Theories and Strategies of Economic Development in the Region

Gheorghe Cosmin MANEA

Bucharest University of Economic Studies, Bucharest, Romania

maneacosmin37@gmail.com

Abstract. *The concern for increasing macroeconomic stability is specific to both, small and large countries within the European Community. In that paper are presented ways in which are made links between the states of the world policies and economies development characteristics. That study has imposed a new type of characterization sustained by the national economies manifestation whose is correlated with the interaction between governmental policies and also with national and regional factors. This interaction is conditioned by specify effect of the economic, scientific, demographic, social and cultural development of each country, part of European Union. Taking into account all the imminent obstacles over the years of nations existence, is demonstrated that the European Union is supposed over and over of a new development process, being considered one of the most economically prosperous areas in the world and also one of the most competitive. However, major weaknesses arise due to the existence of significant disparities in prosperity and productivity between Member States and component regions. The complexity of the regional development policy arises at the level of the European Union, from its objective of reducing the economic and social disparities existing between the different region of Europe's that was and will be an objective that it has implications on important areas for development, such as economic growth, labor force, transport, agriculture, urban development, environmental protection, education. Registered at different levels (local, regional, national and European) - regional policy, deals with the coordination of the different sectors and with the cooperation between the decision levels and the balancing of the financial resources. The conclusion is related with the idea of a must follow regional development economies starting from national level respecting a certain dynamic. That aspect must also take into account the continuous changes determined by the restructuring of the production and the increase of the competitiveness at national and local level.*

Keywords: *economic development, economic growth, cooperation, competitiveness, disparities.*

Introduction

One of the pillars of the formation of the European Union was the commitment to promote the cohesion of the territory by reducing the economic and social disparities. In this regard, its "mission" was not only to promote a block of free movement of goods, services and monetary union, but also to ensure the well-being of the approximately 370 million inhabitants. Recognizing that "free play of market forces" is not capable of ensuring balanced development at regional level, the European Union considers it necessary for the government to intervene in partnership with the private sector to promote the economic development of certain regions.

Despite the mention of the harmonious development of the countries of the European Community, being present in the Treaty of Rome, signed in 1957, only after the incorporation of countries such as Portugal, Spain and Greece as a whole, in the 1980s, there was a greater concern regarding regional development. The expansion plans for the incorporation of new countries such as those in Eastern Europe, the emergence of unemployment and the persistence of imbalances in the development of certain regions, highlight the theme.

In the European conception, the imbalances of the development of certain regions not only affect the backward countries, but they slow down the growth rate of the European Union as a whole, preventing the realization of the full economic, human and technological potential. In this way, the European regional policy aims to correct the development imbalances, by directing the

economic and social factors that support it and guaranteeing the poorest regions the assets necessary for their development and improving the living conditions.

These assets would include: basic services, labor force, technological skills and an attractive investment environment. The central concern of this article is not to analyze the efficiency of the regional policy instruments used in the European Union, not especially because the precise results regarding the reduction of the disparities in the interregional economic development are seen only in the long term. The objective is to provide an overview of the planning policy, highlighting relevant aspects of its design, such as characterizing the objective areas, the instruments, the search for coherence of the various instruments of the common action and the levels of authority above.

1. Disparities in the European Union

When viewed from the outside, the European Union can even be identified as an example of prosperity. However, from the observation that Luxembourg's GDP per capita is twice as high as Greece's per capita income, some of the problems existing in the European Union can already be realized. Considering the success of the monetary union depends on the adoption of similar macroeconomic policies, differences in development between countries can be a major obstacle. In the early 1990s and continuing with all economic development cycles from 1990-2013 and 2014-2020 where inequalities can be seen as increasing, decreasing or immutable.

During this period, the poorest countries that acceded in the early 1990s - Portugal, Spain, Ireland and Greece, supplemented by the other states that acceded to the European Union, they managed to increase their income per capita during the period initially, which represented 2/3 of the average income per capita of the European Community and went to 3/4. Regarding individual regions, the disparities have changed slightly.

