

A NEW FRAMEWORK ABOUT THE EUROPEAN REGIONAL POLICY

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***Abstract.** The regional policy implementation covers its specific measures and instruments. In order to select the adequate methods of action, it is necessary to study the typology of the regional policies. The paper deals with the analysis of the micro and macroeconomic regional measures. For the beginning, the paper is focuses on the ways of the regional restructuring of the labour and of the capital. It must be realise the difference between the spontaneity and stimulated developments, as well as between the exogenous development and the self development. The European tendency is to select the incentive measures more than to apply them automatically. The instruments of the regional policy are the fiscal, budgetary and monetary instruments which are divided into the direct interventions and the incentives for the local activities and development. The public administrations have to insure that there are respected all the conditions connected to the given assistance. This control covers the project period implementation and the post-implementation period, as well. The problem is that the regional policy isn't evaluated per ensemble; it is evaluated only as separate specific instruments.*

***Keywords:** european regional policy, public administration, policy implementation, modern institutional structure.*

1. Introduction

The regional policy implementation covers its specific measures and instruments. In order to select the adequate methods of action, it is necessary to study the typology of the regional policies^{1,2}. It can lead to diverse solutions and adequate instruments. Their target may become very large and they are different according to the dimension of the public intervention, the centralized and decentralized context of the regional policies' implementation and the macroeconomic and

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¹ Armstrong H., Taylor J., *Regional Economics and Policy*, Harvester Wheatsheaf, 1993.

² Armstrong H., Taylor, J., *Regional Economics and Policy*, Blackwell, 2000.

microeconomic orientation of the specific measures, as well. The impact of these policies are inter and intraregional and the main effect is focus on the labour and the capital's redistribution, the endogen and exogenous sources of the regional development and so on³. These are microeconomic measures.

On the other hand, the macroeconomic measures are focuses on: budgetary policy, monetary policy, imports' contingent, temporary regional assistance and production incentives, as well.

2. The analysis of the regional policy instruments

The macroeconomic measures action on the global revenues and expenditures and the microeconomic measures are focuses on the resources' repartition which are able to influence the behaviour of the economic agents. Their main objective is to solve the problems connected to the structural unemployment.

The options of economic policy are focuses on the redistribution process of the labour, the capital or both. In order to decrease the structural unemployment, we can move labour to new jobs (maybe to other regions) or to create jobs in those areas which have a labour exceeding.

The microeconomic measures try to regulate directly the inputs supply and they are interest into enterprises, households and persons.

The practical way of restructuration defines the microeconomic policies and measures in order to obtain an internal or external enterprises' adjustment.

The internal adjustment consist on new goods and technologies' implementation which are able to improve the use of the resources and labour from the public point of view or of the regional point of view, as well. This solution is the less expensive one and it ensures the labour activity's continuity in the same location.

The other solution (external adjustment) realises the capital and the labour's redistribution between the enterprises or sectors. The nature and the effects of these two ways of restructuring are present in table 1.

³ Constantin D. L., *Fundamental Elements of the regional Economy*, ASE, Bucharest, 2004, pp. 123-136.

Table 1
The methods of restructuring⁴

Specific criteria	The way of restructuring	
	Internal	External
The type of the change	– new goods and technologies implementation; – labour internal redistribution.	Demand's decrease and the capital and labour's transfer from declining industries to those which are in expansion
The rhythm of the changes. Geographical effects.	– slowly; – the same enterprises' location.	Quickly enough; New firms in the region.
The sources of the financial support	– bearing funds; – bank loans	Usually, external sources, especially from the public decedents.

As a result, the microeconomic policy presents four possibilities: to be focuses on the labour, the capital, internal and external adjustments. If these four possibilities are implementing into a matrix, we can explain the types of programmes which result from every combination, as in table 2.

