

## **SECTORAL POLICIES IN THE POST-COVID-19 PERIOD**

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### **Abstract**

*National economies, but also the global economy as a whole, face major challenges caused primarily by the effects of the corona pandemic, to which are added factors that stimulate destabilizing trends in the value chain in the international economy: a new industrial revolution in the digital age; accentuation of nationalism and, implicitly, of protectionism; the urgent need to protect the natural environment, etc.*

*In a such unstable economic and social situation, the policies and programs developed and implemented by public authorities are crucial both for economic development and for improving the quality of life.*

*Public interventions of any kind: in the field of public finances; monetary policy; those aimed at investments; technical and technological progress, etc. will have to consider, on the one hand, the increase of the added value in the productive sectors of the national economy that present comparative advantage and, on the other hand, given equally important, to ensure the material, human, capital resources for this development, simultaneously with the appropriate satisfaction of life needs - food, health, education, services, etc. - of the population.*

*In this sense, the institutional sectoral structure of the national economy has always been, but especially in the present period, a major importance for policy makers, and sectoral prioritization in public policy interventions is a constant concern of the utmost importance for economic and social resilience of any country.*

**Keywords:** *COVID 19 virus, pandemic, economic challenges, economic policies, economic crisis.*

## Introduction

In each country, the coronavirus epidemic has highlighted weaknesses, sometimes large, in the economy and social life. The consequences of the spread of Covid-19 have manifested themselves not only in the unprepared health field - both in terms of providing adequate drugs and / or vaccines, but also in equipping medical centers with the necessary equipment - to solve the diseases.

All aspects of economic activity: production, distribution and trade, services, etc. - but also of social life: employment, education, social security, etc. - were affected due to the need to limit physical contacts, lockdown, complete cessation of activities.

The role of public authorities in overcoming the consequences of the health crisis and resuming the upward trend of economic growth is crucial, both for coordinating all activities and actors involved, and as the main participant in financing the planned programs.

Economic policies, both at macro, mezzo and micro level, will focus on two time horizons: one operational, respectively in the short term and the second in the medium and long term. Thus, in operational terms, public authorities will seek to eliminate the consequences of the pandemic, and in the medium and even long term will be developed and implemented strategies, plans and programs that lead to economic growth and social development, in conditions of protection and recovery of the natural environment - in a word, sustainable development.

At the macroeconomic level, a accommodative monetary policy is considered in the first place - such as lower active interest rates for individuals and enterprises, a lower minimum required reserve ratio (RMO), etc. - to stimulate domestic credit and, due to it, consumption and productive activity - the most important factors of economic and social development.

The second fundamental instrument of macroeconomic policy - namely fiscal policy - will play a major role in the post-crisis period. In this sense, the entire fiscal system: legislation, administration, control will have to exert less pressure on taxpayers (but not less

vigilant), but at the same time increase the accuracy of the implementation of existing regulations, so as to significantly improve the functions of public finances - allocative and redistributive of public revenues - of the respective system.

Budgetary policy will need to be pro-active, with the main goal comprising two priority areas:

- health protection of the population, support of jobs and incomes of the population, prevention of discrimination and exclusion;
- public investments in priority economic and social infrastructure, through subsidies and other financial instruments addressed to specific economic-social and / or institutional sectors (according to the System of Accounts or National Accounts (SNA) , developed by the United Nations Organization (UN) and which presents, for each state, the synthesis of the market economy).

It is necessary to specify the notion of sector. In the general sense, by economic or social sector we mean a specific field of activity, for example in the economy: industry, agriculture, construction, transport, tourism, etc., and in the social sectors: health, education, standard of living, etc.

In SNA, where we find the notion of institutional sector, the state of economic development of a country is described by statistical indicators of economic and / or social nature related to well-specified segments:

- the real economy sector (SQS - Companies and Qvasi-Companies), comprising all resident economic agents that achieve added value through productive activity;
- the “Households” sector, through which are registered both the incomes and the expenses made by all the resident families;
- the “Administration” sector, with its subdivisions “Public Administration” and “Private Administration”. Very interesting for the analysis of the economic and financial governance being the incomes, the expenses and, obviously, the balance between them, as well as the modalities of covering a possible negative balance, in fact the public debt;
- the financial sector comprising credit institutions, insurance companies, securities exchanges, non-banking financial institutions, their primary activity consisting in collecting temporarily free cash of economic agents and redistributing them to fund seekers, be they

individuals, enterprises or public institutions;

- the “Rest of the World” sector presents the commercial and financial relations of the national economy with private and public non-residents.

