

COMPETITIVENESS – A MICROECONOMICS UNIT GENERATING ADDED VALUE WITHIN STRATEGY 2014-2020

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1. Introduction

Beginning with the issue of the Autumn Scientific Session of the Romanian Academy of Scientists, we consider the renaissance and the economic, social and cultural development of our country can be achieved only by applying the Competitiveness Operational Programme (COP) that is in accordance with the strategy of intelligent growth, sustainable and convenient to the territorial inclusion and cohesion through 2014-2020. This context also includes the National Reform Programme (NRP) 2015 for the same period.

The Association ECOFOREST of Neamț is, thus willing to promote the microeconomics competitiveness, a sine-qua-non condition to the economic, scientific, technical and social progress of the Neamț County and of the entire country.

The present work contains four chapters:

Chapter 1 Solution for the economic, cultural and scientific renaissance suggested by the famous American economist of Romanian origin, Anghel Rugină

This chapter approaches the microeconomics combined with the macroeconomics, meaning an ex-ante promotion based on an equilibrium policy, such as Anghel Rugină mentioned at the Seminary organized by the General Association of Economists of Romania, Subsidiary of Neamț County, in August 1993. In this respect, our work doesn't go thoroughly into the reform framework, which overtakes the microeconomics frame, as Anghel Rugină proposed. We only point out the equation $S = A + P$ regarding the strategies the local communities elaborate even for 2014-2020, which, applied in accordance with $S =$ solutions suggested by the author may contribute to the added value growth.

Chapter 2 Value of net production – microeconomic standard of the economical – social progress

This chapter emphasizes the necessity to include the net production index, the very added value - the newly created value, as well as the good production index among the economic - financial indices (1978). In these circumstances there

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have been determined the elements of the newly created value structure and there have been established the connections of the newly created value with a set of indices that are conditional on each other. The strategies and the development plans for 2014-2020 put a special stress on the global supply chains for added value, according to the Porter pattern, which we also insisted on this paper. We have reported out of this domain an example of value chain to make the added value increase through the Strategy drawn up by ECOFOREST Association of Neamt for Pastraveni village, Neamt.

Chapter 3 European and international added value through programmes/projects, long term support for NGOs development

We have detailed along this chapter the contribution of the added value through programmes/projects financed by the European Union and funds raised by some U.S organizations globalization. They have played part altogether in NGOs establishment in the whole country, numbering now 762 NGOs in Neamt County and 59.000 NGOs in Romania, that have been bringing increased added value. By improving the NGOs professional competitiveness in drawing up and implementing programmes/projects financed with The Human Capital Operations Programme (HCOP), they will contribute to the added value growth. Following this goal, we have designed an innovative method adapted to the evaluation competitiveness improvement of project proposal on the basis of the comparison method applied to the evaluation criteria within a project. It is an easy method that confronts two components, resources to achieve a valid result.

Chapter 4 Scientific research, the main intelligent force in the economic, social and cultural renaissance and development on microeconomics

The paper reveals the main results obtained by ECOFOREST Association of Neamt during the 18 years of activity, which have been validated by the communities of Neamt county of North-West region and of the country. Nevertheless, we have not succeeded in developing plenty of collaborations with economic agents or in challenging the NGOs from our county into research-development activities horizontally and vertically, even if there is an invaluable prospective potential for the economic, social and cultural renewal and development of Romania, inadequately capitalized. Research - Development and Innovation National Strategy (RDINS) 2014-2020 and Competitiveness Operational Programme (COP) are significant to support business and competitiveness, side by side with other policies and related sectors. At the end of the chapter we have mentioned our association proposals of research through the European Union programmes. Further on there are being detailed the four chapters of the work.

Chapter 1 Solution for the economic, cultural and scientific renaissance suggested by the famous American economist of Romanian origin, Anghel Rugină

Is it possible an economic miracle in Romania?

This is what the well-known economist Anghel Rugină asked at the Seminary organized by the General Association of Economists, Subsidiary of Neamț County in August 1993.

In his work, the author supports the classical newly accredited school derived from the equation $S = A + P$, as saving solution, where:

S = solution;

A = actual reality (social, economical, or financial), that as usual, especially nowadays, is full of contradictions and aberrations, full of all kind of imbalances;

P = potential reality, possible in future time, formed from ideal conditions of general stable equilibrium, that may be accomplished in practice.

