

## AID FOR REGIONAL DEVELOPMENT

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### ***Abstract***

*The issue of regional development has captured the attention of researchers long time, but some trends in contemporary economy and international division of labor, cooperation, integration and globalization bring it back to the forefront of current theoretical and methodological concerns. Especially the process of European integration requires comprehensive and pragmatic approach, realistic subject (2, 3, 4).*

**Key-words:** *public support, financial and monetary asymmetry, economic cooperation and development, border and inter-regional cooperation*

### ***1. Origins and perspectives***

The socio-economic theory, regardless of the orientation, trend or school, retains the fact that the present, but especially the close future pertain to an evolution towards a new type of civilization whose coordinates are only now being deciphered. During this exploration process, there are certain processes with a global character that cannot be omitted, such as the regionalism one, which influence the evolution and the development of all the states. In other words, the future of the human society can be approached from two different perspectives. On one hand, the perspective of the production factors necessary for the economic growth and development, meaning the resources. On the other hand, there is the perspective of the socio-economic system, the nature of the production relations, above the economic and social development level.

#### **1.1. Definition of debt**

The debt is simultaneously a symptom of an asymmetric world financial system and a cause for imbalances and poverty. For a long time, the debt was used internally and between countries as means to maintain power over the individuals and governments. Eurodad considers the debt as a political and ethical problem. Therefore we have to pressure for the annulment of the debts, disclosing the responsibilities of the creditors and sustaining the durable change of the international financial architecture.

Many countries have been caught in the pitfall of the debt against poverty during the last three decades. During the electoral campaign of the civil society it had an impact and it caused the annulment of certain debts, the general problem being the approach of the existent initiatives and mechanisms. The governments of the rich countries and the crediting institutions, such as The Paris Club, The World Bank and the IMF still have disproportionate power. A country with debts would still have today the same problems as three decades ago, so there is no international procedure to redefine the difficulties of the sovereign debt in an equitable, predictable and transparent way.

### 1.2. The perception of aid

Annually, approximately 600,000,000,000 \$ flow from the Southern countries to the Northern ones. The public aid for development is an important element for trying to insure more money to the flows in the other direction. The governments of the rich countries agreed to improve the extent of their aid to 0.7% of the GNP. They also agreed to improve the aid's flow in order to make sure that a great amount of it reaches the poorest countries of the world. The European governments have always been important contributors and the ratio of the aid provided by the Europeans is more and more important (up to 60% of the world aid). Unfortunately, a great amount of the public aid never reaches the poor, a lot of it being channeled to geopolitical purposes. The exigencies of the fund receivers blame the development of a bureaucratic network with multiple missions such as the report and strategy elaboration of certain initiatives meant to help the Southern governments and the civil society groups decide how much of the money should be spent.

