contravention complaint before the competent court, challenging the legality and factual basis of the sanctioning report and raising several grounds in support of its complaint.

First of all, the alleged offender argued that the absolute nullity of the challenged report should be established, on the ground that the customs officer who imposed the sanction was not authorised to sanction alleged contraventions relating to financial transactions.

To support its arguments, the applicant referred to the legal provisions on the authorities competent to ascertain and sanction contraventions of this nature. These provisions appear in both EU Regulation No. 833/2014, consolidated version, and Romanian Government Emergency Ordinance No. 202/2008, consolidated version, namely in the same legal provisions on which the authorities based the challenged contravention report.

According to Article 1 (b) of EU Regulation No. 833/2014, consolidated version, “competent authorities” means the competent authorities of the Member States, as identified on the websites listed in Annex I. By examining Annex I referred to in the above-mentioned provision, it can be observed that the competent authorities in Romania are identified on the website http://www.mae.ro/node/1548. The information provided on this website indicates that the Romanian Customs Authority has competence only with regard to goods entering or leaving the European Union, not regarding to financial transactions.

Moreover, there are other authorities operating at the level of Romania which have competence to verify the legality of transactions. According to Article 1 (b) of EU Regulation No. 833/2014, consolidated version, which refers to the website http://www.mae.ro/node/1548, "the National Bank of Romania is competent and responsible for supervising and controlling the implementation of international sanctions concerning the freezing of funds, restrictions on certain transfers of funds and financial services adopted for the purpose of preventing nuclear proliferation, as well as sectoral international sanctions specifically applicable to the financial and banking sector, with regard to the following categories of entities: credit institutions established as Romanian legal persons and branches of credit institutions established as foreign legal persons; payment institutions established as Romanian legal persons and branches of payment institutions from other Member States; electronic money institutions established as Romanian legal persons and branches of electronic money institutions from other Member States; non-bank financial institutions registered in the Special Register; and non-bank financial institutions registered only in the General Register which also have the status of a payment institution or electronic money institution*"*.

At the same time, the National Agency for Fiscal Administration is competent to examine "requests for derogations from the application of international sanctions concerning the freezing of funds and from the prohibition on making funds available, subject to the conditions established by the legal acts imposing the relevant international sanctions. The same authority is also competent to authorize requests submitted by financial institutions and credit institutions concerning sectoral international sanctions specifically applicable to the financial sector".

In view of these legal provisions, the applicant argues that the Romanian Customs Authority does not have competence to examine the banking transaction carried out between the two companies through Sberbank. As can be seen from the above, there are other competent authorities at national level which have powers to ascertain and sanction irregularities relating to financial transactions.

Secondly, the applicant referred to the absence of one of the constituent elements of the contravention, namely guilt. One of the essential features, and one of the conditions for a natural or legal person to be subject to a contravention sanction, is that the act must have been committed with the form of guilt required by law.

Given that the law on contraventions is also referred to as "minor criminal law", the provisions governing contraventions are supplemented by the provisions of criminal law. First and foremost, a person challenging a contravention report is entitled to the presumption of innocence, as a defendant

in criminal proceedings. The presumption of innocence is likewise expressly enshrined in EU law.

The presumption of innocence is a fundamental principle of criminal justice, primarily intended to shield individuals from the unjustified exercise of the State's coercive powers. Although the right to a fair trial is one of the fundamental guarantees of human rights law, the presumption of innocence lies at the heart of that right and provides one of its most basic foundations (Peers et al., 2021).

Having regard to the factual situation described above, as well as to the carrier's limited responsibilities, it is clear that one of the conditions forming part of the constituent elements of the contravention is not fulfilled, namely that "the act must be committed with the guilt prescribed by law". In practice, although the carrier had no obligation to verify the documents prepared by Company Y, it was the subject to a contravention fine of 30.000 RON, and the goods transported, which belonged to Company Y, were also confiscated.

Even EU Regulation no. 833/2014, consolidated version, which constituted the legal basis for sanctioning the applicant, expressly addresses liability for infringements of its provisions, with Article 10 providing a ground for excluding the liability of the person allegedly responsible. According to Article 10 of EU Regulation no. 833/2014, consolidated version, "actions carried out by natural or legal persons, entities or bodies do not give rise to liability on their part where they did not know, and had no reasonable cause to suspect, that their actions would infringe the measures laid down in the Regulation".

Accordingly, the applicant considered that it should be exempted from contraventional liability, as it could not have known, nor did it have any reason to suspect, that its actions would constitute an infringement of the measures laid down in EU Regulation no. 833/2014, consolidated version.

The applicant further argued that the carrier could not reasonably be held responsible for the financial transaction carried out through "Sberbank". Such an interpretation would imply that a mere carrier, acting as a third party to the contractual relationship, should be expected to know about, or become involved in the financial transactions between the two parties to the contract. In the applicant's view, such an obligation would clearly exceed the reasonable limits of both EU Regulation no. 833/2014, consolidated version, and its interpretation.

The court of first instance dismissed the contravention complaint filed by Company X. As a result, Company X appealed against this decision, arguing that the court had not addressed all the claims submitted and had failed to examine the factual circumstances of the case properly. The appellant also argued that the court had dismissed the complaint without properly analyzing the relevant provisions of the EU Regulation or the rules governing their interpretation.

The appellate court upheld the appeal and sent the case back to the first-instance court for further review. In practice, this created a sort of "ping-pong"

between state authorities, with the case passed from one institution to another, while the relevant authorities avoided taking a clear position on issues that are relatively new and difficult, and for which there is still limited case law and legal scholarship.

Another difficulty is that the rules governing the interpretation of these provisions are not sufficiently clear. As a result, state authorities, legal practitioners, and litigants often struggle to understand the European legal framework and, more importantly, to apply it correctly in practice.

This situation is likely to lead to other cases similar to the one analyzed in this case study. In such cases, the authorities responsible for establishing contraventions may struggle to determine whether the relevant conduct falls within the scope of the European sanctions regime. This may ultimately result in contravention sanctions being imposed unlawfully, simply because the authorities have not fully understood the rationale and context of the European rules or how they are intended to be applied.

3. CONCLUSIONS

This article sought to present the EU sanctions imposed on the Russian Federation in response to Russia's aggression against Ukraine. In recent years, the European Union has imposed restrictive measures across several areas important to Russia's economy. The sanctions packages have included measures related to trade, financial transactions, energy, transport, and dual-use goods. At the same time, the continuous expansion of the sanctions packages, especially after the 2022 invasion, has taken on particular significance, with the legal framework becoming increasingly complex and creating difficulties not only for litigants, but also for the competent authorities in applying the legal provisions.

As shown above, EU Regulation no. 833/2014, consolidated version, is directly applicable in the Member States and imposes significant restrictions on economic activities involving Russia. However, the Regulation's direct applicability does not mean its provisions are easy for Member State bodies to understand or implement. National authorities have an important role in enforcing these rules, and their powers must be clearly established. Where the responsibilities of the different authorities are not sufficiently clear, there is a risk that the same conduct may be assessed differently or that an authority without the necessary competence may impose a sanction.

The consequences of these difficulties in understanding and applying the restrictive measures should not be underestimated. If the employees of the authorities responsible for identifying and sanctioning breaches of the European provisions do not clearly understand the purpose and the conditions under which a natural or legal person may be held liable, there is a risk that the sanctions imposed by the EU will be applied incorrectly within the territory of the Member States.

As a result, unlawful official reports establishing contraventions may be issued and challenged before the courts, leading to complex judicial proceedings and potentially to a situation in which the effectiveness of the sanctions provided for under EU law becomes non-existent. In such circumstances, the effectiveness of the EU sanctions against Russia should not be assessed solely by reference to the number of restrictions imposed or their severity. It is equally important that competent authorities and authorized persons properly understand and apply the legal provisions. A sanctions regime can achieve its purpose only if the legal provisions are sufficiently clear, the responsibilities of the authorities are extremely well defined, and liability is incurred only to the extent that all legal conditions are met.

Given that this issue is plainly topical, specialists in the field should intensify conferences and studies addressing the legal issues relating to these sanctions imposed by the EU on Russia, as well as the problems that arise when Member State authorities must apply the sanctions.

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ECONOMIC AND TRADE RELATIONS BETWEEN CHINA AND CENTRAL AND EASTERN EUROPEAN COUNTRIES: PERFORMANCE AND PROSPECTS

LUYAO RAO
Alexandru Ioan Cuza University of Iași
Iași, Romania
raoluyao@outlook.com

Abstract
The China-Central and Eastern European Countries (CEEC) Cooperation Mechanism and the Belt and Road Initiative have established an important institutional framework for deepening economic and trade relations between China and the CEEC. Using bilateral merchandise trade data for 17 CEEC economies from 2010 to 2023, this study employs descriptive and comparative analyses to examine the scale, geographical distribution, product structure, and market penetration of China-CEEC trade. The results show that bilateral trade expanded substantially during the study period but remained highly concentrated in a small number of economies, particularly Poland, the Czech Republic, Hungary, and Slovakia. CEEC imports from China were dominated by machinery, electrical equipment, and other manufactured products, whereas their exports to China combined machinery and transport equipment with metals, mineral products, and agricultural goods. China's share of CEEC import markets also increased overall, although considerable differences persisted across countries. Despite the expansion of bilateral trade, substantial trade imbalances and regional disparities remain. These findings highlight the need to improve market access for CEEC products, diversify bilateral trade, and promote a more balanced and sustainable structure of China-CEEC economic cooperation.
Keywords: *China-CEEC cooperation; bilateral trade; trade structure; market share; Belt and Road Initiative.*
JEL Classification: F14; F15; F53.

1. INTRODUCTION

In April 2012, China announced the "Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries" at the Warsaw Summit, marking the formal establishment of the China-Central and Eastern European Countries (China-CEEC) Cooperation Mechanism. The mechanism created an institutional framework for cooperation in trade,

investment, infrastructure, finance, and people-to-people exchanges, laying the foundation for closer economic relations between China and the CEEC. The launch of the Belt and Road Initiative (BRI) in 2013 provided further opportunities to strengthen regional connectivity and economic cooperation (Fang and Nolan, 2019). Owing to their geographical position between Asia and Western Europe, the CEEC occupy an important place in China-Europe transport networks. Against this institutional and geographical background, economic and trade relations between China and the CEEC have expanded considerably.

The CEEC comprise a diverse group of emerging and advanced European economies that differ substantially in market size, industrial capacity, economic development, and integration into regional production networks (Shang et al., 2016; Matura, 2019). Despite these differences, the economic structures of China and the CEEC exhibit several forms of complementarity. China has become an important supplier of machinery, electrical equipment, consumer products, and intermediate goods to CEEC markets, while the CEEC export machinery, transport equipment, metals, mineral products, and agricultural goods to China. Improvements in transport connectivity, policy coordination, and institutional cooperation have created additional opportunities for expanding bilateral trade. However, trade relations remain characterized by considerable cross-country disparities, a high concentration of trade in a limited number of economies, and persistent imbalances between CEEC imports from and exports to China.

Although China-CEEC economic cooperation has attracted increasing scholarly and policy attention, a systematic description of its long-term trade performance remains valuable. In particular, it is important to examine not only the aggregate expansion of bilateral trade but also its geographical distribution, product composition, and the position of Chinese goods in individual CEEC import markets. Such an analysis can provide a clearer understanding of the achievements and structural limitations of bilateral trade and establish an empirical basis for assessing its future development.

Using bilateral merchandise trade data covering 17 CEEC economies from 2010 to 2023, this study examines the scale, evolution, geographical distribution, product structure, and market share of China-CEEC trade. It applies descriptive statistical and comparative analyses to identify temporal trends and cross-country differences in bilateral trade performance. On this basis, the study discusses the principal characteristics of China-CEEC trade and considers the prospects for developing a more diversified, balanced, and sustainable economic relationship.

2. DATA

2.1. Sample and Data Sources

The sample is defined according to the China-Central and Eastern European

Countries (China-CEEC) Cooperation Mechanism. The mechanism initially comprised 16 CEEC economies: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, and Slovenia. Greece joined the mechanism in 2019. To provide a consistent regional analysis, this study covers all 17 CEEC economies over the period 2010-2023.

All data used in this study are obtained from the United Nations Comtrade database. The dataset contains annual values of CEEC exports to China, CEEC imports from China, product-level bilateral trade, and each CEEC economy's total merchandise imports from the world. All trade values are expressed in current US dollars.

Throughout the study, exports and imports are defined from the perspective of the CEEC. Therefore, CEEC exports refer to goods exported from the 17 CEEC economies to China, while CEEC imports refer to goods imported by these economies from China. This distinction is applied consistently in the tables and discussion.

2.2. Analytical Indicators

The analysis considers three dimensions of China-CEEC merchandise trade: trade scale and growth rate, geographical distribution, and market penetration. Total bilateral trade is measured as the sum of each CEEC economy's exports to and imports from China. The geographical distribution of bilateral trade is assessed using each economy's share of total China-CEEC trade during 2010-2023. China's market share in each CEEC economy's import market is calculated as follows:

$$MS_{it} = \frac{IM_{\mathrm{ic}}}{IM_{iw}} * 100 \quad (1)$$

where (MS_{it}) denotes China's share in the import market of CEEC economy (i) in year (t), (IM_{ic}) represents economy (i)'s imports from China, and (IM_{iw}) represents its total merchandise imports from the world.

The study employs descriptive statistical analysis, comparative analysis, and indicator-based evaluation. Annual trade values are used to examine changes in the scale of bilateral trade, while country-level comparisons reveal its geographical concentration and cross-country variation. Product-level data for 2023 are used to analyze the composition of CEEC imports from and exports to China. The market share indicator is applied to evaluate changes in the relative position of Chinese goods in individual CEEC import markets. As the analysis is descriptive, the findings identify empirical patterns and associations rather than causal effects.

3. RESULTS: ECONOMIC AND TRADE PERFORMANCE BETWEEN CHINA AND CEEC

3.1. Trade Evolution

Merchandise trade between China and the CEEC expanded substantially between 2010 and 2023, although its development was characterized by periodic fluctuations. As shown in Table 1 and Figure 1, total bilateral trade increased from USD 64.23 billion in 2010 to USD 168.70 billion in 2023, representing an overall increase of approximately 162.65%. Trade reached its highest annual value of USD 176.76 billion in 2022 before declining moderately in 2023.

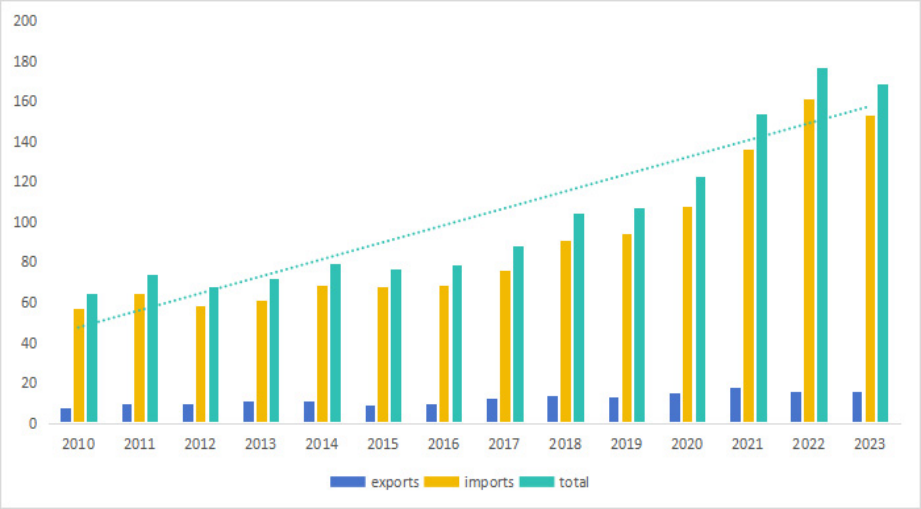
Over the entire study period, cumulative merchandise trade between China and the CEEC amounted to USD 1,433.60 billion. From the perspective of the CEEC, exports to China totaled USD 169.86 billion, accounting for 11.85% of bilateral trade, whereas imports from China reached USD 1,263.74 billion, representing 88.15%. Consequently, the CEEC recorded a cumulative merchandise trade deficit of approximately USD 1,093.88 billion with China. The annual deficit increased from USD 49.62 billion in 2010 to USD 136.96 billion in 2023 and reached its highest level of USD 145.68 billion in 2022.

Table 1. Annual merchandise trade between China and the CEEC, 2010-2023

Year	Exports	Imports	Total	Deficit
2010	7.31	56.92	64.23	-49.62
2011	9.49	64.35	73.84	-54.86
2012	9.46	58.18	67.64	-48.72
2013	11.10	60.74	71.84	-49.64
2014	11.05	68.49	79.54	-57.45
2015	9.13	67.63	76.76	-58.51
2016	9.91	68.66	78.57	-58.75
2017	12.16	76.21	88.37	-64.05
2018	13.31	90.72	104.03	-77.41
2019	13.19	93.96	107.15	-80.77
2020	14.93	107.41	122.35	-92.48
2021	17.42	136.41	153.83	-118.99
2022	15.54	161.22	176.76	-145.68
2023	15.87	152.83	168.70	-136.96
Total	169.86	1,263.74	1,433.60	-1,093.88

Note: Values are expressed in current USD billions. The trade balance is calculated as CEEC exports to China minus CEEC imports from China.

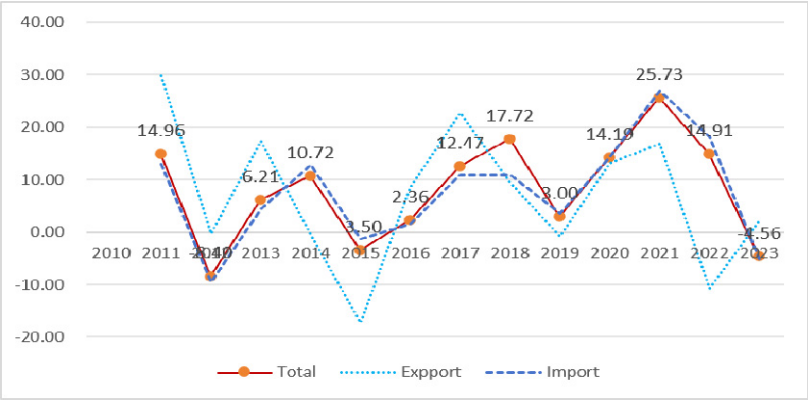
Source: author's calculations based on UN Comtrade data



Source: author's calculations based on UN Comtrade data

Figure 1. Merchandise trade between China and the CEEC, 2010-2023

Figure 2 presents the annual growth rates of total China-CEEC merchandise trade, CEEC exports to China, and CEEC imports from China. Total bilateral trade growth fluctuated considerably over the study period. Following an increase of approximately 14.96% in 2011, total trade contracted by 8.40% in 2012 before returning to positive growth in 2013 and 2014. A further moderate contraction occurred in 2015, followed by sustained expansion from 2016 to 2018. Growth slowed to approximately 3.00% in 2019 but accelerated to 14.19% in 2020 and reached a sample-period high of 25.73% in 2021. Although trade continued to grow by 14.91% in 2022, it declined by approximately 4.56% in 2023. CEEC export growth was generally more volatile, with relatively sharp increases in 2011, 2013, 2017, and 2021, but contractions in 2012, 2014, 2015, 2019, and 2022. By comparison, the growth of CEEC imports from China followed the movement of total trade more closely, reflecting the dominant share of imports in bilateral trade. Nevertheless, positive total trade growth was recorded in ten of the thirteen annual changes, confirming the long-term upward trajectory of bilateral trade despite several short-term contractions.



Source: author's calculations based on UN Comtrade data

Figure 2. Annual growth rate of China–CEEC merchandise trade, 2011-2023

3.2. Geographical Distribution

Table 2 ranks the 17 CEEC economies in descending order of their cumulative merchandise trade with China from 2010 to 2023. The results reveal a high degree of geographical concentration in China-CEEC trade. Poland was China's largest CEEC trading partner during 2010-2023, with cumulative bilateral trade of USD 456.61 billion, accounting for 31.85% of total China-CEEC trade. The Czech Republic ranked second, with USD 375.81 billion and a share of 26.21%. Together, the two economies accounted for 58.06% of total bilateral trade. Hungary and Slovakia followed, contributing 8.71% and 8.00%, respectively. The four largest partners therefore represented approximately 74.77% of cumulative China-CEEC trade.

Romania, Greece, Slovenia, Serbia, Bulgaria, and Estonia formed a middle group, with cumulative trade values ranging from approximately USD 25 billion to USD 74 billion. By contrast, Lithuania, Croatia, Bosnia and Herzegovina, Latvia, North Macedonia, Albania, and Montenegro each accounted for less than 1.3% of total bilateral trade. These results demonstrate substantial cross-country differences and a high concentration of China-CEEC trade in a limited number of economies.

The distribution of exports and imports also reveals a pronounced structural imbalance. Poland and the Czech Republic together accounted for 60.76% of CEEC imports from China but only 38.01% of CEEC exports to China. Hungary and Slovakia, in comparison, contributed relatively larger shares of CEEC exports to China. Their combined share of CEEC exports reached 32.91%, compared with 14.53% of imports. This comparison indicates that the geographical concentration of CEEC exports to China differs markedly from that of CEEC imports from China.

Table 2. Cumulative merchandise trade between China and the CEEC by economy, 2010-2023

Country	Exports		Imports		Total	
	Value	Share	Value	Share	Value	Share
Poland	33.88	19.95	422.74	33.45	456.61	31.85
Czech Republic	30.68	18.06	345.13	27.31	375.81	26.21
Hungary	28.68	16.89	96.16	7.61	124.84	8.71
Slovakia	27.21	16.02	87.45	6.92	114.66	8.00
Romania	11.06	6.51	63.20	5.00	74.25	5.18
Greece	8.14	4.80	60.31	4.77	68.46	4.78
Slovenia	3.58	2.11	43.55	3.45	47.12	3.29
Serbia	4.32	2.54	34.08	2.70	38.40	2.68
Bulgaria	11.02	6.49	22.00	1.74	33.03	2.30
Estonia	2.99	1.76	22.29	1.76	25.28	1.76
Lithuania	2.33	1.37	15.21	1.20	17.54	1.22
Croatia	1.23	0.72	14.90	1.18	16.13	1.12
Bosnia Herzegovina	0.20	0.12	11.15	0.88	11.36	0.79
Latvia	1.97	1.16	8.33	0.66	10.30	0.72
North Macedonia	1.53	0.90	7.61	0.60	9.14	0.64
Albania	0.91	0.54	6.29	0.50	7.20	0.50
Montenegro	0.14	0.08	3.34	0.26	3.48	0.24
Total	169.86	100	1263.74	100	1433.60	100

Note: Values are expressed in current USD billions, and shares are expressed as percentages.

Source: author's calculations based on UN Comtrade data

To examine the evolution of bilateral trade at the country level, Table 3 reports trade values for the 17 CEEC economies in selected years between 2010 and 2023. The economies are listed in descending order of their cumulative bilateral trade value over the full study period, while Figure 3 presents their annual trade trends. Given the considerable differences in trade magnitude, the economies are divided into three groups in Figure 3 to improve the visibility of trends among smaller economies. This grouping is used solely for visualization and does not represent a formal economic classification.

As shown in Table 3 and Figure 3, bilateral trade increased in most CEEC economies over the study period, although the pace and stability of growth varied considerably across countries. Poland and the Czech Republic remained the two largest trading partners and experienced particularly strong expansion after 2017. Trade with Hungary and Slovakia was also substantial, although its growth was more moderate. Romania, Greece, Slovenia, and Serbia recorded visible increases, particularly during the latter part of the study period.

Several smaller economies also experienced long-term trade expansion from relatively low initial levels. Growth was particularly notable in Bosnia and

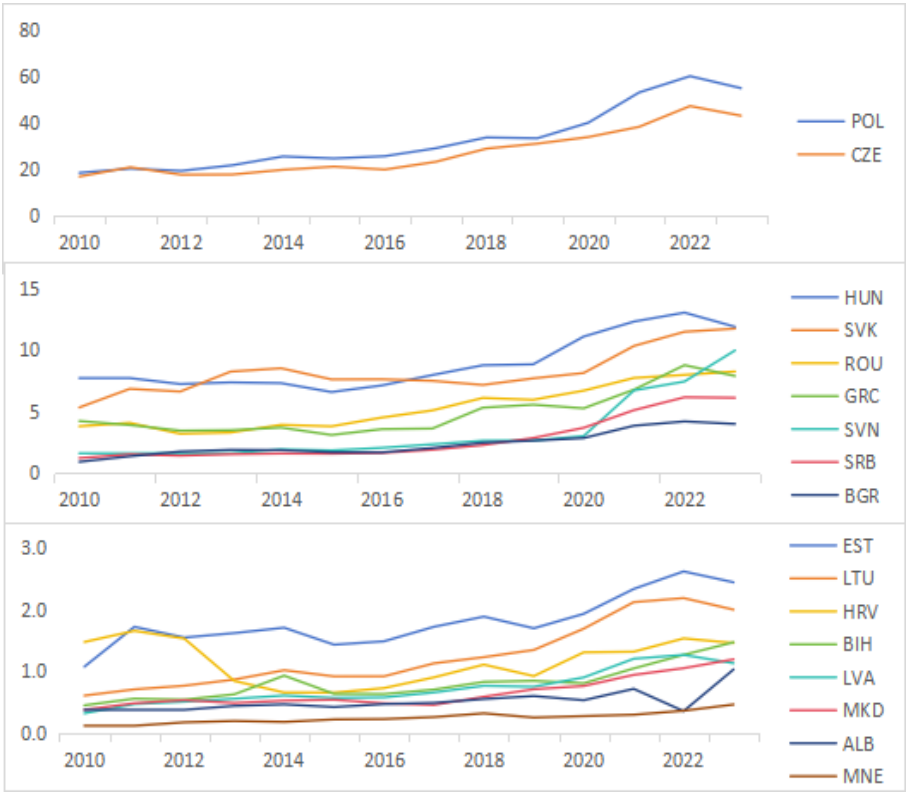
Herzegovina, North Macedonia, Albania, and Montenegro, although their absolute trade volumes remained limited. Croatia followed a less consistent pattern, while trade with Lithuania declined moderately after reaching its highest level in 2022. Overall, the expansion of China-CEEC trade was widespread but uneven across the region.

Table 3. Merchandise trade between China and the 17 CEEC economies in selected years, 2010-2023

Country	2010	2015	2020	2021	2022	2023
Poland	18.14	24.40	39.85	52.98	60.03	54.83
Czech Republic	16.55	20.85	33.64	38.08	47.08	42.90
Hungary	7.70	6.57	11.08	12.30	13.02	11.87
Slovakia	5.32	7.60	8.12	10.32	11.47	11.72
Romania	3.79	3.79	6.69	7.72	7.97	8.24
Greece	4.22	3.08	5.25	6.77	8.76	7.88
Slovenia	1.60	1.83	2.99	6.71	7.43	9.95
Serbia	1.21	1.56	3.67	5.10	6.15	6.11
Bulgaria	0.90	1.68	2.83	3.84	4.19	3.98
Estonia	1.08	1.43	1.94	2.34	2.62	2.45
Lithuania	0.61	0.92	1.69	2.13	2.19	2.00
Croatia	1.48	0.66	1.31	1.32	1.54	1.46
Bosnia Herzegovina	0.45	0.64	0.81	1.05	1.27	1.47
Latvia	0.32	0.57	0.90	1.21	1.27	1.13
North Macedonia	0.38	0.54	0.76	0.94	1.05	1.20
Albania	0.38	0.42	0.53	0.72	0.36	1.03
Montenegro	0.12	0.22	0.27	0.30	0.36	0.46
Total	64.23	76.76	122.35	153.83	176.76	168.70

Note: The table reports selected years. Values are expressed in current USD billions.
Source: author's calculations based on UN Comtrade data

The country-level trends presented in Figure 3 confirm the pronounced concentration of China-CEEC trade. Poland and the Czech Republic followed a substantially higher trajectory than the other economies, particularly after 2020. The middle group displayed more moderate but generally positive growth, while the smaller economies remained at comparatively low trade levels despite increases in several cases. The slowdown or decline observed in a number of countries in 2023 is consistent with the moderate contraction in aggregate China-CEEC trade during that year.



Note: The economies are grouped according to their trade magnitude to improve visual comparability.

Source: author's calculations based on UN Comtrade data

Figure 3. Trends in merchandise trade between China and individual CEEC economies, 2010-2023

3.3. Trade Structure

To further examine the trade structure between China and the CEEC, this study analyzes bilateral merchandise trade in 2023. Table 4 presents the principal product categories traded between the two sides and reveals marked differences in the composition of CEEC imports from and exports to China. These differences reflect a combination of product complementarity and a persistent imbalance between the two directions of trade.

CEEC imports from China are strongly concentrated in manufactured products. In 2023, machinery and electrical equipment constituted the largest import category, with a value of USD 88.11 billion and a share of 57.66% of total imports from China. Chemicals ranked second, amounting to USD 12.05 billion and accounting for 7.89%, followed by textiles and clothing at USD 9.03

billion, or 5.91%. Base metals and metal products represented a further 5.43%, while transport equipment, plastics and rubber, and optical and precision instruments accounted for 3.65%, 3.28%, and 2.58%, respectively. Agricultural and food products represented only 1.30% of total imports, while mineral products accounted for 0.25%. The import structure demonstrates the strong position of Chinese machinery, electrical equipment, and other manufactured goods in CEEC markets.

Table 4. Major product categories in merchandise trade between China and the CEEC, 2023

CEEC Imports from China			CEEC Exports to China		
Product	**Value**	**Share**	**Product**	**Value**	**Share**
Machinery and electrical equipment	88.11	57.66	Machinery and electrical equipment	4.77	30.02
Chemicals	12.05	7.89	Transport equipment	3.25	20.47
Textiles and clothing	9.03	5.91	Base metals and metal products	1.82	11.50
Base metals and metal products	8.30	5.43	Mineral products	1.69	10.65
Transport equipment	5.58	3.65	Optical and precision instruments	0.85	5.36
Plastics and rubber	5.02	3.28	Agricultural and food products	0.84	5.27
Optical and precision instruments	3.94	2.58	Chemicals	0.66	4.15
Agricultural and food products	1.98	1.30	Plastics and rubber	0.50	3.12
Mineral products	0.38	0.25	Textiles and clothing	0.12	0.77
Other products	18.44	12.06	Other products	1.38	8.69
Total merchandise trade	152.83	100	Total merchandise trade	15.87	100

Note: Values are expressed in current USD billions, and shares are expressed as percentages.

Source: author's calculations based on UN Comtrade data

CEEC exports to China exhibit a more diversified structure, although machinery and transport-related products remain prominent. Machinery and electrical equipment constituted the largest export category in 2023, reaching USD 4.77 billion and accounting for 30.02% of total exports to China. Transport equipment ranked second at USD 3.25 billion, representing 20.47%. Together, these two categories accounted for 50.49% of CEEC exports to China, reflecting the importance of the region's manufacturing industries in bilateral trade. Base metals and metal products accounted for 11.50% of exports, while mineral

products represented 10.65%. Optical and precision instruments and agricultural and food products contributed 5.36% and 5.27%, respectively. Chemicals, plastics and rubber, and textiles and clothing accounted for comparatively smaller shares.

3.4. Market Share

China's market share is used to assess the relative presence of Chinese goods in the import markets of the CEEC. It is measured as the value of each CEEC economy's merchandise imports from China divided by its total merchandise imports from the world. A higher market share indicates that Chinese goods account for a larger proportion of the economy's import demand. Although this indicator provides useful information about China's position in CEEC markets, it should not be interpreted as a comprehensive measure of export competitiveness, which may also depend on prices, product quality, technological content, and other factors.

As shown in Table 5, China's market share varied considerably across individual CEEC economies. In 2023, the highest shares were recorded in the Czech Republic (17.60%), Slovenia (15.68%), Poland (13.87%), Serbia (12.22%), and Montenegro (11.16%). The Czech Republic and Poland maintained relatively high shares across the reported years, indicating the substantial presence of Chinese goods in these two major CEEC markets. Serbia also experienced a notable increase, with China's share rising from 7.19% in 2010 to 12.22% in 2023. The most pronounced increase occurred in Slovenia, where the share rose from 5.55% to 15.68%.

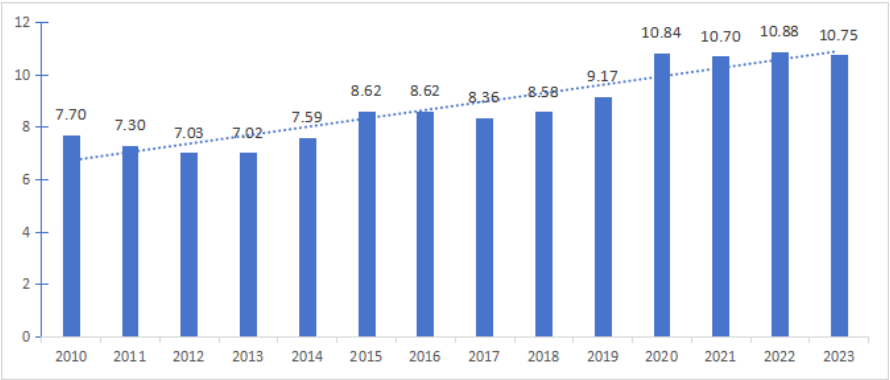
Several other economies also recorded clear long-term increases. China's market share rose from 4.81% to 9.47% in Bosnia and Herzegovina, from 5.28% to 8.99% in North Macedonia, and from 5.71% to 8.42% in Greece between 2010 and 2023. Bulgaria and Estonia experienced more moderate increases. By contrast, Croatia recorded a substantial decline from 7.18% to 3.24%, while Hungary, Romania, Latvia, and Lithuania exhibited comparatively limited net changes over the same period.