It means that if we know P, represented by the best existing conditions such as the general stable equilibrium, then it is possible to adjust the imbalance conditions of A by structural reform or by other similar means, as any issue of the national economy be satisfactorily solved on short or long term. Besides, this was the third version of the “Economic Miracle” plan in Romania. The author named the concept of the economic, social and financial issues as being a macroeconomics scientific error that must be rectified if we want to solve time problem satisfaction in Romania and abroad as well. He reported the combined macroeconomic and microeconomic analysis, meaning the ex-ante growth based on an equilibrium policy.

In other words “... *an economic, cultural and scientific renaissance worthy of our nation history*” quoted the author. The Academic Institutions play an important role in the economic, social and cultural renaissance and development in Romania, as the National Programme of Structural Reform stipulates for 2014-2020.

Chapter 2 Value of net production – microeconomic standard of the economic – social progress

On bearing out Anghel Rugină’s suggestion as well as the fact we develop a microeconomics activity, we are going on asserting some opinions, considerations and results in order to meet the strategy demands in 2014-2020.

The introduction of the net production index among the economic-financial indices, more than 30 years ago, was accomplished on the basis every enterprise should be estimated according to the added value/newly created value, meaning the net production. Net production having been set up in 1978 there was also introduced the good production index, a key index alongside the net production value. The good production index is the usage, quantifiable utility and measurable

value in kg, tones, meters, pieces, etc., scheduled in time to meet the clients' demands, within goods industry, utilities and general consumption.

Our manufacturing experience showed that the level and the fulfillment of the newly created value/net production are thoroughly related to the goods production. The newly created value/the value added in a certain time is determined subtracting fixed expenses from the final production, as follows:

FPV = final production value

E = fixed expenses

W = wages

P = profit

$FPV - E =$ Net production value/Newly created value materialized in the National income.

Structure of net production /newly created value contains: economic agent payroll, labor and CAS taxes, research-development expenses, innovation, fixed capital depreciation; added value tax; travel expenses; profit; other labor costs.

The net production or the newly created value correlates to a set of indices that are conditional on each other.

The connections refer to:

1. ***Net production correlated to the goods production.***
2. ***Net production correlated to the final production value and/or to the turnover.***
3. ***Net production correlated to the net profit.***
4. ***Net production, reported to fixed assets value.***
5. ***Net production reported to fixed expenses.***
6. ***Net production correlated to the labor value.***
7. ***Net production, correlated to the payroll fund.***

The payroll fund is part of the national income meant to personal consumption (wages, prizes, dividends, benefits, grants, etc.).

All these indices correlated on microeconomics or on each economic agent management play a part in the economic, social and cultural renewal and development. The summing-up of long term increasing progress, starting with each employee, workshop, department, factory and holding – has an optimistic impact on human life style both micro and macro socially.

They lay a special emphasize on ***the global chains of added value***, on ***the entrepreneurial excellence*** and on an innovative culture during the 2014-2020 strategies, programmes and projects. Thus, companies are becoming key agents, interested in getting into the regional and international chains of added value. The excellence is this way promoted by internationalization of the Research-Development section, they enable collaborations with worldwide outstanding researchers, for multiple research and entrepreneurial careers.

Porter's Pattern of value chain was undertaken by Dan Humelnicu in his article "The Value Chain – A Strategic Management Instrument" on March the 27th, 2014. Porter makes distinction between two types of activities where a company is involved: main activities and supporting or secondary activities.

The main activities countersign the entry logistics; the operations refer to transform the raw material into products or services; exit logistics countersign the relation with the direct clients, marketing and sales; after sale services.

The secondary activities are: the supply, the technologic advancement, the resources management, the understructure.

Dan Humelnicu underlines some notable examples concerning the application of the value chain as a strategic management instrument from the Pan American Company Patagonia, (Argentina), authorized in clothing, that has extended the value chain upon: the added value for "clients"; the added value for "shareholder" consequently, the company has also included the raw material suppliers, as well as new reconditioning and recycling services, such protecting the environment.

The strategy of local development in Pastraveni village, county of Neamț 2014-2020, issued by the ECOFOREST Association Neamț, has been among the objectives and provisions of the National Plan for Rural Development (NPRD) and the European Agriculture Fund for Rural Development (EAFDR) for the economy of this community to transform into a modern and competitive economy.