During the first 10 years, the income per capita of the 25 poorest regions increased by only 2%, rising from 53% to 55% of the community average, while the 25 richest regions their incomes per capita increased from 140% to 142% on average. In regions, in some cases, there is an increase in poverty and social exclusion (INFOREGIO, 2000c).

The low per capita income of arrears regions reflects their reduced ability to create and maintain value-added activities, which in turn is due to several factors, including:

- lack of adequate infrastructure;
- weak human capital (low level of education and training);
- excessive dependence on activities with low added value or in declining industrial sectors;
- weak corporate culture;
- some small and medium-sized enterprises (SMEs) or weak partnership relations between them and between SMEs and large companies;
- low capacity for innovation;
- low capacity of the public sector to implement solutions in local development.

2. The conception of regional development policies

In this regard, the European regional development policy is currently structured in such a way as to guarantee the backward conditions that have been identified so that they can maintain sustainable development. This is also defined as a support for self-development.

2.1 Structural funds

In 1975, the pillar of the European regional development policy, the European Regional Development Fund (ERDF), was created, which was initially intended for financial compensation and had its resources distributed widely, without much concern for setting priorities. Only with the enlargement of the European Community did it begin to focus on the most backward regions. At

the same time, there were other funds with regional effects, including the European Social Fund (ESF), created in 1960, and the European Guidance and Guarantee Fund for Agriculture and Livestock (FEOGAP), as well as the activity of the European Investment Bank. (EIB), founded in 1958.

The action of the European Community was partly to coordinate these instruments in a single structural policy, in order to guarantee a coherent performance, avoiding the duplication of efforts. In this respect, there was a reform of the structures of the funds in 1988 and their improvement, carried out jointly by the European Parliament and the Economic and Social Committee, in July 1993, to reduce the overlapping effects of the funds. Also in 1993, the Fisheries Adjustment Financing Instrument was created for the sector, in addition to a cohesion fund, which aims to finance projects in the environment and transport in the poorest countries - Portugal, Spain, Greece and Ireland (Holthus, 1996).

Following these reforms, the support of the structuring funds was defined as follows:

- FEDER - support for productive investments, infrastructure and development of small and medium-sized enterprises;
- FEOGAP - restructuring of the agricultural sector and rural development;
- ESF - promotion of jobs;
- Financial instrument for fisheries guidance - structural adjustments in the fisheries sector;
- Cohesion Fund - infrastructure construction in disadvantaged countries: Portugal, Spain, Greece and Ireland.

The European concern regarding the regional development policy is reflected in the observed increase of the resources allocated to the structural funds. According to data from the European Union, for the period 1989/93, the total value of the resources was 64 billion euro (at current prices in 1989), while for the 1994/99 period it amounted to 155 billion euro (at prices 1994), which represented almost 1/3 of the regional budget, but represented only 1.2% of the total GDP. For the following period (2000/06), the value was 195 billion euro (at 1999 prices). For the composition of the funds, each member country contributed 1.27% of its GDP (INFOREGIO, 2000a).

Structural funds were allocated to three major areas: 30% for infrastructure (investments in transport, energy, telecommunications, water supply and environmental protection); 30% for human resources (financing for education and training and labor market measures); 40% for productive investments (creating a dynamic business environment and supporting support systems for industry, especially for SMEs) (Committee of the Regions, 1999). The main objectives and priorities of the fund structure in these three areas are scheduled for the period 2000-2006.

2.2 Proposed areas and objectives

The operation of the structuring funds at regional level is based on the establishment of certain objectives, which were defined in the multi-annual plans made by the European Commission and the Committee of the Regions.