### **Public policies dedicated to the economic sectors**

Public policies, after conducting a diagnostic analysis of the economic situation, based on both statistical information related to economic and social sectors and those provided by the SNA develop proposals for intervention in specific areas, specifying their goals and priorities for the chosen time horizon.

The sectorial policies constitute the individualization of the objectives included in the macroeconomic policy for each economic-social sector, highlighting the contribution of each field of activity to the fulfillment of the global objectives.

The concretization of the public policy for each economic or social sector takes into account the specificity of each field of activity, its weight in the added value at national level, as well as the technical and technological evolutions that must be accessed and implemented to face the exigencies imposed by the international competitive environment. .

The epidemic caused by coronavirus has spread worldwide, and its consequences have been felt not only in the field of health, but also in all sectors of activity, because limiting the spread of the disease has imposed unprecedented isolation measures. The so-called lockdown involved the complete closure of some activities - such as tourism and restaurants, bars, etc. - or partial, especially in industry, construction, transport, etc., which meant a decrease or even a total decrease in income from wages, with dramatic consequences for many people.

In this situation, public authorities are obliged to adopt measures to remove the consequences of the pandemic and, at the same time, to develop and implement appropriate policies to restore economic and social life to the pre-crisis situation and resume growth in all sectors of the national economy.

The impact of the health crisis on the entire economic and social life is wide, and to measure it with the most acceptable degree of accuracy it is necessary to develop studies based on credible statistical information and address the economic and social sectors that

make up the national economy in a state. Thus, according to the specifics of each country, the areas that are subject to sectoral economic policies can be:

- energy - production, distribution and consumption - which can ensure the economic independence of a state;
- industry, with its sub-branches: extractive, machine building and light industry, the food industry, these being the ones that bring the highest net added value;
- constructions, a sector in which a large number of people are employed, many of them having a lower qualification;
- road, rail, sea and air transport, which is a vital sector for the economy of each country;
- services, whose importance is constantly growing, as technology and the adoption of the digital economy;
- agriculture, which provides vital products for the population, etc.

To the policies dedicated to the economic sectors are added the sectorial policies in the social fields: health, education, social protection, etc. which are, especially because of the current crisis, in the attention of all public authorities.

In the post-pandemic period, government authorities - which have a key role both in implementing the so-called resilience program, i.e. to counteract the shocks that the community feels in all aspects of economic and social life and return to the situation before the pandemic, and for elaboration and implementation of the macroeconomic growth policy - faces several challenges:

- rapid technical and technological advance;
- correlating the opening of international commercial markets with investment activity, as well as with labor markets - creating jobs and adjusting their characteristics to the specifics of their services and locations;
- adapting education systems and programs to the needs of the labor market and to the imperatives of local development;
- stimulating the penetration of information and communication technologies (ICT) in the sphere of production and services, favoring research and development (R&D) activities in all fields;

- the increasing globalization of services and activities of manufacturing industries.

The share of services in the national GDP signifies the structural transformations of the national economy specific to a post-industrial period. Although the net added value resulting from services is lower than in productive activities, the competition between service companies, amplified by the expansion of globalization, determines to a large extent the widespread introduction of ITC, the immediate consequence being the increase of labor productivity.

### **Economic sectors of the national economy**

#### **The influence of the sectoral structure on the economic performance before the pandemic**

Analyzing the sectoral structure of national economies, the statistical information provided by the World Bank showed at the end of 2019 - ie before the global health crisis - the preponderance of services, measured as added value in national GDP, but with large differences between countries.

The situation differs from one country to another, but a common denominator can be found between some of them and it usually refers to the level of economic development. The World Bank classifies the countries of the world into four categories, using as a criterion the macroeconomic indicator Gross National Income (GNI) per capita per year<sup>1</sup>:

- Low income economies: GNI / head up to USD 1,036;
- Low to middle income economies: GNI / head over \$ 1,036, but less than \$ 4,045;
- Upper income economies: GNI / head over USD 1,045, but less than USD 12,535;
- High-income savings: over \$ 12,535.