Table 5. China's market share in the CEEC, selected years, 2010-2023

Country	2010	2012	2014	2016	2018	2020	2023
Albania	6.32	6.36	7.30	8.77	8.39	8.98	10.75
Bosnia Herzegovina	4.81	5.35	8.39	6.76	6.95	8.03	9.47
Bulgaria	2.57	2.98	3.30	3.97	4.10	5.09	5.38
Croatia	7.18	7.14	2.57	2.96	3.39	4.65	3.24
Czech Republic	12.20	11.22	11.37	12.40	14.09	18.10	17.60
Estonia	6.99	7.04	7.46	8.29	8.42	9.31	9.27
Greece	5.71	4.71	5.33	6.71	6.51	7.70	8.42
Hungary	7.06	5.74	4.93	5.28	5.43	7.95	6.60
Latvia	2.57	2.78	2.73	3.24	3.27	4.26	3.81
Lithuania	2.44	2.11	2.51	2.86	2.77	4.01	3.81
Montenegro	5.36	7.17	7.44	8.99	10.06	10.39	11.16
North Macedonia	5.28	5.75	5.93	6.34	5.78	6.88	8.99
Poland	9.48	9.02	10.61	12.44	11.57	14.45	13.87
Romania	5.45	3.83	4.04	5.12	5.32	6.24	5.54
Serbia	7.19	7.32	7.57	8.34	8.37	12.54	12.22
Slovakia	6.15	6.39	8.23	8.47	5.97	6.74	7.47
Slovenia	5.55	5.45	5.74	6.52	6.23	7.33	15.68
Aggregate	7.70	7.03	7.59	8.62	8.58	10.84	10.75

Source: author's calculations based on UN Comtrade data

Figure 4 provides a clearer illustration of the evolution of China's aggregate market share in the CEEC. Three broad stages can be identified. From 2010 to 2013, the share declined moderately from 7.70% to 7.02%. It then generally increased between 2014 and 2019, despite minor fluctuations, reaching 9.17% in 2019. A more pronounced increase occurred after 2020, when the share remained above 10% and peaked at 10.88% in 2022. Although it declined slightly to 10.75% in 2023, it remained substantially higher than its level at the beginning of the study period. The figure therefore confirms a long-term strengthening of the position of Chinese goods in CEEC import markets, particularly during the latter part of the sample period.



Source: author's calculations based on UN Comtrade data

Figure 4. China's aggregate market share in the CEEC, 2010-2023

4. DISCUSSION

The findings reveal that China-CEEC merchandise trade expanded substantially between 2010 and 2023, but this expansion was accompanied by pronounced geographical concentration and structural imbalance. Poland, the Czech Republic, Hungary, and Slovakia accounted for a dominant share of total bilateral trade, while the participation of many smaller CEEC economies remained limited. The geographical concentration identified in this study is consistent with Shang et al. (2016), who documented markedly uneven patterns of China-CEE trade across individual economies. The results therefore suggest that the benefits and intensity of China-CEEC trade cooperation have not been distributed evenly across the region.

The product composition of bilateral trade nevertheless demonstrates considerable economic complementarity. CEEC imports from China are dominated by machinery, electrical equipment, chemicals, textiles, and other manufactured goods, while their exports to China combine machinery and transport equipment with metals, mineral products, and agricultural goods. These patterns reflect differences in comparative advantage and industrial specialization between the two sides. Similar structural differences and complementarities have also been identified in comparative analyses of China's trade with the European Union and other regional partners (Tang et al., 2024).

The market share results provide further evidence of the growing presence of Chinese goods in CEEC import markets. China's aggregate market share increased from 7.70% in 2010 to 10.75% in 2023, although the scale of the increase varied considerably across economies. The relatively high shares recorded in the Czech Republic, Slovenia, Poland, Serbia, and Montenegro indicate that Chinese products have established a particularly strong position in these markets. Demand for machinery, electrical equipment, intermediate inputs,

and consumer products may partly explain this development. At the same time, the decline or limited growth observed in several other economies demonstrates that trade relations have followed different national trajectories rather than a uniform regional pattern.

Institutional cooperation has provided an important platform for developing China-CEEC economic relations. The China-CEEC Cooperation Mechanism established regular channels for policy dialogue and cooperation in trade, investment, infrastructure, finance, and connectivity. Song and Pavlićević (2019) characterize this framework as a form of multilayered multilateralism that combines regional coordination with bilateral cooperation. Its subsequent interaction with the Belt and Road Initiative further expanded the policy framework for China's engagement with Central, Eastern, and Southeastern Europe (Vangeli, 2017). These institutional arrangements have facilitated dialogue and created opportunities for bilateral projects, although the scale and effectiveness of cooperation have varied across participating economies.

The China-CEEC Trade Prosperity Index also points to an improvement in several dimensions of cooperation. According to the General Administration of Customs of China (2024), the overall index reached 145.66 in 2023, an increase of 45.66 points compared with 2015. The trade closeness, trade potential, and transport connectivity sub-indices reached 126.76, 203.63, and 151.71, respectively. Trade competitiveness, after declining moderately following 2018, recovered to 100.53 in 2023. These indicators are consistent with stronger commercial linkages and improved connectivity, while the particularly high trade-potential index suggests that opportunities for further cooperation remain.

Nevertheless, the existence of an institutional framework does not automatically generate balanced or equally distributed economic benefits. Using a gravity model and data covering 167 countries from 2001 to 2019, Stanojevic et al. (2021) found insufficient evidence that the establishment of the "16+1" Cooperation Mechanism generated significant overall trade creation between China and the CEEC, although its effects may have been relatively more favorable for non-EU CEEC economies. Other studies have similarly emphasized the gap between political expectations and realized economic outcomes, as well as differences in the interests and responses of individual participating economies (Pepermans, 2018; Matura, 2019). The trade patterns identified in the present study support this cautious interpretation. Although aggregate trade expanded substantially between 2010 and 2023, it remained concentrated in a small number of economies, while the regional trade deficit continued to widen. Future cooperation should therefore place greater emphasis on improving access to the Chinese market for CEEC products, reducing information and regulatory barriers, and expanding cooperation beyond merchandise imports and infrastructure projects.

Geography and connectivity also contribute to the development of bilateral

trade. The CEEC occupy an important position along transport routes connecting Asia with the European market. Poland, the Czech Republic, Hungary, and Slovakia are closely integrated into European production and logistics networks, while several Balkan economies provide access to the Adriatic, Black Sea, and Mediterranean transport corridors. Improved rail, port, and road connections can reduce transport time and facilitate the movement of goods between China and Europe. However, the commercial benefits of connectivity depend on complementary conditions, including customs efficiency, regulatory coordination, domestic infrastructure quality, and local firms' capacity to participate in international production networks.

Overall, the findings indicate that China-CEEC trade relations are characterized by simultaneous expansion, complementarity, concentration, and imbalance. Institutional cooperation and improved connectivity have created opportunities for deeper economic engagement, but their benefits differ considerably across countries. A more sustainable phase of cooperation would require not only continued growth in aggregate trade but also greater diversification of CEEC exports, stronger participation of smaller economies, increased firm-level and technological cooperation, and a gradual improvement in the balance of bilateral trade.

5. CONCLUSIONS

Based on a descriptive analysis of 17 CEEC economies from 2010 to 2023, the study finds that China-CEEC merchandise trade expanded substantially but unevenly. Three defining characteristics stand out. First, bilateral trade remained highly concentrated in a small number of economies, particularly Poland, the Czech Republic, Hungary, and Slovakia. Second, its product composition displayed economic complementarity, but CEEC imports from China substantially exceeded their exports to China. Third, Chinese goods strengthened their presence in CEEC import markets, although the scale and trajectory of this increase differed considerably across economies. Trade expansion was therefore accompanied by geographical concentration, asymmetric trade flows, and heterogeneous national outcomes.

These findings suggest that the future development of China-CEEC trade should involve a gradual transition from volume-driven expansion towards broader participation and higher-quality trade relations. The performance of China-CEEC economic cooperation should therefore be evaluated not only by aggregate trade growth but also by the distribution, composition, and balance of its trade outcomes.

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POLITICAL CHARITY IN THE SCHUMAN DECLARATION – BETWEEN IDENTITY CRISIS AND INSTITUTIONAL ROOTS

ILIE RĂPCIANU
University of Bucharest
Bucharest, Romania
ilie.rapcianu@ftcub.unibuc.ro

Abstract
Identity crises are the most appropriate moments for reflection on one's roots. The European Union is, unfortunately, in such a crisis that leads to institutionalized political instability and growing Euroscepticism. The solution could be a deep reflection on those moments that were the foundation of the creation and foundation of Europe as we know it today, moments that can reveal to us not only the reasons that were the basis of cooperation between states, but also the common values on which they were based. The Schuman Declaration is such a moment. Robert Schuman's speech of May 9, 1950, carries many of the ethical principles that will constitute the common ground of cooperation and solidarity between states with a view to eradicating war. However, this declaration is deeply inspired by Schuman's Christian background, especially by the principles of the social doctrine of the Catholic Church. This research aims to present the point of intersection between the Schuman Declaration and Christian social morality; a point identified through the concept of political charity.
Keywords: *political charity; Schuman Declaration; identity crises; social doctrine of the Church.*
JEL Classification: Z12.

1. INTRODUCTION

Europe, whose beauty, according to Greek mythology, delighted even the gods, was born Christian. It is impossible to imagine European culture, identity or history detached from the categories of Christianity. This certainly does not invoke a confessional discourse aimed at excluding those who do not adhere to the same religious beliefs; rather, it underlines the fact that, to understand the European project, it is necessary to understand the Christian roots of the „Old Continent".

The influence exercised by Christianity over the centuries in shaping European identity constituted a common foundation on which the founding fathers of the European Union – and, in this context, Robert Schuman in

particular – were able to build the ideal of a lasting peace, making war materially impossible.

The contemporary European construction is going through one of the most difficult periods of its existence. Successive crises – economic, migratory, geopolitical and identity – have produced an accentuation of Euroscepticism and a diminution of confidence in the capacity of the European Union to generate cohesion and common political sense. We observe today, also in the trends of politics in Romania, but not only, a growing affirmation of a disproportionate nationalism. In this context, the fundamental question regarding the nature of the European project resurfaces: is the European Union merely an economic and administrative structure or does it represent the expression of a political community founded on common moral and spiritual values, implicitly on the value of political charity?

This presentation proposes a reinterpretation of the Schuman Declaration from the perspective of the concept of ”political charity”, developed especially by the Social Doctrine of the Church, understood not as a simple individual virtue, but as a principle of historical reconciliation, solidarity and mutual responsibility between peoples. The central hypothesis is that the original European project was founded on an ethical-political vision inspired by Christian personalism and the Christian-democratic culture of post-war Europe, and the current identity crisis can also be interpreted as an effect of the rupture between European institutions and their founding moral roots. In this sense, in this conference, I will try to talk about the history of the Schuman Declaration, about the concept of political charity as it is used by the magisterium of the church and about the intersection between the two related areas: the founding of the European Union and the Social Doctrine of the Church.

2. POLITICAL CHARITY IN QUESTION

First, for understanding the problematic of influence exercised by the magisterium of Church above the Schuman Declaration, it is necessary to observe the definition and evolution of the concept of political charity, because only from an evolutionary perspective of the concept can we understand the true meaning of this concept.

Pope Pius XI, addressing the Catholic universities of Italy in 1927, stated that politics is “the realm of the broadest charity, of political charity, of which it may be said that nothing else is superior to it, except religion.” Through this “celebrated” statement (Sorge, 2010, p. 192), Pope Pius XI opened the way to a magisterial reflection that would continue into the present day. The concept of political charity articulated by the Supreme Pontiff in his address would become a fundamental guiding principle for the involvement of the faithful in political life – and thus, indeed, the ultimate purpose of such involvement. Unfortunately, however, Pope Pius XI did not pursue his reflection by offering a precise

definition of this concept, which, as noted above, can give rise to considerable perplexity. Nevertheless, the principle would subsequently be extensively developed and, even when not explicitly cited, would be presented as a fundamental criterion for discerning political engagement.

This trajectory is articulated at length by the same Supreme Pontiff in the Encyclical *Quadragesimo anno*, in which, addressing totalitarian ideologies, he states that social love, together with justice, can redefine social relations, since these virtues constitute the soul of action directed towards the common good (Pope Pius XI, 1931, no. 88). A similar interpretation can be found in the Encyclical *Mater et magistra* of Saint Pope John XXIII, which specifies that justice and social charity constitute the "supreme criterion" for the activity of political and economic institutions, drawing explicitly on the Encyclical of Pope Pius XI (Pope John XXIII, 1961, no. 39).

In this regard, the Second Vatican Council, taking up the idea of political charity, solemnly expresses the dignity proper to political life and states that "political life," – whose purpose is the good of all that is, the common good – requires a certain strength and, above all, love (Second Vatican Council, 1965, no. 75). Likewise, in the Apostolic Letter *Octogesima adveniens*, Pope Paul VI recognizes politics as an exacting form – "although not the only one" – of service to others (Pope Paul VI, 1971). Mention should also be made of the message delivered by Saint Pope Paul VI on Pentecost in 1970, in which he called for the inauguration of a new, axiologically grounded sociology which, by recognizing the dignity and rights of all human beings, could inaugurate a "civilization of love."

From the very rich magisterium of Pope John Paul II, I shall limit myself to two uses of this concept. In the Encyclical *Redemptor hominis*, the Pope asked whether human progress, so visible and so beneficial in certain respects, truly leads to an increase in social love (Pope John Paul II, 1979, no. 15). In the Encyclical *Dives in misericordia*, John Paul II emphasizes the primacy of love over justice (Pope John Paul II, 1980, no. 4) and states that love alone can reveal to human beings their true nature and of elevating human relationships to the level of fraternity (Pope John Paul II, 1980, no. 14).

Nor does Pope Benedict XVI depart from the concept of political charity; rather, he develops and applies it in a particularly well-articulated manner. Both the Encyclical *Deus caritas est* (2006) and *Caritas in veritate* (2009) are devoted extensively to the "problematic" of charity. In *Deus caritas est*, Pope Benedict employs the terminology of "social charity," identifying it with the involvement of the faithful in political life – an involvement that must be animated by the charity they are called to live out in its social dimension (Pope Benedict XVI, 2006, no. 29). Similarly, in *Caritas in veritate*, Pope Benedict affirms that charity exists at the level of macro-systems, including the political system itself (Pope Benedict XVI, 2009, no. 2), and that this political path of charity is

pursued through the exercise of one's mission toward the ultimate end of politics, namely, the common good (Pope Benedict XVI, 2009, no. 7).

It is worth noting that the Supreme Pontiff who would devote the most extensive magisterial treatment to the concept of political charity is Pope Francis. As early as his programmatic document, the Apostolic Exhortation *Evangelii gaudium* (2013), Pope Francis highlighted the importance of this form of political engagement, praying for an increase in the number of politicians who recognize the lofty vocation to which political life is called – the vocation to charity (Pope Francis, 2013, no. 205), explicitly citing Pope Pius XI. The most extensive development of the concept under consideration can be found in the Encyclical *Fratelli tutti* (2020), where he identifies the criteria that characterize such charity. "For an individual to help a needy person is good, but when he joins with others in initiating social processes of fraternity and justice for all, he enters 'the realm of the broadest charity, political charity,' Pope Francis states (Pope Francis, 2020, no. 180). The Supreme Pontiff further describes this form of charity as an imperative love directed toward the creation of healthier institutions (Pope Francis, 2020, no. 186), institutions capable of providing the necessary space for individual acts of charity. As he explains:

> Charity is to stand close to a person who is suffering, and charity is also everything that is done, even without direct contact with that person, to change the social conditions that cause their suffering. If someone helps an elderly person cross a river—and that is itself an excellent act of charity—the politician builds a bridge, and that too is charity. If someone helps another person by providing food, the politician creates a job for that person and practices a high form of charity that ennobles his political activity (Pope Francis, 2020, no. 186).

It is equally important to note that Pope Francis identifies three essential characteristics of political charity. First, there is a preferential option for those who are last, suffering, and poor (Pope Francis, 2020, no. 187), which seeks to rediscover the dignity of the peripheries. Political charity is also open to all (Pope Francis, 2020, no. 190), thereby creating the possibility of dialogue and encounter. Finally, good politics is characterized by tenderness (Pope Francis, 2020, no. 194), expressed through proximity and concreteness. The Supreme Pontiff concludes his reflection on political charity by stating that "politics is more noble than the appearances of marketing" (Pope Francis, 2020, no. 197).

In his first document, *Dilexi te*, Pope Leo XIV reminds us that, in the dramatic situation in which we find ourselves, "charity has the power to change reality" (Pope Leo XIV, 2025, no. 91). This first major document of Pope Leo's pontificate, devoted to a significant extent to the Church's social doctrine and to concrete engagement on behalf of the poor, contains, alongside extensive citations from previous pontiffs, a clear invitation to an engagement in love that transcends barriers and knows no limits. Love is "a way of looking at life and

living it," and through this form of charity, "the Church, which knows no enemies to fight, but only men and women to love," becomes the Church "that today's world needs" (Pope Leo XIV, 2025, no. 120).

Observing this historical development of the concept of political charity, it seems readily understandable to ask whether an institution itself can love – particularly when this question is posed in the context of an institution's influence on the founder of an institution such as the European Union.

2.1. Theoretical Propositions of Applicability

The fundamental question concerning the possibility of an institution demonstrating itself capable of love has guided various philosophers and theologians, particularly those working within the field of ethics, to respond to this proposition in different ways or to advance original approaches.

In this regard, B. Sorge emphasizes the Christian's vocation to engage in the promotion of the Gospel even within the political sphere, a vocation rooted in Baptism, while cautioning against absolutizing politics (Sorge, 2010). For Sorge, politics is a sphere in which the Christian vocation to communicate and promote the values of the Gospel must be expressed, while he simultaneously draws attention to the danger that could arise from a form of totalization of politics. In other words, politics is not the sole sphere of evangelization, but it must be one of the spheres in which the Christian vocation finds expression. This perspective is particularly significant because it enables us to connect the mission of promoting Christian values with the Baptism that one has received. In Schuman's life, which constitutes the particular case examined by this article, his identity as a Christian was a defining characteristic that guided the whole of his existence.

At the same time, the theologian Luigi Alici begins his analysis of social charity from a distinctive observation. He argues that the existence of a legitimate state presupposes the existence of a people, which, in turn, requires harmony in order to function properly. This harmony is grounded precisely in a "heartbeat in unison," that is, in the sharing of a common love, since, even within the socio-political sphere, "everything begins and ends with love" (Alici, 2019, p. 12). Alici's approach begins with the concept of the state and the question of its legitimacy, rather than with the personal vocation of each baptized person, which he merely presupposes. In this sense, the people constituting any state require a certain harmony in order to function, and this harmony has no other genuine foundation than charity lived out even in its political dimension.

It is also worth mentioning Luigino Bruni, who overturns the conventional economic paradigm of contract and friendship by introducing the category of an *agapic economy*, capable of establishing healthier forms of social relations. He argues for a necessary gradation between these economic paradigms, while

warning against the danger of conflating them: “let not the contract accomplish what friendship accomplishes, and let not friendship accomplish what agapic love accomplishes,” since this form of love, identified by the term agape, is, according to Bruni, *transitive*: A gives to B, and B, in turn, gives to C (Bruni, 2015, pp. 7–8). Since economics also stood at the heart of Schuman’s efforts to reform Europe in order to put an end to war, we discover here a sphere in which the practical dimension of charity can be brought into relief, precisely in order to attain a state of solidarity in which the common good becomes superior to private and exclusionary goods.

This theological-philosophical reflection reveals a fundamental progression. Sorge identifies the general framework, namely, the vocation of every Christian to engage in political life; Alici, by contrast, provides the driving force behind this vocation – love as the foundation of harmony and of the state; while Bruni illustrates its practical mode of application through the agapic economy. Building upon the premises of this progression, as well as upon the specific content of the concept of “political charity,” we can examine whether Robert Schuman’s political project – and, more specifically, his Declaration – was influenced by the Church’s Social Doctrine and by the ethical and social values promoted by Christianity.

3. THE SCHUMAN DECLARATION AND THE SOCIAL DOCTRINE

The Europe of 1950 was marked by the trauma of the Second World War. The material and moral destruction produced by the conflict made it impossible to return to the old European balance based on national rivalries and rather local interests. In this context, the project formulated by Robert Schuman aimed not only at the economic reconstruction of the continent, but above all at the historical reconciliation between France and Germany as the basis for a truly lasting peace that would make war impossible from a material point of view.

Schuman's speech cannot be understood exclusively in terms of political realism or economic pragmatism. His intellectual formation and proximity to European Christian-democratic circles contributed to the articulation of a vision of Europe as a space of solidarity and the common good. This article does not aim to present an exhaustive biography of Schuman, but it is important to mention that Mayne even said that Schuman lived simply like a priest (Mayne, 1996, p. 24; Chaplin, 2016, p. 27), and his religiosity was extremely serious. Equally, at the time, he was nicknamed "the saint in a business suit" (Langley, 1982, p. 8; Krijtenburg, 2015, p. 154). Also, the ideas of Christian personalism, developed by thinkers such as Jacques Maritain and Emmanuel Mounier, profoundly influenced the political culture of the founding fathers of the united Europe (Langley, 1982). Personalism affirmed the centrality of the dignity of the person and the need to build a political community based on cooperation, responsibility and solidarity. In this paradigm, politics is not reduced to the

management of competing interests but becomes an instrument of reconciliation and the achievement of the common good.

The text of Robert Schuman's Declaration of 9 May 1950 is imbued with concepts advanced by the Social Doctrine of the Catholic Church. In this regard, Schuman's intellectual and spiritual background helps explain his decision to draw upon Christian values in his vision of social organization. Thus, Schuman called for a "de facto solidarity" that would enable the creation of a space for lasting peace. This solidarity presupposed a profound reconciliation between France and Germany, achieved by overcoming the misunderstandings that had fragmented the European continent and ultimately contributed to the outbreak of the two World Wars. Such solidarity cannot be properly understood outside the intellectual and spiritual framework that inspired Schuman – namely, the social doctrine of the Catholic Church. Solidarity, or, in the words of Pope John Paul II, "social friendship," constitutes a remedy against the "structures of sin" within society (Pope John Paul II, 1987, no. 37). Solidarity is a visible expression of "social charity" (Pope John Paul II, 1991, no. 10), insofar as it entails recognizing the other – whether an individual, a group, or a nation – as a person rather than as an instrument to be exploited in the pursuit of hegemonic or imperialist objectives (Pope John Paul II, 1987, no. 39), objectives that would inevitably lead to conflicts of the most devastating kind. This vision was also shared by Schuman. He sought to establish a de facto solidarity that would lead to the "elimination of old oppositions" and remove the possibility of a new war (Schuman, 1950).

The text of the Schuman Declaration contains one of the fundamental formulas of the European construction. Even if the purpose of the Declaration may seem at first glance to be purely economic, yet in the first part, a theoretical substantiation of the practical principles enunciated in the second section of the declaration, we encounter principles of the Social Doctrine of the Church enunciated since the Encyclical *Rerum novorum* of Pope Leo XIII (1891). Schuman mentions that the main purpose of the organization that France and Germany will found is that of maintaining peace and calls, in this sense, for a de facto solidarity. Schuman says: „Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity" (Schuman, 1950). This „de facto solidarity" represents more than an economic mechanism of interdependence. It expresses the idea that peace can be guaranteed by transforming relations between states into a community of mutual responsibility. In this sense, solidarity becomes an institutionalized moral category.

The point of intersection that is of relevance to our research lies precisely in this understanding of solidarity as an expression of social charity. Solidarity among peoples, which, in Schuman's vision, entails an equitable distribution of resources through the establishment of a European community of coal and steel,

constitutes an expression of political charity – a form of love that looks beyond the pragmatic organization of profit toward a society of peace and a civilization of love. Solidarity, however, cannot be created through a single plan or achieved instantaneously; rather, it requires sustained common efforts (Schuman, 1950), underpinned by a shared determination to prevent the tragedy of war and destruction.

Political charity, in the sense proposed by the Church's Social Doctrine, designates precisely this capacity of politics to transform antagonism into cooperation and conflict into shared responsibility, to nullify the factors that determine poverty and social injustice (Pontifical Council for Justice and Peace, 2004, no. 207–208). While individual charity, viewed as a personal virtue, involves directly helping a person in need - essentially direct contact; political charity is a broader concept that involves transforming institutions and systems from within to achieve the common good. The Franco-German reconciliation is the clearest expression of this logic. After centuries of conflicts and after two devastating world wars, the community project proposed a new political paradigm based not on domination but on collaboration. In this sense, the European Coal and Steel Community was not only an economic institution, but a mechanism for the moral and political pacification of Occidental Europe. In this sense, the very materials that constituted the raw material of the First World War – coal and steel – are converted into the material of peace in Schuman's thinking.

4. INSTEAD OF CONCLUSION – RE-READING THE DECLARATION

Rereading the Schuman Declaration allows us to recover an often-forgotten dimension of the European project: that of politics as a practice of reconciliation and solidarity. The concept of political charity does not imply the transfer of a religious virtue to the public space in a confessional manner, but rather the affirmation that the European political order needs a moral foundation that goes beyond simple technocratic or economic logic. Pope Pius XI, addressing Catholic universities in Italy, said in 1927 that politics is „the domain of the vastest charity, of political charity, to which it can be said that nothing else is superior, except religion". With this statement that „remains famous" (Sorge, 2010, p. 192), Pope Pius XI opened the door to a magisterial reflection that will continue to this day. The concept of political charity that the Sovereign Pontiff enunciates in his speech will represent the fundamental line for the involvement of believers in politics – thus becoming the goal of such involvement. Subsequent magisterial development has shown us that political charity does not refer only to the category of involvement, but to the very motivation on which the entire political life is based. It is not the institution that loves, but the people who make it up who, looking at their brothers and sisters, see faces, and not numbers, who need to be helped, supported and, above all, loved. This is how

Pope Francis expressed himself in the encyclical Fratelli tutti, in which he offers ample space for reflection on political charity understood as a force for universal fraternity.

The relevance of Schuman's vision of solidarity and peace based on shared responsibility among states becomes evident in a Europe faced with political polarization, institutional distrust, and identity fragmentation. Recovering the ethical dimension of European construction does not mean abandoning political modernity but rediscovering the principles that made European reconciliation possible after the war.

The Schuman Declaration can be interpreted not only as a founding act of European economic integration, but also as a document of a political philosophy of solidarity and reconciliation. The idea of „solidarity in fact" expresses the attempt to institutionalize an ethic of mutual responsibility between states and peoples. The current identity crisis of the European Union highlights the limits of an exclusively technocratic construction and the need to return to the symbolic and moral dimension of the European project. In this perspective, the concept of political charity offers a relevant interpretative key for understanding the institutional roots of a united Europe and for reflecting on its political future. Therefore, rediscovering the intellectual and moral heritage of Europe's founding fathers can represent not only a historical exercise, but also a resource for the regeneration of the contemporary European project. Such a programmatic discourse inspired by the principles of personalism will impose on the construct of the European Union an axiological structure – based on common values – which will be strongly highlighted by the Treaty of Lisbon of 2007. Even if after 2005, after the failure of the European Constitution project, the trust and legitimacy of the construct lose relevance, nevertheless, the axiological foundation, on that de facto solidarity announced by Schuman, allows the re-evaluation of a „common ethical floor" – as the philosopher Luigi Alici expressed it – for the promotion of the common good and, above all, of a European identity that finds its roots in values and not – necessarily – in institutions or bureaucratic structures.

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FROM AUTHORSHIP TO STEWARDSHIP: A GOVERNANCE FRAMEWORK FOR AI INTEGRATION IN ACADEMIC RESEARCH

MIRCEA-ALEXANDRU ROȘU
Alexandru Ioan Cuza University of Iași
Iași, Romania
mircea.roshu@gmail.com

PATRICEA ELENA BERTEA
Alexandru Ioan Cuza University of Iași
Iași, Romania
patricea.bertea@gmail.com

ARMAND FLORIN BERTEA
Alexandru Ioan Cuza University of Iași
Iași, Romania

Abstract
Most researchers already use AI in their work. Recent surveys put the number at around three quarters, with literature reviews, summaries, and writing among the most common uses. Universities and journals have responded with a patchwork of rules: some ban AI tools, some allow them with conditions, most simply ask researchers to declare their use. This paper argues that these rules answer the wrong question. The real issue is not whether researchers use AI. It is whether they can check, explain, and take responsibility for what AI helps them produce. The paper builds on the idea of stewardship: the researcher's value no longer comes from personally writing every word, but from guiding the process, judging the output, and owning the result. This idea is translated into a practical framework for research. It proposes three steps — naming the change openly, building layers of review, and bringing the whole research community along — and a three-level model that separates low-stakes AI help (formatting, grammar), AI-assisted synthesis the researcher must verify, and core arguments the researcher must produce and own. European institutions already require accountability for AI use, through the Commission's Living Guidelines and the European Code of Conduct for Research Integrity. What they do not explain is how to practice it. This framework fills that gap. The paper also extends the governance role of universities from education to research, and gives supervisors, journals, and reviewers a way to evaluate how AI was

used, not just whether it was declared. In short: the question should move from "did you use AI?" to "can you account for what AI contributed?"
Keywords: *AI stewardship; research integrity; academic authorship; research governance; generative AI.*
JEL Classification: I23; O33; I28.

1. INTRODUCTION

Most researchers already work with AI. In a 2024 survey by Oxford University Press covering more than 2,300 academics, 76% reported using some form of AI tool in their research (Oxford University Press, 2024). In *Nature*'s survey of over 1,600 scientists, close to a third said they had used generative AI to help write manuscripts, and more than half expected such tools to become essential to their fields within a decade (Van Noorden and Perkel, 2023). These are not early adopters at the margins of academic life. This is the mainstream of research practice, and it changed in under three years.

The institutional response has not kept pace. Some journals banned generative AI outright, then quietly narrowed the ban. Others allow it under conditions that vary from publisher to publisher. Most universities have produced guidance documents, but these range from prohibition lists to permissive statements of principle, sometimes within the same institution (Hosseini, Resnik and Holmes, 2023). A doctoral student in Iași, Berlin or Lisbon can reasonably ask: what exactly am I allowed to do, and to whom do I answer when I do it? At the moment, the honest answer is that it depends on whom you ask.

This paper argues that the fragmentation is a symptom of a deeper problem: institutions are regulating the wrong object. Almost every existing policy regulates use — whether AI was involved, in which tool, and whether it was declared. What matters for research integrity is accountability: whether the researcher can check, explain and take responsibility for what AI helped produce. A researcher can disclose AI use scrupulously and still publish an unverified, machine-generated literature review. Another can use AI extensively and responsibly, verifying every claim, and have nothing meaningful to disclose under current rules beyond a generic statement. Disclosure tells us what was used. It does not tell us whether anyone checked.

The alternative proposed here is stewardship. The term comes from management research, where it describes actors who protect the long-term welfare of something entrusted to them, rather than maximising their short-term interest (Davis, Schoorman and Donaldson, 1997). Its recent application to AI-augmented work is owed to Brice Challamel, head of AI strategy and adoption at OpenAI, who describes the professional's role as shifting 'from authorship to stewardship': from personally producing every word to guiding an AI-assisted process, judging the result and owning the outcome (Challamel, 2026). This

paper adapts that model to the specific demands of academic research, where the bar for verification sits far higher than in commercial work.

The timing matters for Europe in particular. The European Commission's living guidelines on the responsible use of generative AI in research and the revised European Code of Conduct for Research Integrity already place responsibility for AI-assisted content squarely on the researcher (ALLEA, 2023; European Commission, 2024). What neither instrument specifies is how that responsibility is exercised in daily research practice. The framework developed here is intended as that missing operational layer. The paper proceeds as follows: section 2 clarifies the concepts of authorship and stewardship; section 3 reviews the limits of current policies; section 4 translates stewardship into research practice; section 5 addresses institutional design; section 6 discusses open questions; section 7 concludes.

2. DEFINITIONS AND CONCEPTUAL CLARIFICATIONS

2.1. Academic Authorship: What the Norms Actually Require

Before arguing that authorship norms need a successor, it is worth being precise about what those norms actually require. The most widely used definition comes from the International Committee of Medical Journal Editors, whose criteria have spread well beyond medicine. To qualify as an author, a person must contribute substantially to the work, participate in drafting or revising it, approve the final version and agree to be accountable for all aspects of the work (ICMJE, 2025). The Committee on Publication Ethics takes the same position, for the same reason: an author is someone who can take responsibility for content and respond when it is questioned (COPE, 2023). The European Code of Conduct for Research Integrity, revised in 2023 partly in response to AI, frames the same requirement through its principle of accountability for the research from idea to publication (ALLEA, 2023). Table 1 summarises the three frameworks.

Notice what is absent from these definitions: none of them requires the author to have personally typed the text. Production was always a proxy. We assumed that whoever wrote the words could answer for them, because writing them required understanding. What the frameworks actually protect is the ability to answer for the work. This is precisely why all three bodies concluded, with unusual speed and unanimity, that AI cannot be an author: not because its text is poor, but because it cannot be accountable. It cannot respond to critique, declare a conflict of interest or correct the record (COPE, 2023; ICMJE, 2025).