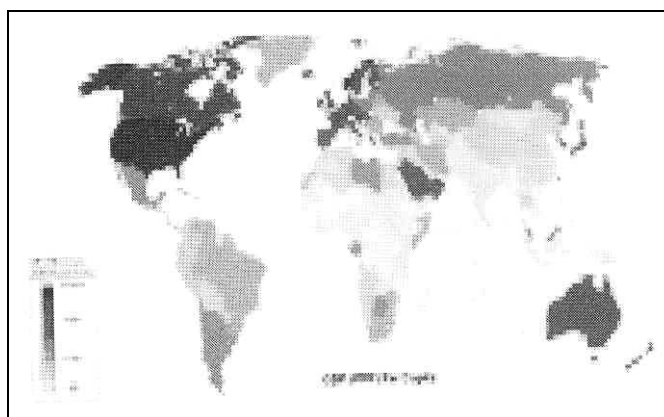


Fig. 1. World's map

## ***2. Empirical and systematic in the regional approach***

The regional science is a field of the social sciences that regards the analytical approaches of the specific urban, rural or regional issues. The topics of the regional science enclose, but are not limited to the theory of localization or of the spatial economy, the shaping of the location, the transport, the migration analysis, the use of the land and the urban development, the inter-industrial analysis, the environment and ecological analysis, the management of the resources, the urban and regional policy analysis, the analysis of the geographic information systems and the analysis of the spatial data. Broadly speaking, any analysis in social sciences having a spatial dimension is enclosed in the regional sciences. The regional science was established in 1940, when certain economists started to be unsatisfied with the economic analysis of the regional development level and decided to update it. At the beginning of this era, the founders of the regional science should have built up the interest of the people preoccupied by a great variety of disciplines. Walter Isard's aggressive campaigns promoting the "objective and scientific analysis" of the colonization, the industrial localization and the urban development origin in the official regional science. Isard aimed at the main universities and had an assiduous campaign. As a consequence, in 1954, the Association of the Regional Science was founded, when the core of the scientists and practitioners held their first meetings independent of the ones held initially by the annual meetings of the American Economics Association. One of the reasons for organizing an independent meeting was, without a doubt, the group's will to extend the new science beyond the restrictive world by reuniting the economists and the representatives of the natural sciences, psychologists, anthropologists, jurists, sociologists, politologists, planners and geographers in a club. Known today as the Regional Science Association International-RSAI, it supports the sub-national and international associations, magazines and a conference circuit (especially in North America, continental Europe, Japan and Korea). The adhesions to RSAI continue.

The regional science was founded by Walter Christaller's work entitled *Die Zentralen Orte in Süddeutschland* (published in 1933), soon followed by Tord Palander, with *Zur Beiträge Standortstheorie* and Edgar M. Hoover (1935) with two works: *Théorie de la localisation et le cui ret industrie de la chaussure* (1938) and *La localization des activités économiques* (1948). Other important publications: *La théorie de la concurrence monopolistique* (1950) by Edward H. Chamberlin; *Espaces économique: théorie et application* (1950) by Torsten Hägerstrand; *La Situation de la production agricole* (1954) by Edgar S. Dunn; *L'économie de la Ville* (1954) by Lösch Août; *Des études de l'économie des transports* (1956) by Martin J. Backmann, McGuire CB and Winston B. l'Clifford; *Emplacement de l'usine en théorie e ten pratique* (1956) by Melvin L. Greenhut; *Théorie économique et régions sous-développées* (1958) by Albert O. Hirschman; *History of Spatial Economic Theory* (1958) by Claude Ponsard. Nonetheless, Walter Isard's first book from 1956 entitled *Emplacement et l'espace Economie*,

which appealed to a lot of people and his third book, *Les methods d'analyse régionale*, published in 1960, make him appear as the founder of this field.

### **3. The aid and cooperation for development**

Also known as technical assistance, international aid, foreign aid, public aid for development or external aid, this is the aid given by the governments and other organisms in order to sustain the economical, environmental, social and political development of the country. It is different of the humanitarian aid, as it highlights the poverty reduction on the long term. The cooperation for development, term used, for example, by the World Health Organisation (WHO/ OMS) is used to express the idea that there should be a partnership between the donor and the receiver, more than the traditional situation when the relation was dominated by the wealth and specialised knowledge of one of the parties. The greatest amount of the aid for development comes from the western industrialized countries, but there are also poor countries contributing to the aid as well. The aid can be bilateral: given directly by one country to another or multilateral: proposed by a donor country to an international organisation such as the World Bank or the United Nations, that later repatriates it to developing countries. The ratio is currently of 70% bilateral to 30% multilateral.

If 80-85% of the aid comes from governmental sources, we note that the rest of 15-20% comes from the private sector – the non-governmental organisations, foundations and other organisms for development (Oxfam, for example). The repatriation of the funds received from the emigrants that work or live abroad are an important level of international transfer.

Some governments also include a military aid in their notion of foreign aid although many non-governmental organisations have the tendency to disapprove of it.

The public aid for development is a measure through which the government contributed to the aid established by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) in 1969. DAC gathers the 22 great donor countries.

#### **3.1 Historic background**

While the aid for development concept origins in the colonial era, the origin of the modern roots of the aid for development is found in the context subsequent to World War II and the Cold War: launched as a program on a large aid scale by the United States in 1948, the European Recovery Program or the Marshall Plan was conceived with the purpose to strengthen the links with the western countries and to decrease USSR's influence. This political logic was synthesized in the Truman doctrine, through which the American president Harry Truman, in his inaugural address in 1949, announcing the creation of the NATO, declared as unjustified the United States' aid for development towards the communist countries:

“In addition, we will provide military advice and equipment to free nations which will cooperate with us in the maintenance of peace and security. Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas. For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.”