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<sup>1</sup> <https://blogs.worldbank.org/fr/opendata/nouvelle-classification-des-pays-en-fonction-de-leur-revenu-2020-2021>

Sectoral structure of economies before the pandemic

	Gross domestic product (GDP)		Agriculture		Industry		Manufacturing		Services, value added	
	\$ billions / % in GDP World		% of GDP country		% of GDP country		% of GDP country		% of GDP country	
	2010	2019	2010	2019	2010	2019	2010	2019	2010	2019
<b>World</b>	66113.10	87697.50	4.00	4.00	27.00	28.00	16.00	17.00	63.20	61.20
<b>% in GDP</b>	100.00	100.00	4.00	4.00	27.00	28.00	16.00	17.00	63.20	61.20
<b>Low income</b>	390.10	521.30	29.00	23.00	25.00	27.00	8.00	..	39.20	37.70
<b>% in GDP</b>	0.60	0.60	29.00	23.00	25.00	27.00	8.00	..	39.20	37.70
<b>Lower middle income</b>	3930.90	6341.10	17.00	15.00	30.00	27.00	16.00	15.00	47.10	50.60
<b>% in GDP</b>	5.95	7.23	17.00	15.00	30.00	27.00	16.00	15.00	47.10	50.60
<b>Upper middle income</b>	16216.90	25817.10	7.00	6.00	37.00	33.00	21.00	20.00	49.70	55.70
<b>% in GDP</b>	24.53	29.44	7.00	6.00	37.00	33.00	21.00	20.00	49.70	55.70
<b>High income</b>	45581.20	55045.40	1.00	1.00	24.00	23.00	14.00	14.00	69.00	69.80
<b>% in GDP</b>	68.94	62.77	1.00	1.00	24.00	23.00	14.00	14.00	69.00	69.80

Note: According to World Bank definitions, the information in the table refers to:

- GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products;
- Agriculture includes cultivation of crops and livestock production, forestry and fishing;
- Industry includes mining, manufacturing (also reported as a separate subgroup), construction, electricity, water, and gas;
- Services include value added in wholesale and retail trade (including hotels and restaurants), transport; government, financial, professional and personal services such as education, health care, and real estate services, imputed bank service charges, import duties etc.;
- Value added (as is defined in the International Standard Industrial Classification (ISIC), revision 3 or 4) is the net output of a sector after adding up all outputs and subtracting intermediate inputs.

Sources: <https://databank.worldbank.org/source/world-development-indicators> <http://www.worldbank.org/>

The table presented above shows the sectoral structure of the national economy depending on the labor productivity that is performed - as a weighted average - in each macrosector. This structure greatly influences the performance of the respective economy - performance measured by the indicator of the share of sectoral GDP in the cumulated GDP at the level of the respective country - but it is also an important instrument of economic policy and strategy.

Developed countries make the most of GDP in the services sector, otherwise politicians have said that these countries have entered a post-industrial period, when many manufacturing activities - which use a larger number of jobs, but they are even more polluting - they have been delegated to corporations in less developed countries.

The middle-income countries - lower or upper - get their macroeconomic added value from productive activities - industry or manufacturing - and in order to recover from the crisis Covid-19 must adopt policies of resilience and relaunch of both sectors with the greatest potential, as well as those considered strategic for the economic and social development of the country.

Although included in these broad economic categories, the behavior of communities is greatly influenced by many other factors, among which with an important share the social and historical ones, including such relations with other countries closer or farther away.

### **Sectoral factors of economic growth in high and upper middle income countries**

The most important growth factors that developed countries - such as the United States, Western Europe, Japan, and Asian dragons, including China - have introduced into the growth policies they have implemented in the modern era have been, in addition to the accumulation of physical capital, of even greater importance, technical, technological and organizational innovations.

Particular attention was also paid to the possibility of increasing labor productivity, so that a corporate profit rate high enough to allow productive activities to be maintained - in the industrial, construction, transport, energy, etc. sectors. - to face the competition, in the conditions of the salary increase, imperative absolutely necessary to use another lever of macroeconomic growth, respectively the internal consumption.

