The Competitiveness of Financial Support Measures in the Context of the Pandemic

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Abstract. *This article starts from the empirical study of economic and social policies at the European level and has as its main purpose the determination of some solutions to simplify and implement them in favor of the data analysis was essential to see the progress in accessing these measures during the pandemic period to provide conclusions regarding the level of contribution of these aids and how they were or were not distributed depending on the situation in the territory. The present research did not discuss overall evaluation/impact, as the period of implementation and reporting of these types of aid was concurrent. We can consider that the measures for granting financial support from non-reimbursable external funds, related to the Competitiveness Operational Program 2014-2020, in the context of the crisis caused by COVID-19, although effective from the perspective of the expenses incurred, were not effective in covering the demand, especially in the regions considered more developed. Our findings are useful for policymakers such as managers and investors and can help them make the best decision for their managing or investing activities. Moreover, governments need to know how companies respond to the pandemic to identify the sectors of activity that are more vulnerable to the crisis' effects and the main financial management decisions that must be adopted by companies during times of crises.*

Keywords: *competitiveness, development, pandemic, resilience*

Introduction

Certainly, the pandemic caused by the SARS-CoV-2 virus determined the effort of researchers, decision-makers, but also of citizens to reflect on the long-term consequences, especially in key sectors (Florescu & Burlacu, 2021). The pandemic has already caused massive disruption in small businesses just weeks after its onset. A recent study (Mammadzada et al., 2016) highlighted the fact that, only in the first days after the beginning of the pandemic, in the territory of the American

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states, over 43% of the enterprises had temporarily closed their productive activities and almost all these closures were caused by COVID-19. The respondents who temporarily closed the activity pointed out the reduction in demand and the emergence of problems related to the health of the employees as the main reasons for the closure (Negescu et al, 2021; Popescu et al. 2021).

The impact varied according to areas: retail, arts and entertainment, personal services, food services and hospitality businesses (Radulescu et al., 2021), but also regions or communities (Burlacu et al., 2020), the latter being the most disadvantaged from the perspective of the consequences on the local economy (Chatrakul et al., 2019).

Governments around the world have adopted public policies through different ways, such as: learning, as demonstrated by the UK's move from mitigation to suppression (strict lockdowns) after the projection of the infection and the consequences of many deaths (Brown& Cowling (2021), negotiated agreement, as illustrated by the adoption of stimulus packages around the world and the diffusion and transfer of ideas between governments (Burlacu et al., 2021).

For example, Sweden's measures against COVID-19 have so far avoided many of the lockdowns of other countries, measures that have been correlated with the level of a culture of trust and responsibility.

Ultimately, the cause of all these changes is the shock of COVID-19 itself, which directly affects health systems around the world, but indirectly affects other policy areas, by delaying welfare reforms, policies environmental and other actions considered "non-essential". International organizations (International Monetary Fund, World Bank, UN) outlined scenarios based on macroeconomic analyses, developing forecasts for recovery from the crisis; based on the data, estimates have been highlighted that indicate the fact that the economy will begin the recovery process starting from mid-2020, with 2021 being marked by positive economic growth: 5.8% according to the IMF, 4.2% according to the World Bank and 4.1% according to the UN (World Bank Group, 2020, p. 17). Unfortunately, these estimates are marked by uncertainty, both in terms of the risk of extending the pandemic, and in the sense of spreading over a longer period of time the economic and financial imbalances generated by it (Sarbu et al., 2021).

Romania, like the other EU member states, was affected by the economic crisis generated by the COVID-19 pandemic (Belostecinic et al., 2022). The economic crisis affects the activity of enterprises and, in particular, of small and medium-sized enterprises (SMEs), they are faced with a sudden shortage of liquidity or even with the unavailability of liquidity for a period of time (especially during states of emergency) (Profiroiu et al., 2020).

Literature review

International trade has an important role in any country, because when sold to international exchanges it indicates a surplus of this means a positive contribution to the formation and growth of the Gross Domestic Product (Santamaria & Surroca, 2011). Both exports and imports decreased compared to previous periods, but the share of imports remained clearly higher than exports, widening the deficit in the balance of external payments. The phenomenon is carefully studied by a number of economists and researchers. In this sense, Aldrighetti, Battini, Ivanov and Zennaro (2021) studied and disseminated a series of studies on the evolution of international exchanges of goods, the analysis of international trade or international trade as a factor of economic growth, the analyzes being accompanied by the use of statistical-econometric models.

Aggarwal, Srivastava and Bharadwaj (2020) dealt with the analysis of the role of large international corporations in the international trade of goods. Zubair, Kabir& Huang (2020) pays attention to the activity of international trade in terms of the content and technique of negotiations, and Belhadi et al., (2020) conducts a study on income, production quality and international trade, in which elements related to foreign trade are addressed today.