Table 1. Authorship and accountability across major research integrity frameworks

Framework	What authorship requires	Position on AI
ICMJE (2025)	Substantial contribution; drafting or revising; final approval; accountability for all aspects of the work	AI cannot be an author; its use must be disclosed; authors answer for all AI-assisted content
COPE (2023)	Capacity to take responsibility for the work and to respond to critique	AI tools cannot meet authorship requirements; they cannot declare conflicts of interest or manage copyright
ALLEA (2023)	Honesty, accountability and transparency at every stage of research	Researchers remain fully responsible for content produced with AI assistance

Source: adapted from ICMJE (2025), COPE (2023) and ALLEA (2023)

The key takeaway is that authorship was never about typing. It was about answering. AI did not break this principle; it broke the proxy, by making it possible to produce fluent text without the understanding that production used to guarantee.

2.2. AI Stewardship: The Conceptual Shift

Stewardship has a longer academic history than its recent association with AI suggests. In management theory, stewardship describes a relationship in which an actor manages resources entrusted to them in the interest of a collective, rather than for personal gain (Davis, Schoorman and Donaldson, 1997). Hernandez (2012, p. 174) defines it as 'the extent to which an individual willingly subjugates his or her personal interests to act in protection of others' long-term welfare'. A steward does not own the thing entrusted to them. They answer for it.

Challamel (2026) carries this logic into AI-augmented work. In the older model, which he calls authorship, professional value came from personally producing every fraction of the output, and ownership was easy to explain: you wrote it, so you answer for it. In the new model, value comes from guiding an AI-assisted creation process, judging the result and owning the outcome. Ownership no longer comes from production; it comes from the diligence applied to the process: how the task was framed, how the output was challenged and revised, and how carefully it was reviewed before being released.

Two aspects of this formulation deserve emphasis. The first is that Challamel frames the shift as different, not less: stewardship demands more judgment, more taste and more ownership than authorship, because the steward must hold a line for quality precisely when production becomes easy. The

second is that the model is operational rather than aspirational. It comes with named practices: making the shift explicit and discussable, building layered review systems that focus on outcome quality rather than on who produced the artifact, and building shared AI literacy so that proficiency differences do not harden into a social divide (Challamel, 2026). Section 4 adapts each of these to research.

2.3. Why Research is the Hard Case

Why does research need its own version of this framework? Because research is the setting in which unverified AI output does the most damage. A mediocre AI-generated marketing email costs a company some credibility, and the loss ends there. An unverified AI-generated claim in a published article enters the scholarly record, where other researchers build on it. Scientific knowledge is cumulative: articles cite articles, meta-analyses aggregate findings, doctoral students inherit assumptions. Think of citations as load-bearing walls. Each one supports the claims built on top of it, and a fabricated or misread source weakens everything above.

Peer verification imposes a second constraint. The entire apparatus of scholarly publishing assumes that a reader, a reviewer or a replicating team can trace claims back to evidence. AI-assisted steps that cannot be traced break this assumption silently: the text reads well, the references exist, and the chain of verification has a gap no one can see. Reproducibility imposes a third constraint, because a result that depends on an undocumented AI step cannot be repeated, and a result that cannot be repeated is, by the standards of science, not yet knowledge.

In practical terms, that means a stewardship framework for research cannot simply import enterprise review practices. Commercial work answers to customers, who mostly judge outcomes; research answers to referees and to the record, which judge process. The verification bar must be set where the scholarly record needs it, and that is the design problem the rest of this paper addresses.

3. THE LIMITS OF CURRENT AI POLICIES IN ACADEMIA

How have institutions actually responded so far? Three patterns dominate. The first is prohibition: several journals initially banned generative AI from submissions, a position most have since narrowed to a ban on AI authorship combined with disclosure requirements. The trouble with bans is practical: they are unenforceable, and they push use underground, which is the worst outcome for transparency (Hosseini, Resnik and Holmes, 2023). The second pattern is conditional permission: AI may be used for defined tasks, its use must be declared, and the authors remain responsible for the result. This is now the dominant publisher position, aligned with ICMJE (2025) and COPE (2023).

The third pattern operates at European level and is principle-based. The revised European Code of Conduct for Research Integrity extends honesty, accountability and transparency to AI-assisted work (ALLEA, 2023). The European Commission's living guidelines on generative AI ask researchers to remain accountable for scientific output, to disclose substantial AI use, and to protect unpublished work and personal data from being fed into open systems (European Commission, 2024). The Artificial Intelligence Act completes the picture from the product side, regulating AI systems themselves rather than research conduct (European Union, 2024). Taken together, the European instruments are ahead of most national and institutional policies: they ground AI use in integrity principles rather than in tool lists.

Each layer is reasonable. Together, they still leave the central question unanswered. All three patterns regulate declaration: whether AI was used and whether the use was stated. None of them specifies what responsible use looks like between the prompt and the publication. The living guidelines tell researchers to remain accountable; they do not say what accounting for a machine-generated literature summary involves, how a supervisor checks it, or what a reviewer should ask about it. The rules name the obligation but not the practice.

Academia has solved this problem before. When statistical software spread through the social sciences, nobody seriously proposed banning SPSS, and journals did not merely require authors to disclose that statistics had been used. Methodology sections adapted instead. Authors learned to report which tests they ran, on what data, under which assumptions; reviewers learned to ask. The discipline did not regulate the tool. It regulated the accountability around the tool. AI requires the same adaptation, with two complications: it touches every stage of research rather than analysis alone, and its failures are harder to spot, because fluent prose hides errors better than a regression table does.

The takeaway: current policies are necessary but insufficient. They tell researchers what to declare, not how to work. The next section proposes what the practice underneath the declaration should look like.

4. TRANSLATING STEWARDSHIP INTO RESEARCH PRACTICE

4.1. The Three Stewardship Steps in a Research Context

Challamel's (2026) transition model has three steps: name the pattern, build the review layers, and bring everyone into the transition. Each has a natural research equivalent.

Naming the pattern means making AI use discussable before making it auditable. In organisations, Challamel suggests changing team language, asking 'what have you supervised with AI this week?' instead of treating AI use as a private, slightly shameful habit. Research groups need the same shift: lab meetings where AI-assisted steps are reported as routinely as instrument settings,

and methods discussions that treat prompting strategies as methodological choices. The stigma matters more than it seems. A doctoral student who fears being judged for using AI will not ask the supervisor to check the output, and unchecked output is exactly what the framework exists to prevent.

Building the review layers is the structural step, and the one that demands the most adaptation to research; section 4.2 develops it in detail.

Bringing everyone into the transition addresses the divide between researchers fluent in AI and colleagues who avoid it. Challamel warns that access without shared literacy produces a social divide. In research the divide has a sharper edge, because the AI-avoidant group includes many senior researchers who supervise doctoral students, review manuscripts and sit on evaluation committees. A reviewer who has never verified an AI-generated synthesis cannot evaluate one. Shared literacy, common language and time to compare practice are governance infrastructure, not professional development extras.

4.2. Review Layers for Research: the L1–L3 Model

The centre of the framework is a layered review model. Challamel (2026) describes tagging outputs with human oversight levels, from trusted AI output to high-stakes judgment requiring full human control. Adapted to research, three layers are sufficient (Table 2).

Table 2. Review layers for AI-assisted research

Layer	Typical AI uses	Researcher obligation	Disclosure
L1 – Mechanical assistance	Grammar, formatting, reference formatting, translation polish	Spot-check the output	Generally unnecessary
L2 – Verified synthesis	Literature summaries, data description, code drafting, background sections	Verify every claim against the original sources and document the verification	Stated in methods or acknowledgements, like a statistical procedure
L3 – Owned contribution	Research questions, argument structure, interpretation, conclusions	Produce and own; AI limited to challenge and critique	Author attestation of ownership

Source: author's elaboration, adapted from Challamel (2026)

L1 covers mechanical assistance: grammar, formatting, reference formatting, translation polish. The defining property is that errors at this layer

are visible on inspection and do not touch the substance of claims. A spot-check is adequate review, and disclosure adds little, because knowing the grammar was machine-checked tells a reader nothing about the reliability of the science. Hosseini, Resnik and Holmes (2023) reach a similar conclusion for writing assistance generally.

L2 covers verified synthesis: literature summaries, descriptions of data, drafts of code, first versions of background sections. Here AI produces content with substantive weight, and the defining obligation is verification against original sources: every claim traced back, every citation opened, every number checked. The researcher who signs the manuscript is asserting that this happened. L2 belongs in the methods or acknowledgements, stated the way one states a statistical procedure, because that is what it is: a methodological step whose quality determines the reliability of what follows.

L3 covers the core scholarly contribution: research questions, the structure of the argument, interpretation of findings, conclusions. This layer is not delegated, and the reason is not sentimentality about human creativity. It is accountability arithmetic. L3 is the layer where the author's answerability is the product itself, so producing it is the one task that cannot be outsourced without dissolving authorship altogether. AI can still serve at L3 as a challenger, the sparring partner that attacks the argument and exposes weak joints, but the argument that survives must be the researcher's own.

A note on boundaries. The layers are defined by stakes and verifiability, not by tool or task names. The same coding task can be L1 when it reformats a chart and L2 when it produces the analysis script on which the results depend. The question that assigns a layer is always the same: what happens if this is wrong, and who can tell?

4.3. Domain Expertise as a Prerequisite for Stewardship

There is a precondition the model cannot work around: the researcher must know the domain well enough to judge the output. The best evidence comes from the largest field experiment on AI-assisted knowledge work to date. Dell'Acqua et al. (2025) gave 758 consultants at Boston Consulting Group realistic tasks, with and without access to GPT-4. Inside the frontier of the model's competence, AI users performed markedly better, with quality gains of around 40% for the group using the tool. But on a task deliberately designed to sit outside that frontier, consultants using AI scored 19 percentage points lower than colleagues working without it. The tool did not merely fail to help. It made skilled professionals worse, because they trusted plausible output they could not evaluate.

Translate this into research. A professor reviewing an AI-generated synthesis of her own field will catch the misattributed finding, the inflated effect size, the plausible-sounding citation that does not exist. A first-year doctoral

student reviewing the same synthesis will not. Both can perform L2 review in form; only one can perform it in substance. This is the quiet danger of stewardship language: it can describe rigorous verification or it can dress up rubber-stamping, and from the outside the two look identical.

The concern compounds over time. Gerlich (2025), in a mixed-methods study of 666 participants, found that heavier reliance on AI tools correlated with weaker critical thinking, mediated by cognitive offloading — the habit of delegating reasoning to the tool instead of performing it and checking the result. Higher educational attainment moderated the effect, which is mildly reassuring for academia, but the direction of the relationship is the problem: the people most exposed to offloading are precisely those still building the expertise that stewardship requires. The implication for research training is direct. Stewardship raises the value of domain expertise rather than lowering it, and AI integration in doctoral programmes must be sequenced with competence development, not substituted for it.

5. INSTITUTIONAL DESIGN: WHAT RESEARCH ORGANISATIONS NEED TO BUILD

5.1. From Disclosure to Methodological Accountability

What should institutions build? The first piece is a redefinition of the disclosure statement. Current AI statements typically record which tool was used and for which task. A stewardship-based statement records how the use was supervised: which layer the use belonged to, how verification was performed, and who performed it. The difference mirrors a familiar one. A methods section does not say ‘statistics were used’; it says which test, on what data, under which assumptions, so that a reader can judge whether the conclusions follow. An AI-use statement should do the same.

In a companion paper on AI governance in entrepreneurship education, we argue that declaring AI contribution should be treated like declaring a methodological choice, and that evaluation must address process and authorship, not only outputs (Bertea, Bertea and Roșu, 2026). The same logic, applied to research itself, turns disclosure from a compliance gesture into evidence of stewardship. It also gives the European instruments the operational anchor they currently lack: the living guidelines require accountability, and a layer-based statement is what exercised accountability looks like on paper (European Commission, 2024).

5.2. Peer Review Adaptations

The second piece is peer review. If authors document stewardship, reviewers can assess it, and three questions are enough to start. Are claims traceable, can each substantive assertion be followed back to a verifiable source? Are the human decision points clear, can one tell where the authors exercised

judgment rather than accepted output? Are AI-assisted steps described precisely enough to be repeated? None of these requires new technology. They require updated reviewer checklists and editor expectations, the same way reporting standards for statistics and data availability spread through journals over the past two decades.

Reviewers' own AI use falls under the same layered model, with one addition the European guidelines already make: unpublished manuscripts must not be fed into open AI systems, a confidentiality obligation that precedes any question of review quality (European Commission, 2024). A reviewer may use AI to check reference formatting; a reviewer may not delegate the scientific judgment that the review exists to provide, nor expose an author's unpublished work to a system that may retain it.

5.3. Supervision and AI Literacy as Research Training

The third piece is supervision and training. Powerful, risky tools are normally handled with training rather than prohibition. Cars are dangerous, and the social response is not a ban but drivers' education: supervised practice, with feedback, in increasingly demanding conditions. Handing researchers institutional AI licences without the equivalent of drivers' education is how many universities currently operate, and it inverts the logic. AI literacy, understood as the ability to direct, challenge and verify AI output in one's own discipline, should become an explicit component of research training, on the same footing as research ethics and statistics.

Supervisors carry particular weight here. A supervisor who avoids AI entirely cannot model responsible use, cannot check a student's L2 verification, and cannot tell stewardship from rubber-stamping. As you can expect, the literacy requirement therefore runs in both directions: doctoral students need training in verification, and supervisors need enough fluency to audit it. The institutional point connects to the broader governance argument. Universities sit at the meso level of research systems, translating macro-level norms, such as the European code and the Commission's guidelines, into micro-level daily practice (Bertea, Bertea and Roșu, 2026). If universities do not build this translation, the European instruments remain principles without practice.

6. OPEN QUESTIONS AND TENSIONS

The framework leaves real questions open, and it is more useful to name them than to wave at them.

The first is the long-term effect of AI on researcher formation. Gerlich's (2025) findings on cognitive offloading describe a correlation, not a destiny, but doctoral education is exactly the setting where the struggle is the point: researchers develop judgment by working through problems they do not yet know how to solve. If AI removes the productive difficulty from early research

tasks, the L3 capacities the framework depends on may develop more slowly. Whether structured stewardship training counteracts this is an empirical question, and an urgent one.

The second is attribution. When an AI system, used well at L3 as a sparring partner, suggests the reframing that becomes a paper's central insight, current authorship norms have no category for what happened. The accountability answer is clear: the researcher who recognised, validated and developed the insight owns it, exactly as a researcher owns an idea sparked by a colleague's question at a seminar. The credit answer is less clear, and the history of science suggests that credit disputes do not stay theoretical for long.

The third is the fig-leaf risk. Stewardship vocabulary can legitimise weak oversight: 'human in the loop' can mean rigorous verification or a tired click on approve. The framework reduces this risk by making review layers explicit and reviewable, but no framework survives an institution determined to perform compliance rather than practice it. The honest position is that stewardship raises the ceiling of responsible AI use without guaranteeing the floor.

The fourth is voice. If a generation of researchers drafts with the same handful of models, scholarly prose may converge toward a common register. Early bibliometric evidence suggests this is already measurable: GenAI-assisted publications show statistically significant linguistic convergence toward dominant norms of scientific English (Bao et al., 2025), and repeated reliance on AI-assisted writing negatively affect essential writing skills and critical thinking (Selvi, 2024). Whether that convergence matters scientifically, or only aesthetically, remains unsettled.

Each of these is a research agenda rather than an objection. Pilot studies of layer models in working research groups, comparative analysis of verification behaviour across career stages, and longitudinal designs following AI-trained doctoral cohorts would all test claims this paper can only argue.

7. CONCLUSIONS

This paper began from a mismatch: AI is integrated into research practice at a pace policy has not matched, and the policies that exist regulate declaration rather than practice. The argument developed here is that the academic community needs a stewardship framework, not a thicker compliance checklist. The conceptual move is small but consequential: stop asking whether researchers used AI and start asking whether they can account for what AI contributed. Authorship norms already point this way, because they were always about accountability rather than production. Stewardship supplies the practices that accountability now requires: a named, discussable pattern; review layers calibrated to stakes, from mechanical assistance through verified synthesis to owned argument; and shared AI literacy across career stages.

For Europe, the proposal lands on prepared ground. The revised code of conduct and the Commission's living guidelines already assign researchers responsibility for AI-assisted work; what they lack is the operational layer that specifies what responsible use looks like in a lab meeting on an ordinary Tuesday. Universities, as the institutions that translate European principles into research routines, are where that layer gets built: in doctoral training, in supervision practice, and in how research outputs are assessed. Journals and funders close the loop by asking for stewardship evidence rather than bare disclosure.

The shift is demanding. It asks more judgment of researchers, more attention of supervisors and more sophistication of reviewers, at exactly the moment AI makes production effortless. That is not a flaw in the framework. It is the framework. Holding a line for quality precisely when producing has become easy is what stewardship means, and the scholarly record is worth holding the line for.

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FORMATION OF DESTINATION MANAGEMENT ORGANIZATIONS AS A CLUSTERING TOOL: A CASE STUDY OF A REGION OF THE REPUBLIC OF ARMENIA

MARIA SAHAKYAN
Armenian State University of Economics
Yerevan, Republic of Armenia
maria.sahakyan@asue.am

ELENA ANTAMOSHKINA
Volgograd State Agrarian University
Volgograd, Russian Federation
antamoshkina@mail.ru

ELENA TOKAREVA
Volgograd State Agrarian University
Volgograd, Russian Federation
ip.elena.tokareva@yandex.ru

Abstract
The development of tourism plays an important role in both developing and developed economies, as it contributes to solving a number of socio-economic challenges. In particular, tourism stimulates investment inflows, supports job creation, and promotes more balanced development of remote and rural areas. The aim of this article is to assess the tourism potential of a specific region by considering its available resources and development opportunities. At the same time, the study proposes a conceptual framework and a model for the establishment, functioning, and financing of Destination Management Organizations (DMOs) that could also be applied in other regions with similar characteristics. The research is largely based on expert evaluation methods, which made it possible to identify key factors influencing tourism development and to formulate new approaches to the management and further advancement of DMOs.
The main findings of the study are presented in the form of a SWOT analysis Based on the results of expert assessments and SWOT the model scenario for DMO development was proposed. It assumes that DMOs are initiated and managed by public–private partnership structure, in which DMOs operate through the cooperation of business representatives, government institutions, local authorities, and sectoral associations. In addition, the proposed model outlines the key mechanisms for financing DMO activities,

main directions for marketing strategy development and innovative approaches to fostering regional tourism development.
Keywords: *destination management organizations; destination promotion; tourproduct; tourism development; development strategy.*
JEL Classification: L83; R11; R58.

1. INTRODUCTION

Tourism has become one of the most important tools for economic growth, regional balanced development, and solving social problems in society (Tovmasyan and Gevorgyan, 2023). But still, there are countries and destinations that are more successful in this process, while others are not. A framework that explains these combined economic indicators (productivity) with the qualitative characteristics of the destination itself (Dwyer and Kim, 2003, pp. 369-414).

Under the modern conditions of dynamic change and transformation of the environment, significant changes are taking place all over the world and in all areas of business. In addition, it is obvious that the demand for tourism services is quite elastic, and any changes in the external environment, any significant and minor risks lead to rapid changes in demand in tourism. Success determinants of international tourism can be defined as the follows:

- Economic conditions (GDP per capita, government expenditures in the sphere of tourism, unemployment);
- Infrastructure (number of hotels, quality of service, airlines, etc.);
- Security, health (crime rate, deceases, corruption);
- Tourism price level (ticket prices, hotel prices, fuel prices);
- Government policy in the sphere of tourism (visa procedures, government expenditures);
- Sustainability (CO_2 emissions, air quality, environmental regulations);
- Labor skills (education, trainings);
- Natural and Cultural resources (Assaf and Josiassen, 2012).

Tourism destinations can be defined as resorts, cities, villages, regions, countries which attract tourists. Destination Management organizations (DMOs) are organizations initially responsible for the promotion and marketing of these destinations (Armenia in figures, 2023, p. 23). Besides, these authors represent the measures to evaluate efficiency of DMOs such as destination reputation, number of visitors, tourist spendings, length of tourist stays.

Since centralized management in the tourism sector is effective if it is supported by the activities of local organizations and units (Tovmasy, 2023), it is very important to note the role of such management structures as destination management organizations (DMOs), which are the main operating agents responsible for the management and promotion of the destination, as well as for monitoring the implementation of various programs (Toma and Mihai, 2022).

According to UN WTO, the state strategy for tourism development in the country is implemented precisely through DMOs. The practice of implementing state tourism development strategy through destination management organizations and the efficiency of this kind of organizations is widespread. While DMOs were originally created for the marketing and promotion of destinations (Das, 2024) in modern conditions they encompass the complete management of a destination's tourism potential, from product development to management of tourism and related services (Triandafil et al., 2022). Recent research are mainly devoted to strategies elaboration for the development of tourist destinations, ensuring long-term sustainability, increasing competitiveness, and implementing other strategic goals (Toma and Mihai, 2022). Moreover, DMO strategy effectiveness depends on the marketing strategy and branding for a definite destination. Some studies suggest that after Covid 19 the preferences of tourists have been changed and had become more personalized (Błotnicka, Górski, and Jurasiński, 2024). Therefore, DMO strategies should be adapted to these changing environment realities.

Some studies elaborated to reveal efficiency of DMO cooperation system has revealed that it mainly depends on management quality within the organizations of a definite destination. Thus, some of them demonstrate that lean management approach can significantly improve the destination management (Foris et al., 2020).

The process of destination management includes not only strategic and systematic activities, but the efficiency increase occurs through the tourism destination audit, which allows to find out the disadvantages on an earlier stage of destination development lifecycle.

Destination management organization (DMO) is established to develop and promote tourism in certain regions, communities and definite destinations, to address the issues of stakeholders, i.e. to manage and develop the region as a tourism center (Pike and Page, 2014). A DMO is formed with the public and private support, destination management organizations take on the main functions that are aimed at developing tourism in that specific region (RA Statistical Committee (2022). Literature analysis shows that DMOs are playing a vital role for the promotion of tourism destinations creating shared value and providing great economic, social, political, security and environmental positive results (Ritchie and Crouch, 2003).

At the same time, there are a huge number of risks that are generally impossible to predict and control, therefore, modern business must be as flexible as possible in order not only to survive, but also to develop and succeed. An example of this is the Covid-19 pandemic, which no one could foresee and which became the main reason for the slowdown in tourism development worldwide. Consequently, there is a need to develop and apply new, more flexible management mechanisms that come down to simpler management

structures, to hybrid structures that are devoid of hierarchy or reduce hierarchy to a minimum.

Thus, on the one hand, there are a lot of risks referred to political, economic, ecologic, security spheres in any country, and on the other hand, state programs aimed at the equal distribution of resources in the country and the development of border areas urge governments to implement various programs for the development of tourism in the regions. One of such programs is "EU 4 Tourism: Community-driven rural tourism and cultural events in Gegharkunik and Vayots Dzor regions" financed by European Union (EU), which was aimed at promoting rural tourism in the specified regions of Armenia. This initiative included remote and border areas, as well as the most vulnerable rural settlements of the Gegharkunik and Vayots Dzor regions. Tourism clusters can support small communities to integrate efforts and develop tourism. Tourism clusters give an opportunity to tie business, government and NGOs to support local economy. Theory of clusters evolve as a new approach to the public and private sector cooperation, as an innovative way for business development and competitiveness improvement. Clusters play an important role not only in tourism destination development, but also in the process of fostering innovation, increasing competitiveness and efficiency, reducing overall economic risks (Sahakyan and Antamoshkina, 2022). Tourism clusters also lead to the more effective regional development and exploitation of resources (Lytvyn et al., 2025).

2. MATERIALS AND METHODS

There are 3 big cities and 49 smaller ones in Armenia, besides, approximately 1/3 of the population of Armenian lives in rural areas, i.e. in 953 villages (Armenia in figures, 2023). If considering that other 1/3 of population in Armenia is concentrated in capital city, it becomes obvious that a problem of equal distribution of resources and population is vital for further development of the country.

Syunik marz (marz is a territorial administrative unit in Armenia, i.e. region) was chosen as a marz with development prospects and great tourism potential, which can be a model for further development of DMOs in other regions of Armenia.

The research methodology chosen for the study was comparative analysis, method of analogy, expert evaluation method, mathematical toolkit and SWOT analysis based on expert assessments. For the SWOT analysis, the main factors were identified that characterize the strengths and weaknesses of the studied region, the opportunities and threats in the external environment. Ten anonymously involved experts were chosen, who were identified as top specialists in the sphere of tourism, public administration, and business. Electronic questionnaires have been sent to experts for assessments. At the same

time, experts were given the opportunity to assess both the importance of each factor and the likelihood of its occurrence. Then, the expert assessments were weighted by probabilities, and the expected values were formed based on the mathematical expectation formula presented below (Equation 1).

$$E(X) = \sum_{i=1}^{n} Xi * Pi \quad (1)$$

where: E(X) - mathematical expectation; X_i - expert evaluation; P_i - probability of each value.

Besides, it should be mentioned that probabilities were given in the range of 0-1, and the grades were evaluated from 1 to 10 points, where 1 was for very low level, 10 was for very high level. After these calculations the final SWOT matrix have been created, which allowed to evaluate and identify more significant factors that affect the region tourism development potential and should be in the center of decision makers` attention.

3. RESULTS

Environment analysis aimed at DMO formation in Syunik region

In order to perform SWOT analysis physical, social, cultural, political and economic factors have been evaluated and discussed below. Factors which are considered as important for the situational analysis when evaluating the tourism potential of a rural area are the following:

- Physical factors (geographic location, climate, landscape),
- Socio-cultural factors (cultural heritage, local culture, people),
- Political factors,
- Economic factors (GDP, employment, investments, etc.) (Reinhold and Beritelli, 2022).

Physical factors. Syunik marz has great potential for tourism development, which has not been still entirely expoited. Syunik marz is located in the south of the Republic of Armenia (RA) (Official website of the Statistical Committee of Armenia, 2026). The highest point of the region is the Kaputjur peak (3,906 meters), and the lowest point is the Meghri gorge (380 meters). Syunik marz occupies about 15.2% of the RA territory. The population is about 135 thousand. people, of which about 67% are urban and 33% rural (RA Statistical Committee (2022).

Socio-cultural factors. The main unique selling points of this region are:

- *Vertical pointed mountains* ("Stone Forest" on the left slope of Getahovit), mountain rivers and unique natural landscape.
- *Historical and natural monuments*. Tatev monastery complex, Satanu bridge, Zorats stones, Shaki waterfall, Ukhtasar petroglyphs (ancient petroglyphs dating back to the 5th-2nd millennia BC have been preserved at an altitude of about 3300m above sea level, depicting

people in moments of hunting, work, religious rituals, wild and domestic animals, etc.).

- *Historically formed unique ways of living, unique traditions, customs*.
- *Ancient cave settlements in the mountains Khndzoresk "dead village"*, built in the form of caves dug into the mountain slope at an altitude of 1580 m above sea level.
- *Unique cuisine, including columnar vegetable bread*, pickles and dishes made from wild herbs, khashil, mulberry, honey vodka, berry wines.
- *Traditionally organized festivals* (sheep shearing, mulberry, raspberry festivals, etc.).
- *The warm and hospitable nature of the local population, the unique dialect*.
- *Sufficiently well-kept rural farms for agro-tourism lovers*.

Political factors. After the 2020 Artsakh war the flow of tourists to regions decreased sharply. If Kapan, Kajaran were able to maintain a certain level of well-being thanks to the mining industry, other parts of Syuinik marz, for example, the city of Goris suddenly felt the lack of inflow of tourists. In the past, being a link between Armenia and Artsakh, the city of Goris became one of the favorite places for tourists due to its unique architecture, urban culture, as well as its proximity to the tourist attractions. Currently the situation is changed, thus, there is a need to take additional measures to make both the city of Goris and the entire marz more attractive for tourists and to ensure them that the region is safe enough for travel and resort.

Economic factors (GDP, employment, investments, etc.). GDP per capita in Syunik marz exceeds the national average by about 3%. Thus, GDP per capita in Syunik is 6,039,817 drams, and in RA it is only 5,874,100 drams (Tovmasyan, 2023).

The labor resources are 64.7 thousand people, the level of employment is quite high compared to mining farms at the expense of Yerevan city and other marzes. The level of unemployment is about 9.7%, which is quite low for the entire RA economy (Main statistical indicators of the Syunik marz, 2018-2022).

According to the figures dated to 2021, there are 42 hotels in Syunik region, with 269 permanent employees and annual income of 563.8 million AMD.

In 2021 the number of tourists visited Syunik marz was 4,311, which is a rather low indicator. For this period of time were 915 hotels in RA, with an average number of 6,759 registered employees, annual revenue was 33,409.4 million drams. The number of inbound tourists staying in hotels of different categories in RA was 278,393 people (RA Statistical Committee, 2022).

Taking into account the analysis performed and considering expert evaluation the SWOT matrix has been elaborated, which is presented below (see Table 1).

Table 1. SWOT matrix for Syunik region of Armenia

SWOT Matrix					
	Probability	*Expert estimation*		*Probability*	*Expert estimation*
Strengths • Rich natural heritage • Rich historical, cultural heritage • Hospitality of the population • Unique cuisine • Opportunity for interesting experiences in rural areas • Availability of an airport • Availability of sufficient number of placement facilities • 2 higher educational institutions and 8 secondary professional educational institutions training personnel in the field of service and tourism (Main statistical indicators of the Syunik marz, 2018-2022).	0.9 0.8 0.9 0.8 0.9 0.9 0.8 0.8	10 9 8 9 6 5 6 6	**Weaknesses** ✓ Low level of material and technical saturation of hostels, guest houses ✓ Insufficient level of inter-provincial roads ✓ Lack of necessary qualified professionals ✓ Low involvement of rural population in the sector ✓ Limitation of an experience-based attractive tourism product ✓ Low interest of local governments in the direction of tourism development	0.8 0.9 0.8 0.8 0.9 0.6	5 6 7 8 8 5
	Probability	*Expert estimation*		*Probability*	*Expert estimation*
Opportunities • Development trends of the tourism sector in RA • Positive changes in the legislative field • Opportunities to create DMOs • Relatively low level of migration from the region (compared to other regions of the Republic of Armenia) • Relatively higher well-being of the population (compared to other regions of the Republic of Armenia)	0.9 0.8 0.9 0.7 0.7 0.8	7 7 8 8 7 4	**Threats** ✓ The likelihood of war and armed conflict ✓ Political instability ✓ Lack of effective state support programs ✓ Safety ✓ The indifference of state administration bodies towards the sustainable development of tourism	0.8 0.8 0.7 1 0.9	9 8 6 7 7

SWOT Matrix					
	Proba-bility	*Expert estima-tion*		*Proba-bility*	*Expert estima-tion*
• RA border and transportation roads unblocking possibilities					

Source: author's elaboration

Based on the results of the summary SWOT matrix, we can identify the most important and priority weaknesses and threats that need to be solved, which should be prepared and faced by using the region's strengths and opportunities in the external environment (Table 2). It is necessary to note that in order to identify the primary problems, only the factors with a score higher than 5 have been chosen, and further attention of all interested and authorized bodies and stakeholders was paid on them.

Table 2. SWOT summary matrix for Syunik region of Armenia

SWOT Summary Matrix			
	Summary score		*Summary score*
Strengths		**Weaknesses**	
• Rich natural heritage	9	✓ Low level of material and technical saturation of hostels, guest houses	4,0
• Rich historical, cultural heritage	7,2	✓ Insufficient level of inter-provincial roads	5,4
• Hospitality of the population	7,2	✓ Lack of necessary qualified specialists	5,6
• Unique cuisine	7,2	✓ Low involvement of rural population in the sector	6,4
• Opportunity for interesting experiences in rural areas	5,4	✓ Limitation of an experience-based attractive tourism product	7,2
• Availability of an airport	4,5	✓ Low interest of local governments in the direction of tourism development	3,0
• Availability of sufficient number of placement facilities	4,8		
• Higher educational institutions and 8 secondary professional educational institutions training personnel in the field of service and tourism	4,8		
	Summary score		*Summary score*
Opportunities		**Threats (Treats)**	
• Development trends of the tourism sector in	6,3	✓ The likelihood of war and armed conflict	7.2

SWOT Summary Matrix			
	Summary score		*Summary score*
RA ● Positive changes in the legislative field ● Opportunities to create DMOs ● Relatively low level of migration from the region (compared to other regions of the Republic of Armenia) ● Relatively higher well-being of the population (compared to other regions of the Republic of Armenia) ● RA border and transportation roads unblocking possibilities	5,6 7,2 5,6 4,9 3,2	✓ Political instability ✓ Lack of effective state support programs ✓ Safety ✓ The indifference of state administration bodies towards the sustainable development of tourism	6,4 4,2 7 6,3

Source: author's elaboration

Thus, as a result of the SWOT analysis, it can be concluded that the tourism development strategy in Syunik marz should be based on the strong points of the marz, that is, natural, historical and cultural resources, people and interesting experiences with their unique way of life (see Table 3). At the same time, the pace of tourism development in RA is quite encouraging, the legislative and legal system is improving, and the creation of DMOs will allow more effective use of these strengths in creating a competitive tourism package and ensuring greater involvement of the rural and local population in the process. It can be expected that DMOs will be able to position Syunik region as a safe place to travel through effective marketing policies and cooperation between business and government bodies, as well as solve the problems of sustainable development in the region.