	Gross domestic product (GDP)		Agriculture		Industry		Manufacturing		Services, value added	
	\$ billions / % in GDP World		% of GDP country		% of GDP country		% of GDP country		% of GDP country	
	2010	2019	2010	2019	2010	2019	2010	2019	2010	2019
<i>World</i>	66113.1	87697.5	4.0	4.0	27.0	28.0	16.0	17.0	63.2	61.2
United States	14992.1	21374.4	1.0	1.0	19.0	18.0	12.0	11.0	76.2	77.4
China	6087.2	14342.9	9.0	7.0	46.0	39.0	32.0	27.0	44.2	53.9
Germany	3396.4	3845.6	1.0	1.0	27.0	27.0	20.0	19.0	62.3	62.4
United Kingdom	2475.2	2827.1	1.0	1.0	19.0	17.0	10.0	9.0	70.6	71.3
Romania	166.2	250.1	5.0	4.0	38.0	28.0	23.0	17.0	46.4	58.2
Egypt, Arab Rep.	218.9	303.2	13.0	11.0	36.0	36.0	16.0	16.0	46.2	50.5

Sources: <https://databank.worldbank.org/source/world-development-indicators>

Developed countries, such as the United States, the United Kingdom, Germany and other Western European countries, account for more than 60% of their GDP in the services sector - they are considered to have entered the so-called post-industrial era -, but even this proportion highlights vulnerabilities that were perceived more pronounced in the conditions of the pandemic, which imposed the lockdown and disruption of many commercial networks. Consequently, these states are rethinking their sectoral structure of the economy in order to reduce their dependence on supply, as well as the conditions imposed by relocation, especially to South-East Asia.

### United States of America

The reverse of this behavior has been felt in the United States, which is facing a large current account deficit due to imports that significantly exceed exports.

Foreign trade indicators in USA	2015	2016	2017	2018	2019
Imports of goods and services (% in GDP)	15,3	14,6	15,0	15,3	14,7
Exports of goods and services (% in GDP)	12,4	11,9	12,1	12,2	11,7

Sources: <https://import-export.societegenerale.fr/fr/fiche-pays>, Source : OMC - Organisation Mondiale du Commerce; Banque Mondiale, Janvier 2021

Although the former Trump administration and the current Biden administration have initiated and continue a policy of reducing dependence on productive activities or import consumption - mainly from China, the great competitor to the world leader, but also from other trading partners: Canada, Mexico, European Union - this action is greatly slowed by the sectoral structure of the US economy.

<b>Breakdown of economic activity by sector in USA</b>	<b>Agriculture</b>	<b>Industry</b>	<b>Services</b>
<b>Employment by sector (in% of total employment)</b>	1,3	19,7	79,0
<b>Value added (in% of GDP)</b>	0,9	18,2	77,4
<b>Added value (annual growth in%)</b>	-5,5	1,8	2,1

Sources: <https://import-export.societegenerale.fr/fr/fiche-pays> , Source: Banque Mondiale , Janvier 2021

The country with the strongest economy in the world has an unbalanced sectoral structure: agriculture, although one of the best in the world, has such a small share in both employment and contribution to GDP that it can not ensure food consumption of the population. Also, the manufacturing industry has been largely relocated to other geographical areas - generally in search of cheap labor - favoring multinationals, but not host states, so that national income does not benefit from an increase in industrial activity in an equivalent proportion.

<b>Growth indicators in the USA</b>	<b>2018</b>	<b>2019</b>	<b>2020 (e)</b>	<b>2021 (e)</b>	<b>2022 (e)</b>
<b>GDP (annual growth in%, constant price)</b>	3,0	2,2e	-4,3	5,1	2,5
<b>Balance of current transactions (as% of GDP)</b>	-2,2	-2,2	-2,1	-2,1	-2,1

Sources: <https://import-export.societegenerale.fr/fr/fiche-pays>, Source : FMI - World Economic Outlook Database - Janvier 2021

Consequently, the macroeconomic forecasts for the next two years<sup>2</sup> - note that they are developed at the end of 2020, but in the meantime, the third wave COVID-19 has hit several

<sup>2</sup> World Economic Outlook, October 2020: A Long and Difficult Ascent, October 2020, <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>

countries, including the US, which requires their adjustment or, in better case, the lag - maintain a current account deficit and, implicitly, the need to cover it, which negatively affects the upward trend of GDP.