Datta (2017) published an extensive work on international trade relations and relations with the European Union, and Bosio, Djankov, Jolevski, & Ramalho (2020) launched a work on the cost of transport in international trade in the age of globalization.

Achieving success in business in the conditions of fierce competition from both domestic and foreign companies, undeniably depends on the notion of competitiveness, which is one of the most used terms in the modern economy, reflecting the level of the company's performance. At present, competitiveness has become the central concern of all countries of the world with the development of competition in all spheres of human activity (Dolgui, Ivanov& Sokolov, 2020).

Despite the research of competitiveness both at the micro and macro level by numerous scholars from all over the world and the existence of a vast scientific literature in the field of competitiveness, the meaning of the term competitiveness remains vague, unclear, there is no single opinion regarding the concept of competitiveness, which reveals the complexity of this notion (Velicu et al., 2022).

The analysis of competitiveness at the country level involves the analysis of the concepts of competitiveness of the branches that form it, both on the internal and external markets . Also, the country's competitiveness can be explained by the application of differentiated managerial practices, including management-labor relations. In this case, different branches of the country's economy require different management approaches. According to Michael Porter, national competitiveness is defined by the notion of productivity. Productivity represents the value of outputs produced per unit of labor or capital.

The impact of the COVID-19 pandemic and structural frictions in the recovery process make it difficult to assess changes in cost competitiveness (Bran et al., 2023). The sharp acceleration in unit labor cost growth in 2020 and its partial reversal expected in most countries in 2021 and 2022 are dominated by a statistical effect due to the massive retention of the labor force and the subsequent decline in total productivity per capita. This was driven by government support for job retention schemes, mainly in the form of temporarily extended short-time working schemes, which favored reducing hours worked rather than affecting employment levels for work (Hartigan, Ey, McCarthy, Capelin, & Lange, 2020).

The combination of labor market shortages and skills shortages indicates volatility and uncertainty about unit labor cost developments in the future. These are related to supply chain issues and frictions generated by the uneven economic recovery, as well as accelerated digital transformation and longer-term structural changes (Adam & Alarifi, 2021).

Methodology

Regarding the creation of a more comprehensive picture of the financial aid measures offered to businesses through GEO no. 130/2020, we tried to establish, first of all, which types of enterprises have benefited from funding under the state aid schemes established by this emergency ordinance. More precisely, the effort was to identify the distribution of these state aids in enterprises in Romania's regions. Thus, an approach covering both the need and the distribution of aid at the regional level was ensured. At the same time, the dynamics of county and regional entrepreneurship was followed in the context of the outbreak of the pandemic caused by COVID-19, to what extent these financial measures were aligned with the development objectives of the more developed and less developed regions of Romania, operationalizing at the county level the situation in two different moments of time.

Therefore, it was determined at the level of the three types of state aid (micro-grants, grants for working capital and grants for investments) allocated by GEO no. 130/2020 how many projects were financed, what was the national and regional perspective, what types of expenses were the most financed during this period, which regions and counties attracted the most "benefits".

The research was based on secondary data analysis, both to determine the level/potential existing in the regional economy before the pandemic and after the application of the aforementioned financial measures.

At the same time, the data analysis was essential to see the progress in accessing these measures during the pandemic period to provide conclusions regarding the level of contribution of these aids and how they were or were not distributed depending on the situation in the territory. The present research did not discuss overall evaluation/impact, as the period of implementation and reporting of these types of aid was concurrent.

At the same time, the measures must be understood as aid for the purchase of services and goods and not as projects. Also, many of the project activities involved a section of communication activities to ensure appropriate publicity, in accordance with the specifics of the operational programs, activities that were not included in our analysis. The databases used (both for describing the situation and for reporting the investments of companies in the region) were made at the national level and include all entities that benefit from state aid, grouped by the regions outlined by the Ministry of Economy, Entrepreneurship and Tourism (2021; MEAT from now on) and which, as a rule, overlap with the regional directorates (Agencies for Small and Medium Enterprises, Investment Attraction and Export Promotion).

In our analysis, the final beneficiaries of state aid were considered: SMEs/micro-enterprises/PFA/individual medical practices, non-governmental organizations with economic activity, hereinafter referred to as NGOs with economic and sports activity, which receive state aid through the micro-grant /grant for working capital/grant for productive investments, by concluding a state aid contract with the administrator of the state aid scheme.

This study comes as a novelty in the field, grants considered state aid during the pandemic, being a topic still unexplored by public administration researchers. Another novelty would be the fact that these aids were designed in collaboration with the services of the central public authorities, and we consider this to be an innovation for the efficiency of the policies since the beneficiaries had the opportunity to use a computer. the management system of the state aid scheme

According to our hypothesis, we measure whether the distribution of these grants brought added value to development policies through the entrepreneurial environment, considering the specificity and "need" of each region.