Table 3. Final SWOT matrix for Syunik region of Armenia

Final SWOT Matrix	
Strengths ● Rich natural heritage ● Rich historical and cultural heritage ● Hospitality of the population ● Unique cuisine ● Opportunity for interesting experiences in rural areas	**Weaknesses** ✓ Lack of necessary qualified specialists ✓ Low involvement of rural population in the sector ✓ Limitation of an experience-based attractive tourism product

Final SWOT Matrix	
Opportunities • Development trends of the tourism sector in RA • Positive changes in the legislative field • Opportunities to create DMOs • Relatively low level of migration from the region (compared to other regions of the Republic of Armenia)	**Threats** ✓ The possibility of war and armed conflicts ✓ Political instability ✓ Security ✓ The indifference of state administration bodies towards the sustainable development of tourism

Source: author's elaboration

4. DISCUSSION

Thus, SWOT analysis revealed that Syunik region had a number of strengths and opportunities for tourism development, but there were also some obstacles, which arise from incompetence of the local self-governance bodies and the lack of government and private sector cooperation. One of the best ways to stimulate business and government bodies cooperation is to form a destination management organization (DMO). Considering international experience and expected results the main areas of activity for DMOs have been distinguished as the followings:

- Establish cooperative relations with all stakeholders;
- Collect information about the entire tourism infrastructure, capacity, workload;
- Ensure tourism product promotion, branding;
- Ensure the operation of several local tourist information centers;
- Develop annual plans, setting priorities that need priority implementation at the local level;
- Develop plans for the presentation and promotion of the local tourism product with specific steps and implement them;
- Fund these programs;
- Ensure cash flow to the fund, monitor it;
- Monitor the sustainable development and environmental norms by the participants of the tourism sector;
- Ensure proper appearance of tourist centers, historical and cultural objects, environmental cleanliness, dissemination of information about them;
- Continuously develop new tourism products;
- Organize meetings, events, ensuring cooperation with DMOs of other marzes and foreign partners;
- Publish annual reports on its activities and effectiveness and be accountable to society.

DMO formation and development model

The formation of DMOs had historically two scenarios. They were created either spontaneously, mainly on the initiative of a large private company or a group of them (US experience) or through public-private partnerships, or at the initiative of local self-government bodies, around sectoral associations (European experience).

At the current stage of economic development, there are no large and financially capable organizations operating in the tourism sector in Armenia, therefore, at the initial stage, the first attempts to create DMOs will belong to the state policy-implementing body, the Tourism Committee of the Republic of Armenia, involving the private sector, the Tourism federation of Armenia, different associations related to the sector, in some cases the Armenian Apostolic church (when decision-making refers to church property or some interpretation of religious and historical issues), representatives of educational institutions (Universities and colleges, which are included in professional education process) and other bodies.

Proposed DMO model for Syunik region of Armenia will be established on the basis of public-private partnership. The governance process of this DMO should have the following logic explained below.

The Syunik region DMO should have a founding board consisting of 15 participants, who will have appropriate administrative staff for their activities. Administrative expenses and expenses for the main objectives of the activities will be financed from the regional DMO fund. The fund will be formed from the founders' membership fees, which will be a certain percentage of their income (for example, up to 5 % of annual income). Representatives of the Tourism Committee of Armenia, quite large hotels of the region (representatives of hotels with more than 25 places and other hotels, guesthouses, on a voluntary basis), the Kajaran Copper and Molybdenum plant, as the largest taxpayer and an organization bearing social responsibility to the region, will become DMO founders with their predecessors and will finance its activities. In addition to above mentioned bodies the Syunik Region DMO Council will also include representatives of the Armenian Tourism Federation, Armenian Apostolic Church, and secondary vocational and higher education institutions, who will be exempt from membership fees, but will support them with volunteers, human resources and property resources.

At the same time, during the first 5 years of the DMO’s activity, the financial participation of the state government bodies will be larger, amounting up to 25-50% of the fund’s budget, and as the DMO matures, it may be completely eliminated, and the need for the participation of representatives of the Tourism committee in the DMO’s work may no longer be necessary.

For the Republic of Armenia, at the initial stage, it is possible to create regional DMOs that will implement tourism development measures by involving local stakeholders. Thus, later, the successful experience of abovementioned

DMO will force tourism business representatives to initiate more local DMOs in appropriate touristic destinations.

The Syunik region DMO will develop the following *5 tourproducts* in the initial stage of its activity:

- *The Mystery of Tatev* (Tatev Monastery and nearby historical sites: pilgrimage and cultural experience).
- *Old Khndzoresk.* Cave Age (experience of living in a unique cave lifestyle).
- *Karahunj.* Discover the Universe (scientific and popular science experience, gathering medicinal herbs in the fields).
- *Ukhtasar.* Enter the Past (archaeological and excavation experience, opportunity to participate in staged ancient rituals and religious ceremonies).
- *Gastronomic.* Symphony of Syunik Flavors (baking vegetable bread, preparing and tasting pasunts dolma and other traditional dishes in the city of Goris and surrounding villages).

DMO strategy of Syunik region

Aimed at formation and development destination management organizations in Syunik region of Armenia the appropriate strategy has been elaborated, which is presented below.

The mission of the Syunik Region DMO is to make Syunik Region one of the most recognized, sustainable and unique tourism destination in the South Caucasus and Armenian Highlands region, offering diverse, authentic experiences while preserving its natural beauty and cultural heritage and empowering the the regional community by developing responsible tourism based on the principles of effective cooperation of all stakeholders, innovation, and sustainability.

In order to position the rural areas of Syunik Region as an attractive and desirable tourist destination for tourists, it is necessary not only to show tourists the wealth and heritage of the religious, historical, cultural, natural and animal world, but also to make them participate in specially organized master-classes, staged interactive small exhibitions, harvesting, and the processes of preparing national food and drinks.

Syunik region should be positioned as a destination that:

- Provides an opportunity to directly communicate with ancient civilizations.
- Provides a unique experience in terms of living, enjoying food, and learning something new.
- Is connected with certain inexplicable, magical, miraculous powers.
- A sanctuary where a person feels closest to God, from where his word reaches God.

- Finally, a fairy-tale place where in the cold mountain air one can feel the aroma of delicious dishes mixed with the freshness of mountain flowers and moist rains.

DMO governance and development structure

The formation of DMOs has historically had two possible scenarios.

Scenario 1. This scenario suggests that DMOs are formed and developed spontaneously, mainly on the initiative of a large private company or a group of them (taking into account US experience). *Scenario 2.* According to this approach the DMOs are formed by the initiative of government bodies as a state and private partnership initiative, or DMOs are created by local self-government bodies, around sectoral associations (taking into account European experience).

5. CONCLUSION

At the current stage of economic development, there are no large organizations operating in the tourism sector in the regions of Armenia, therefore, at the initial stage, the initiative to create DMOs will belong to the bodies implementing state policy, like the Tourism Committee of the Republic of Armenia, involving the private sector, the tourism federation, associations related to the sector, the church, representatives of educational institutions and other bodies.

The DMO of Syunik region will be created based on cooperation between the state and the private sector. The management model of this DMO should have the following logic.

The DMO of Syunik region should have a founding council consisting of 15 participants. This governance body should have appropriate administrative staff for their activities. Administrative expenses and expenses for the main purposes of the activity will be financed from the regional DMO fund. The fund will be formed from the founders' membership fees, which will constitute a certain percentage of their income (for example, 1% of the annual income).

Representatives of the Tourism Committee, large hotels of the region (representatives of hotels with more than 25 places and other hotels, guesthouses, on a voluntary basis), the Kajaran Copper and Molybdenum Combine, as the largest taxpayer and an organization bearing social responsibility to the region, will become DMO founders with their predecessors and will finance its activities. In addition to representatives of the Tourism Committee, the Syunik regional DMO board will also include representatives of the Armenian Tourism Federation, the church, and secondary vocational and higher education institutions, who will be exempt from membership fees, but will support it with human, professional and property resources.

At the same time, it should be noted that in the first 5 years of the DMO’s activity, the financial participation of the state administration body will be larger, amounting to 25-50% of the fund’s budget, and as the DMO matures, it

may be completely eliminated, and the need for the participation of representatives of the Tourism Committee in the DMO's work may no longer be necessary.

For the Republic of Armenia, at the initial stage, it is possible to create regional DMOs that will implement tourism development measures by involving local stakeholders. It is possible that later, with the successful experience of DMOs, more local DMOs will be created according to individual tourist destinations.

In order to implement DMOs proposed management model the following changes are required in the RA legislation. In order to make the activities of DMOs effective in the RA, it is necessary to provide the DMO councils and their employees with certain powers to influence the activities of local self-government bodies, to issue permits related to urban development, construction, and establishing businesses. In addition, in order to ensure stability, DMOs should have legislative and legal powers and be able to take measures to hold entities that harm the environment, biosphere, and ecosystem activities accountable. In order to promote participation in DMOs, a package of tax incentives can be envisaged, as well as these incentives can be included in the law. The incentives relate, in particular, to the following:

- Reduction of value added tax (VAT) for hotel business and guesthouses up to 15%, and reduction of turnover tax up to 8%.
- Reduction of turnover tax for restaurants, catering and other organizations up to 5%.

To achieve its main goals DMOs governance bodies should establish some kinds of partnership and collaborations. To achieve its goals, the DMO should implement a broad information campaign, which will be the responsibility of the tourism committee at the initial stage. It is necessary to identify the following stakeholders and organize active information campaigns aimed at including them into support activities. The main stakeholders are identified as the following:

- Local self-government bodies, mayors, village heads;
- Owners of hotels, guesthouses and other accommodation facilities;
- Owners of restaurants, public catering facilities;
- Management of large industrial enterprises;
- Local population, representatives of Armenian Apostolic church.

The most important stakeholder among all mentioned are locals. The involvement of the local community is extremely important from the point of view of the creation and effective operation of DMOs in the sense that the local population is better than anyone else aware of the historical and cultural peculiarities of the place, can show from the inside the most important competitive advantages that exist in a given settlement or region, this is also important from the point of view of social justice, since all members of the community have the opportunity to use the opportunities provided by DMOs.

The maximum involvement of local people also creates an opportunity to preserve the local culture, its uniqueness and reduce the negative consequences arising from the development of tourism.

To ensure the maximum involvement of the local population in the work of DMOs, it is necessary:

- Conduct awareness-raising, meetings, discussions;
- Involve students from local universities and vocational education institutions on a voluntary basis in presenting and raising awareness about DMO success stories;
- Present specific financial and social results, showing the number of jobs created in specific sectors, expected business profits, infrastructure created in the community, etc.

The concepts of sustainability and responsible tourism should be clearly expressed in the strategy of DMOs, which can be presented as follows:

- Allocate a separate line in the annual activity programs and budgets of DMOs for environmental protection, environmental protection, and creating a sustainable environment around tourism facilities in communities.
- Ensure the involvement of key stakeholders in public discussions, annual reporting, and in some cases, decision-making.
- Provide presentations aimed at awareness-raising and community member engagement by volunteer students, motivating community participants with certain certificates and certificates of participation in courses.

In order to minimize the environmental and cultural impact of tourism, it is necessary to implement the following initiatives:

- Inform and encourage local businesses to reduce the use of disposable tableware, plastic bags, and replace them with paper bags and ceramic or unbreakable glassware.
- Encourage the use of solar and other renewable energy by establishing eco-certificates for local businesses.
- Encourage the economical use of water, electricity, and other natural resources.
- Implement environmental cleaning and improvement with the participation of local residents, encouraging them with prizes that can be made from recycled raw materials (for example, furniture, books, clothing).
- Collect and group local traditions, legends, and explain that they can be a source of income for local residents.
- Encourage the preservation of cultural diversity, demonstrating its tangible benefits for all beneficiaries.

Financial stability of Destinations

In rural areas of developing countries, especially if they are border areas or far from major cities, it is necessary to pay special attention to the issue of financial sustainability when establishing a DMO. The importance of financial sustainability of DMOs is determined by the following factors:

- Financial sustainability refers to the ability of the DMO to generate funds in the long term to achieve its goals, as well as to form reserve or reserve funds to solve problems arising in unforeseen or force majeure situations.
- Since the financial resources of the DMOs will be generated from the membership fees of the participants, by attracting more tourists to the region as a whole, it will be possible to increase the profits of the participants and, consequently, the financing of the DMO for future years, which will allow to implement larger-scale projects and focus more on sustainability issues.
- In this context, it is also important to apply effective financial planning, and a policy of risk forecasting, insurance, and diversification of tourism products. To finance the DMO, it is necessary to form a fund, to which the participants will transfer an amount of 1% of their annual income.

These participants will be the Tourism Committee, large hotels in the region (hotels with more than 25 beds and other hotels, guesthouses, on a voluntary basis), the Kajaran Copper and Molybdenum Combine, as the largest taxpayer and an organization bearing social responsibility to the region.

The Armenian Tourism Federation of Armenia, the church, and secondary vocational and higher education institutions should be exempt from membership fees, but they will support the DMO with human, professional and property resources, and consulting.

In the first 5 years of the DMO's activity, the financial participation of the state governing body will be larger, amounting to 25-50% of the fund's budget, and as the DMO matures, it may be completely eliminated, and the need for the participation of representatives of the state body, the Tourism Committee, in the work of the DMO will no longer be necessary.

To ensure the financial stability of DMOs, the main source of income will be the membership fees of the participants (the list of whom has already been mentioned). Along with developing tourism in the region from year to year, it will be possible to increase the profits of the private sector, and since membership fees act as a certain percentage of their revenue, they will also grow from year to year, small businesses will turn into medium and large ones, therefore, the number of DMO participants and income will also grow.

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EUROPEAN GOVERNANCE, INSTITUTIONAL TRANSFORMATION, AND INTEGRATION: AN EMPIRICAL ANALYSIS OF ROMANIA

ELENA-MIHAELA SFRIJAN (căs. ANDRIEȘ)
Alexandru Ioan Cuza University of Iași
Iași, Romania
elena.sfrijan@student.uaic.ro

ANA-MARIA BERCU
Alexandru Ioan Cuza University of Iași
Iași, Romania
bercu@uaic.ro

Abstract
The dynamics of European governance are shaped by complex processes of differentiated integration, Europeanization, and institutional transformation, with implications for member states, including Romania. The purpose of this paper is to explain how the European Union is redefining its governance framework under the impact of enlargement and systemic crises, particularly the eurozone crisis. The objective is to analyze the degree of Romania's convergence with the acquis communautaire and the European Union average.
The model of constrained adaptive governance describes the European Union's tendency to experiment with functional centralization during times of crisis, while maintaining significant political pressure to deepen integration.
The research methodology employed combines theoretical analysis with an empirical approach based on relevant economic indicators, using Romania as a case study to assess the effects of Europeanization and the implementation of the acquis communautaire. The results highlight partial but unevenly distributed economic and institutional convergence, confirming the differentiated nature of European Union integration.
In conclusion, European governance is viewed as a flexible and adaptive system in which institutional transformation is driven by the interplay between crises, structural constraints, and processes of Europeanization. There is no complete standardization among member states, as they evolve at different paces
Keywords: *European governance; differentiated integration; Europeanization; institutional transformation; the acquis communautaire.*
JEL Classification: H83; F55; F15; H77.

1. INTRODUCTION

European governance is one of the most complex and contentious aspects of contemporary political integration. To properly understand the situation, it is necessary to take a broad view of the origins of the European project and its gradual transformations over time. In fact, the contemporary European Union is a product of historical developments and successive institutional adaptations, not the result of a coherent, pre-established plan for supranational political construction (Pierson, 1996; Pollack, 2004).

The structure is not that of a federal state, as member states retain their sovereignty and the right to withdraw from the Union (Article 50 TEU, invoked by the United Kingdom through Brexit). At the same time, it is not a simple classical international organization governed exclusively by revocable intergovernmental agreements. European legal scholars and political scientists consider it a unique political and legal entity, with its own operating principles, its own constitutional order, and its own logic of integration (Weiler, 1999; Schmitter, 2004). It is precisely this hybrid and constantly evolving nature that makes European governance a contested field of study in contemporary academic literature.

The evolution of European integration has not been linear, but rather marked by crises and compromises that reflect the tension between European integration and national sovereignty. An important example is the "empty chair policy" practiced by France in 1965–1966, which led to the Luxembourg Compromise and the informal recognition of the right of veto on matters of vital national interest (Rittberger, 2005).

In 2005, France and the Netherlands rejected the European Constitutional Treaty, highlighting the difficulty of securing public support for further transfers of sovereignty. Some of the reforms were subsequently incorporated into the Treaty of Lisbon. Another major milestone was Brexit, finalized in 2020, when for the first time a member state left the European Union, calling into question the irreversibility of integration (Hobolt, 2016).

Thus, the history of European governance can be interpreted as a constant tension between deeper integration and resistance from nation-states, driven by political interests, identities, and concerns about sovereignty.

2. THEORETICAL FRAMEWORK: NEO-INSTITUTIONALISM, MULTILEVEL GOVERNANCE, EUROPEANIZATION, AND DIFFERENTIATED INTEGRATION

2.1 Neo-institutionalism

Neo-institutionalism is a theoretical approach in political science that explains how European institutions are formed, persist, and transform (Hall and Taylor, 1996; March and Olsen, 1989). In the literature, it is divided into three main variants: rational-choice, sociological, and historical neo-institutionalism,

each emphasizing different mechanisms through which institutions influence political behaviors and processes.

Rational-choice neo-institutionalism starts from the idea that member states remain the primary actors of integration, delegating powers to supranational institutions only when the cost-benefit calculation is favorable. This perspective explains the selectivity of integration and the resistance of national governments to transfers of sovereignty in politically sensitive areas, such as direct taxation or foreign policy (Moravcsik, 1998).

Sociological neo-institutionalism emphasizes the normative and cultural dimensions of institutions. These not only constrain behavior but also shape the identities, perceptions, and preferences of actors. European integration is both a process of negotiation and one of institutional socialization, in which states and domestic authorities come to adopt common norms and practices (Risse, 2010).

Historical neo-institutionalism introduces the concept of path dependency. According to this perspective, initial choices have lasting effects because they create institutional structures that are difficult to change later. Once established, these structures generate constraints that limit future options, even if the context changes (Pierson, 1996).

With regard to European integration, this concept explains why the evolution of the European Union is highly cumulative. The treaties from the Treaty of Rome, the Treaty of Maastricht, the Treaty of Amsterdam, and the Treaty of Nice, up to the Treaty of Lisbon demonstrate a process of gradual institutional construction. Each stage of integration was built upon existing foundations, expanding the Union's competences and adapting the institutional architecture, but without completely eliminating the initial tensions between the supranational and national levels. Thus, European integration is not a radical overhaul starting from scratch, but an evolutionary process in which earlier decisions shape future choices.

2.2 Multilevel Governance Theory

The concept of multilevel governance (MLG) was developed to explain how the decision-making process works within the European Union. Unlike the classic model of the nation-state, in which power is concentrated primarily at the central level, multi-level governance involves the distribution of authority among multiple levels of government (European, national, regional, and local) that interact continuously and share responsibilities.

The theory was developed by Liesbet Hooghe and Gary Marks (2001) in their analysis of European cohesion policy and structural funds. They observed that the implementation of European policies does not depend exclusively on national governments, but also involves regional and local authorities that actively participate in the negotiation, management, and enforcement of European decisions.

A central element of the MLG model is the idea that subnational authorities (regions, counties, municipalities, or other local authorities) can interact directly with European institutions, without always going through the central government. For example, certain European regions directly manage projects funded by European funds, participate in transnational networks, or promote their own interests in Brussels.

This approach reflects the transformation of sovereignty within the context of European integration. Power is no longer exercised exclusively "top-down" by the state, but is shared among multiple levels of authority that coexist and cooperate.

From the perspective of multilevel governance (MLG), the eurozone crisis (2010–2012) highlighted the difficulties of a system in which economic and fiscal powers are divided between the European and national levels. Although monetary policy was managed by the European Central Bank, fiscal and budgetary policies remained largely under the control of member states, and the lack of a strong common fiscal mechanism limited the Union's ability to respond effectively to the crisis.

The crisis affected countries such as Greece, Portugal, Spain, and Ireland in different ways and demonstrated the need for more integrated economic coordination. However, many countries were reluctant to transfer additional sovereignty to the European level. As a result, the European Union strengthened its common economic coordination mechanisms, without, however, establishing a true fiscal or political union.

2.3 Europeanization - Conceptualization and Dimensions

Claudio Radaelli (2003, p. 30) defines Europeanization as the process by which rules, norms, and practices developed at the European Union level are integrated into national political and administrative systems. This process is not limited to the adoption of European legislation but involves a broader transformation of institutions, administration, and public policies through adaptation to EU standards. At the same time, Europeanization is a two-way process, as member states also contribute to shaping European policies and norms.

Robert Ladrech (1994) defines Europeanization as a gradual process of adapting national political structures and practices to the requirements of the European Union. It is not limited to specific legal changes, but involves gradual transformations of institutions, decision-making processes, and relationships among political actors, through the integration of the logic of European governance into the functioning of member states.

Subsequently, Simon Bulmer and Claudio Radaelli (2004) developed a more nuanced typology of Europeanization, highlighting the fact that the European Union's impact on member states is not uniform. They distinguish

between three mechanisms of the Europeanization process. A first mechanism is that of institutional constraint, through which states are required to adapt their legislation and institutions to comply with the acquis communautaire. A second mechanism is institutional learning, which involves adopting administrative models and practices considered effective at the European level. Furthermore, Europeanization can have an identity-based and discursive dimension, influencing how political actors and society define national interests and their relationship to the European project.

In the countries of Central and Eastern Europe, Europeanization was particularly intense during the pre-accession period, when reforms were driven by the criteria imposed by the European Union. However, the formal adoption of European norms did not always lead to their effective implementation, with many reforms remaining incomplete or selective, which created a gap between legal compliance and actual changes in practice (Schimmelfennig and Sedelmeier, 2004).

Thus, Europeanization must be viewed as a continuous and complex process of mutual adaptation between the EU and its member states, combining institutional convergence with the persistence of national differences. The case of Romania highlights this uneven nature of the process, in which European integration brings about both adaptation and transformation, as well as forms of institutional resistance.

2.4 Differentiated Integration – Concepts and Typologies

Differentiated integration describes the phenomenon whereby EU member states participate to varying degrees in the process of European integration. Unlike the traditional view of uniform and simultaneous integration for all member states, this approach acknowledges that the European Union operates through varying levels of participation and cooperation, determined by distinct political interests, economic capacities, or strategic choices.

In the academic literature, Alexander Stubb and later Kenneth Dyson and Angelos Sepos have shown that differentiated integration represents a pragmatic solution to the heterogeneity of the European Union. As the EU has expanded and become more diverse economically, politically, and culturally, it has become increasingly difficult to maintain a rigid model of identical integration for all member states (Stubb, 1996; Dyson and Sepos, 2010). The realistic solution is for integration not to be uniform for all, but flexible and tailored to each state or group of states.

Differentiated integration takes shape through several mechanisms. One mechanism is the opt-out clause, whereby certain countries choose not to participate in specific common policies. For example, prior to Brexit, the United Kingdom had secured significant exemptions in areas such as the single currency and cooperation within the area of freedom, security, and justice. A second

mechanism is enhanced cooperation, which allows a group of member states to move forward more quickly in a specific area without the participation of all EU members. This instrument was created to avoid institutional deadlocks caused by the requirement for unanimity and to allow for deeper integration among states willing to cooperate more closely. A third mechanism involves differences in the pace of adoption of common policies. Not all Member States participate simultaneously in the same European structures, and access to certain forms of integration is conditional on meeting specific economic, legal, or institutional criteria.

These dynamics are evident in several key areas of the contemporary European Union. The eurozone includes only those countries that have adopted the single currency and meet the economic convergence criteria. The Schengen Area comprises countries that have abolished internal border controls, but not all EU member states are part of this system. In the field of security and defense, Permanent Structured Cooperation (PESCO) allows interested states to develop joint defense projects without the mandatory participation of all members. Similarly, the European Public Prosecutor's Office (EPPO) operates on the basis of selective participation by states that have agreed to transfer certain judicial powers to the European level.

Lazarou and Thomas (2012) propose a typology of integration differentiated according to two dimensions: intention (voluntary vs. constrained) and permanence (temporary vs. structural). Romania falls into the category of temporary constrained integration in areas such as the eurozone (where membership is mandatory but conditional on convergence criteria) and Schengen (where the founding states have blocked accession for political reasons). This position generates what Leuffen et al. (2013) call horizontal differentiated integration, characterized by the exclusion of certain states from the benefits of deep integration.

3. INSTITUTIONAL TRANSFORMATION OF THE EUROPEAN UNION: FROM COMMUNITY TO UNION

3.1 Stages of European Institutional Construction

The institutional architecture of the European Union did not emerge from a single, coherent, and fully defined project from the outset. It took shape gradually, through a succession of defining moments that each time reconfigured the relationship between the supranational and intergovernmental dimensions. Each major treaty served both as a response to the limitations and shortcomings of previous stages and as a compromise between different perspectives on the direction and degree of European integration.

It all began with the founding of the European Economic Community through the 1957 Treaty of Rome, based on a desired balance among three institutions with different rationales. The European Commission acted as a

supranational guardian of the treaties, proposing legislation and overseeing compliance with common rules. The Council of Ministers represented the interests of the member states and held the primary decision-making power. The Parliamentary Assembly (which later became the European Parliament) had direct democratic legitimacy starting in 1979, serving as an early form of citizen representation.

The Court of Justice of the European Union played a key role in consolidating the European legal order by establishing the principles of direct effect (Van Gend en Loos, 1963) and the primacy of European law (Costa v. ENEL, 1964), which reinforced the autonomy of Community law (Craig and de Búrca, 2015).

The Single European Act accelerated integration by expanding qualified majority voting and strengthening the role of the Parliament, thereby reducing decision-making deadlocks. EU enlargement, especially after 2004, necessitated successive institutional reforms. The Treaty of Amsterdam and the Treaty of Nice introduced functional adjustments, while the Treaty of Lisbon represented a major reform: it simplified the EU's structure, expanded the ordinary legislative procedure, strengthened the role of the Parliament, and introduced mechanisms such as the citizens' initiative, alongside new leadership roles at the European level.

Overall, the evolution of the European Union reflects a continuous process of institutional adaptation, aimed at maintaining a balance between decision-making efficiency, enlargement, and the diversity of Member States.

3.2 The Euro-zone Crisis and the Reconfiguration of Economic Governance

The eurozone sovereign debt crisis (2010–2012) highlighted the structural weaknesses of the Economic and Monetary Union's architecture, which was based on a single currency without being accompanied by a full fiscal union, a robust crisis management mechanism, or a banking union capable of breaking the link between sovereign and banking risk (De Grauwe, 2011; Pisani-Ferry, 2014). In this context, the institutional response entailed an unprecedented acceleration of economic and fiscal integration. The Stability and Growth Pact was strengthened by the Six-Pack (2011) and Two-Pack (2013) legislative packages, which reinforced budgetary surveillance, introduced stricter mechanisms for correcting macroeconomic imbalances, and increased the capacity to sanction countries that deviate from common fiscal rules. These reforms aimed to increase fiscal discipline and reduce the risk of budgetary slippage within the euro area.

An important step was the Treaty on Stability, Coordination, and Governance – TSCG (2012), signed by 25 of the 27 member states of the European Union. It introduced the balanced budget rule into national legislation,

including at the constitutional level in some countries, which represented a significant transfer of fiscal policy powers to a supranational coordination framework. This development has been interpreted in the literature as a form of indirect integration, carried out outside the classical framework of the EU treaties (Bénassy-Quéré et al., 2018).

At the same time, the European Stability Mechanism (ESM), which has been operational since 2012, replaced the previously existing temporary crisis instruments (EFSM and EFSF) with a permanent financial stabilization mechanism. With a lending capacity of approximately €700 billion, the ESM has become the euro area's main instrument for providing financial assistance to countries in difficulty, conditional on strict economic adjustment programs (Eurogroup, 2012).

The Banking Union, launched in 2012–2014, created the Single Supervisory Mechanism (SSM) under the auspices of the ECB and the Single Resolution Mechanism (SRM), transferring banking supervision from the national to the European level for over 120 significant credit institutions in the euro area (ECB, 2014). This functional centralization illustrates the crisis-driven integration model (Matthijs and Blyth, 2015): systemic pressures forced the overcoming of political and institutional deadlocks that had hindered progress during normal times.

Overall, the response to the eurozone crisis has led to a significant deepening of European economic governance, through a combination of stricter fiscal rules, partial centralization of economic oversight, and the creation of permanent stabilization mechanisms. At the same time, these reforms have highlighted the structural tension between the need for deeper integration to ensure the stability of the single currency and member states' resistance to further transfers of fiscal sovereignty.

3.3 The Limits of Institutional Transformation: Political Constraints

Despite the significant progress made in the wake of the crisis, the institutional transformation of the European Union in the post-crisis period reveals significant structural limitations, which confirm the nature of constrained adaptive governance. In other words, integration advances through successive adjustments to pressures and crises, but is constantly limited by political constraints, particularly the willingness of member states to retain control over areas considered sensitive.

In this context, proposals to transform the Economic and Monetary Union into a genuine Fiscal Union (including a significant common budget, automatic instruments to stabilize economic shocks, and the possibility of issuing Eurobonds) have largely remained stalled. Opposition came particularly from creditor nations in Northern Europe, such as Germany and the Netherlands,

which expressed reluctance toward the mutualization of financial risks and further transfers of fiscal sovereignty.

Although the 2015 Five Presidents' Report and subsequent documents on the future of the euro area proposed a gradual roadmap toward a more integrated fiscal union, the implementation of these reforms has remained incomplete and piecemeal. Progress has been incremental rather than transformative, reflecting the difficulty of building political consensus around deeper transfers of fiscal powers.

At the same time, the democratic dimension of post-crisis economic governance has drawn significant criticism regarding the widening democratic deficit at the European Union level. Major economic policy decisions have often been adopted in predominantly intergovernmental frameworks, such as the Eurogroup and the European Council, where transparency is limited and direct parliamentary oversight is relatively weak (Fasone, 2014; Habermas, 2012).

Although mechanisms such as the Joint Parliamentary Committee and the Interparliamentary Conference on Economic and Monetary Union were created, they have failed to fully compensate for the lack of democratic oversight exercised by the European Parliament in the realm of the new economic governance. Consequently, post-crisis reforms illustrate a structural paradox: on the one hand, deeper economic integration, and on the other, the maintenance of significant limits regarding democratic legitimacy and the distribution of decision-making power within the Union.

4. ROMANIA: EUROPEANIZATION AND INSTITUTIONAL TRANSFORMATION

4.1 The Accession Process and European Conditionality

Romania's accession process to the European Union was one of the most complex and controversial in the history of European enlargement. Officially launched with the opening of negotiations in February 2000, the process required the full transposition of the 35 chapters of the acquis communautaire, a profound restructuring of the planned economy, and the development of the administrative capacity necessary to implement European standards (Vachudova, 2005). The European Commission used conditionality as the primary instrument of pressure for reform, linking the progress of negotiations and, subsequently, the prospect of an accession date to the performance of reforms in sensitive areas: justice and home affairs, agriculture, the environment, and competition (European Commission, 2004, 2005).

Schimmelfennig and Sedelmeier (2004) argue that the effectiveness of pre-accession conditionality depends on the credibility of the accession prospect, the costs of meeting the conditions, and domestic implementation capacity.

In Romania's case, the prospect of joining the European Union was credible enough to mobilize domestic coalitions in favor of structural reforms, including

among political and economic elites interested in European integration. However, the adjustment process required by the accession criteria entailed significant social and economic costs, such as the privatization of state-owned enterprises, price liberalization, and the profound restructuring of the industrial sector. These transformations, in turn, generated significant social tensions and political resistance, reflecting the difficulty of adapting to the market economy and the requirements of the acquis communautaire.

In this context, the establishment of the Cooperation and Verification Mechanism (CVM) at the time of accession in 2007 represented an unprecedented instrument in the history of the European Union's enlargement. This mechanism was created to monitor progress in areas considered problematic, particularly judicial reform and the fight against corruption.

Table 1. Weaknesses identified by the EU at the time of Romania's accession

No.	Domain	What the European Commission considered insufficient
1	Justice reform	The judicial system was not sufficiently efficient, independent, and coherent
2	Independence of justice	There was a risk of political influence over judicial institutions
3	Fight against corruption	Limited results in investigating and sanctioning high-level corruption
4	Administrative capacity	State institutions had difficulties in the uniform application of EU legislation
5	Law enforcement	Differences between the adoption of reforms on paper and their actual implementation
6	Transparency and accountability	The need to strengthen institutional oversight and public accountability

Source: own compilation

The table above summarizes the main institutional shortcomings identified by the European Commission in the context of Romania's accession to the EU, in areas essential to the functioning of the rule of law, such as judicial independence, the fight against corruption, administrative capacity, and institutional accountability. These vulnerabilities formed the basis for the establishment of the Cooperation and Verification Mechanism (CVM), through which the European Commission explicitly acknowledged that Romania, along with Bulgaria, had not yet fully met all the necessary conditions all the conditions necessary to ensure the effective functioning of the judicial system and to combat corruption. Thus, the 2007 accession was accompanied by a post-accession monitoring mechanism, highlighting the asymmetric and gradual nature of the Europeanization of the new member states and the gap between the

formal fulfillment of accession obligations and the effective strengthening of institutional capacity (European Commission, 2007).

