

REGIONAL POLICY AND ECONOMIC GROWTH - A CHALLENGE FOR SUSTAINABLE DEVELOPMENT OF ROMANIA

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Abstract: *The aim of the research is to analyze the main theories and models on which the development of the regional economy is based. We have mentioned the economic thinking trends that have had a decisive influence and we have highlighted their contribution to sustainable development, considered one of the important branches of the economy. At European Union level, the most important economic policy is represented by the regional development policy, as the funds allocated to it are considerable, so we have made a brief theoretical presentation of regional policy and its effects on economic growth. The European Union's strategy is to promote and support Member States through structural funds and investment funds, with the aim of reducing economic, social and territorial disparities. Regional policy plays an important role in stimulating the endogenous potential of regions to harness the benefits of each area and to prepare them for competition in the international market. Romania is supported by economic policies by receiving financial aid from Member States to achieve sustainable development and regional policy goals. Regional policy supports sustainable development by enhancing the competitiveness of enterprises. At the same time, it is concerned about job creation, it pursues economic growth and equally contributes to improving the quality of life. Finally, we want this research to highlight the effects of economic growth on sustainable development.*

Keywords: sustainable development, regional policy, economic growth, competitiveness, innovation

JEL Classification: O02, R11

Introduction

This topic presents a major interest due to the topicality of the topic, because at both European Union and Romanian level, it is discussed the degree of attraction of European funds and their consequences in the development regions.

The aim of the research is to observe the tendency and evolution of the regional economy. The topicality of the topic is also supported by the large number of debates currently taking place at both national and global level to identify appropriate policies to reduce regional disparities. In order to elaborate this paper, I have documented, selected and systematized various bibliographic sources, focusing more on the theoretical part. European integration has led to stability and growth, so we need to analyze the dimensions of regional development. Sustainable development is indeed a complex phenomenon, thus making the comparison and valuation of advances of EU-member states in the implementation of its objectives specifically difficult.

The concept of regional development

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Regional policy supports sustainable development, supports the competitiveness of enterprises, is concerned with job creation, pursues economic growth and equally contributes to improving the quality of life, addressing all regions. Also known as "Cohesion Policy", regional policy aims to strengthen economic, social and territorial cohesion in regions eligible for funding.

Cohesion policy can be likened to a set of planned measures, which the EU promotes in partnership with various actors (private, public, volunteer) for economic development, through States' capacity to make full use of regional potential to improve conditions of life (Leskaj E., 2017).

Regional policy plays an important role in stimulating the endogenous potential of regions to harness the benefits of each area and to prepare them for competition in the international market (Strielkowski W., Gryshova I., and Kalyugina S., 2017). Integration is a complex process both economically and politically, it is difficult to fully identify its effects and overcome the momentary impasse (Winters A.L., 1997).

European integration has always been a process of gradual evolution, as it was accompanied by moments of rapid and enthusiastic dynamics, followed by periods of restraint, conflicting states or sometimes even regress (Miron D., 2000).

Regional policy covers areas such as: business development, labor market, investment attraction, technology transfer, SME development, infrastructure improvement, environmental quality, rural development, health, education and culture (Macháček J., 2017). Cohesion policy seeks to stimulate trade but also to create new markets for industrial products and consumer goods.

There are currently three structural instruments underpinning this policy: the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), each of which has clear and complementary objectives and areas of intervention, so as to ensure a balanced and harmonious development of European regions.

The EU invests locally through its regional policy. It covers all regions and cities in the EU and contains measures to stimulate growth, jobs and quality of life through strategic investment (Hurjui M.C., 2015).

Thanks to the solidarity of the EU, which takes this form of practice, people from less developed regions can start to benefit from the European market - the world's largest market.

Romania's regional development policy aims at balancing economic and social areas in order to reduce territorial disparities and support disadvantaged regions.

History of the policy

Since the establishment of the European Union, particular attention has been paid to regional development. This has been the case since 1957, when the Treaty of Rome was signed to "strengthen the unity of national economies and ensure their harmonious development by reducing the differences between different regions and supporting less favored regions" (Preambulul tratatului de la Roma, 1957). The European Social Fund (ESF) and the Guarantee Fund for Agricultural Credit (EAGGF) have been set up in this Treaty.