Results and discussions

First, we analyzed how these measures were contracted by the beneficiaries, depending on the applications submitted during the application period, respectively October 2021 for micro-grants and working capital grants and January 2022 for investment grants. MicrograNts were the measures with the highest demand, covering almost 38% of all requests, being also the measures with the highest request for reimbursement (59.4%). Regarding rejected requests, working capital grants are the ones that had a lower rate of contract rejection and termination than micrograNts, approximately 24.4% compared to 40.8% in the case of micrograNts.

Table 1. Distribution of projects according to the stadium of requests

	Measure 1- MicrograRts (max. 2,000 euros)	Measure 2 - Grants for working capital (max. 150,000 euros)	Measure 3- Grants for investments (max. 200,000 euros)
Submitted requests	36,9%	28,2%	36%
Rejected applications + terminated contracts + rejected contracts	40,7%	24,5%	-
Accepted requests	59,5%	75,7%	-
Contracts signed	59,4%	37,6%	-
Paid requests	59,3%	37,3%	-
Requests for reimbursement from European POC funds	59,1%	33,9%	-

Source: Own calculations according to the database made by NEEM.

To register an increased interest in the granting of these aids, the central authorities have achieved a deconcentration of measures and responsibilities, especially in the sector responsible for project management, the beneficiaries being represented by the Agencies for Small and Medium Enterprises, Investment Attraction and Export Promotion. Thus, investigating the share of paid contracts by region, we arrive at the "performance" of these measures by region. Therefore, in terms of paid contracts (out of a total of 8.923 contracts for working capital grants), the North-West Region was the region with the largest share of the total paid contracts (with almost 24% paid contracts), followed by the Region Bucharest-Ilfov (with 19.94%). Given that we can merge the data for Târgu-Mureș and Brașov, the region with the lowest rate of paid contracts is the South-West Oltenia Region (with only 7.31%).

It is obvious that the most affected regions, from the perspective of the consequences generated by the establishment of the state of emergency on businesses, were the North-West Regions, but also Bucharest-Ilfov. Considering that 76.28% of employees work in the private sector and 23.83% are employees in the public sector (INS, 2021), investments in the private sector and concerns during this period are absolutely necessary to balance the deficit created pandemic.

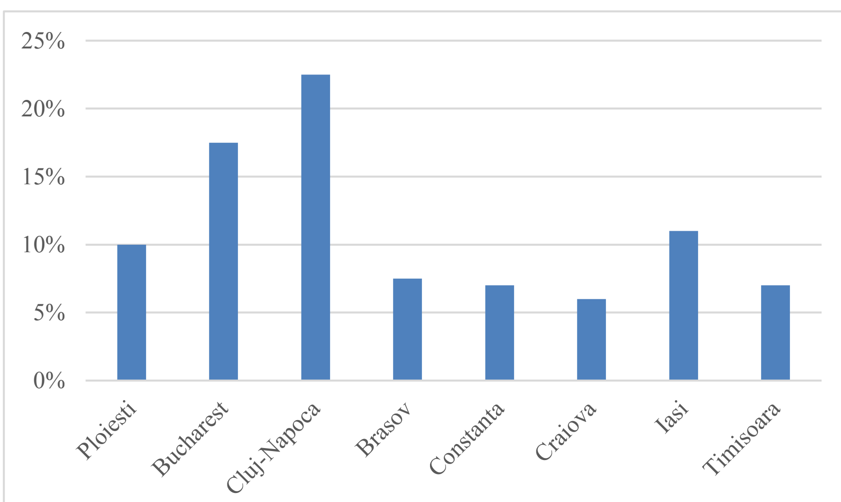

Figure 1. Projects contracted and paid according to MEEMA regional agency

Source: Own calculations according to the database of the Ministry of Economy, Entrepreneurship and Tourism

Therefore, the support measures benefited from an active collaboration between the private beneficiaries and the public authorities, carried out mainly online, which prompted many companies to access these measures. During the active period for the submission of these certificates, 49,254 (57.34%) registrations were received for TYPE 1 certificates (for the total or partial interruption of the activity, as a result of the effects of the decisions issued by the competent public authorities, according to the law, in the period yes to the decreed state of emergency), respectively 36,644 (43.75%) registrations for TYPE 2 certificates.

Therefore, we can observe the seriousness of the situation of the entrepreneurial environment following the increased interest in obtaining such state aid, both based on the dynamics of suspensions in the beginning of 2020 and the requests for emergency certificates.