Table 1. Structural development funds

Infrastructure	
Transport	<ul style="list-style-type: none"> a) Efficiency - modernizing transport systems, interoperability and harmonizing technical standards and integrating different modes of transport into coherent systems; b) Access - construction of secondary access to trans-European transport networks; c) Sustainability - transport systems that reduce the impact on the environment.
Energy	<ul style="list-style-type: none"> a) Diversification of energy sources; b) Complete the interconnections of the trans-European energy networks (electricity networks and gas transmission and distribution networks); c) Production of energy efficient equipment for use in SMEs and public buildings; d) Renewable energy sources.
Telecommunications	<ul style="list-style-type: none"> a) Encouraging new services and innovative applications, for example electronic commerce; b) Maximizing the benefits of the information society, in particular private distance learning.
Infrastructure for environment	<ul style="list-style-type: none"> a) Efficient collection and treatment systems; b) Develop a price structure that reflects the real value of water as a water resource; c) Collection and recycling of urban and industrial waste; d) Effective waste management plans in cities and waste disposal operations cleaning in contaminated areas.
Research and Technological Development	<ul style="list-style-type: none"> a) Innovation in companies, such as new forms of financing, technology transfer and related services; b) Promotion of cooperation networks between companies; c) Assistance for SMEs, in particular access to the skills needed to grow and strengthen industrial and commercial groups; d) Support for education; e) Monitoring policies directed to research and development, through introduction of performance-oriented schemes.
Generating Jobs	
Support for SMEs	<ul style="list-style-type: none"> a) Changing the focus on financing capital guarantees for alternative forms of financing, whose implementation depends on the integration between public and private authorities to support the support of funds to SMEs; b) Development of clear assistance packages, including support and training oriented to the needs of US SMEs at various stages of the life cycle; c) Support mainly in areas with the potential of generating employment, such as services and trade in certain regions. Creating networks between small and large enterprises; d) Support services: marketing, internationalization assistance, organizational innovations and managerial skills.
Tourism	<ul style="list-style-type: none"> a) The infrastructure related to tourism and the creation of tourist networks.

Source: (INFOREGIO, 2000b)

The multi-annual plan for 1994/99 defined six priority objectives, namely:

- Objective 1 - development of economically backward regions, which includes all regions where the GDP per capita is below 75% of the European Community average;
- Objective 2 - restructuring the regions where the main economic activities are in decline and whose basic characteristic is the percentage of PEAs employed in the industrial sector (above the

average of the European Community), but with a decrease of the labor force in the industry and the unemployment that is above the European Community average;

- Objective 3 - combating long-term unemployment;
- Objective 4 - the retraining of the labor force, its adaptation to changes in the industry and the production system;
- Objective 5a - adjustment of agricultural and fishing activities (mechanization and modernization);
- Objective 5b - the development and structural adjustment of rural areas, which in that objective have the same characteristics defined in Objective 1, but, in addition, have a high percentage of people engaged in agriculture and / or low agricultural incomes, low population density and / or rural exodus;
- Objective 6 - development and structural adjustment of regions with low demographic density (less than eight inhabitants / km²).

For the implementation of the regional development policy, the territory of the European Union was divided into 1,381 units of territorial nomenclature-Nomenclature of Territorial Statistics Units (Nuts). This division of the European territory was achieved by the European Institute of Statistics (Eurostat), which, according to the economic characteristics and policies of each of the regions, grouped them into three levels: 78 units level 1, 210 units level 2 and 1,093 level 3 units. In fact, the objectives foreseen for the functioning of the funds during 1994/99, the numbers 3, 4 and 5a are defined for the whole territory and are not related to it by establishing specific areas. The regions to receive support under Objectives 1 are defined by level 2 units, while those that should receive support under Objectives 2, 5b and 6 are those regulated by Level 3.

For the period 2000/06, the Structural Funds Regulatory Council stipulated that the action of the funds will be concentrated on three objectives:

Objective 1 - the development and structural adjustment of the underdeveloped regions;

Objective 2 - regions with structural problems, a priority that actually covers Objectives 2, 5b and 6 of the previous planning, because it establishes the following eligibility conditions:

- Industrial areas with 3 conditions:

- unemployment rate above the community average;
- high percentage of jobs in the industrial sector (above average);
- decline in industrial employment;

- The eligible rural areas from the territorial units level 3, which has two of four listed conditions:

- population density below 100 inhabitants / per km² or employment rate greater than or equal to double the European Community average;
- unemployment rate higher than the community average or population decline;

- Urban areas must have at least one of the following conditions:

- unemployment rate above the community average;
- high poverty rate;
- acute environmental problems;
- high crime rate;
- low level of education.