## Egypt

By comparison, Egypt, which is in the group of Upper Middle Income countries, has a much larger agricultural sector in terms of national GDP - Egypt has a millennial tradition in this field - but productivity here is low and the population employed in Agriculture is more numerous than in developed countries.

Breakdown of economic activity by sector in Egypt	Agriculture	Industry	Services
Employment by sector (in% of total employment)	23,3	28,2	48,6
Value added (in% of GDP)	11,0	35,6	50,5
Added value (annual growth in%)	3,1	6,4	5,0

Sources: <https://import-export.societegenerale.fr/fr/fiche-pays> , Source : Banque Mondiale , Janvier 2021

In addition, the manufacturing sector, even in terms of food processing, is heavily dependent on imports<sup>3</sup>. Also, in the field of hydrocarbons, exports have decreased in the last two years, with Egypt's energy balance becoming negative.

Foreign trade indicators in Egypt	2015	2016	2017	2018	2019
Imports of goods and services (in% of GDP)	21,7	19,9	29,3	29,4	n/a
Exports of goods and services (in% of GDP)	13,2	10,3	15,8	18,9	n/a

Sources: <https://import-export.societegenerale.fr/fr/fiche-pays>, Source : OMC - Organisation Mondiale du Commerce ; Banque Mondiale , Janvier 2021

Thus, the value of Egyptian exports is constantly lower than that of imports, although the quality of Egyptian products is well appreciated in foreign markets, and exported services, which come mainly from tourism, are appreciated worldwide.

<sup>3</sup> <https://www.tresor.economie.gouv.fr/Pays/EG/commerce-exterieur-de-l-egypte>

<b>Growth indicators in Egipt</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
			<b>(e)</b>	<b>(e)</b>	<b>(e)</b>
<b>GDP (annual growth in%, constant price)</b>	5,3	5,6e	3,5	2,8	5,5
<b>Current account balance (in% of GDP)</b>	-2,4	-3,6	-3,2	-4,2	-2,9

Sources: <https://import-export.societegenerale.fr/fr/fiche-pays>, Source : FMI - World Economic Outlook Database - Janvier 2021

Consequently, although the IMF forecasts that the Egyptian economy will show a positive trend in 2020, despite the pandemic, the foreign trade balance will continue to be weak, amid declining exports at a slower pace than declining imports. This situation can be explained also by the sectoral structure of the real economy (creating added value), the manufacturing sector being predominant in the industry - the exported products incorporating technical and technological progress in a modest proportion -, to which is added the agricultural sector, from which products with a low or even zero degree of processing are exported.

### **Romania**

Romania is one of the categorized developing countries, even if according to The Atlas Method, by the World Bank it is classified, starting with 2019 in the High-income group category, with GNI per capita of US \$ 12,630 - its strategic sectors being the energy, IT, transport, tourism, but mining and agriculture, although neglected and with a very low yield, have a great potential and have a comparative advantage that should not be ignored in future strategies and development policies.

To these domains that are part of the Institutional sector Companies and Quasi-Societies of the National Accounts System are added the social sectors, mainly: the fields of health, education and research & development (R&D), so that even the sectors with competitive potential to increase their contribution to macroeconomic development.

A special place is occupied by agriculture, which is the economic sector of special importance. The added value of agriculture has a very small share in the GDP of developed countries and a slightly higher share of middle income, but this sector is the one that provides food to the population, and government authorities in all states are responsible for providing it both in terms of quantitative view, as well as in terms of quality and safety food.

Countries that benefit from advantages in this sector - whether favored by geography or have created, such as the Netherlands, an agricultural product industry - improve their current account balances by exporting agricultural products and / or food.

Consequently, agriculture - as a strategic economic sector - must be given special importance (perhaps the greatest) in the development policies created and implemented at national level.

### 3.3. Germany's sectoral structure - the main factor of economic performance

In Europe and beyond, the way the German economy is run and evolves is an example to follow regardless of the situation, but even more so in a period as difficult as the post-Covid-19 one. According to the billion-dollar GDP macroeconomic indicator, Germany is the third largest economy in the world, although its population is much smaller than that of other countries, such as China or India, which have the largest population, which shows that the performance of the German economy, as measured by the GDP per capita indicator, is undeniably much higher.

