LOCAL ECONOMIC DEVELOPMENT. SOME THEORETICAL PREMISES

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Abstract

In conclusion, there is a great interest in regional theories, which analyze and support the importance of institutions and different bodies in promoting development at the territorial level. Together with the institutions, regional policies also have an important role, which, through the established objectives and the tools used, can affect both localization and regional development.

The choice by the local authorities of the models on which to base their medium and long-term development strategies must be a permanent concern in achieving performance.

A viable solution for generating community development and conducting a comprehensive community-wide process could be given by the implementation of several models in the same community, models that are being planned at the implementation stage become complementary and complement the process Community-level development at the level of each community.

***Keywords**:* real economy, local economic development, network

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Introduction

The role of the regions in national economies has changed significantly over the last period as a result of *globalization and structural adjustments*, understanding this process being crucial to understanding regional economic analyzes and regional development planning.

The regional impact of recent economic and social changes has placed the development of national economies *in a complex, uncertain and competitive world*, which has led to fundamental changes in the structure of their economies, the development being profoundly differentiated, producing acute differences between winners and losers, rural areas suffer from a sharp decline, with the specialization of the economy demanding protection to ensure that products are competitive on national or global markets.

Regional analysis methods and tools are vital for both research and support to local policy makers in improving performance and to designing a strategic planning framework to place the region in a position to create and maintain *competitive edge*.

The specificity of the subject of study of the regional economy

The specificity of the subject of study of the regional economy is significantly different from the national economy, macroeconomic, differentiation which is found in highlighting the more interdependencies of the economic, social, ecological, cultural, etc. elements, in regional spaces, than in the national or international spaces.

The degree of interdependence highlights two dimensions of research and configuration of *regional relations*, namely:

-o interregional relations between distinct regions;

-o intra-regional relations within the region.

The second category of relations highlights the interdependencies between the local areas and the local economies, distinguishing *between the regional economy and the local economy (rural or urban)*, the latter addressing the problems specific to the development of the localities as well as the specific rural areas specific urban areas.

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The set of relationships, interdependencies and interactions that take place in the local, regional, urban and rural spaces between the participants in the production, commercial, consumer, financial, social, ecological, cultural, etc. activities, forms the **network** within which the economic network is delineated, within this network, the dominant role of the **communities** in terms of network rationality.

In the demarcation of strategies and policies of economic development, the region is a fundamental component, the spatial complements of the region being the area and the zone, but between these terms there is a methodological delimitation.

The delimitation of the zones within the regions is made according to various criteria (economic, administrative, geographical, etc.), there are no fully satisfactory methodologies, and compromise is necessary. One of the classical delimitations reveals the following *types of zones*:

1. *Homogeneous zones*, which are similar according to key criteria (income / inhabitant, degree of industrialization), in which case the cohesion is ensured by the similarities, the internal differentiations and the interregional interactions are not considered important;

2. *Nodal (polarizing) zones*, in which case cohesion is ensured by internal fluxes, polarizing interdependences around a dominant center of a node, forming a *network of interdependencies*;

3. *iInstitutionalized zones*, where cohesion stems from an administrative framework and the implementation of specific local development policies and programs.

Taking into account the economic and social problems they face*, three categories of problematic zones were delimited in Romania*, namely:

1. Traditional underdeveloped zones (mainly agriculture-centered);

2. Zones in industrial decline (job cuts);

3. Fragile structural zones (one branch dependence).

Within the regions, **the rural space**, which, as defined in the European Charter, is defined as the inner and coastal zone, comprising the villages and small towns where most of the land is used for agriculture, forestry, spending leisure time, nature reserves, housing, craft activities, industrial services or activities. The definition highlights that *rural space is more extensive than agricultural space*, but their significance is different.

Sustainable local development implies the completion of a complex of legislative, organizational, economic, financial, social, cultural, etc. activities. which will ensure the improvement of the material and spiritual situation of the population (now and in the future!), by the non-destructive capitalization of the resources of the spatial space.

Local development strategies, policies, programs and projects target objectives such as: reorganization of the territory; carrying out land improvement works, developing and expanding the network of communication routes; conservation and regeneration of resources and preservation of ecological balance; landscaping and creating conditions for agritourism; raising the living and comfort of the population.