On this regard, here is a series of opportunities concerning competitiveness in order to make the added value increase in Pastraveni:

- Competitiveness improvement of the primary producers by their better integration to the agro industry through quality framework, added value growth of the agricultural products, through promoting on the local markets and on short supply chains the producer groups and organizations and the inter-professional organizations.
- Development of proceeding capacity, added value growth for the agricultural products and market organizational improvement through promoting on the local markets the short supply chains.
- Assistance for vertically cooperation and among the actors within the chain.

Local development strategy in Pastraveni foresees:

- *The vertically cooperation:* the Ccounty, the North-West region, h Romanian Government, with the appropriate grant programmes, with the European Commission

- *The horizontally cooperation:* with the actors of the local community and surroundings, local active Groups, Nongovernmental Organizations, counseling organizations, and with actors from both EU and non EU states.

Europe Strategy 2014-2020 for an intelligent sustainable and growth in favor to the inclusion and the European Council Resolution on a renewed

European agenda for adult education (2011/C372/01) promotes the lifelong learning and skills gathering as key element in response to the far-reaching economic and social strategy of the European Union.

Innovative objectives for grown-ups education settled by ECOFOREST Association of Neamt

- During adult education process, our offer covers the entire range of key-skills, a great challenge to ensure access to innovation methodologies.
- New skills and jobs by learning to adult labor market.
- Adult education policy will focus on learning outcomes, whose central figure is the independent learner wherever he studies – at work, at home, in the local community, in volunteering or in educational institutions.
- Lifelong learning until the retirement age: formal, non-formal, informal to dispose of labor market mobility, independently.
- Contribution to grown-ups education, to economic development by strengthening the productivity, competitiveness, creativity, innovation and entrepreneurship.
- Collaboration with social partners: central, regional and local authorities, trade unions, employers, economic agents, NGOs and so forth.
- Promoting adult education as means of unity between different age groups with the help of an “Inter-generation Pact”, between cultures and life styles.
- Usage of **the open coordination method** (OCM) by European networks to promote mutual education and sharing of fine adult education methods.
- Diversifying the adults educational opportunities offered by new professions as Ergonomics – an interdisciplinary science with multiple impacts on employment, health, economic efficiency, social economics, ICT, etc.

Chapter 3 European and international added value through programmes/projects, long term support for NGOs development

The European added value is additional to the one created by our country activities and projects. EAV derives from the judicial certainty, from coordination gains, from the increased efficiency or better complementarities. It reflects a greater relevance and an European action significance in order to introduce patterns and mechanisms that may be applied not just nationally, but also in Europe. EAV may be obtained in different steps of the programme/project for: the ex-ante evaluation of the plan; defining the programme actions; helping the experts on selection; evaluating the project outcomes; evaluating ex-post project impact. It is undeniable that the European Union strategies, policies and programmes have been contributing to the solving of some economic, social and cultural issues by adding European value. Simultaneously to the EU grant, globalization has scored positively and has contributed with considerable funds to

NGOs strengthening (e.g: the Foundation funds for an Open society – Soros, American Foundations and Banks funds managed by the Partnership Foundation, etc.). We can stoutly affirm that without the EU financial support and other foreign sources, neither ECOFOREST Association, nor the 762 NGOs in county of Neamt and more than the 59.000 NGOs in Romania would have existed. They state in The Romania National Development Plan for 2014-2020 that the included actions and measures must bring increased EAV, which leads to addition than the previous period. According to HCOP and to the general conditions, NGOs can bring European added value only by complying with the EU legislation and documents aiming the fund granting and implementation of projects under the terms settled by HCOP. To increase the NGOs professionalism on setting up and granting programme implementation through HCOP and to contribute more to added value, we submit the following applicable method:

The Comparison Method

It is a simple working method which consists on putting side by side two components, resources, needs and their qualitatively analysis to reach valid result.

Description: The applicant to a financing project analyzes with a notable request each and every component on the evaluation criteria and quantifies it with a score by the **comparison method**: the self estimated score reported to the one set on the financer evaluation criteria, out of the summing up should result 100% achieved EAV and the project will be approved. Otherwise, the operation repeats.