	Gross domestic product				Population		
	2010		2019		2021		
	Position in the world	\$ billions	Position in the world	\$ billions	Position in the world	Number of inhabitants	% of the world's population
<b>World</b>	-	66.113,10	-	87.697,50	-	7.850.000.000	100%
<b>United States</b>	1	14.992,10	1	21.374,40	3	331.352.000	4,13%
<b>China</b>	2	6.087,20	2	14.342,90	1	1.407.130.000	17,5%
<b>Germany</b>	3	3.396,40	3	3.845,60	19	83.190.556	1,04%

Source: World Bank national accounts data, and OECD National Accounts data files;  
[https://ro.wikipedia.org/wiki/Lista\\_%C8%9B%C4%83rilor\\_dup%C4%83\\_popula%C8%9Bie](https://ro.wikipedia.org/wiki/Lista_%C8%9B%C4%83rilor_dup%C4%83_popula%C8%9Bie)

Germany's strong economic position in the world can be explained by several strengths that it created and maintained over the years after World War II:

- the importance they attached to industrial development, both in terms of volume and especially in terms of product quality, so that the “made in Germany” brand is highly sought after abroad and the added value incorporated by them is among the highest in the world;

- due to the quality of industrial products, Germany has allowed itself to have an economy with a high degree of openness, so as to benefit from the comparative advantages provided by the gradual reduction of trade protectionism between the countries of the world. Germany is currently the third largest country in the world in terms of the volume of foreign trade, both in terms of exports and imports, and its current account is always in surplus, which gives it a favorable financial position compared to trading partners;

Ranking of the world's leading exporters and importers of goods in 2017 as a percentage of the total world

Exports		Imports	
<b>China</b>	12,8 %	<b>United States</b>	13,4 %
<b>United States</b>	8,7 %	<b>China</b>	10,2 %
<b>Germany</b>	8,2 %	<b>Germany</b>	6,5 %
<b>Japan</b>	3,9 %	<b>Japan</b>	3,7 %
<b>Netherlands</b>	3,7 %	<b>Great Britain</b>	3,6 %
<b>South Korea</b>	3,2 %	<b>France</b>	3,5 %
<b>Hong Kong</b>	3,1 %	<b>Hong Kong</b>	3,3 %
<b>France</b>	3,0 %	<b>Netherlands</b>	3,2 %
<b>Italy</b>	2,9 %	<b>Italy</b>	3,2 %
<b>Great Britain</b>	2,5 %	<b>South Korea</b>	2,7 %

Source: O.M.C.

- industrial performance, as well as from other sectors, was achieved through carefully designed programs to support the development of SMEs first and, after they have gained momentum, of medium and large enterprises that have managed to show their potential both in internal competitive environment, as well as internationally;

- the organization of the productive process - the importance of the approach has been highlighted since the beginning of the twentieth century by the American F.W. Taylor - proposed as a high-performance development solution the concentration of activities with the same characteristics or objectives, in the so-called "clusters", in which to stimulate the implementation of new technologies, digitization, etc. In Germany, dedicated economic centers have been conceived and put into operation, which are a strong asset for the development of, for example, car construction (Stuttgart), the chemical industry (Rhin-Neckar), etc.;

- in order to support performers in a competitive environment, it is necessary for this

environment to be known in all its facets and, in order to raise awareness of the level of confrontation, Germany has become one of the major active organizers of trade fairs, exhibitions and international exhibitions, as well as industrial service promotions in Europe and around the world;

- economic development cannot be achieved ignoring the importance of the social aspect. Germany has a very low level of unemployment, the lowest since 1990, the year of the reunification of the two German states, primarily due to the implementation of the reform introduced by Chancellor Schroder's administration on the labor market, social protection system and tax system, through which more competitive wage costs could be applied;

- the careful and responsible management of the public finances, which allowed the diminution of the budget deficit and of the public debt, in the conditions of maintaining some sectorial policies that would support the activity in the respective sector in the sense pursued by the public policy in the field. In this sense, the energy sector is one with important reform problems, as Germany is, in proportion, one of the largest energy consuming countries. Public authorities, both federal and especially state and local, are actively involved, including financially, in reducing the production of energy from fossil and nuclear resources and replacing them with green energy - renewable and non - polluting.