Regional policy dates back to 1957 and has always been improved with each programming period in order to consolidate the economy and support underdeveloped Member States. The preamble to the Treaty of Rome mentioned the aim of cohesion policy, namely to reduce the gaps between the different areas, help stabilize the economy and, last but not least, encourage the harmonious and steady development of the Member States.

Regional policy has been improved with each programming period to strengthen the economy and support less developed Member States.

In order to easily observe the evolution of regional policy, we have produced a table representative of each programming period.

During its history, Romania had a policy of planning for territorial development, even if the concept of regional development policy later emerged within the European Union institutions.

In Romania, only in 1996 began to develop and implement regional development policies (more precisely with the operation of the PHARE 1996 program) with the development of some development regions. In 1997, the "Green Charter on Regional Development" was carried out.

Table no. 1. History of Regional Policy

1957 - 1987	1988 - 1992	1994 - 1999	2000 - 2006	2007 - 2013	2014 - 2020
<p>1957 - regional policy finds its the origins in the Treaty of Rome founding the European Economic Community.</p> <p>1968 - Directorate-General for Regional Policy of the European Commission was created.</p> <p>1975 - creation of the European Regional Development Fund</p>	<p>1988 - to adapt to the arrival of Greece (1981), Spain and Portugal (1986), the Structural Funds were integrated into an overarching cohesion policy, introducing key principles: focusing on the poorest and most backward regions</p> <p>multi-annual programming strategic orientation of investments involvement of regional and local partners</p> <p>Budget: ECU 64 billion</p>	<p>1993 - the Maastricht Treaty introduced three novelties: the Cohesion Fund the Committee of the Regions the principle of subsidiarity</p> <p>1993 - creation of the Financial Instrument for Fisheries Guidance</p> <p>1994-99 - the resources for the structural and cohesion funds were doubled, to equal a third of the EU budget.</p> <p>1995 - a special objective was added to support the sparsely-populated regions of Finland and Sweden.</p> <p>Budget: ECU 168 billion</p>	<p>2000 - the 'Lisbon Strategy' shifted the EU's priorities towards growth, jobs and innovation. The priorities of cohesion policy were shifted to reflect this.</p> <p>2000-04 - pre-accession instruments made funding and know-how available to countries waiting to join the EU</p> <p>2004 - ten new countries joined (increasing the EU's population by 20%, but its GDP by only 5%).</p> <p>Budget: €213 billion for the 15 existing members; €22 billion for the new member countries (2004-06)</p>	<p>2007: Bulgaria and Romania join the European Union</p> <p>2013: Croatia joins the European Union</p> <p>Simplified rules and structures</p> <p>Emphasis on transparency and communication and an even stronger focus on growth and jobs are key elements of the reform</p> <p>Key investment areas (25% has been earmarked for research and innovation, and 30% for environmental infrastructure and measures to combat climate change)</p> <p>Budget: €347 billion</p>	<p>Investing to meet the goals of the Europe 2020 Strategy for smart, sustainable and inclusive growth in the European Union</p> <p>Greater emphasis on social inclusion and tackling youth unemployment</p> <p>Budget: €351 billion</p>

Source: https://ec.europa.eu/regional_policy/ro/policy/what/history/

Sustainable development

The concept of sustainable development crystallized in time over the course of May for decades, in the context of deep international scientific debates and a gained precise political valences in the context of globalization. In the beginning, sustainable development was meant to be the solution to the ecological crisis caused by heavy industrial exploitation of resources and continuous environmental deterioration (Guvernul Romaniei, 2008).

Its main goal was to preserve the quality of the environment. At present, the concept of sustainable development also embraces the quality of life both from the economical and the social perspective.