This method is innovative as it is derived from our more than 18 years practical experience and that we have adapted it to the demands of the European financing programmes/projects and to other granting sources, helping to increase the added value. According to HCOP and to the conditions specified by the financer, EAV should be managed by the applicant to the ex-ante/ex-post evaluation of his project by analyzing the following elements on the evaluation criteria:

Important evaluation criteria: the project relevance; the project methodology; the project budget; assistance and added value; applicant and partner (if necessary); specific aspects of the financing programme.

We consider that by the comparison method, professionally applied by the applicant, there will increase the capability to absorb European funds and decrease the probability of failure of the proposer. At the same time, the effectiveness and efficiency of NGOs' activity make progress.

Being in the 2014-2020 Strategy of competitiveness and structural reforms, NGOs ought to meet these demands if they want to compete on the projects market where the best and most competitive wins.

Chapter 4 Scientific research, the main intelligent force in the economic, social and cultural renaissance and development on microeconomics

Research, development and innovation are creative activities that must precede production process, services and works, to enrich the knowledge in all fields of activity as well as its usage for new applications. R&D sector has proved out weakly connected both with business-hood and NGOs, and also with the wide public. There were and still are permanent concerns for R&D sector of the ECOFOREST Association, Neamt for innovation and creativity in Neamt county, involving association members and volunteers. The circumstances are not appropriate due to the absence of the **critical mass** of experts in this field and the lack of their permanent stability for reasons that don't depend on us. Yet, the National Institute of Statistics formalizes the non-profit private industry performance viewing two types of research:

- **applied research** of original investigation, in order to gain new knowledge, directed towards a practical and specific goal and target;
- **empirical development** of systematic activities, that uses the existing knowledge gained research and/or practical experience.
- In this context, our association, ongoing encouraged by the leadership of the Romanian Academy of Scientists, accomplished during the 18 years of activity a large number of tasks authorized by the local communities of Neamt and North-West Region: projects with foreign funding, local long-term development plans, training courses, booklets elaborating, studies, methodologies, newsletters, etc. and participation with essays at scientific conferences of the RAS (AOSR) and of the Subsidiary of Piatra Neamt.
- Research-Development and Innovation National Strategy (RDINS) 2014-2020 and COP are significant to business assistance, along with other policies and related sectors.
- The stress is put on intelligent specialties, priority to make the GDP grow by merging resources and the deployment of a critical mass of research which provides competitiveness on the regional and/or global added value chains.
- Intelligent specialty priority and priorities to public relevance take into consideration, besides the development of innovative technologies and solutions, incentivizing the economic agents to understand the social impact of the economic science and activity in the production sectors, services and works. These priorities involve an interdisciplinary R&D activity beyond the traditional interdisciplinary boundaries
- Development of excellence by the R&D sector internationalization, worldwide best researchers, for dual careers in research and entrepreneurship.

Research proposal of ECOFOREST Association, Neamt with EU programmes

- Drawing-up a methodology, method, technique, procedure, instruments to underpin the scientific research on applicative general ergonomics and applicative methodologies to sectors/fields of activity under the Classification of Activities in National Economics.
- **Empirical development systemically** using the acknowledgement gained from the scientific research or practical experience on the strategy and plan/programmes of economic, social, cultural, environmental development of local communities, in line with PNDR, the Strategy of Environment, the Strategy of professional training of HCOP, etc.
- Organizational development by training of experts on research, development and innovation, as well as empirical development, to have got a critical mass assured by members of the association, volunteers and other people interested in.
- Coming-up with new professions that have not existed before, like "*Ergonomics specialist*" and "*Social enterprise manager*", which ECOFOREST Association of Neamt will be authorized for as professional training provider for adults, according to GO 129/2010.
- Reauthorization of some professions required on the labor market.

Conclusions

Conclusion (1)

In order to achieve a continuous progress, ECOFOREST Association will concentrate on the goals of PND, PADR, HCOP, on The Operational Competitiveness Programme and other related plans/projects which may be field of activity mentioned in the Memorandum of Association and in the Strategy and Development Plan of our organization.

Conclusion (2)

Promotion and implementation of the indices and operations that aim at the quality and progress of NGOs, of economic agents, of local government, of the goods, services and works producers regarding: the added value/newly created growth – basic index for the growth of the national income; growth of the newly created European value with European funds; promotion of the scientific, economic, social, environmental and cultural research, first of all by creating a critical mass of PhDs, academy graduated specialists, technicians, foremen and even apprentices. They can each and everyone take part into the revival and economic, social and cultural sustainable development of Romania.

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