Local economic development characteristics

Theoretically, conceptually, local economic development has several characteristics, namely:

a) *spatiality*, that is, it is oriented "around man", encompassing it as an ever-expanding sphere, interwoven totally between man and nature, between man and his free spirit;

b) *multidimensionality*, that is, the variety of products, human artifacts (goods, institutions, knowledge, etc.) differentiated in a network, from interests and institutions to goods (economic) and behaviors;

c) temporality, ie the evolutionary evolution of local time development, both of the subject, of the attributes and of the phenomena and processes involved;

d) *relativity*, ie the existence of a diversity of relations between goods, between generating people and consumers, suppliers or beneficiaries of these goods, relativity resulting in interdependencies of different natures, from causality to transitivity, often taking the form of one-way, two-way or multi-way flows.

The fact of being within a networkis is the defining feature of a sustainable economy, the network of relationships having certain determinants that give it that status.

Operationally, pragmatic, the network is a composite assembly between different types of requirements, component objectives, network partners, compromises between different action logic within the network, often generating innovations.

The phenomenon of networking was determined by the amplification of the tertiary phenomena of the economy, especially at the local level, and by the emergence of information technology, in the new type of economy, the added value having a predominantly intangible, non-material character, being created by economic actors who have specialized expertise. The expression of these phenomena is the equalization of the potential influence of the involved subjects, which led to the democratization of the relations between them, triggering a rapprochement for cooperation within symbiotic structures which, favoring collaboration, does not exclude competition and conflicts.

There is a diversity of *links* that go beyond mere vertical integration of technological systems, integration based especially on the existence of internal synergies, the new links relying mainly on external synergies resulting from the association of the competences and resources of economic and non-economic entities in order to achieving objectives that can not be achieved by the activity of individual economic subjects.

In the context of local economic development, the network is primarily a conceptual space and a configuration of connections of different natures, resulting from coagulation and interconnection of channels of communication and circulation of knowledge and information, generating well-formed action structures and behavioral coherence intrinsic to economic actors in a zonal space.

Network efficiency, particularly decentralization, is strongly conditioned by the intrinsic capacity of network elements to behave and act autonomously through *self-organization.*

The degree of decentralization within the configuration networks depends on several conditions:

1. *Diminishing* the need for unitary, hierarchical coordination through command decisions;

2. *Orientation* of the planning of activities at the local level, by focusing on more specialized functions and activities,

3. *Adaptation* of objectives and results to non-standardized, locally formulated norms;

4. *Developing* skills and capabilities of self-organization, self-control and accountability.

Increasingly, networks become part of *the strategic infrastructure*, not only for business, but also for regions and communities, allowing them to operate successfully in the new economy.

The interaction of economic entities, organizations or firms with the environment is conditioned by the existence of *differentiated proximity degrees*, which characterize the relations between entities in a given space (area, locality, commune, city, county, region). Proximity grades determine the greater or smaller benefits of establishing close links between the occupants of a given space, the possible situations depending on the market position of the tenants, their number, the share of each competitor, the existence of leading companies, etc. .

There are *different levels of proximity between economic actors*, namely: local space proximity, social proximity, technological proximity, productive and commercial proximity, and national proximity.

Proximity relationships outline two ways of acting for entities, businesses:

▪ First is dominated by *market and competition relations*, with the main sanctions and rewards of clients' choices;

▪ The second, dominated by *partner relations*, the ability to establish and develop relationships with the closest, proximate partners to manage externality, being an essential element of local and regional development strategies

In this context, the phenomenon known as "agglomeration economies", also called external economies, which implies the competitive advantages of the entities resulting from the neighboring state and, implicitly, the interaction between them, is imposed.

In practice, external economies result in a significant reduction in production costs, as they allow an efficient organization of the distribution of efforts between in-house and market-driven activities.

Elements that can influence the *location of activities,* various entrepreneurial entities are specific to the structure of the area: the proximity of urban agglomerations, the existence of vocational training structures, the development of services and infrastructure, etc.

In the local space, partners can usually be delimited in *public, private and social*, all of which contribute to the development of the area's competences heritage, but an essential link between them is the associative entities, being within the area, an associative network, an organizational - economic reality with a specific significance for the dynamics of the area.