4.2 Economic Convergence: Achievements and Persistent Gaps

From an economic perspective, Romania's accession to the European Union has significantly accelerated the process of convergence toward the European average. GDP per capita expressed in purchasing power standards (PPS) rose from approximately 40% of the EU-27 average in 2007 to about 74% in 2022, placing Romania among the countries with the fastest economic recovery in the history of European enlargement (Eurostat, 2023).

This development reflects the cumulative impact of integration into the European single market, increased foreign investment, expanded exports, and access to European funding mechanisms. In particular, the Structural and Cohesion Funds have played a key role in supporting infrastructure modernization, regional development, and the expansion of administrative capacity.

Between 2007 and 2020, Romania received approximately 38 billion euros in European funds, which were used for infrastructure, local development, agriculture, digitalization, and institutional strengthening projects (Ministry of European Funds, 2021). However, the absorption process was marked by administrative and institutional difficulties, particularly in the early financial years, when the absorption rate remained below potential due to bureaucracy, limited implementation capacity, and administrative instability.

Table 2. Impact of European funds and integration into the European Union on Romania's development

No.	Domain	Data and indicators	Impact on Romania
1	Economic convergence	GDP per capita in PPS increased from ~40% of EU average (2007) to ~74% (2022)	Significant reduction of the economic gap compared to EU average (European Parliament)
2	Foreign direct investment	FDI increased from ~€42 billion (2007) to over €107 billion (2022)	Modernization of the economy and development of industrial and service sectors
3	Exports	Exports grew from ~€29 billion (2006) to over €92 billion (2022)	Integration into the EU single market and higher external competitiveness
4	EU funds absorbed	~€89 billion attracted between 2007–2023	Support for public investments and economic development
5	Structural and Cohesion Funds	Funding through ERDF, Cohesion Fund, ESF+	Infrastructure development and reduction of regional disparities (Publications Office of the European Union)

No.	Domain	Data and indicators	Impact on Romania
6	Transport infrastructure	Investments in highways, railways, and urban infrastructure	Improved connectivity and regional economic integration
7	Regional development	Investments in less developed regions via cohesion policy	Reduction of territorial inequalities
8	Administrative capacity	Studies highlight need to strengthen public administration	Improved institutional capacity and policy implementation (IBIMA)

Source: own compilation

Between 2007 and 2020, Romania received approximately 38 billion euros in European funds, which were used for infrastructure, local development, agriculture, digitalization, and institutional strengthening projects (Ministry of European Funds, 2021). However, the absorption process was marked by administrative and institutional difficulties, particularly in the early financial years, when the absorption rate remained below potential due to bureaucracy, limited implementation capacity, and administrative instability.

The table above highlights the contribution of European integration and European funds to Romania's economic and structural development, through increases in GDP per capita adjusted for purchasing power parity, the attraction of foreign direct investment, the expansion of exports, and the financing of infrastructure and regional development.

However, the progress made in terms of economic convergence has not been uniformly reflected in the institutional and social dimensions of development, as territorial disparities and challenges regarding the public administration's ability to make effective use of available resources persist.

Consequently, the table illustrates both the economic benefits of European Union membership and the limitations of convergence, which depends, essentially, on the quality of governance and the institutional capacity to implement public policies.

However, the nominal economic convergence achieved by Romania following its accession to the European Union has masked the persistence of significant structural imbalances. Although macroeconomic indicators have shown significant progress, the gaps in productivity, infrastructure, and fiscal stability compared to the developed countries of the European Union remain considerable.

In terms of labor productivity, Romania continues to lag behind the European average, reaching approximately 73% of the EU-27 level (Eurostat, 2022). This gap reflects both technological and economic capitalization differences, as well as the structural limitations of the Romanian economy,

including low levels of innovation, underdeveloped infrastructure, and pronounced regional polarization. Compared to Western European countries, the productivity gap remains significant, indicating that economic recovery is still incomplete.

Table 3. Density of motorway infrastructure in selected European Union Member States (2022–2023)

No.	Member State	Highway length (km)	Area (km²)	Highway density (km/1000 km²)	Infrastructure and connectivity observations
1	Romania	~1,000 km	238,397	~4.2	Incomplete TEN-T connectivity; underdeveloped infrastructure
2	Poland	~5,200 km	312,696	~16.6	Rapid expansion after EU accession
3	Hungary	~1,800 km	93,030	~19.3	Well-connected regional network
4	Czech Republic	~1,370 km	78,871	~17.4	Developed infrastructure and advanced TEN-T integration
5	Slovakia	~850 km	49,035	~17.3	High level of European connectivity
6	Bulgaria	~870 km	110,994	~7.8	Higher than Romania, but below EU average
7	Germany	~13,200 km	357,588	~36.9	One of the most developed networks in the EU

Source: own compilation

Table no 3 highlights the infrastructure gaps between Romania and other European Union member states by comparing the length of their highway networks and their density relative to the country's total area. The data illustrate Romania's weak position relative to countries such as Poland, Hungary, and the Czech Republic, suggesting that European integration and access to structural funds have not yet eliminated the shortcomings in national connectivity and integration into the trans-European transport network. These differences highlight the importance of administrative capacity for planning and implementing public investments, as infrastructure development is an essential prerequisite for economic competitiveness, territorial cohesion, and reaping the benefits of the European single market.

Table 4. Evolution of the budget deficit in Romania compared to the EU fiscal discipline criterion

No.	Year	Romania's budget deficit (% of GDP)	Stability and Growth Pact threshold	Economic and political context
1	2007	~2.9%	3% of GDP	EU accession year; relatively stable fiscal conditions
2	2008	~5.4%	3% of GDP	Increased public spending before the financial crisis
3	2009	9.10%	3% of GDP	Impact of the Global Financial Crisis
4	2010	~6.9%	3% of GDP	Fiscal adjustments and IMF agreement
5	2015	~0.6%	3% of GDP	Temporary fiscal consolidation
6	2019	4.30%	3% of GDP	Expansionary fiscal policies in pre-election context
7	2020	9.20%	3% of GDP	Economic impact of the COVID-19 pandemic
8	2021	~7.1%	3% of GDP	Continued economic support measures
9	2022	~6.3%	3% of GDP	Inflationary pressures and persistent budget imbalances

Source: own compilation

Table no 4 illustrates the evolution of Romania's budget deficit relative to the 3% of GDP reference threshold set by the Stability and Growth Pact, highlighting the persistent difficulties in maintaining fiscal discipline following accession to the European Union. The significant overshoots recorded in 2009 and 2020—against the backdrop of the global financial crisis and the COVID-19 pandemic, respectively—as well as the deterioration of the budget balance in 2019 reflect both the effects of economic shocks and the vulnerabilities of national fiscal policies. These developments have contributed to Romania remaining subject to the Excessive Deficit Procedure and have highlighted the difficulties in achieving the nominal convergence required for the adoption of the euro, underscoring the importance of fiscal discipline and institutional capacity to implement economic policies.

4.3 Institutional Transformation and Europeanization of Public Administration

The Europeanization of public administration in Romania has led to significant institutional changes at the formal level, but their implementation has often been uneven and hampered by persistent structural constraints. The process

of administrative adaptation was directly influenced by the requirements of the EU acquis and the conditionality imposed during the pre-accession period, with the European Union calling for the development of a stable, professional public administration capable of implementing European policies.

In this context, the creation of the National Institute of Administration, the adoption of Law No. 188/1999 on the status of civil servants, and the establishment of the National Agency for Civil Servants represented important steps toward the professionalization of the administration and alignment with European standards (European Commission, 2005). The reforms aimed to introduce neutrality in the civil service, competency-based recruitment, and administrative stability. However, administrative Europeanization was limited by persistent politicization, staff turnover, and uneven administrative capacity.

The decentralization process, supported by European cohesion policies, has transferred powers to local and regional authorities, but often without sufficient resources, which has reduced administrative efficiency and maintained dependence on the central government (Profiroiu and Profiroiu, 2009).

In the justice sector, reforms have been more far-reaching. The establishment of the National Anti-Corruption Directorate and the reform of the Superior Council of Magistracy have strengthened the fight against corruption and the independence of the judiciary. However, legislative changes during the 2017–2019 period have drawn criticism regarding the undermining of judicial independence and the weakening of anti-corruption policies, demonstrating the fragility of institutional reforms.

In response, the European Commission issued critical reports through the Cooperation and Verification Mechanism and utilized instruments associated with the European framework on the rule of law, confirming the EU's ongoing role in monitoring reforms in Romania. This intervention highlighted the European Union's ongoing role as a monitor and source of institutional pressure even after accession.

Regarding the implementation of European law, Romania's transposition rate for European directives has shown positive progress, rising from 93.2% in 2010 to 96.8% in 2022, approaching the EU-27 average of 97.4% (European Commission, 2022). This progress reflects an improvement in administrative and regulatory capacity to adapt to European legislation.

However, the main issue was not only the speed of transposition but also the quality of implementation. Romania has repeatedly accumulated a high number of infringement proceedings (over 200 by the end of 2022) initiated by the European Commission for incorrect transposition or incomplete application of European legislation (European Commission, 2023b). This highlights the existence of a persistent gap between the formal adoption of European rules and their effective application, confirming the often incomplete and uneven nature of the process of institutional Europeanization in Romania.

4.4 Differentiated Integration and Romania's Position in the EU Architecture

Romania occupies a unique position within the European Union's process of differentiated integration, as it does not yet fully participate in one of the most important projects of deepened integration, namely the eurozone. This situation reflects the uneven nature of European integration and highlights the fact that formal membership in the European Union does not automatically guarantee full participation in all of its central policies and structures.

With regard to the eurozone, accession represents an obligation assumed under the accession treaty, as Romania does not benefit from an opt-out clause, unlike countries such as Denmark or the former member, the United Kingdom. However, integration into the monetary union has been repeatedly postponed due to difficulties in sustainably meeting the convergence criteria established by the Maastricht Treaty.

Among the main obstacles were inflation volatility, fiscal imbalances, and the difficulty of maintaining budgetary discipline compatible with the requirements of the Stability and Growth Pact. Although Romanian authorities adopted a roadmap in 2018 that called for joining the euro area by 2024, this objective has not been achieved (Ministry of Finance, 2018; National Bank of Romania, 2022). This situation highlights the fact that monetary integration does not depend solely on political will, but also on the existence of sustainable economic and institutional convergence.

Romania was admitted to the Schengen Area in 2025. Although it had met the technical criteria for accession as early as 2011—including those related to securing external borders, police cooperation, and the interoperability of European IT systems— However, full accession was blocked for a long time by opposition from certain member states, particularly Austria and the Netherlands, which cited concerns regarding migration, the rule of law, and the effectiveness of border controls.

This situation demonstrated that the process of European integration is not determined solely by the fulfillment of technical criteria, but also by political factors and the balance of power among member states. In December 2023, the Council of the European Union approved Romania's partial accession to the Schengen Area for air and maritime borders, while full integration, including the removal of land border controls, took place in 2025.

This case illustrates what can be defined as politically differentiated integration: a situation in which a state formally and technically meets the conditions for participation, but full access to the benefits of integration is delayed or limited by political opposition from other member states. Thus, Romania's experience highlights both the gradual nature of European integration and the persistence of the intergovernmental and political dimensions in the European Union's decision-making processes.

5. CONCLUSIONS AND RECOMMENDATION

5.1. Conclusions

The first finding concerns the decision-making architecture of the European Union. The analysis confirms the relevance of the concept of the "joint-decision trap," developed by Scharpf (1988, revised in 2006), for understanding the structural deadlocks of European governance. Whenever major reforms of the acquis or the EU's institutional architecture required the near-unanimous consent of member states, negotiations resulted in either prolonged deadlock or compromise solutions representing the lowest common denominator acceptable to all participants (Scharpf, 1988).

Contemporary European governance is characterized by constrained adaptive governance, that is, a clear tendency toward functional centralization in times of crisis, tempered by political, constitutional, and structural constraints that prevent deeper integration beyond sensitive political thresholds. The reforms Romania needs depend in part on the European system's ability to overcome the constraint of the common decision-making process, which requires building coalitions of interests with other national actors and supranational institutions.

The second observation—that Romania is caught in a situation of constrained differentiated integration—is illustrated by the Schengen case. Romania has technically met all accession criteria since 2011, as confirmed by Schengen evaluations by the EU Council, but full accession has been blocked until 2023–2025 by opposition from Austria and the Netherlands, which cited arguments regarding corruption and migration that went beyond the strictly agreed technical criteria.

The third finding concerns the degree of Romania's economic and institutional convergence with the EU-27 average and with the countries of Central and Eastern Europe. The empirical data reveal a two-sided picture: nominal economic convergence was real and accelerated, while institutional and qualitative convergence remained incomplete, uneven across sectors, and vulnerable to political reversals.

Table 5 presents the main indicators of economic convergence for Romania compared to the EU-27 average and to the Visegrad countries (Czech Republic, Poland, Slovakia, Hungary) and the Baltic states (Estonia, Latvia, Lithuania) for the years 2007, 2015, and 2022.

Romania's GDP per capita convergence between 2007 and 2022 increased from 40% to 74% of the EU-27 average. However, the gap relative to the Baltic states, which reached 90% of the EU-27 average in 2022, indicates that convergence trajectories differ qualitatively, not just quantitatively.

Table 5. Evolution of the budget deficit in Romania compared to the EU criterion on fiscal discipline

Indicator / Year	Romania	V4 Average*	Baltic Average**	EU-27 Average
GDP per capita, PPS (EU-27=100), 2007	40%	62%	60%	100%
GDP per capita, PPS (EU-27=100), 2015	56%	72%	74%	100%
GDP per capita, PPS (EU-27=100), 2022	74%	83%	90%	100%
Budget deficit (% of GDP), 2007	-2.90%	-2.10%	0.50%	-0.90%
Budget deficit (% of GDP), 2019	-4.30%	-1.80%	-0.40%	-0.60%
Budget deficit (% of GDP), 2022	-6.20%	-3.40%	-1.00%	-3.40%
Directive transposition rate, 2022	96.80%	97.90%	98.20%	97.40%
Control of corruption (percentile), 2022	55	62	76	72
Government effectiveness (percentile), 2022	57	70	80	74

Source: Eurostat (2023); European Commission (2022); World Bank Governance Indicators (Kaufmann, Kraay and Mastruzzi, 2010, updated 2022)

Furthermore, Romania's persistent fiscal imbalance constitutes a structural vulnerability that significantly distinguishes Romania from the other groups. The budget deficit of -6.2% of GDP recorded in 2022 places Romania among the most fiscally unbalanced EU member states, subject to the excessive deficit procedure and considerably behind the Baltic group average (-1.0%) and the EU-27 average (-3.4%). This situation limits the fiscal space for public investments necessary for convergence and delays the prospect of joining the eurozone.

Governance indicators (corruption control and government effectiveness from the World Bank Governance Indicators) place Romania significantly below the group averages and below the EU-27 average. The gap with the Baltic states is large. This difference reflects different post-communist institutional-building strategies. The Baltic states followed a model of accelerated and radical reform, while Romania combined partial reforms with reversals and political capture of institutions (Vachudova, 2005).

A comparative analysis, in the context of differentiated integration, of Romania relative to the countries of Central and Eastern Europe confirms that differentiation is not uniform and that the mechanisms driving it are diverse.

Table 6. Participation in deep integration projects: Romania and comparable states

Country	Eurozone	Schengen (full membership)	PESCO	EPPO	Schengen (air/sea)
Estonia	2011	2007	Yes	Yes	2007
Latvia	2014	2007	Yes	Yes	2007
Lithuania	2015	2007	Yes	Yes	2007
Czech Republic	No (target: 2030)	2007	Yes	No	2007
Poland	No	2007	Yes	No	2007
Hungary	No	2007	Yes	No	2007
Slovakia	2009	2007	Yes	Yes	2007
Bulgaria	No (target: 2026)	2025	Yes	Yes	2024
Croatia	2023	2023	Yes	Yes	2023
Romania	No (no official data)	2025	Yes	Yes	2024

Source: own compilation

Table 6 shows a clear division among Central and Eastern European countries based on their level of participation in deep integration. A first group (the Baltic states and Slovakia) achieved the maximum level of integration available—including the eurozone and the Schengen Area—within a relatively short time after joining the EU. A second group (the Czech Republic, Poland) has joined the Schengen Area but retains the option to delay joining the eurozone. A third group (Romania, Bulgaria, Hungary) has remained in areas of partial integration, for various reasons: in the case of Hungary, internal political factors; in the case of Romania and Bulgaria, failure to meet convergence criteria (eurozone).

Thus, the table shows that Romania confirms its constrained differentiated integration. Romania participates in projects that do not involve external veto power (PESCO, EPPO), but remains partially excluded from those that required the unanimous consent of participating states (the eurozone). This situation is not unique; Bulgaria follows an almost identical path, suggesting that the exclusion mechanism reflects structural perceptions regarding the governance capacity of the two states, rather than circumstantial factors (Leuffen et al., 2013, p. 178).

5.2. Recommendations

The first recommendation for Romania is to narrow the gap between the formal transposition and the substantive implementation of European

regulations. Comparative data show that Romania is close to the EU-27 average in terms of the formal transposition of directives (96.8% versus 97.4%), but significantly below average in terms of governance quality and effective implementation indicators.

In this regard, the focus should be on: accelerating the digitization of central and local public administration, with priority given to areas with a direct impact on the absorption of European funds (public procurement, permits, financial reporting); professionalizing the civil service through reform of the recruitment and promotion system, with the adoption of verifiable merit-based criteria; strengthening strategic planning capacity in ministries by introducing public policy analysis units funded by European funds (European Commission, 2023a).

The second recommendation aims to correct the structural fiscal imbalance, which constitutes the main obstacle to joining the euro area and Romania's primary macroeconomic vulnerability. The budget deficit of -6.2% of GDP recorded in 2022 and rising public debt reflect a combination of fiscal policies that exacerbate economic imbalances, rigid spending structures, and an underdeveloped tax base, with the lowest tax-to-GDP ratio in the EU (26.8% compared to the EU average of 41.7% in 2022, according to Eurostat, 2023)

In this regard, the focus should be on: developing and implementing a credible multi-year fiscal consolidation plan, negotiated with the European Commission under the Excessive Deficit Procedure, with verifiable annual targets; structural reform of the public pension system, which is placing increasing pressure on the budget in the absence of actuarial adjustments; and improving the efficiency of tax revenue collection. Romania effectively collects VAT at about 32% of its theoretical potential, compared to a European average of 60%, indicating significant room for consolidation without raising tax rates (European Commission, 2023b).

The third recommendation concerns the completion of judicial reform and the strengthening of institutional independence, with a view to overcoming the external constraints that limit Romania's deep integration. The Cooperation and Verification Mechanism (CVM), maintained for Romania (and Bulgaria) for 16 years after accession—a unique record in the history of European enlargement.

European governance represents a system in constant tension between the logic of functional integration (which pushes toward centralization, harmonization, and the sharing of sovereignty) and the logic of national resistance (which maintains fragmentation, differentiation, and the veto power of individual states).

Romania can overcome this dual constraint, but it requires a combination of internal institutional discipline, external credibility built over time, and active—rather than passive—participation in European decision-making processes.

The fundamental conclusion of this paper is that European integration does not end on the date of formal accession, but continues as a dynamic process of

adaptation, negotiation, and convergence. For Romania, the challenge is not merely to be present in the European Union, but to participate effectively in its governance, contributing to the reform of a system that, by its very nature, tends to perpetuate the advantages of those already integrated over those in the process of convergence.

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DIGITAL GOVERNANCE AND ARTIFICIAL INTELLIGENCE IN PUBLIC SUPPORT FOR BUSINESS DEVELOPMENT: EMERGING LEGAL CHALLENGES AND REGULATORY PERSPECTIVES

NAZELI SUKIASYAN
Armenian State University of Economics
Yerevan, Republic of Armenia
nazeli-suqiasyan@yandex.ru

GEGHETSIK GRIGORYAN
Armenian State University of Economics
Yerevan, Republic of Armenia
ggrigorian08@gmail.com

GARNIK SUKIASYAN
Armenian State University of Economics
Yerevan, Republic of Armenia
suqiasyan.garnik@gmail.com

ARMINE KHARATYAN
Armenian State University of Economics
Yerevan, Republic of Armenia
arminkhar@yahoo.com

Abstract
Consistent with global trends in economic transformation, this study introduces a pioneering framework within legal scholarship by analyzing the practical implementation of digital governance and artificial intelligence integration into business operations. Driven by comprehensive legislative reforms, this technological evolution fundamentally reshapes the legal frameworks governing both domestic business relations and external state economic activities. Globally, this process leverages advanced technological tools to optimize regulatory efficiency, simultaneously generating novel legal categories and terminology that challenge traditional interpretations within business law and state governance. Regulating business environments through digital infrastructure represents a sophisticated, technology-oriented strategy for national economic reform. Central to this strategy is the state budget, which serves as the primary engine for financing and lending to support private sector

growth. Consequently, this research focuses heavily on the operational mechanics of state support through taxation and budgetary lending frameworks. Special emphasis is placed on leveraging artificial intelligence, information technologies, and the specialized digital platforms proposed in this study to seamlessly facilitate interaction between public authorities, governmental institutions, and private economic entities. To operationalize these concepts, the study proposes coded technological platforms designed to enable frictionless digital management and the unrestricted application of AI in business. These platforms are specifically engineered to streamline access to state budget financing, accelerate financial and settlement operations, and maximize institutional transparency. By ensuring public accessibility and data integrity in transaction execution, this framework provides a robust blueprint for modernizing the fiscal and legal architecture of the digital economy.

Keywords: *business activity; state intervention; subsidy; budgetary lending; state administration.*

JEL Classification: J16; M5; O33; M14; D83.

1. INTRODUCTION

Under conditions of a market-based system, the management of the economy is one of the most important functions of the state. The state provides the legal basis for decisions adopted in the field of economic management, protects national economic interests, guarantees freedom in the economic process, ensures economic competition, and establishes favourable conditions for business activities. The social relations arising from the state intervention in the course of conducting business activities in the aforementioned areas constitute the subject matter of legal regulation of this sub-branch.

Under conditions of a market economy, digital governance and the systematic use of artificial intelligence technologies constitute the core of the processes of organising and managing business activities and represent the most effective form of state support for this new form of ownership. The necessity for the state to introduce digital governance of business activities and artificial intelligence is primarily determined by the intensification of economic and social problems that cannot be resolved automatically on the basis of private ownership. At the same time, there are areas of business activity that cannot operate effectively without their regulation and support by the state. This is due to the fact that there are areas that fall outside the scope of the market mechanism and, nowadays, receive effective solutions through the proper use of artificial intelligence, digitalisation, as well as high-value information technologies. The ideas briefly summarised in the abstract represent the extensive and substantial achievements of modern scientific and technological developments in the field of business activities, as well as the potential support provided by advanced technologies through the most diverse forms and methods of state support for business activities. These include such technological platforms based on artificial intelligence as the acceleration of any activity,

publicity, transparency, and the immediate adoption of individual and public decisions for addressing economic problems, all of which contribute to the introduction of various forms of business activities in the economic sphere (Mansour and Bujosa Vadell, 2024).

In the context of the global digitalisation of the economy and the development of artificial intelligence, the state performs the following functions: a) creating the legal foundations for the functioning of the economy, b) regulating anti-monopoly activities, c) implementing macroeconomic stabilisation policies, d) regulating the allocation of resources, e) redistributing income, and f) expanding the scope of activities and powers of the state as a subject of property relations.

Today, alongside the establishment of market relations, state administration has acquired the authority to perform entirely new functions aimed at:

1) developing and implementing a strategy for the development of the business sector and targeted comprehensive programmes,

2) expanding the production of goods and increasing the volume of production of new types of products,

3) scientific, legal and digitalised normative legislative regulation of business activity relations,

4) promoting investment,

5) creating a favourable competitive environment in the business sector.

Without state intervention, market regulation may proceed through spontaneous processes the harmful effects of which may have devastating consequences for the economy (Sukiasyan and Sukiasyan, 2024, p. 34).

The state does not oppose a market economy. It possesses significant capabilities that promote the effective development of the economy and are intended to prevent the negative effects of monopolies, particularly natural monopolies, as well as to introduce certain restrictions where necessary and establish appropriate economic management regimes.

The practical implementation of the method of state administration of the digitalisation of business activities is regulatory in nature from a legal perspective.

Regulation and management are a complex set of actions in the process of managing economic entities and the market. They are an integral part of management.

The digital transformation of business activities is one of the fundamental and irreversible directions of modern socio-economic development, which significantly affects the systems of state administration and legal regulation of business as a form of production and economic relations. The widespread application of digital technologies in various sectors of the economy not only changes the mechanisms for conducting economic activities, but also gives rise

to new legal issues related to the publicity, transparency and accountability of business activities, as well as the reduction of corruption risks.

The legislative definition of digital governance of business activities, artificial intelligence and, moreover, information technologies is a complex process, as it concerns areas of both public and private law, the methods of legal regulation of which often differ significantly. This circumstance raises controversial issues concerning the limits of the digitalisation of the rights and obligations of the parties in civil, tax and banking legal relations, as well as the lawfulness of providing information to third parties or affiliated entities. Therefore, legal solutions for the application of technologies should be developed within the framework of the principles of moderation, legal certainty and proportionality (Sukiasyan and Sukiasyan, 2021, pp. 29–30), excluding both legal gaps and excessively strict or disproportionate restrictions.

The discussion concerns global trends in the digital transformation of national economies, an integral part of which is the theoretical development and legislative consolidation, as well as the practical application, of new legal categories in legal scholarship, artificial intelligence, digitalisation and information technologies, together with the formation, interpretation and understanding of their respective terms and concepts in the processes of organising the digital governance of business activities in a new way. We believe that this is necessary in order to establish the achievements of national legal scholarship in the native language and to further develop and expand the wealth of principles and provisions already achieved in the field of legal science.

Today, the foreign economic cooperation of the Republic of Armenia is carried out with the active support of European economic unions, which, through economic and legal methods, guide the Republic's international business, trade and economic, financial, tax, banking and military cooperation, while strictly respecting the economic and state sovereignty and security of each participating state within the framework of international multi-sectoral cooperation. This directly concerns the global Artificial Intelligence Centre being established in the Republic, which testifies to Armenia's invaluable contribution to the field of high technologies.

At present, owing to scientific and technological progress in the development of society, the achievements of science are being introduced into the production process of material goods through artificial intelligence and digitalisation technologies (the Internet, electronic, online, etc.), thus contributing to quantitative and qualitative changes in the production of goods, increasing productivity, accelerating and simplifying production processes, as well as ensuring transparency. New commodity relations are being formed within the market economy through the digital governance of business activities, in which the protection of the property rights of the participants (subjects) gives

rise to a new “business” branch within the unified system of branches of law, the digital governance of which is of even greater necessity.

Today, more active work than ever is being carried out towards coordinating the digitalisation of legislation. In this regard, serious difficulties arise in studying such issues related to the legal system as the unity of the system of law and legislation, the delimitation of new branches and sub-branches of law on the basis of the digitalisation of law, as well as issues concerning the restructuring of the internal sectoral structure of law.

The processes of digitalisation of the economy lead to substantive transformations in economic relations, the formation of new legal categories, and the need to reconsider existing legal institutions. Therefore, further research is of primary importance in order to gain a deeper understanding of the barriers to the digital economy in developing countries and its impact (Bukh and Heeks, 2017). Under these circumstances, business law faces new challenges related to the legal regulation of trade and economic relations arising in the digital environment, ensuring legal certainty, reducing legal risks, as well as enhancing the effectiveness of the system of legal liability and types of penalties (Gracheva, 2023, p. 115). Particular importance is also attached to the impact of digitalisation on the transparency of public administration and the processes of reducing corruption risks.

Business law, as a complex branch of law governing production, economic, and commodity-money relations by combining norms of public and private law, is directly influenced by the digital transformation of the economy. In the digital economy, electronic platforms for digital governance, automated systems, and data-driven tools are increasingly used in the implementation of business relations, resulting in changes to the traditional mechanisms for exercising the rights and fulfilling the obligations of economic entities. These developments require a systematic reconsideration of the branches of economic law as a whole, as well as the continuous modernization of the relevant legislation.

At the international level, particularly by the United Nations Conference on Trade and Development, the digital economy is characterized as the use of Internet-based digital technologies in the production and distribution of goods and services (United Nations Conference on Trade and Development, 2017, p. 156), which deepens the globalization of economic relations while simultaneously giving rise to new requirements for legal regulation. International experience demonstrates that the digitalisation of business activities can serve as an important tool for enhancing the efficiency of public administration, strengthening the transparency of economic relations, and preventing corruption, provided that it is accompanied by clear legal regulation, institutional oversight, and effective mechanisms for establishing legal liability (Bolaños, 2025).

In the Republic of Armenia, a number of state initiatives and sectoral programs are being implemented to promote the digitalisation of the economy, however, ensuring the digital governance of the branches of business law remains incomplete and lacks a comprehensive and systematic approach. Existing legislation often fails to keep pace with the rapid development of digital technologies, resulting in legal gaps, regulatory uncertainties, and difficulties in practical application, particularly in the areas of business, tax, and banking law. This circumstance requires the need for a thorough theoretical and practical reconsideration of business law, taking into account both national specificities and international best practices.

2. METHODOLOGY

The main research methods used by the authors include dialectical and systems analysis, generalization, formal legal analysis, economic analysis, and comparative legal analysis.

3. RESULTS AND DISCUSSION

In financing the current, medium-term, and long-term programs of economic reforms in the Republic of Armenia, legislation provides for measures aimed at providing financial assistance and state support for new forms of business activity, the operation of which is, on the one hand, essential to serving the public interest and, on the other hand, cannot be conducted without financial assistance from the state. Such assistance is provided both to communities and to individual entrepreneurs in the form of grants, subsidies, subventions, and loans from the state budget.

The analyses of the legislative acts governing the public-law regulation of business activities in the Republic of Armenia reveal that state financing is provided for the organization of business activities by individuals, individual entrepreneurs, and legal entities, as well as for meeting public needs. Business activities are organized through budgetary financing for the sale of goods, the performance of works, and the provision of services. Such financing is provided by the Ministry of Finance of the Republic of Armenia through the transfer of the relevant funds to bank accounts.

The unpredictable expansion of the aforementioned strategic programs for economic reform creates significant difficulties within the broader framework of economic digitalisation reforms, particularly due to the substantial scale of state financing of business activities and lending from the state budget. This makes the legal regulation of digital governance in the relations between business entities and public administration bodies a priority issue on the policy agenda.

In order to enhance the effectiveness of legal regulation in the digitalisation of the economy through modern technologies, we propose the introduction of accelerated processes for tax and banking interactions within the framework of

state budget-funded support for business activities. These processes should incorporate artificial intelligence, information technologies, and various digital platforms aimed at improving the efficiency of tax and banking services provided to business entities, the performance of works, banking transactions, and, in particular, interactions with the state budget. Such measures would make all forms and mechanisms of state support for business activities immediately accessible to the public and fully transparent.

In order to ensure the widespread use of artificial intelligence and digital technologies in the field of legal regulation of business activities, particularly to facilitate the extensive use of the state's tax and banking services and to ensure state supervision and oversight of these relations, based on an assessment of the findings of the conducted studies, we propose the introduction of legislative definitions for a number of artificial intelligence and digital technology platforms developed by the authors. These platforms would contribute to the efficient organization of business activities and facilitate effective cooperation between business entities, public and economic authorities, and the population.

For the purposes of reforming tax law and tax legislation, we propose the introduction of advanced systems and platforms for the legislative implementation of digitalisation technologies. To enhance the efficiency of the day-to-day operations of business activities, the structural components of these systems may be classified as follows: 1) "Business taxpayers platform", 2) "Platform for the electronic submission of business reports and other data", 3) "Platform for equipment with advanced technological capabilities", 4) "Platform for tax transactions, settlements, and reporting in business activities", 5) "Tax monitoring and oversight of business activities" platform, 6) "Business analytics and risk identification" platform, 7) "Platform for economic operators subject to tax audits in specific areas of business activity."

In order to demonstrate the necessity and assess the effectiveness of each of the platforms proposed by us for the digitalisation of tax legislation, we shall highlight the activities covered by the digital platform, as each type of tax relationship arising in the course of their practical implementation requires legal regulation.

The "Business Taxpayers" platform should include a number of subsystems or modules and should reflect and manage, in electronic form, comprehensive information related to the taxpayer's activities, including, in particular, registration data, tax invoices, and settlement documents.

The platform for the electronic submission of reports and other data enables taxpayers to submit reports to the tax authorities using modern electronic technologies, instead of preparing them on paper and delivering them to the tax authorities in person or by other means.

The "Platform for equipment with advanced technological capabilities" enables all generated information to be transmitted entirely online to the

databases of the State Revenue Committee. In addition to its primary function of printing sales receipts, it performs the functions of a "POS" terminal, including issuing electronic tax invoices and other settlement documents, as well as the processing of cashless payments by bank cards. The "Tax functions and settlements" platform enables taxpayers to issue and receive settlement documents electronically, which must be carried out exclusively by electronic means.

The "Tax monitoring and oversight" platform automates the entire process of conducting inspections, from the preparation of a draft inspection order to the entry of the inspection report, which is recorded online. In this mode, the taxpayer's name, the type of inspection, the inspection method, and the relevant period are recorded.