The aid for development had as purpose the proposition of technical solutions to the basic social problems without modifying the social structures. The United States violently opposed the moderate changes within the social structures, for example the agriculture reform in Guatemala in the 1950s.

### **3.2. The volume or the quantity**

Most of the public aid for development comes from the 23 members of the Development Assistance Committee (DAC), adding up to 103.49 billion US dollars in 2007. Another 11.8 billion US dollars came from the European Commission while all the DAC countries gave only 5.56 billion US dollars. The main donors of DAC were the United States (21.8 billion), Germany (12.29 billion) and Japan (7.68 billion), while the most important non-members of DAC were Saudi Arabia (2 billions) and Turkey (0.6 billion). Nonetheless, the UN objective to donate 0.7% of the GNP as aid was not achieved. The United States (0.16% of the GNP) and Japan (0.17% of the GNP) were the least charitable. The only countries that reached the objective in 2007 were Norway (0.96% of the GNP), Sweden (0.93%), Luxembourg (0.91%) the Netherlands and Denmark (both with 0.81% of their GNP).

### **3.3. The quality value**

The development aid is sometimes delivered by the means of support for the local aid projects for development. These projects do not even include a strict code of conduct. For certain projects, the ones providing the development aid do not comply with the local codes of conduct (for example, the sections of dress code, social interaction). For the developing countries, such issues are essential – hence, the failure of compliance may lead to serious offences and delay of the projects.

There are also debates upon the quality of this development aid, more than quality. For instance, the bound aid is always criticized, as it is believed that this is granted to be spent in the giver country or in a group of selected countries. The bound aid may increase the project aid by higher development costs (by 20-30%). Such aid is found fault with, because of the fact that the authorities may, on one hand, provide a large volume of development aid and, on the other hand, take it away by trading or political migration. *Commitment to Development Index* adopts measures of general policies of the authorities and evaluates the quality of the

development aid, instead of simply comparing the quantity of the public development aid.

#### 4. *The cross-border, trans-national and inter-regional cooperation in Europe*

Within the programs of regional development taking place between 2007 and 2013, the development aid is made up of the financial support from the European financing and the co-financing of the targeted beneficiary countries. The regional development consists in provision of help and assistance to the less economically developed regions. The regional development may be national or international. The consequences and the weight given to the regional development may vary, in dependence with the definition of the region by its internal and external borders. The European Union concerns within the above-mentioned programs of regional development mainly regard the convergence objective, the European competition and employment.