Table 2
The options of the microeconomic policy and their resulting programmes

Connection to:	Labour	Capital
The restructuration form		
Internal	The management of the human resources	Enterprise's viability
External	Reintegration on the labour market	Regional development

Labour restructuration is an adjusting solution connected to the market mechanisms. During recession, the less developed regions face to a great labour exceeding which has a low territorial mobility. The microeconomic measures operate when the labour exceeding isn't able to move to other better regions, as well. The first measure refers to the labour redistribution inside the enterprises using specific public and private recycling programmes, educational programmes and different subsidies activities. The second measure – the labour geographic redistribution – is focuses on the external restructuration supporting. This geographic

⁴ MacKersie R. B., Sengenberger W., *Les suppression d'emploi dans l'industrie, responses possibles des politiques de main d'œuvres*, O.C.D.E., Paris, 1983, p. 46.

mobility is disturbed by the interregional wages disparities which have no correspondent to the labour marginal product. More, the labour can have a wrong perspective on this mobility or the costs of labour migration are too expensive. In order to decrease these obstacles, it's necessary to grow the labour markets' efficiency using local collective negotiations which must reflect the regional specific aspects. The public administration can offer a financial support for the new labour which migrated into a region and to decrease the revenue taxes for these persons, as well.

The financial costs of the migration imply important risks if the migrants become unemployment for a long term. The psychological costs are important too, especially those which affect the family unity. On the other hand, the migration labour can migrate to another region and the building markets aren't so efficient.

But the migration is able to grow the decline of a region according to its negative multipliers and it can accentuate the regional stagnation. As a result, the most competent elements leave the region and support an economic and demographic no equilibrate structure.

The difficulties connected to the labour migration need the idea of adopting specific measures if the capital mobility is exhausted.

The microeconomic measures connected to the capital are focus on internal or external restructuration. The internal restructuration supports the enterprise's viability, and the external restructuration supports the regional development, as in table 3.

Table 3

Measures for capital restructuration

Internal	External
Changes in the enterprise costs' structure	A differential manner (positive or negative) in taxes implementation
Efficiency improvement of the labour productivity and the costs	Assistance system
Initiation of the plans/programs which are able to maintain the enterprise's activity	Loans under favourable conditions
Enterprises' re-installing in the same sector	Incentives for investments

The first method is less expensive and it facilitates the restructuration before the moment in which the government will do great expenditures for regional development.

We talk about the measures of enterprises' structure costs change in order to maintain its viability. Other method, used in the high developed

countries, is to decrease the wages and the complementary advantages as an alternative to the unemployment increasing. As a result, the labour prefers these decreases than the enterprise closing.

The next internal adjustment method is focuses on the efficiency improvement of the costs and labour productivity. It is connected to the jobs' revision, the progressive adopting of the continuous function and the renunciation of incentives and other instruments in order to create an advantageous equilibrium between the labour management, the labour structure and the technical needs of the production process. All these are efficient solutions as long as the competition is not able to create impossible problems.

Other strategy consists of implementation of the new plans/programs which are able to maintain the enterprises' activities. We talk about the market prospection in order to find new efficient trade activities or to operate some reconversions. In order to realise this, we can use a supplementary capital from the redistribute profits or from the financial and credit institutions. This solution can be applied by those enterprises which haven't long term financial debts.

Another important internal adjustment method is focuses on the enterprises' implementation in the same sector. There are a lot of elements which can stimulate an enterprise to adapt or to improve its installation in the same place. The problem is that this enterprise has an obligation to its labour to ensure long term jobs.

The external adjustment measures represent instruments used by the public sector in order to solve the local decline and the regional un-equilibrium. This policy is based on the idea that an activity can be located in different locations and it can be efficient in different locations, as well.

The industry's redistribution represents a Keynesian solution for labour lack from some regions.

The programs of the capital redistribution represent: regulations, taxes, infrastructures' creation, subventions and incentives.

The regulations are measures able to limit investments in some specific regions in order to focus them to others which have a real need for. They have a double advantage: their cost in the government budget is practically zero and they are very efficient during the booms.

