

Sustainability of National Cohesion

Andrei Mihai Cristea, PhD student
Hyperion University Bucharest, Romania
cristeaandm@yahoo.com

Oana Camelia Iacob, PhD student
Valahia University, Târgoviște, Romania
ioanabaghi@yahoo.com

Ana-Maria Volintiru, PhD student
Valahia University, Târgoviște, Romania
anavolintiru@gmail.com

Aurel Marin, PhD student
Valahia University, Târgoviște, Romania
aurel.marin@yahoo.com

Abstract: *In the European Union, cohesion policy is the third country after the domestic and social policy, as this policy is a tool for economic growth and also a balancing factor. Through its solidarity funds contribute to the other sectorial policies: the Common Agricultural Policy, social policy, environmental policy. This article aims to demonstrate the importance of cohesion policy in the national economy and how to improve its implementation by ensuring sustainable development and sustainable economic growth.*

Keywords: cohesion policy, economic sustainability, sustainable growth

JEL Classification: G18; Q56; R11.

1. Introduction

The starting point in defining this concept is the explanation of economic and social cohesion in the „Glossary of Terms” found on the official website of the European Union, which states that „economic and social cohesion is an expression of solidarity between Member States and regions European Union. The aim is balanced development of the EU by reducing disparities between regions and promoting equal opportunities for all. "This definition establishes practically the landmark of economic and social cohesion, namely the European regions and thus regional policy.

DG REGIO (Directorate General for Regional Policy of the European Commission) defines regional policy as „a policy that promotes solidarity „with an emphasis on supporting regions to overcome their structural problems and develop their economies so that the results obtained are converged. At the same time, however, regional policy is a policy that is defined mainly by its instruments known as „structural instruments”, representing the funds used to achieve the objectives of reducing disparities between regions.

Considering the assumptions above, presenting economic and social cohesion is closely related to the development of regional policy and its financial instruments.

Until the reform of the Structural Funds in 1988, when they were set targets regional development, it is difficult to speak of European regional policy as something more than an

"umbrella" under which they were granted some funds, without a well-defined purpose. Basically, regional policy developed while promoting economic and social cohesion, it is difficult to distinguish between them, causing the development of European integration extrapolation to the regional development objectives of convergence, and thereby to economic and social cohesion, and recently, the economic, social and territorial cohesion.

In this context, it can be said that economic and social cohesion is the sum of public initiatives and actions undertaken in reducing economic and social disparities between regions and approaching the living standards of their people through actions aimed at increasing the competitiveness of these regions and creating better jobs for the residents of these regions paid to embedding sustainable development objectives as defined in the Lisbon European Council (March 2000) and Gothenburg (June 2001).

Can be concluded the following: economic and social cohesion is an objective of harmonious development of the whole European Union, and in this situation, all European policies, community or national, will be formulated and implemented to contribute to this goal; economic and social cohesion is a European development policy, which aims to develop the European Union by reducing disparities between the levels of development of the regions, and it has to achieve its financial instruments (Structural Funds and the Cohesion Fund, EIB loans).

2. Tangibility of Cohesion Policy in Romania and the European Union

Cohesion Policy is one of the tangible examples of how it should be a European policy: modern, flexible, proactive, and adaptable to rapid economic and social environment changing and having a substantial contribution to key policy objectives of the Union. These features can be seen is how the new policy for the programming period 2007-2013, which all Member States have already begun to implement. The overall objective is to support economic growth, social and territorial cohesion by reducing disparities in development between Member States and regions⁴.

EU enlargement to 27 Member States has increased, however, geographical disparities within the Union, a number of increasingly more Europeans living in disadvantaged regions. Reducing the gap will be a long process, which is why the least developed regions is the first priority of cohesion policy⁵. Applying this principle in the period 1994-2006, the poorest countries to date (Spain, Greece, Portugal and Ireland) significant increases in each of the four countries reaching over 75% of GDP (Ireland - 145%, ranking has now shifted to the second place among the richest countries in the bloc's 27, Spain - 102%, Greece - 88%, Portugal 75%).

According to the fourth report on economic and social cohesion, Romania and Bulgaria will reach a GDP per capita representing 75% of the EU-27 only after more than 15 years from the date of accession.

Last year, Romania had a GDP per capita quota of 38 units, being the second of the poorest countries in the Union list of countries with the lowest GDP per number of inhabitants being led by Bulgaria with 35 units⁶. In third place, according to this criterion, ranked Poland, with 54 units.

