

REGIONAL DEVELOPMENT AND THE ROLES OF INSTITUTIONS

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The internationally accepted definition of sustainable development is referring at the obtaining the satisfaction the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development is a means to an end, or an approach to decision-making, rather than an ideal outcome or final achievement. Development, in this context, is any process that enhances the wellbeing of people and their environment. Development is sustainable when it achieves stable or increasing wellbeing over time for both people and the environment.

Keywords: globalization, crisis, development, institutions.

Cod JEL: F4: Macroeconomic Aspects of International Trade and Finance

1. Regional development

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Development is sustainable when it achieves stable or increasing wellbeing over time for both people and the environment. Sustainability is another term often used. Government initiatives need to promote growth and innovation by (in each of these areas, government has already made moves to strengthen the performance, but more can be done):

- Enhancing the existing innovation framework.

- Developing, attracting and retaining people with exceptional skills and talents who are able to innovate and increase our overall productivity.

- Focusing government resources to maximize the impact of innovation across the whole economy.

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Whole regions, especially sub-Saharan Africa and Caribbean/Central America, were virtually excluded from the benefits of global economic growth. Despite these sign of distress, there was little adverse reaction to globalization until the shocks (the Asian economic crisis from 1997, the anti-globalization movements and current global crisis).

In order to achieve sustainable development were proposed the following indicators: for population (population growth; ageing population; migration; ethnic diversity; regional population change) and for economic growth and innovation (economic performance and GDP; balance of trade in goods and services; financial status; regulatory and business climate; industry and regional development; science and technology).

Today, the debate over economic development centers on the appropriate role for states and market in development process. Economic regionalism has reached flood tide and is having a

significant impact on international economy and, at the same time, the nation-state remains the dominant actor in both domestic and international economic affairs. (Gilpin, 2001:4)

The Rio Declaration states that human beings are at the centre of concerns for sustainable development and that they are entitled to a healthy and productive life in harmony with nature. The goals of sustainable development can only be achieved in the absence of a high prevalence of debilitating illnesses while population health requires poverty eradication.

There is an urgent need to address the causes of ill health and their impact on development, with particular emphasis on women and children, as well as other vulnerable groups of society such as people with disabilities, elderly persons and indigenous people. Fundamental changes in the way that societies produce and consume are indispensable for achieving global sustainable development. All countries should strive to promote sustainable consumption and production patterns, with the developed countries taking the lead, and with all countries benefiting from the process, based on the principle of common but differentiated responsibilities.

Globalization will liberalize the world economy from unnecessary bureaucracy and trade barriers; when nation states remove all barriers to global competition, the movement of goods and services, capital, multinational operations and financial institutions will bring greater efficiency to and better utilization of the resources at international level. (Lee and Carter, 2005:12)

2. Governance for sustainable development

Governments, relevant international organizations, the private sector and all major groups should play a critical role in striving to change unsustainable consumption and production patterns. This would require urgent action at the international, regional and national levels. Human activities are having an increasing impact on the integrity of ecosystems that provide essential resources and services for economic activities. Managing the natural resource base in a sustainable and integrated manner is essential for sustainable development. In this regard, it is necessary to implement strategies to protect all ecosystems and to achieve integrated management of land, water and living resources, while strengthening regional, national and local capacities.

Governance for sustainable development is about ensuring the processes and institutions are in place to embed sustainable development approaches at the level of the world economy. Governance for sustainable development is a key issue at the level of international interactions also. Good governance is vital in balancing social, economic, environmental and cultural issues and therefore in making good sustainable development decisions. For example, the European Union defines good governance as:

- Openness (institutions should work in an open manner).
- Participation (the quality and effectiveness of policies depend on wide participation from conception to implementation).
- Accountability (roles need to be clear and each institution must explain and take responsibility for what it does).
- Effectiveness (policies must be effective and timely and decisions must be made at the appropriate level).
- Coherence (policies and action must be coherent and easily understood - coherence requires political leadership and a strong responsibility to ensure a consistent approach within a complex system; regional and local authorities must be involved).

The government's goal for regional development is sustainable economic growth for communities, as an essential part of sustainable development. Regional development strategies focus on local resources and strengths that can support sustainable economic growth.

For regions with acute needs, the strategies address inequalities due to weaknesses in the local economy, as well as other causes of social and economic disadvantage. Regional development concentrates on working with local stakeholders such as local and central government, business –

in order to develop regional partnerships, to create a shared vision and to build economic development capability.

Working together is pivotal to achieving sustainable development. The roles of the respective players are all different, and each has different but significant contributions to make. Sustainable development is most likely to be achieved when all sectors interact constructively. Most issues cannot be resolved by one sector acting alone.

The role of central government is to create the conditions that lead and encourage sustainable development at a national level. Within that broad role, government can influence activity in the way that it manages its investments (such as research, education and other activities); in the use of its powers to pass legislation and to use coercive powers; and in the services and benefits it funds or delivers.