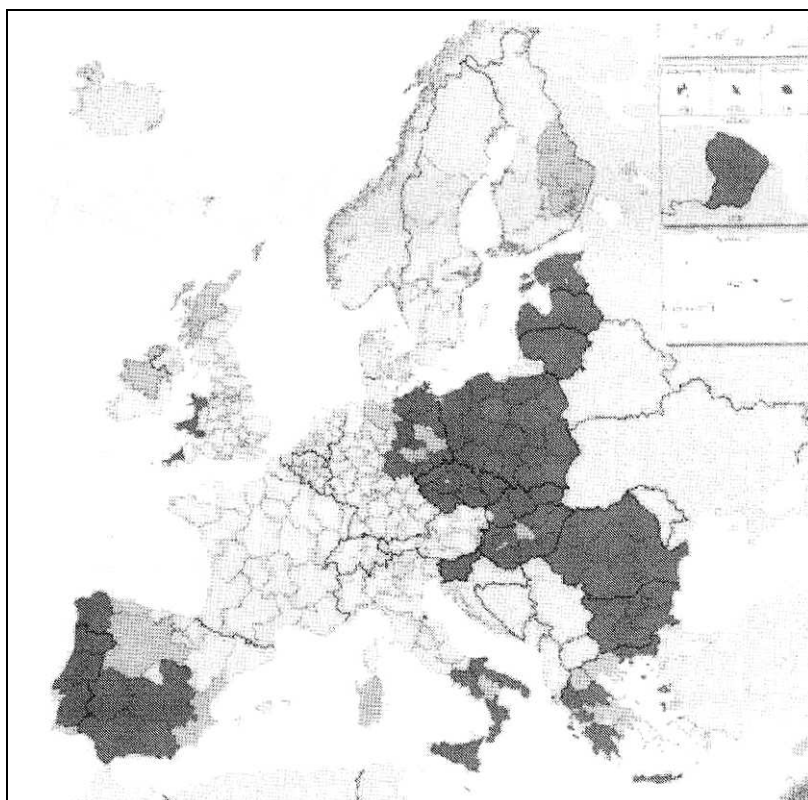


Fig. 2. Europe

#### 4.1. The Romania-Bulgaria operational program

On December 18, 2007, the European Commission approved a cross-border program of cooperation between Romania and Bulgaria for 2007-2013. The program stipulates the community support for 15 regions, 7 in Romania (counties of Mehedinti, Dolj, Olt, Teleorman, Giurgiu, Calarasi and Constanta) and 7 in Bulgaria (districts of Vidin, Vratsa, Montana, Plevna, Veliko Tarnovo, Ruse Silistra and Dobrich). Besides them, Razgrad county in Bulgaria has been added to the list, according to the flexibility rule under the article 21 (1) of the European Regional Development Fund (ERDF).

The total budget of the program amounts to EUR 262 million, while the ERDF community aid is of EUR 218,000,000. This represents circa 2.5% in the community total investments meant to the European Community of territorial cooperation in the 2007-2013 cohesion policy objectives.

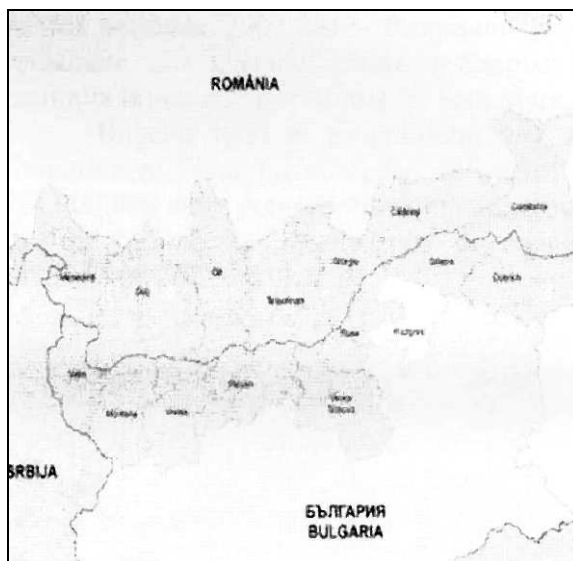


Fig. 3. The cross-border area between Romania and Bulgaria

##### 4.1.1. The program objective and scope

The eligible area shares features with the cross-border areas where marginality and isolation from the economic and decision-making centers are deepened by the presence of borders that limit the economic, social and cultural exchanges and impacts the common, efficient and effective administration of the territory.

The global strategic objective is to gather the people together, the communities of the Romania-Bulgaria border areas and support them in jointly drafting a cooperation zone, based on the human, natural and environment resources and on the advantages that underlies on a durable process.

#### 4.1.2. Technical and financial information

The main axes of the operation program and the percentage of separate financing within the total financing are: 1) Accessibility (36.4%); 2) Environment (34.3%); 3) Economic and social development (21.6%); 4) Technical assistance (7.7%). The funds have evolved as follows:

Table 1

Funds distribution on main axes (EUR)

Main axis	EU contribution	National public contribution	Total of public contribution
Accessibility	80,594,790	14,832,151	95,426,941
Environment	76,238,315	13,646,018	89,884,333
Economic and social development	47,921,227	8,577,497	56,498,724
Technical assistance	13,069,425	7,124,118	20,193,543
TOTAL	217,823,757	11,179,784	262,003,541

Source: Adaptation from statistical data and U.E. and OISD report, and also annual statistical reports from INS

#### 4.2. The Romania-Hungary operational program

On December 21, 2007, the European Commission approved a cross-border program of cooperation between Romania and Hungary for 2007-2013. The program stipulates the community support for the following regions in Hungary: Szabolcs-Szatmar-Bereg, Hajdu-Bihar, Bekes, Csongrad and in Romania: Satu Mare, Bihor, Arad, Timis, etc.

The total budget of the program amounts to EUR 275 million, while the ERDF community aid is of EUR 224,000,000. This represents circa 2.6% of the community total investments meant to the European Community of territorial cooperation in the 2007-2013 cohesion policy objectives.