The "Analytics and risk identification" platform is a system of specialized electronic governance technologies aimed at qualitatively improving and enhancing the analytical and risk identification processes conducted within the State Revenue Committee. Advanced and centralized analyses are conducted electronically, while the reporting of sales turnover and the execution of payments are subject to continuous monitoring.

The purpose of the "Digitalisation of economic operators subject to inspection" platform is to assess the annual list of taxpayers subject to inspection on the basis of predetermined risk criteria.

Today, the Government of the Republic of Armenia is implementing a number of measures aimed at the digitalisation of the economy, however, in the context of the development of the market economy and the ever-changing reality of modern technologies, a number of issues have yet to be systematically addressed and appropriately incorporated into legislation (Di Matteo, 2025). This also applies to the digitalisation of banking legislation and the introduction of artificial intelligence technologies.

Regarding the current areas of application of artificial intelligence in banking, as well as the scope of their coverage and overall implementation, it should be emphasized that its use in banking is subject to significant limitations. This narrows the areas of impact of artificial intelligence and thereby limits the potential scope for the digitalisation of banking activities (Republic of Armenia, 1996a, arts. 34–35[1]).

The process of digitalizing banking law and legislation in the Republic of Armenia is greatly supported by international experience, particularly by digital platforms and technologies widely used in the banking digitalisation processes of countries with developed business sectors, such as the Internet, mobile technologies, digital payment systems, artificial intelligence, Big Data and data analytics, cybersecurity, blockchain and cryptocurrencies, and cloud platforms.

However, one of the legal issues arising in the digital banking era that requires further scholarly research is how the satisfaction of the financial needs

of businesspeople and consumers can be reconciled with the legal requirements for the protection of banking secrecy alongside the advancement of banking services for the digital governance of business activities.

The focus of the research is the legislation governing the modern banking system, particularly the legal protection of banking secrecy, as well as the development of new forms and methods of digitalisation, which face numerous threats and attacks from the external environment, including those associated with the development of digital banking. In this regard, there is an urgent need to ensure security for both banks and clients engaged in business activities. Recognition of this issue has become a key factor in promoting close cooperation between two distinct but complementary areas, namely information security and banking security. Therefore, the aim of our research is to examine and identify the challenges related to the protection of banking secrecy in the field of banking services for business activities under the conditions of digital governance and the development of digital banking.

Although recent technological innovations have significantly transformed the efficiency and accessibility of financial services and have revealed vulnerable areas, the vast volume of financial data processed and stored across interconnected networks has however made this sector an attractive target for unauthorized access, data leakage, and financial fraud (Wang et al., 2023). In digital banking, which involves the provision of banking services online and by telephone, maintaining banking secrecy has become more challenging due to the processes of data transmission, processing, and storage. In such an environment, the data of clients engaged in business activities may be more vulnerable to cyberattacks and the risks of data leakage.

As practice shows, digital banking, on the one hand, enhances efficiency, while, on the other hand, creates “new vulnerabilities” for the misuse of digital technologies by business account holders and for breaches of banking secrecy. One of the legal challenges of digital banking is that businesspeople should retain control over their personal data; however, this is often difficult to achieve because personal data is exchanged repeatedly and foreign services are widely used. As a rule, unauthorized access to business accounts poses a significant threat to banking secrecy, particularly when access is obtained through weak passwords used by businesspeople or insecure communication channels.

In practice, many legal scholars emphasize the ease of access to digital platforms as an advantage in banking relations involving business activities, which very often has a significant impact on the security of the banking secrecy system. For example, due to the simplicity of certain digital banking technologies, the data of businesspeople may become accessible to third parties, such as payment systems, banking applications, or organizations providing other financial services. Such data exchange may increase the risks of data leakage or unauthorized use. Our studies indicate that a number of simple digital banking

technologies, such as remote or electronic communication between banks and businesspeople, increase the ability of cybercriminals to obtain information relating to businesspeople that is protected by banking secrecy.

In practice, businesses entrust their financial information to authorized third-party providers, thereby enabling such providers to offer innovative and tailored services. At present, open banking is gaining significant momentum as a transformative force that drives innovation, enhances customer experience, and facilitates the faster fulfilment of financial obligations.

Practical experience shows that the growing popularity of open banking gives rise to a number of issues relating to banking secrecy and data security. In this regard, the Bank for International Settlements (BIS) warns that banks and banking supervisors should pay greater attention to the risks associated with customer-authorised data sharing and the increasing connections between banks and various third parties (Bank for International Settlements, 2019).

The findings of our study suggest that, within the framework of the legal regulation of banking, the most effective means of ensuring banking secrecy and preventing the leakage of information to unauthorised parties is the "informational" digitalisation of banking processes through the application of "informational" technologies, such as encryption systems employing "paired private" and public keys, as well as authentication certificates. These technologies are particularly relevant for minimising the risk of disclosure of banking secrets in cases where the legislation on banking secrecy of a particular country grants banks the right to provide banking information to courts, prosecutors, the police, national security authorities and other law-enforcement bodies, as well as, in certain cases, to affiliated persons and third parties (Republic of Armenia, 1996b, arts. 10, 11^{1}, 12, 13, 13^{3} and 17).

As an example, we present the content and specific features of the "paired-key" encryption mechanism developed by us to prevent the disclosure of "banking secrecy". For the sake of clarity, it should be noted that the "paired" keys are generated together, with one complementing the sequence of operations performed by the other. In other words, the encrypted information can only be accessed in the presence of the private key used to create the electronic signature.

Access to the "paired-key" platform is granted exclusively by the central banking authority responsible for issuing certificates. Other entities within the banking system may access the platform only after entering into an agreement with the central authority.

4. CONCLUSIONS

Based on the research we have conducted into the digitalisation of taxation and banking activities in the field of business services, as well as into the development of new tax and banking legislation incorporating the use of digital

technologies in the regulation of business activities, we have concluded that the development of digital banking and new tax legislation will contribute to and stimulate business activity as a new form of property ownership. This, in turn, will support the implementation of a number of the State's socio-economic functions, thereby ensuring sustainable economic growth, stable prices for goods and services, maximum employment of the working-age population, a certain increase in household incomes, guaranteed protection of the socio-economic rights of citizens engaged in economic activities, and the maintenance of a balance in the areas of banking and tax cooperation between States.

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EARNINGS MANAGEMENT IN THE CONTEXT OF THE CRISIS GENERATED BY THE COVID-19 PANDEMIC: EMPIRICAL EVIDENCE FROM THE ROMANIAN BUSINESS ENVIRONMENT

ALEXANDRA TANASĂ
Alexandru Ioan Cuza University of Iași
Iași, Romania
alexadnra31tanasa@gmail.com

ALEXANDRU ANICHITI
"Ștefan cel Mare" University of Suceava
Suceava, Romania
alexandruanichiti@gmail.com

Abstract
This study aims to analyze the impact of the crisis generated by the COVID-19 pandemic on earnings management practices by examining the evolution of discretionary accruals, building on the model used by Gorgan et al. (2012) in a study that analyzes the impact of the 2008–2009 financial crisis on discretionary accruals. Our analysis was based on 49,846 observations for a sample of Romanian non-financial companies whose financial data were extracted from the Orbis database. The period under analysis was 2018–2023, which made it possible to study not only the immediate impact but also the recovery dynamics. The results indicate that the COVID-19 pandemic led to a significant reduction in discretionary behavior in the financial reporting of Romanian non-financial companies, pointing to a disciplining tendency among them. Unlike the 2008–2009 crisis, the impact on discretionary accruals was immediate and pronounced, evidenced by a 12.7% decline in the absolute discretionary accruals indicator (ABSDAC) in 2020, a result supported by significant statistical tests. The partial rebound in the level of discretionary accruals in 2021, statistically insignificant, suggests the influence of government measures in easing the pressures on earnings management. Over the longer term, the persistent downward trend points to a possible structural effect, associated with improvements in audit quality and corporate governance. Overall, the conclusions support extending the existing theoretical framework to the context of the COVID-19 health crisis and an emerging economy, indicating an increase in the quality of financial reporting under conditions of severe uncertainty.
Keywords: *earnings management; discretionary accruals; audit quality; financial reporting quality; COVID-19 crisis.*
JEL Classification: M14; M41; M48.

1. INTRODUCTION

The literature reflects a constant concern with identifying and measuring earnings management, conceptualized as the practice of using discretionary accruals in the financial reporting process in order to distort economic reality (Healy and Wahlen, 1999). In this regard, the research conducted by Istrate and Carp (2026) points to two complementary methodological approaches. On the one hand, the use of Benford's Law makes it possible to detect potential anomalies in the distribution of reported figures, with deviations from the theoretical distributions interpreted as signals of the manipulation of financial indicators. Nevertheless, these results are considered insufficient in isolation, requiring correlation with other determinants of reporting quality, such as corporate governance characteristics, auditing, or the international context. On the other hand, the literature establishes the modified Jones model as the principal instrument for identifying accrual-based earnings management, through the estimation of discretionary accruals. Studies show that deviations from Benford distributions are positively associated with these discretionary accruals, suggesting that the combined use of the two methods can increase the accuracy of detecting the phenomenon (Istrate, 2019).

In the literature, audit quality is approached from the perspective of the auditor's ability to detect and prevent accounting manipulation, including earnings management practices. Afrăsinei et al. (2024) emphasize that financial statements represent an essential source of information for users; however, the flexibility of accounting rules may allow managers to influence the presentation of results according to discretionary objectives, aspects highlighted by Watts and Zimmerman (1990, cited in Afrăsinei et al., 2024). Within this framework, financial auditing constitutes one of the three main pillars for preventing accounting manipulation, alongside corporate governance and accounting regulations.

Earnings management denotes the use of management's professional judgment, within the applicable accounting standards, in order to influence the reported result (Healy and Wahlen, 1999). The literature distinguishes between accrual-based earnings management and real earnings management. The present study focuses on the first category, measured through discretionary accruals estimated according to the modified Jones model.

Accrual-based earnings management (AEM) is one of the most debated forms of accounting earnings management. Istrate et al. (2015) present AEM as the process whereby managers use abnormal discretionary accruals to "borrow" revenues from future periods in order to increase current results or, conversely, to defer the recognition of certain revenues, thereby reducing present results (Abernathy et al., 2014, cited in Istrate et al., 2015). Dechow and Skinner (2000) qualify this by noting that a certain level of earnings management is inherent to the

accounting process, since completely eliminating flexibility in financial reporting would negate the use of net income as a measure of economic performance.

The motivations underlying AEM are classified by Chen and Tsai (2010) and Hamid et al. (2012, cited in Istrate et al., 2015) into three categories: altruistic motivations, related to the intention of ensuring the company's profitability; speculative motivations, driven by managers' personal objectives; and pressures exerted by stakeholders, generated by the expectations of the users of the reported information. Graham et al. (2005) show that financial analysts consider net income to be more relevant information than cash flows for the users of financial reports, which amplifies the motivations to manipulate this indicator.

Regarding the effects of the transition to IFRS on AEM, Istrate et al. (2015) synthesize a series of European studies with contradictory conclusions. Barth et al. (2008, cited in Istrate et al., 2015) find that the voluntary adoption of IFRS is generally associated with a lower level of earnings management. Jeanjean and Stolowy (2008, cited in Istrate et al., 2015) report an increase in the prevalence of earnings management in France and a stabilization in the United Kingdom following the mandatory adoption of IFRS. Callao and Jarne (2010, cited in Istrate et al., 2015) indicate, for a sample of 11 EU countries, an intensification of earnings management after IFRS adoption, with significant increases in discretionary accruals over the long term in almost all the countries analyzed. Christensen et al. (2015, cited in Istrate et al., 2015) demonstrate that the voluntary adoption of IFRS is associated with a reduction in AEM, whereas companies that delayed adoption until 2005 show no improvement in accounting quality.

From the perspective of measuring audit quality, Afrăsinei et al. (2024) adopt the classification proposed by DeFond and Zhang (2014), grouping the indicators into two categories: output indicators—such as the quality of financial reporting, material misstatements, and the audit opinion—and input indicators—such as the size of the audit firm, audit fees, and auditor specialization. Authors such as Chi et al. (2017) and Garcia-Blandon et al. (2017) conclude in their studies on earnings management that a reduction in the magnitude of discretionary accruals, an established indicator of earnings management practices, constitutes a direct expression of increased audit quality. At the same time, the size of audit firms is frequently associated with higher audit quality, with Big 4 firms considered more effective in the literature on opportunistic managerial behavior (DeAngelo, 1981; DeFond and Zhang, 2014, cited in Afrăsinei et al., 2024).

Istrate and Carp (2026) hold that, in the context of the Romanian economy, the empirical results indicate the existence of significant differences between reported values and theoretical distributions, as well as an influence of accounting standards on the direction and intensity of earnings management, with IFRS

adoption being associated with an increase in the credibility of financial information.

In the specific context of companies listed on the Bucharest Stock Exchange (BVB), Matiș et al. (2010) validate the applicability of the Jones model to data provided by Romanian companies, with the other tested models (Dechow, Kasznik) proving insignificant. Brad et al. (2014) identify a more pronounced presence of earnings smoothing through the variability of net income in the period prior to IFRS approval.

The 2008–2009 economic crisis has been associated in the empirical literature with a reduction in earnings management, explained by heightened investor vigilance, stricter regulatory oversight, and the external constraints imposed by the progressive deterioration of financial performance (Cohen et al., 2008). The reference study by Gorgan et al. (2012) documents, on a sample of 30 large European companies from three industries (automotive, energy, and oil refining), a continuous decline in the absolute value of discretionary accruals (ABSDAC) from 0.0178 in 2007 to 0.0088 in 2009, with the 2009 decline relative to 2008 being the only one that is statistically significant ($t = 2.177$; $p = 0.038$). The central explanatory mechanism lies in the fact that, under crisis conditions characterized by gradual deterioration, managers have reduced incentives and limited opportunities for manipulation as external pressures intensify progressively.

The COVID-19 pandemic generated a structurally different context compared with the 2008–2009 crisis, with specific implications for financial reporting behavior. On the one hand, the external shock was instantaneous and generalized. On the other hand, the unprecedented government interventions mitigated the direct financial impact, reducing the pressure that usually motivates manipulation. Recent research (Lassoued and Khanchel, 2022; Xu and Liu, 2022) suggests that earnings management recorded a significant decline in 2020, followed by a partial recovery in 2021, a trend that differs from the monotonically decreasing one identified for the 2008–2009 crisis and that reflects precisely the distinct nature of the government intervention during the pandemic period.

An essential difference compared with previous studies also concerns the absolute level of discretionary accruals. Studies carried out on large companies listed on regulated markets and subject to mandatory auditing by Big Four firms consistently record ABSDAC values lower than those obtained for smaller companies or for emerging economies. This observation is relevant for interpreting the results of the present study, conducted on a heterogeneous sample of Romanian companies that also includes small and medium-sized entities with less stringent corporate governance standards. Studies on the financial reporting behavior of Romanian companies during periods of crisis are

relatively scarce, and the present study aims to contribute to filling this gap in the literature.

2. RESEARCH METHODOLOGY

2.1. Hypothesis Tested

H_1: Earnings management, measured through absolute discretionary accruals (ABSDAC), declined statistically significantly during the pandemic crisis period (2020–2021) compared with the pre-pandemic period (2018–2019) for Romanian companies.

2.2. Sample and Data

The data were extracted from the Orbis database (Bureau van Dijk) and comprise Romanian non-financial companies with data available for the period 2017–2023. The filter applied for data quality led to a final sample of 49,846 company-year observations distributed across six years of analysis (Table 1). Companies in the financial sector (NACE codes 64–66) and companies without sufficient data to compute the model variables were excluded. Consolidated accounts (C1, C2) were included alongside individual accounts (U1).

Table 1. Sample distribution by year

Year	N	NACE-2 sectors	Period
2018	8,025	68	Pre-pandemic
2019	8,205	71	Pre-pandemic
2020	8,377	72	Pandemic (year 1)
2021	8,496	73	Pandemic (year 2)
2022	8,572	72	Post-pandemic
2023	8,171	70	Post-pandemic
Total	**49,846**	—	—

Data source: Orbis (Bureau van Dijk), own processing. Companies in the financial sector (NACE 64–66) are excluded

2.3. Econometric Model

To estimate discretionary accruals (DAC), we used the cross-sectional version of the modified Jones model (Jones, 1991; Dechow et al., 1995; Kothari et al., 2005), applied to industry groups defined by the first two digits of the NACE Rev. 2 code, for each year separately, with a minimum requirement of 10 companies per group. The estimated model is:

$$TA_t / Assets_{t-1} = \alpha_0 + \alpha_1(1/Assets_{t-1}) + \alpha_2(\Delta Rev_t/Assets_{t-1}) + \alpha_3(PPE_t/Assets_{t-1}) + \alpha_4 ROA_t + \varepsilon_t \quad (1)$$

where *TA* is total accruals (a balance-sheet proxy); *Assets* — total assets; *ΔRev* — the change in operating revenue; *PPE* — property, plant and equipment; *ROA* — return on assets (the control variable); *ε* — the error term (the regression residual), which represents discretionary accruals (DAC).

3. RESULTS OF THE STUDY

3.1. Descriptive Statistics

The descriptive statistics of non-discretionary accruals (NDAC), discretionary accruals (DAC), and their absolute values (ABSDAC) are presented for each year analyzed (Table 2). A first relevant observation is that the absolute level of ABSDAC in the present study, with medians ranging between 0.056 and 0.073, is significantly higher *than that reported by Gorgan et al. (2012) for large European companies (medians between 0.009 and 0.018). This difference does not reflect a methodological inconsistency but rather structural characteristics of the sample: the Romanian* companies analyzed are on average much smaller, with less formalized corporate governance and external audits of lower standards compared with the Fortune 500 multinationals. A higher level of flexibility in applying accounting policies among small companies is a result confirmed in the international literature (Jeanjean and Stolowy, 2008).

Table 2. Descriptive statistics of discretionary accruals (2018–2023)

		NDAC	DAC		ABSDAC	
Year	*N*	*Median*	*Median*	*Std. dev.*	*Median*	*Mean*
2018	8,025	-0.0286	0.0022	0.1556	0.0728	0.1045
2019	8,205	-0.0253	0.0024	0.1488	0.0718	0.1021
2020	8,377	-0.0416	0.0043	0.1439	0.0627	0.0941
2021	8,496	-0.0060	0.0031	0.1460	0.0672	0.0972
2022	8,572	-0.0235	0.0021	0.1432	0.0674	0.0971
2023	8,171	-0.0393	0.0028	0.1288	0.0562	0.0844

Note: Discretionary accruals (DAC) are the residuals of the modified Jones model (Dechow et al., 1995; Kothari et al., 2005), estimated cross-sectionally by NACE-2 groups. ABSDAC = |DAC|.

With regard to temporal dynamics, the median ABSDAC declined from 0.0718 in 2019 to 0.0627 in 2020, representing a relative reduction of 12.7%. Compared with the reference study, which documents a decline that is similar in direction but slower in pace (from 0.0178 in 2007 to 0.0147 in 2008, i.e. -17.5% over two years), the present study records a faster and more pronounced reaction

in the first year of the crisis. The explanation lies in the different nature of the shock: the pandemic was instantaneous and entirely unanticipated, eliminating any possibility of a gradual adjustment in reporting behavior. A second difference from the reference study is the partial recovery in 2021 (median 0.0672), absent in the case of the 2008–2009 crisis. This probably reflects the effect of government interventions which, by easing financial pressure in the second pandemic year, allowed a partial return to previous accounting practices.

3.2. Testing Hypothesis H_1

To test hypothesis H_1, the paired-samples t-test (Table 3) and the non-parametric Mann-Whitney U test (Table 4) were used, in line with the methodology proposed by Cohen et al. (2008). A methodological difference from the reference study lies in the substantially larger sample size, which confers considerably greater statistical power and allows the detection of more subtle effects.

Table 3. Paired-samples t-test of ABSDAC: inter-period comparisons

Comparison	N	t-statistic	Sig. (2-tailed)	Mean ABSDAC	Conclusion
2019 → 2020 (Pre-COVID vs. COVID year 1)	8,182	7.324	0.000	0.1020–0.0917	Significant decline
2020 → 2021 (COVID year 1 vs. COVID year 2)	8,327	-1.293	0.196	0.0938–0.0957	Partial recovery
2021 → 2022 (COVID year 2 vs. post-COVID)	8,408	1.201	0.230	0.0971–0.0954	Stabilization
2018 → 2020 (Pre-COVID vs. COVID)	8,001	9.761	0.000	0.1045–0.0899	Significant decline
2019 → 2023 (Pre-COVID vs. post-COVID)	7,659	12.816	0.000	0.1012–0.0821	Downward trend

Note: Paired-samples t-test on matched companies. Variable: ABSDAC (the absolute value of discretionary accruals). Sig. < .050 indicates a statistically significant difference at $\alpha = 5\%$.

The results (Table 3) confirm a strongly statistically significant decline in ABSDAC in the first pandemic year (2020) compared with 2019 ($t = 7.324$; Sig. = 0.000) and with 2018 ($t = 9.761$; Sig. = 0.000), supporting hypothesis H_1. This difference suggests that the pandemic produced a more abrupt and immediate effect on reporting behavior than the financial crisis, consistent with its nature as an instantaneous shock. The partial recovery in 2021 relative to 2020 is not statistically significant in the paired t-test (Sig. = 0.196), which again differs

from the 2008–2009 crisis, where the declines were monotonic. The long-term evolution over 2019–2023 reveals a persistent downward trend (t = 12.816; Sig. = 0.000), indicating that the pandemic contributed to a structural reduction in earnings management that extends beyond the acute period of the crisis.

Table 4. Independent-Samples Mann-Whitney U Test — ABSDAC

Comparison	Mann-Whitney U	Sig. (2-tailed)	N (Year 1 / Year 2)	Conclusion
2019 → 2020	36,726,313	0.000	8,205 / 8,377	Significant
2020 → 2021	34,423,072	0.000	8,377 / 8,496	Significant
2021 → 2022	36,131,548	0.380	8,496 / 8,572	Not significant
2018 → 2020	36,077,108	0.000	8,025 / 8,377	Significant
2022 → 2023	38,423,246	0.000	8,572 / 8,171	Significant

Note: The Mann-Whitney U test (non-parametric) compares the ABSDAC distributions between independent groups. Two-sided alternative. Sig. < .050 indicates significantly different distributions.

The Mann-Whitney U test (Table 4) confirms the parametric results and adds a robust non-parametric perspective, independent of the normality assumption. The ABSDAC distribution in 2020 differs significantly from that in 2019 and 2018 (Sig. = 0.000 in both cases). The only comparison that does not yield significant differences in the t-test is 2021 vs. 2022 (Sig. = 0.380), although the Mann-Whitney U test detects significant differences between 2020 and 2021 (Sig. = 0.000), suggesting that the distributions change even if the paired means do not differ substantially, probably owing to the high sectoral heterogeneity of the Romanian sample compared with the homogeneous sample of 30 companies in the original study.

4. CONCLUSIONS

The present study set out to evaluate the financial reporting behavior of Romanian non-financial companies in the context of the pandemic crisis generated by COVID-19, through the lens of the evolution of absolute discretionary accruals (ABSDAC), estimated according to the modified Jones model (Dechow et al., 1995; Kothari et al., 2005). Analyzing a sample of 49,846 company-year observations distributed over the 2018–2023 interval, the results obtained confirm the central hypothesis of the research—namely, that earnings management recorded a statistically significant decline during the pandemic crisis period (2020–2021) compared with the pre-pandemic period (2018–

2019)—a conclusion supported both by the parametric paired-samples t-test and by the non-parametric Mann-Whitney U test.

The main finding aligns with a well-established tradition in the literature that associates periods of major economic turbulence with a disciplining of financial reporting behavior (Cohen et al., 2008). The present study demonstrates that this pattern also holds for a shock of a health-related nature and for a heterogeneous sample of companies from an emerging economy, thereby contributing to the generalizability of the existing theoretical framework.

Beyond confirming the general pattern, the study identifies three significant particularities. The first concerns the absolute level of discretionary accruals: Romanian companies display ABSDAC values with medians ranging between 0.056 and 0.073, appreciably higher than those reported for large European companies, a fact explained by the smaller size of the entities, less formalized corporate governance, and the variable quality of external auditing—a result in line with the international literature (Jeanjean and Stolowy, 2008; Istrate and Carp, 2026). The second particularity concerns temporal dynamics: the pandemic produced an abrupt contraction in ABSDAC of 12.7% in the first year of the crisis, unlike the gradual and monotonic decline documented for the 2008–2009 crisis. A further distinctive feature is the partial recovery in 2021, statistically insignificant in the t-test (Sig. = 0.196), explained by the massive government interventions that eased the pressures which had limited opportunistic managerial behavior in 2020—a dynamic also confirmed by Lassoued and Khanchel (2022) and Xu and Liu (2022). The third particularity concerns the promptness of the detected effect: the reduction in ABSDAC becomes statistically significant as early as the first year of the crisis ($t = 7.324$; $p < 0.001$), unlike the previous financial crisis, where statistical significance was obtained only in the second year.

The comparison of the 2019–2023 period also reveals a persistent and statistically significant downward trend in earnings management ($t = 12.816$; $p < 0.001$), suggesting that the disciplining effects of the pandemic contributed to a structural reduction—at least partially durable—in discretionary reporting practices. Among the explanatory mechanisms are stricter transparency requirements, the increase in external audit quality, highlighted by Afrăsinei et al. (2024) as an essential factor in preventing accounting manipulation, as well as the gradual improvement of corporate governance.

The study also presents several limitations that open up directions for future research. The use of the modified Jones model in its cross-sectional version may generate estimation errors, given the high sectoral heterogeneity and the dimensional diversity of the sample. In addition, although the sample is sectorally stratified, the study does not explicitly test the moderating effect of company size and audit quality on the intensity of earnings management during the pandemic period—variables of significant relevance documented in the literature (Afrăsinei et al., 2024; Istrate and Carp, 2026). Finally, the exclusive

focus on accrual-based earnings management, in the absence of an analysis of real earnings management, limits the comprehensiveness of the picture provided (Healy and Wahlen, 1999). These aspects constitute relevant directions for future research in the field.

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NATIONAL SOVEREIGNTY IN THE CONTEXT OF STATES' INTEGRATION INTO THE EUROPEAN UNION: REDEFINITION, SHARING OR EROSION?

CRINA MIHAELA VERGA
Alexandru Ioan Cuza University of Iași
Iași, Romania
crina.verga@uaic.ro

Abstract
The concept of sovereignty - a constitutive element of the state and thus intrinsically linked to its existence - has constantly been the subject of numerous disputes in both the political and legal spheres, as the content of the term has evolved profoundly over time. This paper is structured in two sections. The first one refers to the provisions on sovereignty and integration reflected in the constitutions of some European states that have joined this supranational structure. The jurisprudence of the Constitutional Courts and other national courts regarding the reception of Union law in domestic legislation, which represents an essential component of the integration process, is also presented and commented on. A separate section addresses the delimitation and analysis of the competences of the Union and the Member States, in accordance with the Treaty of Lisbon. Finally, the aim is to synthesize the concepts of "sovereignty" and "integration" through a series of pertinent observations regarding the topic under discussion. The subject addressed is of great interest not only to specialists in the field, but especially to the member states of the European Union, which have ceded part of the exercise of sovereignty attributes in favor of the Union, whose objectives are binding on them. The challenge of the future for the Union remains finding a balance between the integration necessary for geopolitical survival and respecting the national and constitutional identities of the states that compose it.
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1. INTRODUCTION

The term "sovereignty" derives from two Latin adjectives: *superanus* (above all others) and *supremitas* (above all things).

In classical theory, *sovereignty* or *political power* (Negulescu and Alexianu, 1942, p. 31; Rarincescu, 1940, p. 398) constitutes an element of the state, alongside population and territory. Consequently, when discussing sovereignty, it is necessary to define the concept of the "state" in both its broad and narrow

senses. Thus, in a broad sense, according to Bertrand de Jouvenel (De Jouvenel, 1972, p. 23), the state represents "an organized society possessing an autonomous government". In a narrow sense, the state appears as the organizational system that carries out the political leadership of society, holding, in this sense, the monopoly of creating and applying law (Vrabie, 1999, p. 55). This "apparatus" that exercises leadership over a collectivity is based on very precise legal regulation; hence, Esmein stated that "the state is the legal personification of a nation. It is the subject and bearer of public authority" (Esmein, 1909, p. 1).

In legal doctrine, sovereignty has been defined as a quality or attribute of state power by virtue of which that power enjoys supremacy internally and independence externally (Vrabie, 1999, p. 57). Consequently, the concept under analysis represents an essential characteristic of the state, without which its existence is inconceivable. Being closely linked to political leadership, the term under examination has been the subject of significant political and legal disputes over time. Consequently, the specialized literature has noted that "the concept of sovereignty [...] was forced to adapt more than once to the great changes in the development of political rule. As a result, more than a few characteristics of the concept of sovereignty have changed their meaning over time, so that the continuing use of the term does not necessarily imply that its content remains the same" (Grimm, 2015, p. 4).

In current geopolitical conditions, due to the multiple existing challenges, such as migration, the intensification of drug, arms, and human trafficking, it has become necessary for states to cooperate on multiple levels (economic, political, military, legal, strategic, etc.) within international organizations, to which they have conferred part of the exercise of their sovereignty attributes. The European Union is one such *sui generis* international organization; alongside its pronounced economic and political character, it also possesses a legal dimension. The latter consists of a complex legal order, distinct from that of the member states, which, in certain areas of social relations, takes precedence over the national legislation of the states that comprise it.

The integration of states into the European Union has imposed, among other things, important changes to the constitutions of its member states, as well as the transposition, in national legislation, of the Union legal order.

The transfer by the Union Member States of the exercise of sovereignty to the Union institutions was achieved either by transferring certain powers or by exercising them jointly in precisely delimited areas of social relations.

The division of competences between the Union and the Member States determines the limits within which they may act, based on principles expressly enshrined in the Treaty of Lisbon, such as the principle of the primacy of Union law, the principle of conferral, the principle of subsidiarity, and the principle of proportionality - which are not the subject of this study.

2. SOVEREIGNTY AND EUROPEAN INTEGRATION IN THE CONSTITUTIONS OF SOME MEMBER STATES OF THE EUROPEAN UNION

In this section, we will present the constitutional provisions of certain European Union member states, adopted in the context of their integration into the Union's structures, aspects that have also been examined in legal scholarship (Săraru, 2007, p. 95).

In France, the situation regarding the constitutional enshrining of the transfer of sovereign powers presents certain peculiarities, given that the 1946 Constitution, under which the founding treaties of the European Communities were ratified, is no longer in force. The Preamble to that Constitution stipulated that "subject to reciprocity, France consents to the limitations on sovereignty necessary for the organization and defense of peace". Furthermore, this fundamental law did not provide for any review of the constitutionality of international treaties, and the appeal lodged with the Council of State was declared inadmissible based on the theory of acts of government. This theory was established through the case law of the French Council of State, whereby certain executive acts were exempted from judicial review due to their nature, linked either to relations between constitutional authorities or to the State's international relations (Council of State, Decision no. 46707, 1875; Council of State, Decision no. 350492, 2012).

The Preamble to the 1958 Constitution (French Constitution of 1958), as subsequently amended, refers back to the provisions of the earlier preamble; however, regarding the review of the constitutionality of treaties, the authors of the new fundamental law adopted a different approach. In addition to the fact that Articles 5 and 16 attach special importance to national independence, the guarantor of which is the President of the State, Article 54 establishes a prior control of the constitutionality of international commitments, conferred on the Constitutional Council. The latter must be notified by the head of state, the prime minister, the president of one of the two Chambers, or sixty deputies or sixty senators. Also, if a treaty is considered contrary to the Constitution, the fundamental act will be amended accordingly, after which the respective treaty will be ratified. After the revision of the constitution, its approval will be made either by referendum or by a vote of parliament, requiring a three-fifths majority of the total votes cast. This review mechanism cannot have retroactive effect. Thus, following the review it conducted, the Constitutional Council stated in its decision of June 19, 1970, that "the Treaty amending certain budgetary provisions of the Treaties establishing the European Communities and of the Treaty establishing a single Council and a single Commission of the European Communities, as well as the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources, do not contain any clause contrary to the Constitution". Consequently, the

treaties subject to constitutional review in 1970 were incorporated into national law. Moreover, pursuant to Article 55, treaties or agreements that have been duly ratified or approved, subject to their application by the other party, take precedence over domestic laws. Thus, the sovereignty of the French state is not conceived as a power absolutely isolated from the international legal order, which is accorded primacy over national legislation.

Important provisions regarding sovereignty are included in Title I of the 1958 Constitution (Articles 2–4), which were amended by two constitutional revision laws in 1995 and 2008 (Constitutional Law No. 95-880, 1995; Constitutional Law No. 2008-724, 2008). Thus, political governance is founded on an essential principle: government of the people, by the people, and for the people (*gouvernement du peuple, par le peuple et pour le peuple*): "national sovereignty belongs to the people, who exercise it through their representatives and by means of a referendum." Accordingly, sovereignty is exercised both through a form of indirect democracy (representatives) and through a mode of semi-direct democracy (the referendum). There is an important provision serving as a safeguard against the usurpation of power: "neither any segment of the people nor any individual may assume the exercise thereof". Article 4 establishes a link between popular sovereignty and political pluralism, which it enshrines: "political parties and groups contributing to the expression of suffrage […] must respect the principles of national sovereignty and democracy". Similarly, the state's territorial integrity and independence - aspects directly concerning the external dimension of sovereignty - are safeguarded through the role assigned to the President: "the President of the Republic […] is the guarantor of national independence, territorial integrity, and respect for treaties" (Art. 5).