⁴ Burghilea, C., *Modelul dezvoltării durabile, Theoretical and Applied Economics*, Bucharest, 2012, pp. 96-107

⁵ Hübner, D., *Declarația de la Berlin*, martie, 2007, cuvânt înainte la Cel de-al Patrulea Raport Privind Coeziunea Economică și Socială;

⁶ www.smartfinancial.ro

For cohesion policy objectives (Convergence, Regional Competitiveness and Employment and European Territorial Cooperation) in 2007-2013 Romania will benefit from funding from the European Union budget of about €31 billion of which 12 billion are allocated to agricultural policy and rural development and 19,668 billion euros are distributed through the Structural and Cohesion Funds as follows:

12.661 billion under the 'Convergence';

6.552 billion are allocated to the Cohesion Fund;

0.455 billion under the 'European Territorial Cooperation' (see table no. 1).

Table no. 1.

Structural and Cohesion Funds allocation for Romania in 2007-2013
-million euro-

Year	2007	2008	2009	2010	2011	2012	2013	Total
Convergence	830	1215	1654	1997	2154	2319	2489	12661
Cohesion Fund	445	638	858	1030	1109	1192	1278	6552
Territorial Cooperation	60	61	62	64	66	68	70	445
Total	1335	1915	2576	3092	3330	3580	3837	19668

Source: www.creditefinanciare.ro

Romania's contribution is at least 5.5 billion euros, so that the total investment in structural and cohesion policy is about 25.2 billion euros for the next seven years.

Allocation of funds designed to achieve the objectives set in the National Strategic Reference Framework 2007-2013: reducing social and economic development disparities between Romania and the EU Member States and the EU to reduce disparities by generating an additional 10% of GDP by year 2015⁷.

Priorities of the NSRF are implemented under a seven Operational Programs (OPs) for the Convergence objective:

- Three PO financed by the ERDF: Regional, Sectorial Operational Program for Increasing Economic Competitiveness Operational Program Technical Assistance;
- Two PO receiving ESF resources: Sectorial Operational Program - Human Resources Development, Sectorial Operational Program - Development of administrative capacity;
- Other two are funded PO CF and ERDF: Sectorial Operational Program Environment, Sectorial Operational Program - Transport;

Five CBC programs for the European territorial cooperation objective are being financed by the ERDF as well as other three programs in the directions of transnational and interregional cooperation. Within this objective, Romania will take part in cross-border cooperation programs with Hungary, Bulgaria, Moldova, Serbia and Ukraine, transnational cooperation program for the Black Sea and two other neighborhood programs and extension: PO Area Southeast European PO inter-regional cooperation.

In terms of economic development, Romania will have to face enormous challenges⁸. The National Strategic Reference Framework (NSRF), are ways in which Romanian

⁷ Cadrul Strategic Național de Referință, 2007-2013, Al doilea proiect, octombrie 2006, p.5;

⁸ Burghilea, C., Ene, C., M., Uzlău, C., *Impact of economic models on European Union economies development*, Theoretical and Applied Economics, Volume XX (2013), No. 4(581), pp. 91-102

authorities intend using this resource in accordance with the Lisbon Agenda. Thus, we pursue the following objectives⁹:

- Development of infrastructure to European standards: upgrading of road, rail, air and water, creating a clean transport system, increasing the quality of the drinking water supply system, sewerage system and waste management;
- Increasing the long term competitiveness of the Romanian economy: the increasing costs of research and development, local and regional economies more competitive, service development and business support infrastructure;
- efficient use of human capital requires increasing investment in education, harmonization of educational offers with labor market demand, growth of jobs in order to meet the demand, increased adaptability and entrepreneurship and promoting equality and inclusion;
- Improving public administration: the implementation of structural funds to achieve the objectives of the NSRF includes: creating an environment in which innovations are promoted effectively use the "know-how" and the new technologies, the development of institutional frameworks and effective administrative and personal use of a highly qualified professional.

3. Cohesion Policy 2007-2013

Cohesion policy is the EU's main measure pursuing a balanced and sustainable development in Europe. EU funds available amount to about 344 billion in the current period 2000-2013 (see Fig. no. 1), Representing over a third of the EU budget - a tangible sign of the EU's commitment to regional development and social cohesion and growth (see table no. 2).