##### 4.2.1. The program objective and scope

The global strategic objective is to gather the people together, the communities and companies of the Romania-Hungary border areas and support them in jointly drafting a cooperation zone, based on the advantages of a border area. This specific area is uniform and quite similar in economic and social conditions. It is rich in natural resources, abundant in rivers (a minus would be the danger of flooding and pollution of the border rivers). In terms of the main economic sectors, agriculture and food industry play an important role. As for the public services, the situation is heterogeneous: while most public services in Hungary are modern, there are numerous shortcomings in Romania. The access to wide band Internet is a major issue in the small localities on either side of the border.





Fig. 4. The cross-border area between Romania and Hungary

#### 4.2.2. Technical and financial information

The main axes of the operation program and the percentage of separate financing within the total financing are: 1) Improvement of the key conditions for the joint durable development in the cooperation field (48.9%); 2) Consolidation of the economic and social cohesion in the border area (41.3%); 3) Technical assistance (9.8%). The funds have evolved as follows:

Table 2

#### Funds distribution on main axes (EUR)

Main axis	EU contribution	National public contribution	Total of public contribution
Improvement of the key conditions for the joint durable development in the cooperation field	114,482,217	20,202,744	134,684,961
Consolidation of the economic and social cohesion in the border area	96,524,222	17,033,686	113,557,908
Technical assistance	13,468,496	13,468,496	26,936,992
<b>TOTAL</b>	<b>224,474,935</b>	<b>50,704,926</b>	<b>275,179,861</b>

Source: Adaptation from statistical data and U.E. and OISD report, and also annual statistical reports from INS

### 4.3. The South-eastern Europe operational program, plus Republic of Moldova

The countries included in this program are: Bulgaria, Czech Republic, Greece, Italy, Hungary, Austria, Romania, Slovenia, Slovakia, Albania, Bosnia-Herzegovina, Croatia, Macedonia, Republic of Moldova, Serbia, Ukraine. On December 20, 2007, the European Commission approved the 'South-eastern Europe' trans-national program of cooperation for 2007-2013. This program stipulates a community aid for 16 member states, candidate states, potential candidate states and third countries.



Fig. 5. The 'South-eastern Europe' trans-national eligible region

#### 4.3.1. The program objective and scope.

The global strategic objective of the program is to improve the process of territorial, economic and social integration and to contribute to cohesion, stability and competition via developing trans-national partnerships. The program focuses on four priorities: innovation, environment, accessibility and durable urban development. This is a tangible opportunity for the western Balkans to get close to the European Union and strengthen the relations with the EU neighboring countries.

The region is the target of a fundamental change in the economic and production structures, starting with the changes in 1990. While some regions, mainly the state capitals, have no difficulty adjusting to the new challenges, others are trying to reorient themselves. The regional disparities are essential for the program area in terms of the economic strength, innovation, competition and accessibility between the urban and rural areas.

#### 4.3.2. Technical and financial information

The main axes of the operation program and the percentage of separate financing within the total financing are: 1) Boosting of innovation and entrepreneurship; 2) Environment protection and improvement; 3) Increase of

accessibility; 4) Development of trans-national synergies for the durable development areas; 5) Technical assistance for support and consolidation of the program implementation features and institutional reinforcement. The funds have evolved as follows:

Table 3

**Funds distribution on main axes (EUR)**

Main axis	EU contribution	National public contribution	Total of public contribution
Innovation	44,051,157	7,773,734	51,824,891
Environment	53,739,828	9,483,499	63,223,327
Accessibility	55,160,834	9,734,265	64,895,099
Durable development areas	41,338,329	7,294,999	48,633,328
Technical assistance	12,401,497	4,133,832	16,535,329
<b>TOTAL</b>	<b>206,691,645</b>	<b>38,420,329</b>	<b>245,111,974</b>

*Source:* Adaptation from statistical data and U.E. and OISD report, and also annual statistical reports from INS

**Conclusions**

The concern for the regional development is not a recent one. It has provided ideas for building the regional science. The development aids aim to erase the disparities among the world areas, even though not always successfully. At the present time, the Western Europe has created regional programs that are meant to harmonize the inter-human relations, to improve the environment, to develop the innovation movement, etc. The aids for the regional development place Romania and Republic of Moldova into different community programs. There should be a higher awareness provided by such programs that are supported via European funds.

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