- Fishing dependent areas

- a substantial part of the working population in the fisheries industry and the substantial reduction of employment in this sector;

Objective 3 - adaptation and modernization of educational policies and systems training, employment and promotion of human resources.

2.3 Principles of community development

-*Additionality*: The European Community's efforts do not replace the resources of the Member States, which means that they should not reduce its resources, as those of the European Community serve only as a complement.

- *Partnership*: Cooperation between the various competent authorities (OECD) the European Commission and national, regional and local authorities, from the preparatory to the execution of the plans. According to the Committee of the Regions, one of the reasons why the regional development policy and the European economy did not reach their full potential is the relatively small participation of regional and local actors: "The partnership principle is important, so that active and successful cooperation will lead to the creation of effective programs and to the real use of the structural funds at local and regional level. The partnerships bring together relevant actors at local and regional level, who have a detailed knowledge of their area, being able to identify the strengths and weaknesses of the economy. In addition, the partnerships include subsidiarity and offer a shared ownership of the program. "

- *Program planning*: Elaboration of multi-annual development plans, containing the guidelines to be followed in the period.

- *Subsidiarity*: A higher institution enters into action only when an objective cannot be achieved by an institution with limited responsibilities.

3. Operational programs in Romania

In Romania, the new EU financial perspective 2014-2020 has foreseen a new approach in the field of strategic programming for cohesion policy, in line with the objectives of the Europe 2020 Strategy (www.fonduri-structurale.ro, 2014-2020).

In this sense, the new approach involves:

- Common Strategic Framework (CSC) adopted by the European Commission;
- The Partnership Agreement for development and investment applied to cohesion policy (national strategic document, elaborated by each Member State and negotiated with the Commission, which bases and sets the thematic development objectives and indicative allocation of European funds for 2014-2020);
- Subsequent programs, which will transpose the elements provided for in the Partnership Agreement and which will contain firm commitments of the Member States on the achievement of the EU objectives through the programming of the Community funds.

The thematic objectives for the financial framework 2014-2020 are the following:

1. Strengthen research, technological development and innovation;
2. Improve access and use and increase ICT quality;
3. Improving the competitiveness of SMEs, the agricultural sector (in the case of EAFRD) and the fisheries and aquaculture sector (for FEPAM);
4. Support the transition to a low carbon economy in all sectors;
5. Promote adaptation to climate change, risk prevention and management;
6. Protecting the environment and promoting the efficient use of resources;
7. Promoting sustainable transport systems and eliminating bottlenecks within major network infrastructures;
8. Promote the sustainability and quality of workplaces and support the mobility of the workforce;
9. Promoting social inclusion, combating poverty and any form of discrimination;
10. Investments in education, training and vocational training for skills and lifelong learning;
11. Strengthening the institutional capacity of public authorities and stakeholders and effective public administration.

During 2014-2020, Romania will invest in all 11 thematic objectives of the Europe 2020 strategy, using the resources of the European structural and investment funds (ESI funds), through the operational programs 2014-2020, presented below in continuity with the programs related to the period 2007-2013:

3.1 Regional operational program (POR)

The Regional Operational Program (ROP) 2014-2020 is the successor to the Regional Operational Program 2007-2013 and one of the programs through which Romania will be able to access the European structural and investment funds from the European Fund for Regional Development (ERDF), between 2014-2020.

The Regional Operational Program (ROP) 2014-2020, managed by the Ministry of Regional Development and Public Administration as Managing Authority, was adopted by the European Commission (EC) on June 23, 2015.

