ECONOMIC AND SOCIAL COHESION FACTOR (FCES)

IONITA PROFIR

Ministry of Transportation and Infrastructure, Romania

ABSTRACT

Cohesion, as defined by Article 158 of the European Communities Treaty, is necessary to promote "the general harmonious development" of the Community and requires a reduction of "disparities between development levels of different regions and lack of progress in disadvantaged regions," including rural areas.

Keywords: *economic, development, reform, territorial cohesion.*

1. ECONOMIC AND SOCIAL COHESION POLICY

Cohesion, as defined by Article 158 of the European Communities Treaty, is necessary to promote "the general harmonious development" of the Community and requires a reduction of "disparities between development levels of different regions and lack of progress in disadvantaged regions," including rural areas.

Economic and social cohesion policy of the European Union is a policy of financial solidarity, based on the redistribution of a part of the Community budget made by contribution of Member States to the poorer regions of the European Union, to promote a high level of competitiveness and employment.

Economic and social cohesion policy of the European Union requires an amount of intervention at Community level, including both the regional development policy (aimed mainly at reducing disparities, regenerating declining industrial areas) and certain aspects of social policy (e.g. combating long term unemployment and support of education and continuous training, encouraging actions to increase the adaptability and social inclusion).

Taking into consideration the new European context, marked by enlargement of the EU and global challenges, since 2007, there was a new reform of cohesion policy.

Reform seeks to implement a new framework for cohesion policy programming to simplify and decentralize the programming, implementation and decision making process. Thus:

a) It was adopted a new legal framework of the Cohesion Policy 2007 - 2013,

b) There were established new targets of intervention for the main financial tools through which the cohesion policy is achieved.

There are several factors that influence the effectiveness and impact of European cohesion policy.

An economic environment characterized by price stability and sound budget balances will benefit from lower interest rates.

In return, this stimulates investment and capital accumulation, increasing both productivity and employment of labor. It also helps to level increase and innovation diffusion and reduce cost of capital.

Efficiency and effectiveness of public administrations at national, regional and local level is another critical factor.

Finally, external factors, notably globalization, are often the main factors of structural changes at all levels and have a major impact on economic development and jobs creating.

However, as a result of a rigorous approach, cohesion policy has managed to have an impact on living standards and levels of opportunity across the EU.

2. REFORM OF COHESION POLICY – 2007-2013

European Council in spring 2005 showed that:

"It is essential to relaunch the Lisbon Strategy without delay and to refocus priorities on growth and employment. Europe must renew the basis of its competitiveness, increase its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and optimization of human capital.

To achieve these objectives, the Union must mobilize to a greater degree all appropriate national and Community resources - including cohesion policy - in the direction of the Strategy's three dimensions (economic, social and environmental) for a better approach to their synergies in the overall context of sustainable development".

Most EU efforts made to reduce disparities in the EU Cohesion Policy are achieved by cohesion policy.

This takes the form of conditional grants, conditions being attached to the transfers at objectives level and implementation system.

Following the 2006 reform of cohesion policy for 2007-2013 period, the main aim of cohesion policy remains to reduce disparities between Member States and regions by focusing resources on the less developed areas.

For the 2007-2013 period, most resources will focus on the poorest regions and countries: in 1989, 56% of available resources were allocated to regions with the

lowest income, at the end of the new programming period the proportion will be of 85%.

The new Member States, representing about 21% of EU-27 will receive just a little over 52% from the total.

However, under the new agenda aimed at economic and employment growth, the policy emphasis more on improving the competitive position of regions in the world economy.

3. STRENGTHENING SOCIAL AND TERRITORIAL COHESION

Strengthening of strategic options will be considered in the social and territorial environment:

3.1. Social cohesion

Will be achieved the guarantee of a minimum general accessibility to public services (education, public health, welfare, social care, etc.) for all citizens, giving particular importance to vulnerable groups (children, elderly, persons with reduced mobility, etc.).

Will be defined the "key areas" of territory which will comprise mainly the transport nodes and areas where there is a high mobility for work reasons, leisure time or other.

Towards 2020 should be guaranteed access to public transport for all the above mentioned, reaching in 2030 to the quality conditions as defined by the European Union.

Detailed assessment of total costs (including external costs) for each type of transport and for the portion supported by the user to identify possible effects of regressive income distribution (2013).

Developing a model to correct these effects in the entire transport system (2015) to be applied starting 2020.

3.2 Territorial cohesion

Links between cities will be improved by promoting interurban public transport services and administration management.

2020 is expected to reach a coherent modal distribution in passenger transport between these cities.