Table no. 2. The emergence of the term of “sustainable development”

1972	international conference in Stockholm, Sweden “sustainable development”
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	phrase first used
1980	International Union for the Conservation of Nature and Natural Resources (IUCN), the World Wide Fund for Nature (WWF) United Nations Environment Programme (UNEP), produced the World Conservation Strategy
1983	the Brandt Commission
1987	“Our Common Future” and the ‘Brundtland’ definition “ <i>Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.</i> ”
1992	the Rio de Janeiro Earth Summit (United Nations Conference on Environment and Development);
‘Agenda 21’	an extensive international agenda for action for sustainable development for the 21st century.
2000	United Nations Millennium Summit, world leaders UN HQ New York adopted the United Nations Millennium Declaration, to reduce extreme poverty with a series of time-bound targets - with a deadline of 2015 - that have become known as the Millennium Development Goals.
2002	World Summit on Sustainable Development (WSSD) took place in South Africa.

Source: Own processing

Four key objectives have been established based on the major principles of sustainable development (Orboi M.D, Băneş A., Petroman I., Monea M., Bălan I., 2010):

- environmental protection through measures that allow the separation of economic growth from negative environmental impacts;
- social equity and cohesion through observance of fundamental human rights, cultural diversity, equal chances and elimination of all forms of discrimination;
- economic prosperity through the promotion of knowledge, innovation and competitiveness with an aim to ensure higher living standards and full high-quality employment;
- meeting EU’s international responsibilities through the promotion of democratic institutions in the interest of peace, security and freedom and of the principles and practices of sustainable development.

The minimal requirements for sustainable development are the following:

- redimensioning economic growth for reasonable resource allocation and high production quality;
- poverty eradication through meeting the essential needs of the population: job, food, energy and water supply, a place to live in and health;
- acceptable population growth (controlled demographic increase) - natural resource preservation and increase through maintaining ecosystem diversity and monitoring the impact of economic activities upon the environment;
- technological shifting and the control of technological resources;
- government decentralization, active involvement in the decision-making process;
- corroborating national and international decisions regarding environment and development;
- global unification of decisions on the environment and economy.

Dimensions of sustainable development

The economic methods intend to maximize welfare despite the constraints imposed by the existing capital stock and the available technologies. From the economic point of view, a long-term economic growth, beneficial to all Romanian citizens should be guaranteed. Although the economy of a country is often measured by numbers and not taking into account the human potential, the

transformation of the economy into a sustainable one, requires a new course of action focused on innovation, optimism and resilience of the citizens. Such an approach will create an entrepreneurial culture where the free market is both an advantage and an environment where the citizens can reach their highest potential.

The ecologic perspective underlines the importance of preserving the integrity of the ecologic subsystems which are considered to be vital for the stability of the global ecosystem. The importance of environmental awareness has increased significantly in recent years, with regard to both natural and man-made ecosystems. Achieving a sustainable society can be made by cultivating a sense of belonging and community that ensures social inclusion and loyalty to nature.

The sociologic perspective stresses the fact that the key actors are the human beings, whose social organization patterns are crucial for the identification of viable solutions to sustainable development problems. From a social point of view, we need a cohesive society, able to benefit from improved educational and health systems, from fewer inequalities between men and women, between urban and rural areas. This will lead to the promotion of an open society, where citizens will feel both valued and supported. It takes an improved resilience of the population, so that the citizens are able to fulfill their dreams in a fair and just institutional framework within their own country. At the same time, the state should help in increasing the human potential of citizens by addressing health-related and educational issues, issues that can be tackled through public policy, leading to a higher standard of living for everyone.

Conclusions

The framework objective of the European Cohesion Policy was always to promote harmonious development the Union and its regions.

That is the point an important contribution to its three strategic objectives Europe 2020:

- Smart growth through increased competitiveness especially in less developed regions;
- Inclusive growth by promoting employment and increasing people's well-being;
- Organic growth, by protecting and improving the quality of the environment.

With all the progress made in in recent years, it is a fact that Romania still has an economy based on intensive consumption resources, a society and an administration that are still looking for a unitary vision and one natural capital affected by the risk of damage that can become irreversible.

An essential condition for achieving the objectives of sustainable development is implementing an appropriate mix of coherent macroeconomic policies to ensure the sustainability of the material and energy resources used for growth economic, investment financing strictly necessary for modernization and growth the competitiveness of the productive and service sectors and infrastructures, the continuous qualification and improvement of the workforce in line with the requirements of progress technical and technological.

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