### **Sectoral resilience and growth policies**

The health crisis has affected - and continues to affect - many communities, both centrally and territorially: regions, departments, urban and rural localities, albeit in a different way.

The economic impact varies depending on the intensity of the pandemic in the respective geographical area, as well as the extent to which it is involved in the value chains established by globalization, including sectoral specialization - a relevant example is tourism and catering: restaurants, bars, etc., which suffered huge losses due to the pandemic.

Tourism presented in 2020 the lowest volume of activity ever recorded<sup>4</sup>, for example the arrival of tourists in dedicated locations decreased by 74%, and revenue losses from international transport services amounted to over 1.3 trillion USD in 2020, but the decline has not yet ended due to the persistence of the health crisis and the consequent maintenance of restrictive measures.

Given the recent forecasts (March 2021) regarding the end of the pandemic, experts in the field estimate that it will be possible to reach the global level of tourism revenues achieved in 2019 only in 2024. In the meantime, however, this sector, which had marked a very high dynamic before Covid-19, it will face the decrease of jobs and the corresponding decrease of incomes due to the need to respect the restrictions of physical distance, the reduction of the daily periods of operation, etc.

Public authorities at all administrative levels are responsible for maintaining economic and social life within acceptable limits, but as most democratic states have now massively decentralized social services to the public, the legal obligation to provide them to the population lies largely with territorial public authorities, often being shared as a responsibility with central / federal public authorities.

The category of decentralized public services includes almost entirely utilities: water, sewerage, district heating, sanitation, basic administrative services, etc., but also those of a social nature: health, education, protection of vulnerable persons, as well as public transport, order and public security etc.

Although many decentralized public services are financed exclusively by tariffs, their support requires significant public funds - from territorial public budgets - which must be provided, despite the substantial decrease in tax revenues due to the pandemic, which need to be scheduled upstream compared to the operationalization of the sectoral policy instruments considered.

In order to help enterprises - the basic cell of economic activity in any country - the approaches of public authorities responsible for monitoring economic and financial performance at the national level have several solutions in mind:

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<sup>4</sup> <https://www.unwto.org/en/>

- guaranteeing the treasury loans that a company in the category of SMEs – i.e. those with relatively low resilience - has contracted or wants to contract them to withstand the effects of the health crisis;

- subsidizing the partial unemployment / technical unemployment caused by the pandemic;

- subsidizing the expenses in order to bear the effects of the sanitary crisis;

- subsidizing maintenance / administration expenses: rent, energy bills, water, etc. of commercial premises;

- total or partial coverage of expenses for the endowment and implementation of digital communication, etc.

The measures taken by the public authorities to stop the spread of the influenza virus have disrupted productive and commercial activities, with immediate consequences on employment and, implicitly, on the income of the population.

The direct impact on domestic demand in all countries of the world has led to a significant decrease in the volume of foreign trade, the entire supply chain being disrupted.

To counter the shock of the health crisis, governments have adopted monetary and / or public spending policies to protect the population - both from virus infection and from deteriorating living conditions due to declining incomes - as well as economic activity as a whole, through various state aid schemes, subsidies, etc.

However, these measures have significantly degraded national public finances, with most countries in the world registering in 2020 much larger budget deficits than in previous years.

In the European Union, a series of rules were imposed by the treaties signed and, consequently, accepted by all Member States to maintain financial stability. Thus, the consolidated Treaty of Lisbon (2007) established the conditions and actions to be taken with regard to deficits considered excessive according to European Union rules<sup>5</sup>:

- the public budget deficit must be within a maximum of 3% of GDP;
- public debt must be below the 60% of GDP limit.

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<sup>5</sup> <https://eur-lex.europa.eu/summary/glossary/>

Currently, at the beginning of 2021, regarding the public policies adopted in all European states, they imply two distinct directions, depending on the expected effect:

- short-term interventions, in order to maintain the level of health and quality of life within acceptable parameters;

- medium and long term interventions, in order to protect the existing assets and to boost the resumption of economic activity and to support the pace of development.

The macroeconomic instruments that public authorities have at their disposal in contemporary democratic economies can be divided into two broad categories:

- monetary policies, which can generally be implemented by the monetary authority of each state - or group of independent states, such as the Eurozone;

- budgetary policies, which refer to the measures promoted and implemented regarding both public expenditures and those related to taxes and duties levied on residents and / or non-residents who obtain income on the national territory.