Established on a partnership basis, these associations aggregate organizations or firms of different or similar sizes, through association agreements, forming alliances in order to achieve common, complementary, inclusive objectives for the development of development programs and projects.

Different forms of networks support

Several different forms of networks support the economic development of the zone, namely:

- **The community**, which creates the network for common, common, basic knowledge, and distributes the information. Common knowledge allows people to be better informed, better educated, and become more informed when deciding on private and public investment, production and trade.

Basic knowledge leads to the development of the second form of the network, which is important in economic development, the associative network involving learning and the ability to improve the knowledge, production and development of industries.

Historically, the associative network linked to economic development has been formally structured where members have asked to participate in the network (professional organizations, chambers of commerce, service clubs, etc.), which play a significant role in supporting economic development, becoming gradually more specialized, many of the associates being hierarchically structured hierarchies or chains.

The globalization and revolution of information technology has fundamentally changed the meaning and role of associations, the networks of the new economy becoming more open, aspal and informal, information flows within networks becoming faster, circulating through complex radial structures. The new associative networks have both local and global features, and can be spatial and spatial.

- **Alliance** is closely linked to networks, but it is the tactical aspect of the network and involves relationships between two or more entities that have compatible business roles, the alliances becoming strategic when planning processes between the parties of the alliance are made to ensure the most advantageous position.

Different types of alliance structures and networks play a key role in the local development process, delineating the strategic alliances that have emerged in the local context, claiming a well established network and strengthened organizational structures in the economy of the area, acting as a catalyst for growth, facilitating business development, an example of such alliances being twin cities, these alliances can help the economic development of the area.

A key element of the alliance is the catalyst, made up of people and organizations acting as information exchange agents, in the form of information packages, products, resources, etc. for alliances, these being the brains of the alliances, in the future, this role of catalyst in the areas will have the organizations centered on the economic development of the area.

Depending on the *configuration of the alliance*, strategic alliances are delimited in three types:

1. A*lliances based on complementarity* between participants performing different activities, aiming to ensure the complementarity of operations in order to optimize them. These alliances are based on product sharing between partners, allowing partners to benefit from the potential complementarity.

2. *Integrative alliances*, when the activities and assets are of the same nature, aiming to achieve economies of scale; the alliance usually consists of links upstream and downstream of the economic process, in particular production or investment . The engine of strategic integrative alliances is an activity, an objective that is the reason, subject of the alliance, the partners remaining competitors upstream and downstream.

3. *Additive alliances*, aiming at joint realization of a final product, representing an alternative for merger, the consortium being substituted for the market partners. The Alliance carries out all the phases of the flow of activities and operations, being structured around a new society, in which some activities are carried out jointly, the other being distributed among partners.

Conclusions

In conclusion, there is a great interest in regional theories, which analyze and support the importance of institutions and different bodies in promoting development at the territorial level. Together with the institutions, regional policies also have an important role, which, through the established objectives and the tools used, can affect both localization and regional development.

The choice by the local authorities of the models on which to base their medium and long-term development strategies must be a permanent concern in achieving performance.

A viable solution for generating community development and conducting a comprehensive community-wide process could be given by the implementation of several models in the same community, models that are being planned at the implementation stage become complementary and complement the process Community-level development at the level of each community.

Territorial development can not be achieved without the direct contribution of SMEs. Small and medium-sized enterprises, by their nature, appear locally and carry out small-scale activities, being particularly connected to local and regional markets. Only a small part of them are active at national level or manage to find a niche in the international market.

Between Romania's regions there are persistent overall gaps in development that are reflected in business and entrepreneurship. The evaluation of indicators for SMEs reveals the existence of marked disparities between the eight development regions, the Bucharest-Ilfov region being detached with a superior level of performance.

As regards the SME density in Romania, compared to the average in Romania (about 25 SMEs / 1000 inhabitants), there are large disparities in the eight development regions. The Bucharest-Ilfov region is at a great distance from the other regions with the highest density of SMEs, ie 52.73 SMEs / 1000 inhabitants (at the end of 2017, based on consolidated data at the level of the Ministry of Finance Public, from the balance sheets of economic agents active in the real economy). Densities in the other regions are at half the value for Bucharest-Ilfov in the North-West and Center regions, or even one-third for the North-East region (about 17.2 SMEs / 1000 inhabitants).