Attention will be paid to links connecting the river ports and airports in order to improve integration into the transport networks.

Long distance travels will be done on alternative routes and services of comparable quality to avoid passing through the major hubs of the transport system (2020) and below.

Public transport accessibility to areas with low population density and dispersed centers will be at minimum levels, as set in agreement with the competent local authorities (2020).

Given the above information we will further try an exposure for a concept determination purpose namely "economic and social cohesion factor", indicator that can be the basis for prioritization of so-called "priority projects".

Economic and social cohesion achievement aims to increase Gross Domestic Product.

This is defined as the value of all final goods and services produced in an economy in a certain period of time.

This indicator is used to measure economic activity in a country or region.

The calculation formula is as follows:

$$GDP = C + G + I + (X-M), \text{ where:}$$

C is private consumption,
G is government spending,
I is companies investments in capital goods,
X is export,
M is import.

We define:
G_r as employment labor

$$Gr = \frac{Nsal}{Na} \cdot 100 \quad \text{where}$$

Nsal- number of employed persons

Na - number of active persons

To achieve the EU policy to increase economic and social cohesion is desirable to achieve an increase in employment labor (Gr) as well an increase of the investment value (I).

These two indicators are those which increase the Gross Domestic Product (GDP), including the case we assume that government spending (G) or the difference between exports (X) and imports (M) are constant.

G= constant
(X-M)= constant

An investment put into operation (In) lead to the achievement of a number (n) of new created jobs.

In this case employment labor:

$$Gr = \frac{Nsal}{Na} \cdot 100$$

$$Gr = 100 \cdot \frac{Nsal + n}{Na}$$

$$G_r \cdot N_a = 100 \cdot N_{sal} + 100 \cdot n$$

$$G_r \cdot N_a - 100 \cdot N_{sal} = 100 \cdot n \cdot C_{vp}$$

$$GDP_{o-n} = C_o + C_{vp} + G + I_o + I_n + (X-M)$$

$$GDP_n = C_o + \frac{G_r \cdot N_a - 100 \cdot N_{sal}}{100 \cdot n} + G + I_o + I_n + (X-M)$$

$$GDP_n = \frac{G_r \cdot N_a - 100 \cdot N_{sal}}{100 \cdot n} + C_o + G + I_o + I_n + (X-M)$$

$$F_{ces} = \frac{G_r \cdot N_a - 100 \cdot N_{sal}}{100 \cdot n} + I_n$$

$$GDP_n = F_{ces} + C_o + G + I_o + (X-M)$$

Suppose that for 1 job matches 1 working place expenses (private consumption):

$$1 \ WP = 1 \ C_{wp}$$
$$n \ WP = n \ C_{wp}$$

In this case:

$$G_r \cdot N_a - 100 \cdot N_{sal} = 100 \cdot N_{wp}$$
$$G_r \cdot N_a - 100 \cdot N_{sal} = 100 \cdot n \cdot C_{wp}$$

In terms of achieving a new investment GDP increases

$$GDP_{o-n} = C_o + C_{wp} + G + I_o + I_n + (X - M)$$

$$GDP_n = C_o + \frac{G_r \cdot N_a - 100 \cdot N_{sal}}{100 \cdot n} + G + I_o + I_n + (X - M)$$

$$GDP_n = \frac{G_r \cdot N_a - 100 \cdot N_{sal}}{100 \cdot n} + C_o + G + I_o + I_n + (X - M)$$

$$N = Co + PIBo\text{-}CLM + G + Io + In + (X\text{-}M)$$

We define

$$F_{ces} = \frac{G_r \cdot N_a - 100 \cdot N_{sal}}{100 \cdot n} + I_n \qquad \text{- social and}$$

economic cohesion factor

$$GDP_n = F_{ces} + C_o + G + I_o + (X - M)$$

Given the above it is proposed:
-   Introduction of economic and social cohesion factor notion – FCES
-   Defining FCES – measurement guide mark of economic and social cohesion
-   FCES value to determine prioritization of projects in EU
-   Commission evaluation should include quantification of economic and social cohesion factor to determine the intake volume of financial instruments
-   Economic and social cohesion factor is the most important criterion in prioritizing project implementation.

4.   REFERENCES

[1] Comisia Europeană, *Politica de coeziune economică* şi socială-Manual, Biblioteca , www.fsenordest.ro-2010
[2] Comisia Europeană, *Evaluarea aplicării principiului egalitătii de sanse* în Intervenţiile Fondurilor Structurale:propuneri metodologice,www.fseromania.ro
[3] Comisia Europeană, Politica de coeziune 2007-2013, www.fseromania.ro