The strategic vision regarding the development needs to be answered by the ROP 2014-2020 is based on the analysis of the economic and social situation of the regions of Romania (in the National Strategy for Regional Development 2014-2020), which led to the identification of the main problems:

- Research-development and innovation: limited transfer of market research results and low level of assimilation of innovation in companies,
 - SMEs: SME sector underdeveloped, with negative impact on the competitiveness of regional economies. The main weaknesses of the SME sector, in the national strategic programming documents, are:
 - low degree of entrepreneurial culture - reflected by the relatively low density of businesses in all regions,
 - low resilience of new businesses - 2/3 of the new companies disappear from the market in the first year of life.
 - Energy efficiency: unsustainable energy consumption and high saving potential in public infrastructures, including public buildings and residential buildings.
 - Environment: high level of pollution in urban areas.
 - Urban development: urban areas degraded, vacant or not properly used in Romanian cities.
 - Heritage resources: valuable resources of cultural heritage weakly exploited.
 - Tourism: valuable tourism potential, balanced territorial distribution - an alternative for reviving less developed / isolated areas.
 - Road infrastructure: low accessibility of certain areas of the country, which results in low attractiveness and extremely low investment.
 - Social and education infrastructure: undersized educational, health and social services infrastructures impede social inclusion and human capital development.
 - Cadastre: low level of cadastral records, which affects the implementation of policies regarding the socio-economic development of local communities.
 - Administrative capacity: the need to strengthen the administrative capacity of the POR Managing Authority, the ROP Implementing Bodies and the beneficiaries, for a good POR implementation.
- These directions of action were correlated with the strategic directions of action mentioned by the European Commission regarding the financing from the European Structural and Investment Funds, through the European Fund for Regional Development in the period 2014-2020:
- Innovation and research;
 - Digital agenda;
 - Support for small and medium-sized enterprises (SMEs);

- Low carbon economy.

The ROP 2014-2020 aims to increase the economic competitiveness and improve the living conditions of local and regional communities, by supporting the development of the business environment, infrastructure and services, for the sustainable development of the regions, so that they can manage effectively resources and to harness their potential for innovation and assimilation of technological progress.(Antonescu, 2003).

These objectives are translated into 11 priority axes (plus a technical assistance axis), which have a total estimated allocation of 8.25 billion euro, of which 6.7 billion euro represents EU support, through the European Regional Development Fund (ERDF), and 1.5 billion euro - national contribution:

Priority axis 1: Promoting technology transfer;

Priority axis 2: Improve the competitiveness of small and medium-sized enterprises;

Priority Axis 3: Support the transition to a low carbon economy;

Priority axis 4: Supporting sustainable urban development;

Priority axis 5: Improvement of the urban environment and the conservation, protection and sustainable use of cultural heritage;

Priority axis 6: Improving the road infrastructure of regional importance;

Priority axis 7: Diversification of local economies through sustainable tourism development;

Priority axis 8: Development of health and social infrastructure;

Priority axis 9: Supporting the economic and social regeneration of disadvantaged communities in the urban environment;

Priority axis 10: Improving the educational infrastructure;

Priority axis 11: Geographic extension of the land registration system and land register;

Priority axis 12: Technical assistance.

Figure 1. Priority axes and technical assistance axis.

Source: Structural-funds.eu(Fonduri –structurale.eu).

4. Problems and Political Challenges of Regional Development in the European Union

It is worth mentioning here some problems and conflicts that the regional development policy has to face, not only in the European Union, but in any country that intends to develop and implement

structural policies to reduce regional disparities. One of the main problems that the European Union faces in realizing its regional policy is in the coordination of the different instruments of the applied policies. Despite the efforts of the structural policy to establish a division of jurisdiction between the funds, they maintain large differences regarding the implementing regulations and the bodies responsible for their management at national level (Drăgan, 2003). For example, the cohesion funds and financing provided by the EIB (European Investments Bank), have a project approach, while the other Structural Funds are released due to development programs on regional development and its management in the member country can take place in different organizations.

In Finland, for example, the ministries of Labor, Home Affairs and Agriculture are responsible for managing the resources of the ESF, FEDER and FEOGAP for the country. This division assumes that such bodies have a very integrated action, which is not always possible to do in practice. Another challenge that the Union must face is the establishment of mechanisms and forms of control, in order to inhibit unfair competition between locations. With the economic and monetary union, the comparison between the factors to be taken into account when deciding to locate a company in a particular country, such as wages paid to workers, taxes and costs have become clearer.