The main elements of the European Regional Development Fund (ERDF) and European Social Fund (ESF) are divided between:

- Convergence objective (212 billion euros in 2007-2013) covering the less prosperous 100 NUTS 2 regions with a total population of 170 million. These are regions with a GDP per capita of less than 75% of the EU average;
- Regional Competitiveness and Employment (RCE) (55 billion euro) aimed at supporting other EU regions in terms of competitiveness and maintaining employment in a global economy;
- European Territorial Cooperation objective (7.8 billion euro) to strengthen cooperation and exchange of experiences between countries in the EU.

In addition, the Cohesion Fund (70 billion euro) supports investment in transport and environmental infrastructure in the 15 Member States with the lowest levels of national income (less than 90% of the EU average).

⁹ Cadrul Strategic Național de Referință, 2007-2013, Al doilea proiect, octombrie 2006, p. 66;

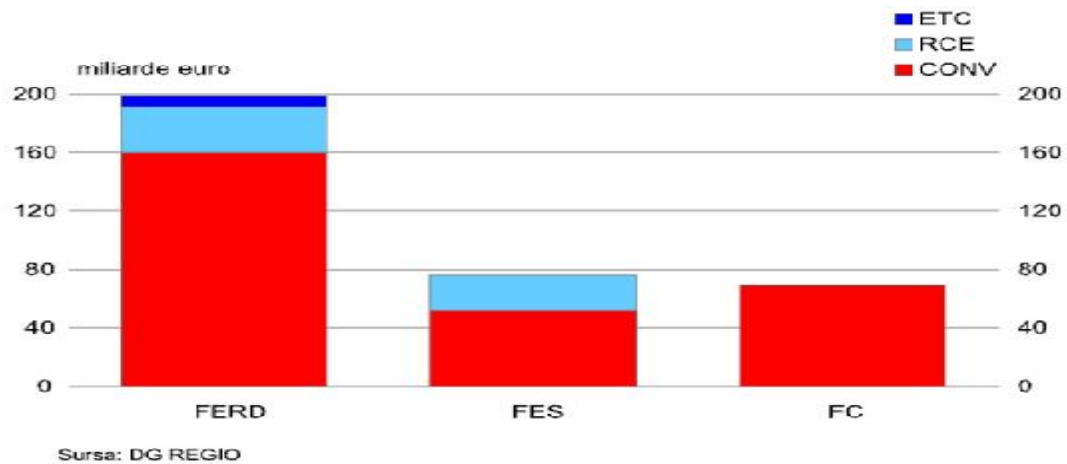


Fig. no. 1 – Distribution of funds by objective, 2007 - 2013

Table no. 2.

Distribution of funds by objective, 2007 – 2013

Billion euro				
Objective	TOTAL FUNDS	FERD	FES	Cohesion Fund
All Objectives	344,3	198,8	76	69,6
Convergence – CONV ¹⁰	281,5	159,9	52	69,6 ¹¹
Regional Competitiveness and Employment – RCE ¹²	55	31	23,9	
European Territorial Cooperation – ETC ¹³	7,8	7,8		

Source: www.eurostat.ro

Expenditure under cohesion policy covers a broad mix of measures, although four broad policy areas more than 80% of the total:

- Support given enterprise and innovation, which are engines of economic development and tax revenue source to support social spending, environmental protection. This includes direct financial support for investment and research and development, non-financial assistance in the form of networks and innovation systems, consulting and business incubators. Planned investments in this area amounts to about 79 billion euros in 2007-2013 and is the largest single item of expenditure in almost all regions.
- Transport infrastructure by creating links between the internal and external regions of the world. Support is provided for investments in roads and railways and urban

¹⁰ Include regions with progressive suspension of aid

¹¹ Correspondence between convergence regions and countries that benefit of cohesion fund, not identical

¹² Include regions with progressive establishment of aid

¹³ Not included 0,9 billion euro for cooperation with third countries

transport, ports and airports and the connections between different modes of transport. The planned investments amount to approximately 6 billion in the period 2007-2013, most of the EU -12, where road and rail networks need upgrading , but also in many southern regions where investment programs have covered many programming period is nearing completion.

- Development of human capital is a means of strengthening social cohesion and equal opportunities and to improve the adaptability of workers and entrepreneurs to economic change. Investing for 2007-2013 are estimated at 68 billion euro funding being given to support different forms of education and vocational training , structural reform of the labor market and education and training systems and groups of people who have difficulties special labor market , such as long-term unemployed , people with disabilities and migrants.
- Environment to ensure the sustainability of economic development and to make regions more attractive places to live and work. The planned investment amounts to around 62 billion euros in 2007-2013, largely for waste, water and wastewater, especially in less developed regions.