As for the regional specialization of SMEs, these (enterprises) are present in all sectors of the economy in most regions. However, some regions are distinguished by the preponderance of certain sectors, as in the case of the Bucharest-Ilfov region, which has a significant share of the SMEs in the Services and the North-West and Center regions with the best-defined industrial specialization profile.

In terms of the regional labor force, the Bucharest-Ilfov region also has the highest percentage of employees in SMEs (approximately 24.3%), which is correlated with the number of firms or SME density.

In the other regions the number of employees in SMEs ranges from a minimum of 7% for the South-West region to a maximum of 16% in the North-West region.

The territorial distribution of the new registrations made for the year 2017, at the level of Romania, shows a significant detachment of the city of Bucharest compared to the other counties, which registered over 17,200 registrations.

Small and Medium Enterprises in Romania face four major problems:

- *Critical mass problem* - is directly observable statistically, as the density of SMEs per 1000 inhabitants in Romania is well below the European average. More specifically, if there are not enough companies, their contribution to VAB / GDP can not be significant either.

- *Problem of size* - this is evident from the radiography of the sector, as there is a higher share than the regional level of small and very small firms, mostly in survival, without big plans for growth or managerial sophistication.

- *Problem of sectorial structure* - comes from the small firms' appetite to trade and trade mediation. Romania, in addition to trade, needs well-built productive chains, with services to boost industrial potential.

- *Problem of resilience* - it can be seen from the magnitude of the SME reaction to the crisis as well as from the low survival rate of the newly created firms. Romanian companies appear opportunistically and by copying existing models, rather than by robust planning that takes into account rigorous risk management and contingency plans.

By their characteristics, SMEs offer advantages in the economy that large firms do not offer (spin-off, start-up, social capital, lower entry and exit costs, lower risk of failure, etc.), but they do not employment or growth necessarily, but by the possibilities of enhancing the competitive advantages for a region or a country.

Future actions should therefore focus on a mix of complementary measures aimed at improving the business environment, financing needs and facilitating access to appropriate tools for SMEs, with a stronger emphasis on business innovation and the development of high qualifications and professional skills specialized.

Support for improving the business environment, by simplifying procedures and reducing administrative costs, must follow all the key moments of the entrepreneurial lifecycle (start-up, development, business transfer, bankruptcy or second chance) through legislative initiatives and tax, reducing the bureaucracy and the number of taxes and duties.

Education and training are key factors in acquiring the knowledge and attitudes necessary for business success, but we must not neglect the shortage of qualified human resources in the areas of specialized skills that companies in Romania are currently facing. Thus, the development of dual vocational education and the intensification of employee training programs in SMEs are mandatory requirements, given that only 24% of Romanian enterprises provide training for employees.

In our opinion, companies operating locally should be the engine of both balanced territorial development and sustainable development. In this regard, our researches focused on finding the mechanisms, means, techniques and methods by which the asymmetry of the financial side of economic development at the territorial level could be reduced, in line with the objectives of sustainable development at national and regional level.

Starting from a multitude of information from the literature, from the world development experience at the territorial level and from the real economy of Romania, I came to the conclusion that at the local level, together with the public services, there are a series of activities that are provided directly for the benefit of the community and are not the responsibility of local public administration, such as local trade, passenger transport, local tourism, etc. and which should be the core of the activities to ensure the needs of communities at the local level.

Paradoxically, it is precisely in our country that the administrative doctrine constitutes the biggest obstacle to the territorial development of these types of companies. Although there is a favorable legislative framework that allows public services to be provided in private, there are many cases when they are carried out by the local public administration but at a level predominantly determined by sources and financial resources below the appropriate level.

An alternative to the present state is the local economic development, a concept proposed by us and which attempts to solve the problems related to the interconnection of different localities (entities of size and with different economic and social structures) but which share a certain purpose. The public-private partnership thus acquires another dimension in the territorial context, the ultimate goal being to meet the needs of the population in that area. And, of course, within this partnership, local businesses that work in local communities, which are designed to meet certain needs of the population (goods and services), should be a central place.

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