The microeconomic taxes can be used into a positive manner (as non-exonerates) or a negative one (as restrictions) in order to influent the industries' implementation. The exonerates operate in the same manner as the subventions, but the restrictive taxes stop the unwished activities.

The infrastructures' building represents a way for the regional development used in those countries which in which it's limited the public interference in the private enterprises' management. This method can cover labour training or insurance of the transport networks and telecommunications.

Other countries extend the infrastructure building to the creation of the public industrial areas or lands which have buildings which are sold to a good price. As a result, the government becomes an investor of the risk capital. The same government apply a rigorous selection of the beneficiary enterprises in order to obtain the guaranty of achieving its sector objectives and to edify stable trade complexes.

The assistance system has a lot of forms and categories and becomes a real pylon of the regional policy. The most popular measures are the loans in good conditions or the guaranties for the contracted loans, the subventions and the bonuses.

The advantage loans or with improved interests can be propose by the state or by the financial intermediaries financed by the state or by those intermediaries which have the state guarantor. These loans use lower interests and the postponement of the capital repayment. They can finance up to 70% from the cost of the investment project. An advantage of this kind of assistance is that the evaluation of the project cost is made by a public or private credit institute, which means greater guaranties for the regional authorities about the loans' uses by the enterprises. But some specialists consider that these loans aren't too transparent and their advantages aren't too facile and quickly evaluated.

The subventions are applied to the inputs or to the output and they are able to support the new enterprises. They can be giving once, as temporary or permanently.

The bonuses for investments are offer partial or integral using an automat or a discretionary manner. They have the advantage of being simple and explicit and of encouraging the investments in buildings, installations and equipments which are easier to control. These bonuses complete the regional capital stock and improve the regional efficiency.

When the capital stock comes from foreign sources in the assistance region, it will have just a limited effect by an interregional diffusion. More, the enterprises which have intensive capital utilization need less labour. As a result, the inverse solution can be the existing or the new jobs' subvention in order to encourage a capital re-distribution for those enterprises which present a high intensity in labour utilisation. More, it can

support the existing jobs and the temporary inefficient enterprises, as well. The result will be a revenues transfer from the developed regions to the less developed ones and a decreasing of the local production costs. These imply a high connection between the regional policy and the labour policy in order to eliminate the situations in which the subventions only grow the wages and don't create new jobs⁵.

Another option for the regional policy is connected of the extra-regional control degree of a regional economy. The regional policy can be exogenous (supported by public intervention at micro and macroeconomic level) and endogenous (supporting by the own regional resources). Practically, there can't be an exclusive endogenous or exogenous regional development.

The exogenous development strategies and policies are focus on the labour and the support for the new enterprises which are located into the peripheral areas.

On the other hand, the endogenous development potential covers: the rare materials, the transport and telecommunication infrastructures, the urban structures and the physical and human capital. These factors must be coordinate in order to favour the regional development.

For the beginning, it must be realise the difference between the spontaneity and stimulated developments, as well as between the exogenous development and the self development. More, the endogenous development policies operate in industry, agriculture and services according to the regional particularities.

Using their endogenous development potential, the regions can be:

- ✓ regions with traditionally activities, high urbanized but in decline;
- ✓ isolate geographical regions;
- ✓ developing regions;
- ✓ agricultural regions which have to develop tourism and industrial food activities.

Every type of these regions benefit by specific regional policies and by general policies, as well. Such a general policy covers the technologic innovation in order to transform the production processes, to access new markets and to decrease the production costs. These elements vary very much between the regions. As a result, the endogenous development of the less developed regions must cover the subventions for R&D and professional training according to the new technologies. The subventions may

⁵ Ionescu R., *Regional development* (in Romanian), E.D.P., Bucharest, 2008, pp. 67-68.

be accompanied by the credits and the risk capital market, in order to finance the investments in little firms and R&D institutions. In order to stimulate these investments, the firms will pay small taxes as long as they will re-invest their profits.