Regarding sovereignty, we note that in a 1976 decision (Franck, 1978, p. 43-46), the Constitutional Council resorted to a distinction between limitations of sovereignty authorized and unauthorized by the fundamental law, which leads to the conclusion that important transfers of sovereign powers in favor of an authority with real autonomy from the member states will require a prior revision of the Constitution.

Regarding France's integration into the structures of the Union, the provisions contained in Title XV (Articles 88-1 to 88-7) are of particular importance. Thus, the constitutional basis for integration is expressly enshrined in Article 88-1: „The Republic participates in the European Union, composed of States that have freely chosen to exercise certain competences jointly by virtue of the Treaty on European Union and the Treaty on the Functioning of the European Union...". The Constitutional Council has established that Article 88-1 creates a requirement of constitutional status to apply European Union law and to transpose European directives into the domestic legal order. Furthermore, judicial cooperation in criminal matters and the European arrest warrant were

established: “the law sets out the rules relating to the European arrest warrant in application of the acts adopted by the institutions of the European Union”. This provision enabled judicial decisions from other European Union Member States to be executed directly and swiftly within French territory. Additionally, the right to vote and to stand for election in French municipal elections is granted to Union citizens residing in France, subject to certain restrictions. Under Article 88-4 of the Constitution, the Government is required to transmit all draft European legislative acts to the National Assembly and the Senate as soon as they are submitted to the Council of the European Union. In this way, the two chambers of the French Parliament express their political stance and provide a mandate or guidelines to the Government for negotiations in Brussels. Similarly, the ratification of a treaty regarding a state's accession to the European Union is effected through a bill that may be submitted to a referendum initiated by the French President or adopted by Parliament with a qualified majority of three-fifths of the total number of parliamentarians, in accordance with Article 88-5. Furthermore, the National Assembly or the Senate may issue a reasoned opinion if they consider that a draft legislative act adopted at the Union level violates the principle of subsidiarity. In the same vein, the Chambers of the French Parliament are allowed to bring an action before the Court of Justice of the European Union against a European legislative act, which is considered to be contrary to the above-cited European principle. Through a final provision in Title XV, the two Chambers are granted the right to draft a motion, by which they oppose the modification of the rules for adopting European Union acts in the cases provided for in the simplified revision of the Treaties or civil judicial cooperation, according to the Treaty on the European Union and the Treaty on the Functioning of the European Union.

Therefore, the procedure provided for by the French Constitution required the revision of the fundamental law, on several occasions, in order to receive the law of the European Communities and, subsequently, the law of the European Union, as in the situations set out below, but also in other cases:

- Constitutional Law No. 554 of 25 June 1992 ratifying the Maastricht Treaty (Constitutional Law No. 92-554, 1992), which revised Articles 2, 54, and 74 and introduced Title XV, entitled “The European Communities and the European Union”;

- Constitutional Law No. 1256 of 25 November 1993 regarding the conclusion of agreements with European states concerning asylum requests (Constitutional Law No. 93-1256, 1993), which introduced Article 53-1;

- Constitutional Law No. 880 of 8 August 1995 (Constitutional Law No. 95-880, 1995), which amended Articles 1, 5, 11, 12, 26, 28, 48, 49, 51, 70, and 88, introduced Article 63-3, and repealed Titles XIII and XVII concerning the European Communities and transitional provisions, which had become obsolete;

- Constitutional Law No. 49 of 25 January 1999 on the ratification of the Treaty of Amsterdam (Constitutional Law No. 99-49, 1999), which amended Articles 88-2 and 88-4 to allow, in particular, for the transfer of competences regarding the free movement of persons; this law was adopted following a decision of the Constitutional Council from 1997 (Constitutional Council, Decision No. 97-394, 1997), by which the latter decided that two clauses of the treaty were contrary to the Constitution: the clause that allows the Council, acting unanimously, to decide, five years after the entry into force of the text, on the transition to the rule of qualified majority and the procedure of co-decision of measures relating to the movement of persons; the clause that provides for the automatic transition, after five years, of the conditions for issuing short-stay visas;

- Constitutional Law No. 569 of 8 July 1999 (Constitutional Law No. 99-569, 1999), which supplemented Articles 3 and 4 regarding equal access for women and men to electoral mandates and elective offices;

- Constitutional Law No. 2003-267 of 25 March 2003 (Constitutional Law No. 2003-267, 2003), concerning the European arrest warrant;

- Constitutional Law No. 2003-276 of March 28, 2003 relating to the decentralized organization of the Republic (Constitutional Law No. 2003-276, 2003);

- Constitutional Law No. 2005-204 of March 1, 2005 amending Title XV of the Constitution (Constitutional Law No. 2005-204, 2005);

- Constitutional Law No. 2008-724 of 23 July 2008 on the modernization of the institutions of the Fifth Republic (Constitutional Law No. 2008-724 2008).

The Constitutional Council's position regarding the recognition of the primacy of European Community and subsequently European Union legislation has evolved significantly. The starting point was a 1975 decision (Constitutional Council, Decision No. 74-54), in which the constitutional court stated that "a law contrary to a treaty would not, for that reason, be contrary to the Constitution, and it is not for the Constitutional Council … to examine the conformity of a law with the provisions of a treaty or international agreement." Through this decision, the Constitutional Council delegated the task of ensuring the primacy of European law over domestic statutes to the ordinary courts (the Cour of Cassation and the Council of State a task they fulfilled through the well-known *Société Café Jacques Vabre* (1975) and *Nicolo* (1989) decisions. Thus, the French Court of Cassation established, in the Société des cafés Jacques Vabre decision (Court of Cassation, Société des cafés Jacques Vabre Judgment, Appeal No. 73-13.556), that "an international treaty - in this case, the EEC Treaty - takes precedence over domestic laws, even if the national law was enacted after the treaty (pursuant to Article 55 of the 1958 Constitution)". In the same sense, the Council of State stated, in its decision from 1989 (Council of State N° 108243, Nicolo, 1989) that "pursuant to Article 55 of the Constitution, it is the

responsibility of the administrative courts to review the compatibility of international treaties with French statutes, even those enacted subsequently. In the present case, the provisions of Article 4 of Law No. 77-729 of 7 July 1977 - concerning the election of representatives to the Assembly of the European Communities - are not contrary to Article 227-1 of the Treaty of Rome; these provisions stipulate that persons who qualify as voters in the Overseas Departments and Territories (DOM-TOM) under Chapter 1, Title 1, Book 1 of the Electoral Code also possess such status for the election of representatives to the European Parliament". This decision aligns the position of the Council of State with that of the Court of Cassation (Jacques Vabre ruling of 1975) and the Constitutional Council (IVG decision of 1975), consolidating the place of international and European law at the top of the French legal order.

In a 2004 ruling (Constitutional Council, Decision No. 2004-496DC, 2004), the Constitutional Council radically altered the position it had taken in its aforementioned 1975 decision, holding that, pursuant to Article 88-1 of the Constitution, the transposition of a European directive into domestic law constitutes a requirement of constitutional status: "the transposition of a Community directive into domestic law stems from a constitutional requirement (Article 88-1 of the Constitution) which could be obstructed only by an express provision of the Constitution to the contrary". Thus, the French legislature is constitutionally obliged to adopt laws implementing European directives. A law that faithfully transposes a directive cannot be declared unconstitutional by the Constitutional Council, with one exception: if the directive conflicts with France's constitutional identity - that is, with norms inherent to the national constitutional order. Decision No. 2004-496DC (2004) stands as one of the most significant rulings through which the Council affirmed the application of European Union law in France.

By another decision from 2004 (Décision n° 2004-505 DC, 2004), on 29 October 2004, the President of the Republic referred to the Constitutional Council, pursuant to Article 54 of the Constitution, the question of whether the authorization to ratify the Treaty establishing a Constitution for Europe, signed in Rome on the same day, must be preceded by a revision of the Constitution. The Constitutional Council thus recognized that the Union's constituent authority has thus enshrined the existence of a Community legal order integrated into the domestic legal order and distinct from the international legal order [...] it is evident from the Treaty's provisions as a whole, and in particular from a comparison of Articles I-5 and I-6, that it alters neither the nature of the European Union nor the scope of the principle of the primacy of Union law as derived … from Article 88-1 of the Constitution; whereas, consequently, Article I-6 of the Treaty submitted for the Council's review does not entail a revision of the Constitution. Thus, the Council recognized that the principle of the primacy of European law is an essential feature of the European integration process,

confirmed by Article 88-1 of the Constitution. The Council emphasized that the primacy of EU law derives from the French Constitution itself, meaning that the Constitution remains the supreme norm within the domestic legal order.

Compared to previous rulings, Decision No. 2006-540 (Constitutional Council, Decision No. 2006-540, 2006) presents certain distinctive features. Specifically, the Constitutional Council was called upon to review the Law on Copyright and Related Rights in the Information Society, which transposes into national law Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society. The Council appreciated that the transposition of a Community directive into domestic law stems from a constitutional requirement […], and the Council ensures compliance with this requirement. The review it conducts to this end is subject to a twofold limitation. Firstly, the transposition of a directive cannot run counter to a rule or principle inherent in France's constitutional identity, unless the constituent authority has consented thereto; secondly, since it must rule prior to the promulgation of the law within the time limit prescribed by Article 61 of the Constitution, the Constitutional Council cannot refer the question for a preliminary ruling provided for in Article 234 of the Treaty establishing the European Community to the Court of Justice of the European Communities. The Council concluded that no provision of the aforementioned directive is contrary to any rule or principle inherent in France's constitutional identity.

In another decision from 2010 (Decision no. 2010-605, 2010), the French constitutional court declined jurisdiction to review the compatibility of a law with the provisions of the Treaty of Lisbon. It acknowledged its jurisdiction to ensure compliance with the transposition of a Community directive into domestic law. In the aforementioned decision, it ruled on the law regarding the opening up to competition and the regulation of the online gambling and games of chance sector. The dispute primarily raised the question of the relationship between constitutional review and respect for the State's international commitments. The central legal issue was whether the Constitutional Council could incorporate a review of compatibility with treaties into its constitutional review. It also had to determine whether state regulation of gambling constituted an inviolable constitutional protection. The Council rejected all the challenges and declared the contested articles to be in conformity with the Constitution. It reaffirmed its lack of jurisdiction to rule on compatibility with international agreements, while strictly circumscribing the liberalization of the gambling sector. The Council determined that the primacy of European law is ensured by ordinary courts, even when a legislative provision has been declared consistent with the Constitution. The Council reiterates that its own review does not limit the courts' authority to give precedence to international obligations over an incompatible law: "in any event, it is for the administrative and judicial courts to

review the compatibility of the law with France's European obligations and, where appropriate, to refer the matter to the Court of Justice of the European Union for a preliminary ruling". The Council concluded that, in the present case, the contested law did not aim to transpose a directive and that, consequently, the complaint based on infringement of Article 88-1 of the Constitution must be rejected. This division of roles makes it possible to preserve the specific nature of constitutional review while respecting the requirements of the European legal order.

In its subsequent case law, the French constitutional judiciary maintains the position expressed in Decision No. 2006-540 DC, namely, the so-called "constitutional identity reservation", which it thus applies to a specific case in its 2021 decision, a ruling that has since become emblematic (Constitutional Council, Decision No. 2021-940, 2021). In this case, Air France contested Article L. 213-4 and paragraph 1 of Article L. 625-7 of the Code on the Entry and Residence of Foreigners and the Right of Asylum, which imposed on air or maritime transport companies the obligation to repatriate "without delay" third-party citizens who were refused entry to France, under penalty of a fine of up to 30,000 euros. This domestic provision directly transposed a European directive (Directive 2001/51/EC). The Council stated that the obligation imposed on air carriers to repatriate, at their own expense, passengers who had been denied boarding would entrust administrative police functions to a private entity, while also raising the issue of the constitutionality of laws transposing unconditional and imprecise European directives. The Constitutional Council reaffirmed that delegating general administrative police powers, inherent to the exercise of "public authority", to private entities is prohibited, and that this prohibition constitutes a principle inherent to France's constitutional identity. The Council upheld the contested provisions subject to a specific interpretation, reasoning that while carriers fulfill a material and logistical obligation regarding boarding, they do not exercise public authority prerogatives comparable to direct police enforcement measures.

In Germany, unlike in the French Constitution, the Basic Law does not employ the term "national" or "popular sovereignty"; however, Article 20 - which establishes constitutional principles - refers to the exercise of state power by the people. Consequently, sovereignty is exercised by the people through representative bodies, thereby establishing representative or indirect democracy alongside other forms of semi-direct democracy: "all state authority is derived from the people. It shall be exercised by the people through elections and other votes and through specific legislative, executive and judicial bodies. The legislature shall be bound by the constitutional order, the executive and the judiciary by law and justice. All Germans shall have the right to resist any person seeking to abolish this constitutional order if no other remedy is available" (Basic Law for the Federal Republic of Germany, art. 20).

According to Article 23 of the fundamental law, "with a view to establishing a united Europe, the Federal Republic of Germany shall participate in the development of the European Union that is committed to democratic, social and federal principles, to the rule of law and to the principle of subsidiarity and that guarantees a level of protection of basic rights substantially comparable to that afforded by this Basic Law. To this end *the Federation may transfer sovereign powers by a law* with the consent of the Bundesrat. The establishment of the European Union, as well as changes in its treaty foundations and comparable regulations that amend or supplement this Basic Law or make such amendments or supplements possible, shall be carried by two thirds of the Members of the Bundestag and two thirds of the votes of the Bundesrat". Amendments to this Basic Law affecting the division of the Federation into Länder, their participation in principle in the legislative process, or the principles laid down in Article 1 (the inviolability of human dignity, its respect and protection being an obligation of all state authorities; the recognition of human rights, which are inviolable and inalienable) and art. 20 (the democratic and social character of the federal state; the rule of law, popular sovereignty; the right to resist any person seeking to abolish this constitutional order if no other remedy is available) shall be inadmissible. In the same way, the Bundestag and the Bundesrat have the right to bring an action before the Court of Justice of the European Union on the grounds of infringement of the principle of subsidiarity by a legislative act of the European Union. The Bundestag and the Länder, through the Bundesrat, participate in the affairs of the European Union. The Federal Government must inform both Houses of Parliament comprehensively and as early as possible. Before participating in the adoption of European Union legislative acts, the Federal Government gives the Bundestag the opportunity to state its position. The Federal Government takes the Bundestag's position into account during negotiations. Insofar as, in an area within the exclusive competence of the Federation, interests of the Länder are affected and in other matters, insofar as the Federation has legislative power, the Federal Government shall take the position of the Bundesrat into account. In matters that may result in increased expenditures or reduced revenues for the Federation, the consent of the Federal Government shall be required. When legislative powers exclusive to the Länder concerning matters of school education, culture or broadcasting are primarily affected, the exercise of the rights belonging to the Federal Republic of Germany as a member state of the European Union shall be delegated by the Federation to a representative of the Länder designated by the Bundesrat. These rights shall be exercised with the participation of, and in coordination with, the Federal Government; their exercise shall be consistent with the responsibility of the Federation for the nation as a whole.

The relationship between the German Constitution (Basic Law – *Grundgesetz*) and European Union law is defined by the principle of "open yet

limited integration", under which the Federal Constitutional Court (Bundesverfassungsgericht - BVerfG) acts as the ultimate guarantor of national sovereignty and democratic principles.

The *Solange I judgment*, delivered on May 29, 1974, by the German Federal Constitutional Court (German Federal Constitutional Court, Judgment of 29 May 1974), is a major early decision concerning the relationship between Community law and national constitutional law. In this case, the BverfG decided that it would control the conformity of Community law with the fundamental rights in the Constitution, as long as the European Communities did not offer similar protection: "As long as the integration process of the European Communities has not progressed so far that Community law also contains an operative catalogue of fundamental rights that has been adopted by a parliament and is congruent with the fundamental rights catalogue of the Basic Law, a court of the Federal Republic of Germany, after obtaining a decision from the Court of Justice of the European Communities as required under art. 177 of the Treaty, is permitted - and required - to refer the matter to the Federal Constitutional Court in judicial review proceedings if the court in question considers the Court of Justice's interpretation of the relevant provision of Community law to be inapplicable on the grounds that or to the extent that it conflicts with one of the fundamental rights enshrined in the Basic Law". Consequently, the German Constitutional Court rejected the absolute primacy of European law as long as the European Economic Community (EEC) lacked its own equivalent catalogue of fundamental rights, protected in a manner similar to that found in the German Constitution (Grundgesetz). This ruling temporarily challenged the principle of the primacy of Community law, established by the Court of Justice of the European Communities in the 1964 Costa v. ENEL case (Court of Justice of the European Communities, Judgment of the Court of 15 July 1964).

In the *Solange II judgment of 1986* (German Federal Constitutional Court, Judgment of 22 October 1986), the German Constitutional Court changed its position, finding that the ECJ had come to effectively protect fundamental rights at an equivalent level, thereby relinquishing its own review of Community legislation: "When compared to the fundamental rights protection enshrined in the Basic Law, the guarantee of fundamental rights protection achieved at Community level through the case-law of the Court of Justice of the European Communities may, due to its development on a case-by-case basis, still have gaps, in that certain fundamental rights principles recognised in the Basic Law as well as the type, content and scope of certain fundamental rights have not yet come before the Court of Justice. What is decisive, however, is the general attitude that the Court of Justice has adopted with regard to the binding effect of fundamental rights on the Community, the normative anchoring of fundamental rights in Community law and its normative link (in this respect) with the Member State constitutions and the European Convention on Human Rights, as

well as the actual significance accorded by the Court of Justice to the protection of fundamental rights […] Community law in its substance also satisfies the requirement of a fundamental rights catalogue". Therefore, when fundamental rights protection had become sufficiently strong within the EC/EU, the BVerfG declared to refrain from such a control activity "as long as the European Communities ensure effective protection of fundamental rights" (Hilpold, 2016, p. 170).

In another relevant 2009 ruling concerning the approval of the Treaty of Lisbon (German Constitutional Court, Judgment of the Second Senate of 30 June 2009), the Court defined the legal nature of the European Union as an association of states in which the states retain their sovereignty, acting as the exponents of the popular will. In this regard, the Court held that, through Article 23, the Basic Law grants powers to participate in and develop a European Union designed as a *Staatenverbund* (union of states).The concept of *Verbund* covers a close long-term association of states which remain sovereign, an association which exercises public authority on the basis of a treaty, whose fundamental order is, however, subject to the disposal of the Member States alone and in which the peoples of their Member States, i.e. the citizens of the states, remain the subjects of democratic legitimisation. The European Union must comply with democratic principles as regards its nature and extent and also as regards its own organisational and procedural elaboration. This means firstly that European integration may not result in the system of democratic rule in Germany being undermined. This does not mean that a number of sovereign powers which can be determined from the outset or specific types of sovereign powers must remain in the hands of the state. The Karlsruhe court thus determined the areas of social relations falling within the exclusive competence of the states: the administration of criminal law, the police monopoly, and that of the military, on the use of force, fundamental fiscal decisions on revenue and expenditure, the shaping of the circumstances of life by social policy and important decisions on cultural issues, such as the school and education system, the provisions governing the media, and dealing with religious communities. This decision established the concept of *Integrationsverantwortung* (responsibility for integration), which entails an obligation on the part of the German Parliament to actively exercise this responsibility by expressly approving any expansion of the European Union's competences. While the Treaty of Lisbon was approved by this decision, in revanche, the Act Extending and Strengthening the Rights of the Bundestag and the Bundesrat in European Union Matters infringes Article 38.1 in conjunction with Article 23.1 of the Basic Law insofar as rights of participation of the German Bundestag and the Bundesrat have not been elaborated to the constitutionally required extent. If the Member States elaborate the European law laid down in the Treaties on the basis of the principle of conferral in such a way that an amendment of the Treaty law can be brought about solely or

decisively by the institutions of the European Union, albeit under the requirement of unanimity in the Council, a special responsibility is incumbent on the national constitutional bodies in the context of participation. Therefore, the Court ruled that integration cannot transform Germany into a mere federated state. To protect popular sovereignty, certain essential areas of social relations - listed above - must remain under national control.

The *"Right to be Forgotten I"* ruling (Order of the First Senate of 6 November 2019), read in conjunction with the second ruling issued on the same day, the "Right to be Forgotten II", concerns a dispute falling within the scope of European Union law, yet in an area where Member States retain a certain degree of autonomy. Consequently, the Constitutional Court chose to apply the fundamental rights enshrined in the Constitution and upheld the constitutional complaint lodged against a decision of the Federal Court of Justice. The latter had dismissed the appeal of a claimant who challenged the unrestricted public access to press articles - dating back more than 30 years and stored in online archives - that reported on his conviction for homicide while mentioning his name. In the decision under discussion, the Federal Constitutional Court examined provisions of domestic law - which are not entirely determined by EU law - primarily in light of the fundamental rights enshrined in the Basic Law, even when the domestic law in question implements EU law. This primary application of the fundamental rights of the Basic Law is based, first and foremost, on the premise that EU law, when granting Member States a degree of autonomy in a given area of law, does not generally aim for uniform protection of fundamental rights but rather allows for diverse regimes of fundamental rights protection. Secondly, the starting point was the presumption that the level of fundamental rights protection required by EU law provides merely a framework and is ensured through the application of German fundamental rights. In this case, the Constitutional Court ruled that the scope of the right to protection against the dissemination of old press articles held in online archives must be determined by balancing various conflicting fundamental rights. Thus, these rights to protection are constitutionally grounded in the general right of personality - specifically in that dimension of the individual right which limits freedom of expression, a dimension that must be distinguished from the right to informational self-determination.

The *"Right to be Forgotten II*" ruling (German Federal Constitutional Court, Order of the First Senate of 6 November 2019 – 1 BvR 276/17) concerns a dispute regarding a matter fully harmonized by European Union law. Consequently, the First Senate of the Federal Constitutional Court applied the Charter of Fundamental Rights of the European Union with fundamental rights under German law being superseded by those under EU law and dismissed the constitutional complaint filed against a decision of the Higher Regional Court of Celle. The latter rejected a complaint filed by the claimant against the operator

of a search engine. The claimant objected to the fact that, when her name was entered into a search engine, one of the displayed results linked to the transcript of a television program that had been archived online in 2010. In that program, the claimant, whose name was explicitly mentioned, was accused of unfair treatment towards a dismissed employee. In this case, according to the Court, regarding the application of legal provisions that are fully harmonised under EU law, the relevant standard of review does not derive from the fundamental rights of the Basic Law, but solely from EU fundamental rights; this follows from the precedence of application of EU law. This precedence of application is subject, *inter alia*, to the reservation that the fundamental right in question be given sufficiently effective protection through the EU fundamental rights that are applicable instead. Where the Court applies the EU Charter in exercising its review regarding a fundamental right, it carries out that review jointly with the Court of Justice of the EU, requesting a preliminary ruling in accordance with Article 267(3) of the Treaty on the Functioning of the European Union where necessary. The Court further stated that, in such disputes, the parties' conflicting fundamental rights must be reconciled on the basis of the applicable ordinary legislation. When conducting its review, the Federal Constitutional Court does not review the application and interpretation of ordinary legislation but only whether the ordinary (non-constitutional) courts gave sufficient effect to the fundamental rights of the Charter and struck a tenable balance. The Court also decided that where affected persons request that search engine operators refrain from referencing and displaying links to certain online contents in the list of search results, the necessary balancing must take into account not only the right of personality of affected persons (Articles 7 and 8 of the Charter), but must also consider, in the context of search engine operators' freedom to conduct a business (Article 16 of the Charter), the fundamental rights of the respective content provider as well as Internet users' interest in obtaining information. At the same time, insofar as a prohibition of the display of certain search results is ordered on the basis of an examination of the specific contents of an online publication, and the content provider is thus deprived of an important platform for disseminating these contents that would otherwise be available to it, this also constitutes a restriction of the content provider's freedom of expression.

In another very important case from May 2020 (German Federal Constitutional Court, Judgment of the Second Senate of 5 May 2020 - 2 BvR 859/15), the BVerfG was notified regarding the European Central Bank's (ECB) Public Sector Purchase Programme (PSPP), which the appellants claimed exceeded the monetary policy mandate and violated the prohibition on monetary financing of states. The BVerfG stayed the domestic proceedings and referred the matter to the CJEU. In 2018, in the *Weiss* judgment (C-493/17), the CJEU ruled that the ECB programme was valid and fell within the scope of its European powers. The German court ruled that the judgment of the Court of

Justice of the European Union (CJEU) of 11 December 2018 (CJEU, Judgment of the Court, 2018) does not preclude this finding by the Federal Constitutional Court, given that - regarding the review of compliance with the principle of proportionality in the decisions taken to implement the PSPP, it is simply no longer comprehensible and must itself be considered *ultra vires*: "where an *ultra vires* review or a review of compliance with Germany's constitutional identity raises questions regarding the validity or the interpretation of a measure taken by institutions, bodies, offices and agencies of the European Union, the Federal Constitutional Court, in principle, bases its review on the understanding and the assessment of such a measure as put forward by the Court of Justice of the European Union. […] The mandate of the Court of Justice of the European Union to interpret the law - derived from the function assigned by Article 19(1), second sentence, of the Treaty on European Union (TEU) - reaches its limits when the interpretation of the Treaties adopted by the Court of Justice is no longer comprehensible and is, therefore, objectively arbitrary [...] the decision of the Court of Justice lacks the "minimum level of democratic legitimacy" required by several articles of the Basic Law. The Court considered that " for safeguarding the principle of democracy, it is imperative that the bases for the division of competences in the European Union be respected. The finality of the European integration agenda (*Integrationsprogramm*) must not undermine the principle of conferral, one of the fundamental principles of the European Union. In the context of delimiting the competences between the European Union and the Member States, the principle of proportionality and the overall assessment and appraisal it entails are of great importance with regard to the principles of democracy and the sovereignty of the people. Disregarding these requirements potentially shifts the bases for the division of competences in the European Union, undermining the principle of conferral". The Court ruled that the PSPP violates the principle of proportionality: "a programme for the purchase of government bonds only satisfies the principle of proportionality if it constitutes a suitable and necessary means for achieving the aim pursued; the principle of proportionality requires that the programme's monetary policy objective and the economic policy effects be identified, weighed and balanced against one another. Where a programme's monetary policy objective is pursued unconditionally and its economic policy effects are ignored, it manifestly disregards the principle of proportionality enshrined in Article 5(1) second sentence and Article 5(4) of the Treaty on European Union". The Court also ruled that the Federal Government and the German Bundestag violated the complainants' rights prevăzute de actul fundamental by failing to take action against the ECB's omission; in its decisions regarding the adoption and implementation of the PSPP, the ECB neither verified nor demonstrated that the measures adopted complied with the principle of proportionality. At the same time, the decision under consideration also specifies its effects on the German

public authorities: based on their responsibility with regard to European integration (*Integrationsverantwortung*), the Federal Government and the *Bundestag* are required to take steps seeking to ensure that the European Central Bank conducts a proportionality assessment. They must clearly communicate their legal view to the European Central Bank or take other steps to ensure that conformity with the Treaties is restored […] German constitutional organs, administrative bodies and courts may participate neither in the development nor in the implementation, execution or operationalisation of *ultra vires* acts. This generally also applies to the *Bundesbank.* However, the German Court did not find a violation of the prohibition on monetary financing of states. Following this ruling, the BVerfG ruled that both the ECB decision and the CJEU ruling were taken ultra vires. Consequently, the German Central Bank (Bundesbank) was prohibited from participating in the implementation of the PSPP program after a three-month transition period, unless the ECB demonstrated that it had conducted a rigorous proportionality analysis. To avoid the Bundesbank's withdrawal, the ECB submitted internal documentation to the German Parliament attesting to the proportionality analysis. The Bundestag officially confirmed that the BVerfG's requirements had been met. In the doctrine (Beltrame de Moura and Thomé da Cruz Bunn, 2024, p. 316) it was stated that, through this decision, "the German Court deprived a CJEU judgment of its legal effect in Germany, which would violate the Principle of the Primacy of EU law; the case involving the German Constitutional Court is a dangerous precedent for the Primacy of EU law, as it has been able to threaten the stability and legal certainty of the EU legal order, necessary preconditions for the functioning of regional integration itself". As a consequence, on 9th of June 2021, the European Commission has decided to send a letter of formal notice to Germany for violation of fundamental principles of EU law, in particular the principles of autonomy, primacy, effectiveness and uniform application of Union law, as well as the respect of the jurisdiction of the European Court of Justice under Article 267 TFEU, officially launching the infringement procedure. This procedure was closed at the end of 2021, following firm commitments by the German Government to respect the autonomy, primacy, and uniform application of EU law, and to uphold the authority of the Court of Justice of the European Union (European Commission, Case INFR(2021)2114, 2021).

3. THE DIVISION OF COMPETENCES BETWEEN THE EUROPEAN UNION ANS ITS MEMBER STATES

The European Union derives its legitimacy from the normative legal acts that established it, as well as from the democratic values and principles it enshrines. Within the framework of the European Union, a supranational entity founded on the principle of integration, a series of powers typically belonging to states fall outside their jurisdiction and are vested in Community institutions. Thus, by

transferring some powers or delegating the exercise of some competences to the Union, the latter acquires union sovereignty, created by integrating national sovereignties, having a derivative character in relation to them (Popescu, 2002, p. 329).

The allocation and delimitation of competences between the European Union and the Member States are expressly regulated by the Treaty on European Union (TEU, consolidated version, 2025) and the Treaty on the Functioning of the European Union (TFEU, consolidated version, 2025).

The legal basis for the exercise of the Union's competences is found in Article 1 of the TEU, according to which: "The HIGH CONTRACTING PARTIES establish among themselves a EUROPEAN UNION, [...] to which the Member States confer competences to attain objectives they have in common". Consequently, this provision is of particular significance, as it reflects the derived nature of the Union's power; the Union does not possess competences by virtue of its own general sovereignty, but rather by virtue of the competences conferred upon it by the States through the treaties.

According to Article 5 TEU, the delimitation of the Union's competences is governed by the principle of conferral, according to which "the Union shall act only within the limits of the competences conferred on it by the Member States in the Treaties to achieve the objectives set out in those Treaties. Any competence not conferred on the Union by the Treaties remains with the Member States". Consequently, the Union's competence is one of conferral, not an original or general competence. This rule is expressly reaffirmed by Article 4(1) of the TEU: "competences not conferred upon the Union in the Treaties remain with the Member States". Thus, general or residual competence belongs to the States. Article 4(2) of the TEU guarantees the equality of the States regarding the Treaties, as well as certain fundamental aspects thereof: "The Union shall respect the equality of Member States before the Treaties as well as their national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local self-government. It shall respect their essential State functions, including those for ensuring the territorial integrity of the State, maintaining law and order and safeguarding national security. In particular, national security remains the sole responsibility of each Member State".

Cooperation between the Union and the Member States is governed by the *principle of sincere cooperation*, under which "the Union and the Member States shall, in full mutual respect, assist each other in carrying out tasks which flow from the Treaties" (art. 4 paragr. 3 TEU). According to Article 5 of the TEU, the exercise of Union competences "is governed by the principles of subsidiarity and proportionality. Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member

States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level". Under the principle of proportionality, the content and form of Union action shall not exceed what is necessary to achieve the objectives of the Treaties. The Union institutions and the Member States apply the two principles in accordance with Protocol No. 2 on the application of the principles of subsidiarity and proportionality, which is annexed to the TFEU.

The expansion or reduction of the competences conferred upon the Union may only take place through the amendment of the treaties in force, in accordance with an ordinary or simplified revision procedure (Article 48 TEU). Consequently, the Union cannot, by its own volition, create new competences of a primary nature; such competences can always be established only with the participation of the Member States and in compliance with strictly defined procedures.

The powers conferred upon the Union may be extended when action is required to attain an objective enshrined in the Treaties (Article 352(1) TFEU): "if action by the Union should prove necessary, within the framework of the policies defined in the Treaties, to attain one of the objectives set out in the Treaties, and the Treaties have not provided the necessary powers, the Council, acting unanimously on a proposal from the Commission and after obtaining the consent of the European Parliament, shall adopt the appropriate measures. Where the measures in question are adopted by the Council in accordance with a special legislative procedure, it shall also act unanimously on a proposal from the Commission and after obtaining the consent of the European Parliament". Two exceptions are also provided for, under which measures conferring new competences on the Union cannot be adopted. Thus, the amendments may not entail the harmonization of the laws and administrative regulations of the Member States where the Treaties exclude such harmonization. Furthermore, changes cannot be made to achieve objectives in the field of the Common Foreign and Security Policy.

The Union also possesses external competences, with agreements between the Union and third countries or international organizations being negotiated and concluded in accordance with the detailed rules set out in Articles 216–218 TFEU: "The Union may conclude an agreement with one or more third countries or international organisations where the Treaties so provide or where the conclusion of an agreement is either necessary in order to achieve, within the framework of the Union's policies, one of the objectives referred to in the Treaties, or is provided for in a legally binding Union act, or is likely to affect common rules or alter their scope" (Article 216 TFEU).

It is also worth noting that the TFEU stipulates, in its very first article, that the treaty "organizes the functioning of the Union and determines the areas of, delimitation of, and arrangements for exercising its competences". While the

TEU defined the fundamental principles governing the delimitation and exercise of the Union's powers, the TFEU details, in Articles 2 through 6, the categories of competence and the areas of social relations in which the Union may act. In this regard, a distinction is drawn between: exclusive competences; shared competences; competences for the coordination of economic policies; the common foreign and security policy; and competences to support, coordinate, or supplement action.