It can also influence activity internationally by the activities it supports or carries out itself. Government activity needs to be based on a reasonable level of community support and it needs to be well considered.

The latest experiences have proved that the sustainability of the market economic system is by no means guaranteed. The Asian financial crisis from 1997 clearly demonstrated that the market economy is not without its costs. John Dunning distinguishes between three types of failures of the capitalist system:

- A failure of markets: moral hazard, inappropriate macroeconomic politics, excessive speculation (property and stock market), an inappropriately valued currency, manipulated exchange rates, cross-border and intra-firm transfer prices, bad timing of short-term debts, presence of a strong black market and abuse of monopoly power.

- A failure of institutions: inefficient functioning of the regulatory and supervisory systems, an inadequate legal and financial infrastructure, shortcomings in the protection of ownership rights, lack of accountability and/or transparency and inadequate standards in financial reporting.

- A deficiency of moral virtues, which lies at the core of the failure of the markets and institutions. (Dunning, 2003:145-146)

A development strategy has sometimes been likened a map of where the society is going. The development process is too difficult for us to write down today a map of where the economy will be going over the next ten years because it will require too much information and this knowledge is not currently available. While, in principle, a development plan could map out how the economy would respond to the myriad of different contingencies that might occur in the coming years, in practice this is seldom done. By contrast, a development strategy is a living document: it needs to set forth how it is to be created, revised and adopted, the process of participation, the means by which ownership and consensus is to be obtained, how the details will be fleshed out.

The development strategy fulfils several functions as it sets forth its vision for the future:

All societies are resources-constrained; poor countries even more so. Beyond general resource constraints are the constraints on the capacity of government, the limitations on the number of issues, which it can pursue. While there are many pressing needs, it is imperative that the development strategy set priorities. In traditional economic theory, prices perform all the coordination that is required in an economy. Having a sense of where the economy is going is essential: if, for instance, an economy is moving to the next age of development, the appropriate infrastructure, human capital and institutions have to be in place. If any of this essential ingredients is missing, the chances of success will be greatly reduced. Not only must there be coordination of different agencies within and among levels of government, there must be coordination between the private sector and the public and among various part of the private sector. The process of constructing a development strategy may itself serve a useful function, in helping build a consensus not only about a broad vision of the country's future and key short- and medium-term objectives, but about some of the essential ingredients for achieving those goals. If the transformation of society is at the centre of development, the question becomes how to

bring these changes about; one of the major roles of the development strategy is to serve as a catalyst, for example by identifying the areas of a country's (dynamic) comparative advantage. Identifying these areas and publicizing such information is a public good and as such is a responsibility of government.

3. Conclusions

To be effective, this attempt to serve as catalyst will need to embrace the ambitious goal of encouraging society-wide transformation. Part of the government's role as a catalyst is undertake projects that can lead to social learning – that means projects from which the country can draw widely applicable lessons (for instance about the viability of an industry).

A project that demonstrates that local participation in education and local control of rural schools increases school accountability (as in El Salvador) or student performance (as in Nicaragua) could be replicated nationwide (or indeed, even worldwide), with limited additional resources. Indeed such local involvement can itself be a catalyst for community-based development efforts that go beyond education. Seeing development as a transformation of society also has clear implications for where the locus of development efforts must be and how the process of assistance must be organized.

-Why imposing change for the outside cannot work. Effective change cannot be imposed from outside. Indeed, the attempt to impose change from the outside is as likely to engender resistance and give rise to barriers to change, as it is to facilitate change.

-Ownership and participation. Key ingredients in a successful development strategy are ownership and participation. Ownership is essential for successful transformation: policies that are imposed from outside may be grudgingly accepted on a superficial basis, but will rarely be implemented as intended.

In order to achieve the desired ownership and transformation, the process that leads to that strategy must be participatory; development can not be just a matter of negotiations between a donor and the government; development must reach deeper and it must involve and support groups in civil society because these groups are part of the social capital that needs to be strengthened and they give voice to often-excluded members of society, facilitating their participation and increasing ownership of the development process. By involving these groups, the process of strategy formulation may be able to elicit the commitment and long-term involvement that is necessary for development strategy to be sustainable.

-The need for inclusion and consensus building. One of the obstacles to successful development has been the limited ability of some countries to resolve conflicts; this ability is an important part of social and organizational capital. Reforms often bring advantage to some groups while disadvantaging others. There is likely to be greater acceptance of reforms and a greater participation in the transformation process if there is a sense of equity about the development process, a sense of ownership derived from participation and if there has been an effort at consensus formation.

Many examples have showed the importance for instance of consensus formation in achieving macroeconomic stability. By contrast, a decision to, for example, eliminate food subsidies that is imposed from the outside through an agreement between the ruling elite and an international agency is not likely be helpful in achieving a consensus - and thus in promoting a successful transformation. (Dunning, 2005: 84-95)

Trade is important for developing countries to improve their access to wealth and to their participation in the world economy. All the changes happened in the global business environment have tremendous political, economic and social implication on the global business environment.

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