Other important element is a modern institutional structure which has to be able to support the acceleration of the new technologies' diffusion in the regions. This process can be improved using cooperation with the regional high educational and research institutes.

The R&D actions can be divided into: very important programs in applying research for a accelerate diffusion of the innovation in the traditional industries; valorisation of the regional accumulates experience, especially in its universities; implementation of the new SMEs; implementation of the techno-poles which cover the enterprises, the state and the territorial collectivises.

The endogenous regional development is connected of the markets' transformation and the passing from an economy based on good cycle and serial manufacture to an economy of variety, which is able to create continuously new goods. This new economy operates with the new technologies and creates new activities connected of the climatic resources (tourism and health), the natural resources (wood and marble industries), the agricultural and handicrafts resources, as well.

The third direction is connected of the SMEs' role in supporting and creating jobs and in using new technologies. They become a connection between the labour policy and the regional policy. The greatest percentage from the all enterprises is SMEs which are created by the local entrepreneurs in order to adapt them to the new technologies and the demand fluctuations. The SMEs' activities are strategically for the regional rebuilding.

On the other hand, the economic administration role is to identify the SMEs' needs and problems and to contribute to their creation and diversification. Practically, the presence and the absence of the important industrial sectors and the enterprises' quality and characteristics are able to influent the economic future of a region. As a result, the regional policy has a SMEs policy, as well. A lot of countries have special funds and institutions to support the SMEs. The local authorities support the SMEs by the basic education, energy provision and the local transport network.

The SMEs are connected to the local initiatives for new jobs. They are based on: the initiatives of those persons which decided to change their jobs or to initiate their own businesses, the transformation of some

enterprises into corporatist ones, the initiation of some government programs for local initiatives' supporting and the association of the specialists who propose alternative solutions in energy and ecology.

The regional development programs are based on clear economic and geographic criteria and use specific instruments, especially the potential assistances.

The European tendency is to select the incentive measures more than to apply them automatically. The instruments of the regional policy are the fiscal, budgetary and monetary instruments which are divided into the direct interventions and the incentives for the local activities and development⁶.

The direct interventions imply the action of the central and local public administration in order to develop specific socio-economic infrastructure elements and the public-private partnership for investments in local interest services' development.

The incentives measures represent the financial bonuses and the compensation measures. The financial bonuses are: the bonuses and the subventions for investments, the transfer subventions, the loans in advantages conditions, the facilities for the lands sells and the special authorizations for the repayment regime.

The compensation measures are focuses on the elimination and the decreasing of the supplementary costs of the activities' location. These measures are: the subventions for the exploitation expenditures' decreasing, the subventions for labour, the supplementary indenisations for labour from specific areas, the bonuses for every new job, the subventions for the social protection, labour mobility and training, transport and public services.

3. Conclusions

Every country limits the assistance according to the applied program and the geographic area. These are established using the investments costs which open the right for assistance. Sometimes, it may be a global fix sum or a limit connected of the labour. Other countries use a limit for the total public expenditures connected to some specific assistance types (bonuses, investments, loans with preferential interests).

⁶ Constantin, D. L., Frentz, G., Răducu, A., Folescu, Al., Voinea, M., *Socio-economic Coesion and the Reional Policy*, ASE, Bucharest, 2007, p. 123.

The conditions of according assistance are focuses on the similarity between the projects from the report and the initial approved plans.

More there must establish the specific organism which has to adopt the decision for assistance and its limit. These decisions are adopted by a ministry or a governmental service under the recommendation of a consulting council or an inter-ministry commission, as well.

When the some specific conditions are achieved, the greatest percentage of the incentives for the regional development has a selective characteristic. Other countries have specific automatic assistances connected with rigorous conditions.

The public administrations have to insure that there are respected all the conditions connected to the given assistance. This control covers the project period implementation and the post-implementation period, as well.

The problem is that the regional policy isn't evaluated per ensemble; it is evaluated only as separate specific instruments.

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