Co-financing- a concept which, as a rule, in the case of structural funds, represents the beneficiary's contribution to the financing of a project and can be public-financed from the state budget (for beneficiaries of public institutions) or privately financed from the own budget (for private beneficiaries - SME, NGO, etc.)- must be analyzed in this situation.

Within these measures, co-financing is an indicator that reveals a meaning related to the way in which private beneficiaries are willing to bring a financial contribution in order to finance projects. In the case of the working capital grant measures, the co-financing required to be able to apply was at least 15% of the grant value on the date of the grant's use. Obviously, the North-West Region, with a much smaller allocation (only 12.18% of the total national budget) attracted the most projects, with a much larger co-financing required for the companies that applied (over 61%).

The Iași Region, implicitly the North-East Region, benefited from the largest budget, which led to the lowest co-financing rate, of only 50.12%. Corroborated with the payments made according to measure 2, described above, we can say that the success and performance of companies in the North-West Region are obvious. Equity in the allocation of financial resources by the central authorities, however, remains slightly uncorrelated with the specifics and needs of the regions regarding private sector financing. It is interesting how such a competition can be an opportunity to rethink entrepreneurial competitiveness and to correlate policies in the sense of supporting those regions with a real interest and a real need.

Table 2. Investment grants - the minimum percentage of co-financing and the weights of budget allocations per region

Region	Necessary co-financing of investments for financing	Budget allocated to the region	Region budget share
Cluj-Napoca	61%	281.916.858	12,28%
Bucharest	56,61%	347.173.995	15%
Brasov	52,65%	271.883.529	11,85%
Ploiesti	51,44%	309.656.058	13,48%
Timisoara	51,34%	231.553.484	10%
Constanta	50, 42%	292.343.650	12,73%
Iasi	50,22%	344.477.615	14,98%
Craiova	50,85%	235.488.125	10,27%

Source: Own calculations according to the database made by the Ministry of Economy, Entrepreneurship and Tourism

Regarding the eligible expenses, we must mention that these measures granted as a result of the pandemic affecting the local economy sector had a fairly uniform distribution, covering most of the obvious expenses in a pandemic context (purchase of raw materials, payment of debts to suppliers, etc.). As part of the research, a questionnaire was distributed to see which were the most "urgent" expenditure shares and which were actually paid through the grant.

Conclusion

We can consider that the measures for granting financial support from non-reimbursable external funds, related to the Competitiveness Operational Program 2014-2020, in the context of the crisis caused by COVID-19, although effective from the perspective of the expenses incurred, were not effective in covering the demand, especially in the regions considered more developed (for example, the North-West Region or Bucharest-Ilfov had a much smaller allocation, but with predominantly higher demand). It can be concluded that the trend was uniform from the perspective of budget allocation by region (between 10-15% for each region), which amplified the existing discrepancies at the level of the regions' development.

Unfortunately, the measure of investment grants (a measure that would obviously have maximized the impact of businesses in the local and regional economy), enjoyed increased interest, but not necessarily applicability to the measure, being the discussions regarding the transfer of the budget allocation to the measure working capital grants, a measure that enjoyed a fairly high contracting rate. In addition, the problem of transparency is obvious, this is also one of the limits of the research: many data are protected, being only available statistical data on the turnover and the amounts paid through financing contracts, but there was a lack of data on to the company's expenses and activity, which made it difficult to appreciate certain variables and contributions in the local economy.

At the macroeconomic level, it seems that the destination of the Competitiveness Operational Program 2014-2020 enjoys substantial allocations on objectives that will both amplify the results in the public sphere, making available considerable sums (through research, development, and innovation institutes) for public administrations/universities/research and development institutes with a much larger weight than that intended for the budgets of private entities.

A graph of the allocation for the financial year is obvious from the perspective of the reduced capacity of the state, but also of the ambitions at the level of alignment with the objectives of the cohesion policies through the POC.

Another fact worth noting is that at the level of the region's competitiveness objectives are not considered a priority, the allocations being almost uniform. Thus, it has come to the point that for certain enterprises there are substantial resources for investments (such as those in the North-East region), and, at the same time, for others, although there is a very high interest, no resources are allocated, at least at an equal level (this is the situation of the North-West Region).

Another aspect worth emphasizing is related to the fact that the harmonious development of a region or country requires a balanced absorption of non-reimbursable funds, but the co-financing percentages imposed, at least for the investments proposed to be made through the measure of investment grants, were much too high (which means that the tie-breaking based on the co-financing criterion was unfair) and, thus, led to blockages in the activity of any entity.

A series of more precise levers must be offered to bring more dynamism and a boost to the beneficiaries.

In addition, there is a lack of a sustainable approach regarding the impact of the losses caused by the pandemic in the coming period for private entities, the focus being especially on the funds intended for public administrations and public services, such as education and health, two areas equally affected during the pandemic.

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