The Union's exclusive competence in a specific area means that only the Union may legislate and adopt legally binding acts, with Member States being able to do so only if empowered by the Union or for the implementation of Union acts. The Union shall have exclusive competence in the following areas: (a) customs union; (b) the establishing of the competition rules necessary for the functioning of the internal market; (c) monetary policy for the Member States whose currency is the euro; (d) the conservation of marine biological resources under the common fisheries policy; (e) common commercial policy. The Union shall also have exclusive competence for the conclusion of an international agreement when its conclusion is provided for in a legislative act of the Union or is necessary to enable the Union to exercise its internal competence, or in so far as its conclusion may affect common rules or alter their scope.

In the areas of shared competence, the Union and the Member States may legislate and adopt legally binding acts. Member States exercise their competence to the extent that the Union has not exercised its competence or has decided to cease exercising it. The shared competences between the Union and the Member States apply in the following principal areas: (a) the internal market; (b) social policy, for the aspects defined in this Treaty; (c) economic, social and territorial cohesion; (d) agriculture and fisheries, excluding the conservation of marine biological resources; (e) the environment; (f) consumer protection; (g) transport; (h) trans-European networks; (i) energy; (j) the area of freedom, security and justice; (k) common safety concerns in public health matters, for the aspects defined in this Treaty. In the areas of research, technological development, and space, the Union has competence to carry out activities and, in particular, to define and implement programmes, without the exercise of this competence resulting in Member States being prevented from exercising their own competence. In the areas of development cooperation and humanitarian aid, the Union has competence to carry out activities and conduct a common policy, without the exercise of this competence resulting in Member States being deprived of the possibility of exercising their own competence (Art. 4 TFEU).

The Union has the competence to define economic and employment policies, which are coordinated by the Member States in accordance with the conditions laid down in the TFEU. To this end, the Council adopts measures and, in particular, the broad guidelines for these policies. Special provisions apply to Member States whose currency is the euro (Article 5 TFEU).

The Union is competent, in accordance with the provisions of the Treaty on European Union, to define and implement a common foreign and security policy, including the progressive framing of a common defence policy.

The Union also possesses complementary competences (Robert Schütze, 2012, p. 167), which may take the form of actions to support, coordinate, or supplement the action of the Member States, without, however, replacing their competence in these areas. Legally binding Union acts adopted on the basis of the Treaty provisions relating to these areas may not entail the harmonization of the laws and administrative regulations of the Member States. Driven by their European objective, these Union actions cover the following areas: (a) protection and improvement of human health; (b) industry; (c) culture; (d) tourism; (e) education, vocational training, youth, and sport; (f) civil protection; (g) administrative cooperation (Art. 6 TFEU).

The provisions cited above must be read in conjunction with Protocol No 2 on the application of the principles of subsidiarity and proportionality, which is essential for examining the allocation of competences. It introduces the mechanism by which national parliaments verify compliance with the principle of subsidiarity in Union legislative proposals, a constitutional mechanism for safeguarding Member State competences. Thus, if one-third of national parliaments consider that a legislative proposal infringes the principle of subsidiarity, the Commission must review it, with the option to maintain, amend, or withdraw it. If a simple majority of national parliaments objects, the Commission must justify its decision, and the European Parliament and the Council can directly block the initiative before the first reading. The European Commission has continued to produce annual reports on the application of the principles of subsidiarity and proportionality; at the time of writing, the latest such report was adopted on 8 September 2025. (European Commission, Annual Report 2024 on the application of the principles of subsidiarity and proportionality and on relations with national Parliaments, 2025).

4. CONCLUSIONS

Integration into the European Union does not entail the disappearance of national sovereignty, but rather a profound metamorphosis of it. Member states cede a portion of the exercise of sovereignty, while the people remain its ultimate holder, in order to gain the genuine capacity to influence decisions at the European and even global levels, to ensure their economic prosperity and security, and to uphold and defend the democratic values and principles enshrined at the Union level for their citizens.

With regard to the division of powers between the Union and the Member States, as I have presented in a previous section, a distinction must be made between the provisions that directly establish the distribution of powers between the Union and the Member States and the provisions that complement this

system, either by establishing the manner of exercising powers, or by regulating implicit, external powers or the procedure for amending powers.

The French Constitutional Council has played a fundamental role in defining how European Union law integrates into the French legal order. Its jurisprudence has evolved from an initial stage of abstention (in which it refused to control the conformity of laws with European law), to a stage of firm consecration of the constitutional obligation to apply and transpose Union law, currently reaching the establishment of a supreme limit: the constitutional identity of France.

It follows from the above that the German Constitutional Court has established three mechanisms for reviewing European law. The first of these concerns the conformity of Community law with the fundamental rights enshrined in the Basic Law, applicable as long as the EU does not provide equivalent protection. The Court has suspended the direct exercise of this review, having found that the EU has attained an adequate level of legal protection, while reserving for itself only a residual supervisory role. The second form of review exercised by the Court concerns acts adopted by Union institutions that exceed the competences provided for in Union legislation (*ultra vires acts*) or violate the principle of proportionality. A final mechanism for controlling the Union's legal order referred to its compliance with the values, principles and areas that are an integral part of the content of the concept of Germany's constitutional identity, expressly listing the areas of social relations in which the state retains its exclusive regulatory competence.

The challenge of the future for the European Union remains finding a balance between the integration necessary for geopolitical survival, economic prosperity, and respect for the national and constitutional identities of the states that compose it.

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FROM FRAGMENTED CLARITY CONSTRUCTS TO CULTURAL CAPABILITY: A THEORETICAL MODEL OF ORGANIZATIONAL CULTURE CLARITY

IURIE VLASOV
Alexandru Ioan Cuza University of Iasi
Iași, Romania
iurie.vlasov@student.uaic.ro

Abstract
This article presents a theoretical model for Organizational Culture Clarity in organizations facing ambiguity, transformation, and institutional pressure. While organizational culture research has advanced understanding of shared meanings, values, assumptions, climates, and behavioral norms, much of the literature addresses clarity only indirectly through constructs such as role clarity, communication clarity, leadership consistency, psychological safety, and relational coordination. This fragmentation constrains organizational theory's ability to explain how clarity operates as a cultural condition that supports coherence, alignment, and collective action. The article contends that contemporary organizations must reconceptualize clarity from an isolated managerial attribute to a strategic cultural capability. This perspective is especially pertinent in the European context, where discussions of resilience, institutional transformation, strategic autonomy, and sustainable work increasingly depend on organizations' ability to maintain coherence and adaptability amid uncertainty, alongside governance, regulation, and technological policy. Organizational Culture Clarity is defined as the degree of transparency, alignment, and coherence that enables employees to understand and enact the organization's mission, values, roles, relationships, processes, and leadership expectations. The proposed model identifies three interdependent dimensions: organizational clarity, leadership clarity, and relational clarity. Organizational clarity encompasses mission, structure, roles, processes, communication, and internal identity. Leadership clarity involves direction, consistency, developmental support, and value-based behavioral modeling. Relational clarity addresses collaboration norms, shared expectations, trust, conflict resolution, and interpersonal coordination. This article contributes to the organizational culture and people management literature by synthesizing fragmented clarity-related constructs into a unified theoretical model and by positioning clarity as a cultural capability essential for organizational coherence, employee experience, and future empirical research.

Keywords: *organizational culture; organizational coherence; organizational clarity; organizational ambiguity; people management.*
JEL Classification: M14; M12; M54.

1. INTRODUCTION

Organizational culture provides members with interpretive frameworks through which they understand what matters, what is expected, and how they should act within the organization (Schein, 2010). Yet the existence of a recognizable culture does not necessarily imply that the culture is clear. Organizations may articulate values, establish formal roles and processes, and communicate strategic priorities while employees still experience uncertainty about responsibilities, decision criteria, behavioral expectations, or the practical meaning of declared values. Cultural signals may therefore be visible but inconsistent, producing ambiguity between what the organization declares, what leaders enact, and what employees experience.

Organizational scholarship addresses many aspects of this problem, but predominantly through separate constructs and research traditions. Role theory examines role clarity and role ambiguity; communication research addresses information flow and communication climate; performance research considers goal and task clarity; strategy research examines mission, values, and organizational alignment; leadership research investigates communication, behavioral consistency, and value enactment; while relational research addresses psychological safety, employee voice, trust, collaboration, and relational coordination. The literature on clarity is therefore substantial, but conceptually fragmented. The central theoretical gap is not the absence of clarity-related research, but the limited integration of these local forms of clarity within a common cultural framework.

Drawing on Schein's (2010) distinction between artifacts, espoused values, and basic underlying assumptions, this article proposes that clarity can be examined as a transversal property of organizational culture. From this perspective, cultural clarity concerns the extent to which organizational structures and practices, leadership signals, and relational norms provide sufficiently intelligible and coherent reference points for organizational members. Importantly, clarity is not equated with uniformity, rigid standardization, or the elimination of ambiguity. Rather, it refers to the cultural conditions that allow members to interpret priorities, understand expectations, coordinate their actions, and exercise judgment without excessive dependence on ad hoc clarification.

The study therefore conceptualizes Organizational Culture Clarity (OCC) as an integrative cultural capability and investigates how fragmented clarity-related literatures can be organized within a coherent theoretical model. It employs a systematized scoping review, theoretically anchored in Schein's model of

organizational culture, to map clarity-related constructs across organizational, leadership, and relational domains. The analysis addresses the following research question:

How can Organizational Culture Clarity be conceptualized as an integrative cultural capability through a systematized scoping review of fragmented clarity-related literatures?

The resulting synthesis proposes three interdependent dimensions, *Organizational Clarity*, *Leadership Clarity*, and *Relational Clarity*, as the preliminary architecture of OCC and establishes a basis for subsequent construct refinement and empirical validation.

2. ORGANIZATIONAL CULTURE, INTERPRETABILITY, AND FRAGMENTED CLARITY

Organizational culture is commonly understood as a system through which organizational members develop shared meanings about their environment, expectations, and appropriate ways of acting. Although definitions vary across theoretical traditions, culture generally extends beyond formal structures and observable practices to include values, beliefs, norms, assumptions, and interpretive patterns that develop through organizational experience and socialization (Schein, 2010; Yanow and Ybema, 2011). This perspective is particularly relevant to the problem of clarity because organizational members do not respond only to the information formally available to them; they interpret what structures, practices, decisions, and interactions signify about how the organization actually functions.

The distinction between organizational culture and organizational climate further clarifies this interpretive problem. Climate primarily concerns shared perceptions of policies, practices, procedures, and behaviors that are supported or rewarded, whereas culture addresses deeper values, beliefs, and assumptions through which organizational life acquires meaning (Schneider and Barbera, 2014). The two constructs are distinct but overlapping. From the perspective advanced here, clarity may operate across both levels: employees must be able to interpret what behaviors and practices are expected, but also the values and assumptions that give these expectations meaning. Consequently, a formally explicit environment is not necessarily culturally clear. Roles, policies, or values may be clearly stated while remaining inconsistent with managerial behavior or everyday organizational practice.

Schein's (2010) three-level model provides a useful theoretical architecture for examining this relationship. At the level of artifacts, cultural meaning becomes visible through structures, roles, processes, routines, communication practices, objectives, and performance systems. At the level of espoused values, organizations express mission, vision, strategic priorities, and principles intended to orient decisions and behavior. At the level of basic underlying

assumptions, culture reflects taken-for-granted beliefs regarding authority, trust, interpersonal risk, collaboration, conflict, responsibility, and acceptable conduct. These levels are analytically distinguishable but interdependent. Cultural ambiguity may therefore emerge when artifacts communicate different priorities from espoused values, when leadership behavior contradicts declared principles, or when tacit relational norms undermine formally promoted behaviors.

This layered interpretation also helps explain why clarity appears fragmented in organizational research. Role clarity and role ambiguity address employees' understanding of responsibilities and expectations; communication and information-flow literatures examine how organizational meanings circulate; goal and performance research considers the clarity of objectives and expected outcomes; strategic alignment research examines consistency among mission, values, strategy, and organizational systems; leadership research addresses direction, communication, behavioral consistency, and value enactment; while psychological safety, employee voice, trust, and relational coordination illuminate the tacit rules governing interpersonal interaction and coordinated work. These literatures describe different manifestations of the same broader interpretive problem, but they have largely developed as distinct research streams.

Accordingly, the theoretical opportunity is not to replace these established constructs with a broader label, nor to suggest that all forms of organizational ambiguity are dysfunctional. Ambiguity is an inherent feature of complex and changing organizations, and cultural differentiation between groups or professional communities may be both unavoidable and functional. The proposed concept of Organizational Culture Clarity instead focuses on whether organizational members encounter sufficiently coherent cultural signals to interpret priorities, expectations, leadership behavior, and relational norms and to translate them into coordinated action. This perspective shifts the analytical focus from isolated forms of clarity toward their potential interdependence across the cultural system.

The following review therefore does not search for evidence that Organizational Culture Clarity already exists as a mature construct. Instead, it systematically maps the conceptual fragments through which organizational literatures have examined clarity and ambiguity and assesses whether these fragments can be integrated into a theoretically coherent cultural model.

3. METHODOLOGY

The study employs a systematized scoping review oriented toward conceptual synthesis. This approach was selected because Organizational Culture Clarity is not yet established as a mature construct with standardized terminology. Instead, relevant forms of clarity appear across several organizational research traditions. The purpose of the review was therefore not

to aggregate findings for a predefined construct, but to identify and integrate conceptually related literatures capable of informing its theoretical development (Claxton and Dolan, 2022). Where applicable, the PRISMA-ScR reporting logic was used to strengthen transparency in identifying and selecting sources (Tricco et al., 2018).

Schein's (2010) three levels of organizational culture provided the theoretical anchor for constructing the search strategy. Artifacts were translated into searchable areas concerning roles, processes and routines, communication, and goals or performance expectations; espoused values into mission, vision, values, strategic alignment, and leadership; and underlying assumptions into psychological safety, trust, employee voice, relational coordination, collaboration, and shared understanding. This deconstruction resulted in eight thematic search pairs covering: role clarity and ambiguity; processes and routines; communication and information flow; goals and performance expectations; mission, values, and strategic alignment; leadership communication and consistency; psychological safety, trust, and voice; and relational coordination and shared understanding.

Searches were conducted in Scopus and Web of Science between 17 March and 2 April 2026, using English-language search terms adapted to each thematic area. Records were exported to Zotero and organized according to their originating search domain. After deduplication within each thematic pair, 2,995 unique records remained. Subsequent cross-pair deduplication produced a master corpus of 2,849 unique sources.

Preliminary screening was conducted using titles, abstracts, keywords, document type, and disciplinary context, with conceptual relevance to Organizational Culture Clarity as the principal criterion. The resulting corpus comprised 982 directly relevant sources (Include A), 1,529 contextually relevant sources (Include B), 120 sources requiring further assessment (Maybe), and 218 excluded sources**.** A subsequent prioritization within *Include A* applied the *Priority High* criterion to sources judged to have high theoretical relevance for deeper conceptual examination. Across the eight thematic pairs, this produced 1,012 *Priority High* occurrences, corresponding to 964 unique sources after cross-pair deduplication. Within this prioritized corpus, a *Core Cite* designation identified works serving as central conceptual anchors for defining constructs and articulating relationships within the emerging framework; this designation reflected their role in the theoretical synthesis rather than a separate assessment of methodological quality.

The final synthesis was interpretive rather than aggregative. Sources were compared across theoretical traditions to identify conceptual overlap, distinctions, and relationships among local forms of clarity. The three-domain architecture functioned as a provisional theoretical hypothesis rather than an assumed factor structure. The synthesis therefore assessed whether the reviewed

literatures provided sufficient conceptual support for retaining, refining, or reconfiguring these domains and their boundaries. The resulting dimensions should therefore be understood as theoretically derived propositions requiring subsequent empirical validation, rather than as an established factor structure.

4. FINDINGS: FROM FRAGMENTED CONSTRUCTS TO THREE DOMAINS OF CULTURAL CLARITY

The review supports the initial premise that clarity is widely represented in organizational scholarship but distributed across research traditions that address different levels of organizational life. Role clarity, processes and routines, communication, goals, mission and values, leadership consistency, psychological safety, voice, and relational coordination each explain particular forms of clarity or ambiguity. No single research stream identified within the reviewed corpus was found to capture the broader question of whether organizational members encounter a sufficiently coherent system of cultural signals across these areas. The conceptual synthesis provides provisional theoretical support for organizing these literatures into three interdependent domains: *Organizational Clarity, Leadership Clarity,* and *Relational Clarity***.**

4.1. Organizational Clarity

Organizational Clarity concerns the formal and semi-formal reference points through which members understand how organizational activity is structured, directed, and evaluated. The reviewed literature identifies several closely connected components: organizational structure, roles and responsibilities, processes and routines, communication and information flow, goals and performance expectations, and the relationship between mission, values, strategic direction, and internal organizational identity.

Role clarity represents one of the most established local forms of organizational clarity. Research on organizational entry and socialization shows that understanding responsibilities, expectations, and role boundaries is central to adjustment and effective participation in organizational life (Kammeyer-Mueller and Wanberg, 2003; Wanberg and Kammeyer-Mueller, 2000). Yet role clarity alone is insufficient. Roles are enacted through processes and routines that stabilize recurring patterns of action and coordination. Research on business process *management further demonstrates that formalized processes acquire organizational meaning through the values and practices that support their enactment (Schmiedel et al., 2013, 2014).*

Communication provides the infrastructure connecting these structural elements. Organizational communication and communication-climate research indicates that information must be not merely available but credible, accessible, sufficiently accurate, and interpretable within the organizational context (Guzley, 1992; Westrum, 2004). Accordingly, greater communication volume

does not necessarily produce greater clarity when messages are inconsistent or when formal communication contradicts everyday practice.

The same principle applies to goals, mission, and values. Goals and performance expectations identify what is prioritized and how contribution is evaluated, while mission and values provide broader interpretive reference points for organizational direction. These strategic and value-based reference points also contribute to internal organizational identity by helping members interpret what the organization understands itself to be, what it stands for, and how its priorities distinguish the expected character of organizational action. Research on organizational alignment suggests that clarity depends on consistency among strategy, structure, culture, performance systems, and behavior rather than on the explicitness of any single element (Semler, 1997). Organizational Clarity therefore represents more than administrative formalization. It concerns whether roles, processes, information, objectives, and strategic reference points collectively provide an intelligible basis for coordinated action.

4.2. Leadership Clarity

The second domain concerns leadership's role in translating organizational values, priorities, and structures into credible behavioral signals. The literature consistently positions leaders as key interpreters and transmitters of organizational meaning, though their influence remains embedded in the wider cultural and structural context (Schein, 2010; Tsui et al., 2006).

Leadership Clarity emerges through four closely connected mechanisms: direction, communication, developmental support, and behavioral consistency. Leaders contribute to clarity when they explain priorities, connect strategic direction with operational implications, and help employees interpret competing organizational demands. Transformational and change-leadership research demonstrates the importance of articulating collective goals and providing direction, particularly during organizational change (Herold et al., 2008; Schaubroeck et al., 2007). Leadership clarity also involves developmental and clarifying support, through which leaders help employees interpret expectations, receive feedback, navigate change, and translate organizational priorities into workable action (Taormina, 2008; Söling et al., 2022). Yet communication and support alone are insufficient if managerial behavior contradicts the message.

Behavioral integrity is therefore particularly important to this domain. Employees interpret culture partly through the perceived correspondence between what leaders say and what they do. When declared values, managerial decisions, rewards, and observable behavior are congruent, leadership can make abstract cultural expectations more intelligible. When they diverge, leadership becomes a source of ambiguity even where formal messages are explicit (Leroy et al., 2012).

Leadership Clarity can consequently be understood as the capacity of leaders to transform declared direction into credible meaning for action. It occupies an intermediary position within the proposed model: leadership translates organizational structures and espoused values into behavior while simultaneously shaping the relational conditions under which employees communicate, challenge, collaborate, and learn.

4.3. Relational Clarity

The third domain concerns the less formalized but culturally consequential rules governing interaction. Relational Clarity addresses whether organizational members understand the shared expectations and norms surrounding interpersonal risk, trust, voice, conflict resolution, collaboration, and coordination. These norms frequently operate at the level of taken-for-granted assumptions rather than explicit organizational rules.

Psychological safety provides an important theoretical foundation for this dimension. Edmondson (1999) conceptualizes psychological safety as a shared belief that a team is safe for interpersonal risk-taking. From the perspective of cultural clarity, its significance lies in the predictability of relational consequences: members learn whether questioning, admitting mistakes, requesting help, or disagreeing is likely to generate learning and problem-solving or interpersonal sanctions. Research on employee voice and organizational silence similarly demonstrates that speaking up depends not only on individual willingness but on shared beliefs about whether expression is safe and effective (Morrison and Milliken, 2000; Morrison et al., 2011). Relational norms may therefore become clear even in dysfunctional environments, for example, when employees learn that silence is safer than challenging authority. Such *defensive clarity* reduces uncertainty but undermines learning and organizational adaptation.

Relational coordination extends the domain from interpersonal safety to collective action. Gittell (2002, 2006) conceptualizes effective coordination through shared goals, shared knowledge, mutual respect, and communication that is timely, accurate, and oriented toward problem solving. This literature demonstrates that collaboration requires more than positive interpersonal relationships. Members must understand their interdependencies, the contribution of other roles, and the common outcomes toward which activity is coordinated.

Relational Clarity therefore concerns the intelligibility and predictability of the norms governing expression and coordinated interaction, rather than the presence of high psychological safety or trust per se. It captures whether members understand how disagreement, vulnerability, knowledge sharing, conflict, and interdependent work are expected to function and what relational consequences such behaviors are likely to carry. This domain connects the

deepest cultural assumptions concerning trust and authority with the practical requirements of collective organizational action.

4.4. Interdependence of the Three Domains

The synthesis indicates that the three domains should not be treated as independent forms of clarity. Organizational structures may be explicit while leadership behavior sends contradictory signals; leaders may communicate consistently while relational norms discourage questioning or reporting problems; teams may experience high psychological safety while unclear roles and competing objectives prevent effective coordination. Conversely, the same cultural signal may operate across several domains. Communication connects formal structures with leadership interpretation, while shared goals connect strategic direction with relational coordination.

The emerging architecture therefore suggests that Organizational Culture Clarity resides not simply in the strength of any individual component, but in the coherence among organizational, leadership, and relational signals. Accordingly, the distinctive theoretical property of OCC is not the additive presence of multiple forms of clarity, but the cross-domain coherence through which these signals become mutually interpretable and jointly guide organizational action. The review consequently supports conceptualizing these domains as complementary manifestations of a broader cultural condition rather than as a collection of independent managerial practices.

5. ORGANIZATIONAL CULTURE CLARITY AS AN INTEGRATIVE CULTURAL CAPABILITY

The synthesis suggests that Organizational Culture Clarity cannot be reduced to any single clarity-related construct identified in the literature. Role clarity may exist without strategic clarity; explicit values may coexist with inconsistent leadership behavior; and psychologically safe relationships may coexist with unclear responsibilities or competing objectives. In such situations, organizations may develop localised pockets of clarity without achieving broader cultural coherence**.** Organizational Culture Clarity therefore concerns the relationship among these forms of clarity rather than their isolated presence.

Based on the reviewed literature, Organizational Culture Clarity (OCC) is conceptualized as the degree of transparency, alignment, and coherence that enables organizational members to understand and enact the organization's mission, values, roles, relationships, processes, and leadership expectations. Within this definition, transparency concerns the visibility and accessibility of relevant cultural signals; alignment concerns the correspondence among formal expectations, leadership behavior, and organizational practices; and coherence concerns the extent to which these signals can be interpreted together as a sufficiently intelligible pattern. The proposed model consists of three

interdependent domains: *Organizational Clarity*, concerning the formal and strategic reference points that structure organizational activity; *Leadership Clarity*, concerning the translation of direction and values into credible communication, decisions, and behavior; and *Relational Clarity*, concerning the tacit norms through which organizational members understand how trust, voice, disagreement, collaboration, and interdependent action operate.

These domains correspond broadly, although not exclusively, to Schein's (2010) levels of culture. Organizational Clarity is most visible in artifacts and espoused values through roles, processes, communication systems, objectives, mission, and strategic priorities. Leadership Clarity operates particularly at the interface between espoused values and organizational practice, as leaders interpret, communicate, model, and reinforce what the organization claims to value. Relational Clarity reaches more deeply into underlying assumptions concerning authority, trust, interpersonal risk, conflict, responsibility, and collaboration. The model should therefore not be understood as three isolated layers, but as an interconnected cultural system in which signals originating in one domain affect the interpretation of the others.

The concept of cultural capability is used here to emphasize both the integrative and strategic relevance of Organizational Culture Clarity. The term *capability* is used here in a descriptive organizational sense, referring to the capacity to generate sufficiently intelligible and mutually reinforcing cultural signals, rather than as a claim that OCC constitutes a dynamic capability in the established strategic-management sense. OCC does not describe the substantive content of a particular organizational culture or prescribe a preferred cultural type. Rather, it concerns the organization's capacity to make its cultural reference points sufficiently intelligible and mutually reinforcing for members to orient and coordinate their actions. In this sense, two organizations with very different cultural values could both exhibit relatively high cultural clarity if organizational structures, leadership behavior, and relational norms consistently communicate how those values are expected to be enacted.

OCC is therefore conceptually distinct from the normative desirability of cultural content. A cultural system may be highly intelligible and internally coherent while reinforcing practices that are restrictive, exclusionary, or otherwise detrimental to employees. Cultural clarity should therefore not be assumed to produce positive outcomes on its own; its effects are likely to depend on the substantive values, practices, and relational norms that are made clear.

Importantly, cultural clarity should not be equated with cultural uniformity or complete consensus. Organizations contain subcultures, competing interests, professional identities, and irreducible ambiguity. Excessive convergence may itself constrain learning, dissent, and adaptation. OCC therefore concerns sufficient interpretive coherence, not identical interpretation. Its theoretical

relevance lies in distinguishing productive ambiguity from ambiguity generated by contradictory or unintelligible organizational signals.

This distinction also separates OCC from managerial control. Clarifying purpose, responsibilities, decision boundaries, and relational expectations does not necessarily prescribe how every action must be performed. On the contrary, sufficiently clear cultural reference points may enable greater distributed judgment by reducing the need for continuous managerial intervention and by providing employees with the contextual understanding required for meaningful autonomy and psychological empowerment (Spreitzer, 1995). From this perspective, clarity and autonomy are not inherently opposing conditions: clarity without autonomy may become control, whereas autonomy without sufficient clarity may contribute to fragmentation.

The proposed model is therefore preliminary rather than psychometrically established. The three-domain architecture represents a theoretically derived synthesis of the reviewed literatures and provides a basis for subsequent construct refinement and empirical validation. Whether Organizational Clarity, Leadership Clarity, and Relational Clarity operate empirically as distinguishable dimensions of a broader OCC construct remains a question for future research.

6. DISCUSSION AND THEORETICAL IMPLICATIONS

The proposed model contributes to organizational culture research by reframing clarity as a cultural rather than merely local or managerial phenomenon. Existing scholarship provides substantial insight into role ambiguity, communication, goal clarity, leadership consistency, psychological safety, voice, and coordination, but these constructs are usually examined within separate theoretical traditions. The present synthesis suggests that their interdependence is theoretically consequential. Organizational members do not experience roles, leadership, communication, values, and relationships as isolated systems; they interpret them simultaneously as signals about how the organization functions and what forms of action are expected.

This perspective extends organizational culture theory by foregrounding interpretability as a relevant property of the cultural system. Schein's (2010) framework explains how artifacts, espoused values, and underlying assumptions together shape organizational meaning. The OCC model develops this logic by asking whether these levels provide sufficiently coherent signals for members to understand and enact organizational expectations. In this sense, cultural clarity does not describe the content or strength of a culture, but the degree to which its different manifestations can be interpreted in relation to one another.

The model is therefore distinguishable from several adjacent concepts. OCC is broader than role or goal clarity because it includes leadership and relational norms; broader than communication clarity because explicit communication cannot resolve contradictions embedded in structures or

behavior; and broader than strategic alignment because relational assumptions about voice, trust, conflict, and collaboration also shape cultural intelligibility. It is likewise not equivalent to a strong culture or high cultural consensus. A culture may be strongly reinforced yet communicate expectations that remain contradictory across organizational levels, while high consensus may reflect conformity rather than meaningful clarity. The distinction between coherence and uniformity is therefore central to the proposed framework.

A second implication concerns the relationship between clarity and organizational adaptability. A possible objection to the proposed framework is that clarity may be conflated with formalization, control, and stability, thereby appearing incompatible with flexibility and innovation. The OCC perspective suggests a more nuanced relationship. Employees require sufficient understanding of responsibilities, priorities, decision criteria, and relational expectations in order to exercise autonomy effectively. At the same time, excessive prescription may constrain adaptation and employee agency. OCC therefore occupies an intermediate theoretical position: it concerns the cultural conditions that make distributed judgment possible without requiring either complete standardization or continuous managerial intervention.

This logic is particularly relevant in periods of organizational transformation. Change frequently modifies structures, priorities, roles, leadership expectations, and patterns of collaboration simultaneously. When these signals evolve at different speeds or communicate incompatible expectations, employees may face increased interpretive burden even when each individual change initiative is formally explained. From an OCC perspective, transformation becomes not only a problem of change communication or employee resistance, but also a problem of maintaining sufficient cultural coherence while organizational assumptions and practices are being renegotiated.

The model also has implications for people management. HR and organizational development interventions often address clarity through separate mechanisms such as role design, performance management, leadership development, communication initiatives, employee voice, or team effectiveness. The proposed framework suggests that these interventions may be less effective when implemented independently of one another. Clarifying roles may have limited value if leaders enact competing expectations; strengthening employee voice may have limited impact if strategic priorities remain ambiguous; and communicating values may have limited credibility when organizational systems reward contradictory behavior. OCC therefore provides a conceptual basis for examining whether people-management practices reinforce or undermine one another as cultural signals.

The contribution of the model is therefore integrative rather than substitutive. It does not seek to replace established constructs, but to organize

them within a broader explanation of how culture becomes intelligible and actionable for organizational members. By positioning Organizational Culture Clarity as an integrative cultural capability, the framework provides a theoretical foundation for investigating the relationship between cultural coherence, coordinated action, employee experience, and organizational adaptation. These relationships, however, remain propositions requiring empirical examination rather than established effects.

7. LIMITATIONS AND FUTURE RESEARCH

The study has several limitations consistent with its exploratory and theory-building purpose. First, the resulting corpus is dependent on the terminology used in the search strategy. Although the search areas were theoretically derived from Schein's cultural framework and relevant organizational literatures, studies using alternative conceptual vocabularies may not have been captured. Second, the review was restricted to Scopus and Web of Science and therefore does not exhaust potentially relevant books, edited volumes, or other academic and professional sources. Third, the initial classification of the large corpus relied substantially on title and abstract screening; consequently, the conceptual relevance of priority sources requires continued verification through full-text analysis. Finally, the review did not systematically appraise the methodological quality of every identified study, as its principal objective was conceptual mapping and theoretical integration rather than aggregation of empirical effects.

A further limitation concerns levels of analysis. The literatures integrated in the model include constructs developed at individual, team, and organizational levels. The present conceptual synthesis does not assume that these levels are interchangeable or that individual perceptions can automatically be aggregated into an organizational property. Future construct development must therefore establish the appropriate referent, aggregation criteria, and multilevel relationships through which OCC can be empirically represented.

These limitations also define the next stages of research. The proposed three-domain structure should be regarded as a theoretical architecture rather than an empirically established factor structure. Further work should refine the boundaries and component constructs of Organizational, Leadership, and Relational Clarity, examine their conceptual distinctiveness from adjacent constructs, and translate the resulting framework into a valid and reliable measurement instrument. Subsequent empirical research should then assess whether the proposed domains can be distinguished empirically and investigate their relationships with theoretically relevant organizational outcomes, including organizational coherence, performance, and employee experience. Cross-organizational and cross-contextual research will ultimately be necessary to determine the generalizability and practical relevance of Organizational Culture Clarity.

8. CONCLUSION

This article addresses a recurring but fragmented problem in organizational research: clarity is extensively studied through constructs such as role clarity, communication, goal clarity, leadership consistency, psychological safety, employee voice, and relational coordination, yet these literatures are rarely integrated within a common cultural framework. Drawing on a systematized scoping review and Schein's model of organizational culture, the study proposes Organizational Culture Clarity (OCC) as an integrative cultural capability concerned with the intelligibility, coherence, and enactability of organizational life.

The resulting framework identifies three interdependent domains: *Organizational Clarity, Leadership Clarity,* and *Relational Clarity*. Together, these domains capture how formal structures and strategic reference points, leadership behavior, and relational norms combine to shape employees' understanding of what matters, what is expected, and how coordinated action should occur. OCC therefore does not imply complete consensus, the elimination of ambiguity, or increased managerial control; rather, it concerns the presence of sufficiently coherent cultural signals to support interpretation, coordination, and responsible agency.

The proposed framework remains theoretical and requires further refinement and empirical validation. Nevertheless, it offers a foundation for integrating previously fragmented clarity-related constructs and for examining cultural clarity as a potentially relevant condition for organizational coherence, performance, and employee experience.

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