Companies whose production process tends to be more labor-intensive, will be located where it is cheaper and, consequently, the labor force is less qualified in the most favored regions, the companies that need associated services and skilled workers.

This structural tendency is that it justifies government intervention in less favored regions to counteract it. However, under the umbrella of job creation, some local governments set investment policies based on "incentives" that are not provided by the European Union, such as:

- a) direct subsidies or free land offer without commitment to the companies that will remain in the region for a fixed period, whose ideal would be, according to the Committee of the Regions (1999), for a period not less than five years;
- b) ignoring the conditions of protection of workers and low wages (social dumping);
- c) fiscal incentives (fiscal dumping), which can lead to a risky situation, such as the level of collection reduction, the compromise of investments in education and security;
- d) non-observance of environmental protection standards and conservation of resources and exploitation of the environment.

Locations that base their development policies on such incentives, according to the Committee of the Regions (1999), do not establish long-term sustainable benefits:

"If a company, when deciding on its location, appreciates the variety of subsidies more than the relative lasting benefits of a particular region, it is likely not too late to change it. If it has new grant offerings, it may be more beneficial to migrate again. "

This type of unfair competition can compromise the entire systemic functioning of the structural policy, the basis of which is to establish the long-term competitiveness of the regions.

Conclusions

The constant development between the states that make up the European Union is dependent on the policies of community development. Among other challenges regarding regional development we can list two factors are fundamental to the success of the European Regional Development Policy: the first is the high degree of political-administrative decentralization, which allows the continuity of regional development projects, despite the political fluctuations of the central power (even countries that do not they are federated, like France and Italy, regional autonomy, with legislators and administrators elected by vote); the second is the "birth of a European global vision",

a progressive project for the integration of the territory, for the re-position of Europe's hegemonic role on the world stage, of a unique, cohesive territory, which includes not only the countries that were currently part of this group of states, but also for the states that intend to join the European Union in the future.

Following the author's suggestions for a regional policy in Romania, it could be added that the formulation of national planning focused on regional development, besides being articulated with state planning (which, in turn, the regional development policy must be articulated with planning municipal / local), which should be a long-term planning, because establishing the conditions for sustainable development in the regions that have declined appears only in this perspective. It must integrate existing tools into a single structural policy, which seeks to increase their effectiveness and avoid losses. The success of such formulation also depends on other issues, such as, for example: to what extent there is a greater distribution of skills between the authorities of the European Union, the national and the municipal ones, increasing the political-administrative decentralization (decision, budget and responsibilities)?

Another important lesson to be drawn from the European experience concerns the establishment of objective areas, the policy is based on the territorial development of the states that are part of the European Union and on identifying the regional characteristics with which specific support is defined. Such a basis would be fundamental for a policy in Romania, as it would be in violation of the traditional dichotomy, the Development of the future territorial administrative regions of Romania, to establish a broader policy to support the economically delayed areas that are present in all the country. A regional development policy along these lines should seek to establish a level playing field between competing investment locations.

Therefore, the focus should be on creating sustainable regional competitive advantages through investments in infrastructure, human capital and technology and business training, and should restrict unfair competition tools between localities, which, besides not generating sustainable benefits, while compromising the efficiency of structural policies in that they only stimulate the migration of productive investments from one location to another more specifically, the ways of limiting social, fiscal and environmental dumping between regions must be considered. In addition to establishing a top-down policy, there should be encouragement of greater involvement of local initiatives in building local development plans and projects.

Only local actors have the real dimension of potential local conditions, as well as the weaknesses because they are immersed in this reality. Creating and implementing a regional policy with all these elements is a complex task, as they depend on a large number of actors involved, where the ability to coordinate efforts, manage political conflicts, and obtain resources, among others.

Difficulties of this nature, instead of being viewed as obstacles, are perceived by the European Union as challenges that must be faced in building a more "homogeneous" and fairer block from the perspective of common regional development.

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