Relative scale of expenditure in these main areas of policy tends to remain similar over time (see Fig. no. 2). But, there was a change of focus, according to the Lisbon Agenda, particularly support for companies to support innovation, mostly targeting SMEs.

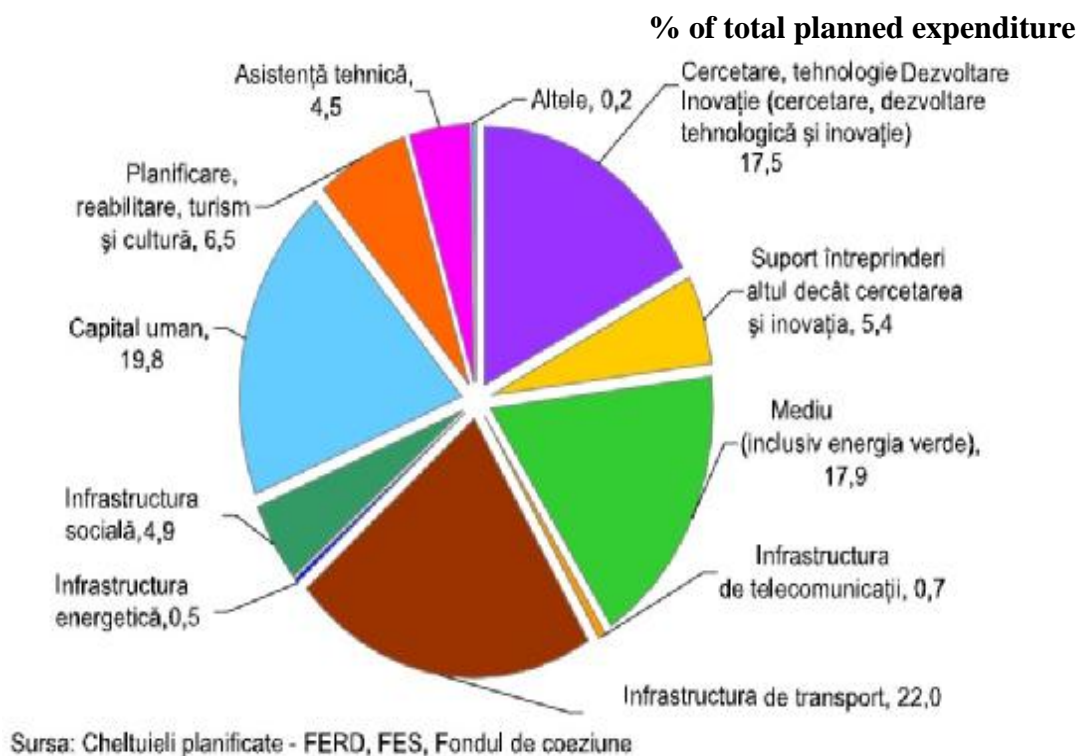


Fig. no. 2 – Expenditure under cohesion policy on key themes 2007 – 2013

4. Conclusions

Following this analysis, it appears that our country has recorded low results in areas such as productivity, basic infrastructure and spending on education and research, but is

expected to improve these indicators for the period 2007-2013 as a result of accessing Structural Funds and Cohesion.

Strategic documents highlight the importance of cohesion policy for the Romanian economy, proposing development priorities and measures to improve the implementation system. Thus the main priority areas relevant for Cohesion Policy are: development of basic infrastructure in all sectors, increasing competitiveness of the Romanian economy, in particular through the implementation of the results of research and development and business development, including by encouraging small and medium human capital development through upgrading infrastructure and education system, educational programs adapt to market requirements, supporting actions to promote social inclusion of vulnerable groups, ensuring sustainable development: promoting production methods, services and consumer durables, reducing the maximum negative impact on the environment and human health, effective exploitation of natural resources, mitigation of climate change, developing competitive advantages of regions, implementation of Cohesion Policy in conjunction with other national and European policies, simplify the implementation of the policy.

Among the specific measures proposed by Romania are:

- to improve territorial cooperation programs analysis is needed on whether a new delimitation of territorial transnational cooperation areas;
- is necessary to strengthen existing partnerships territorial cooperation, including the establishment of the role of each actor involved, but also creating new ones to better use existing mechanisms;
- be done a better inform and engage local communities in the development and implementation of policies;
- to adopt policies and measures for areas with unique geographical features.

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