As for monetary policies, they act at the macro level, they are generally not directed towards a certain economic sector of activity.

For the post-pandemic period, actions are planned to influence economic activity:

- decrease of the reference interest rate, which will spread through commercial banks and investments on the active rate practiced on loans to individuals and legal entities, thus stimulating both current operating activity and investment at the macroeconomic level;

- the so-called QE (quantitative easing) instrument, which means the purchase by the central bank - a policy known as "open market" - of government bonds issued for the financial coverage of public debt. Following this operation, the central bank will cause an increase in the liquidity held by banks and, as a consequence, a decrease in the active interest rate granted by them. Also, the interest rate on financing / refinancing the public debt will decrease, which means a lower public debt service, respectively lower public expenditures at national and / or local level.

The approach to budgetary policy is different. Thus, the tax policy and fees Keynesian interventionist type recommends in times of recession - such as the post-Covid-19 period - the reduction of the tax burden, but as the concrete situation this year imposes increased

public funds to support economic and social life, it is necessary to think of alternative solutions.

In this regard, the public authorities will set priorities for the current year, 2021, as well as for the future. Increased attention to demand - such as the increase in the guaranteed minimum income by law, as decided in the UK - will make this macroeconomic indicator the main factor in the country's development, at least this year.

If, on the contrary, the national public authorities decide to stimulate supply, as the main priority for the future economic development of the country, ie financial interventions will be mainly aimed at supporting investments - of any kind: rehabilitation, modernization, expansion, new investments - in sectors considered by of vital importance at national level, they will receive the largest amounts as budget allocations, in the form of budget appropriations and / or commitment appropriations<sup>6</sup>.

## **Conclusions**

Analyzing the economic and social situation before the pandemic, as well as the strong impact it produces, state governments propose for their countries models of resilience and resumption of growth considerably different from the models presented and implemented previously. In this sense, it is considered that the State's intervention - both as a public service provider and as the main financier - must be strong, at least in the next few years.

Economic and social developments and the need for public authorities to counteract or at least reduce the effects of the pandemic on the lives of the population require major changes in these conditions, given the macroeconomic policies, but also, especially at the sectoral level, which must be implemented to overcome the impact of the health crisis and be able to restart economic activity and increase employment.

As the public finance situation is not expected to improve significantly in 2021 due to successive waves of epidemics, EU policymakers have proposed maintaining a lax approach

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<sup>6</sup> According to the Romanian legislation (Law no. 500 of 2002, consolidated, regarding public finances), the multiannual legal commitments include the maximum amounts that can be budgeted in the years for which the commitment is concluded. The budget credit represents the maximum amount that can be ordered and paid in the current budget year for the legal commitments contracted in the respective year and / or in the previous years.

to public spending and implementing macroeconomic and sectoral support measures through a Next Generation EU financial instrument.

The economic policies considered include all economic and social sectors, prioritizing them according to the importance that each one represents for the respective country, but also taking into account, at the same time, the targets identified in the development strategies. Thus, among the targeted sectors will not be missing the industrial ones specific to each country: extractive, manufacturing, high processing; energy, including renewable energy; agriculture, forestry, fishing and food industry; constructions, etc., and to all these are added the social sectors - of equal or even greater importance.

When creating development policies for economic sectors, especially industrial, agricultural, etc., that are considered strategic, the governments of states that introduce a series of measures to eliminate the effects of the pandemic and resumption of growth must take into account a number of situations generated by the health crisis, but also the whole economic situation before the crisis, its challenges not yet being solved. Among other things, it is about the revaluation of supply chains and the rethinking of the interdependencies between the states of the world in an increasingly extended and also contested globalization. Some examples of magnitude:

- the separation of Great Britain from the European Union (BREXIT);
- American Trump policy against economic competition exercised by China, but also by other geographical areas of the world, such as the European Union, Canada, etc., a policy that seems to be continued by the Biden administration;
- the fierce technological competition in the top fields, such as artificial intelligence, 5G, semiconductors, etc.

It is predicted that the new American geopolitics and the Chinese response to it will affect investment and, consequently, medium and long-term economic growth in both major states, as well as in other countries that are in close economic and financial relations with them, such as for example, many South-East Asian states.

Thus, for the post-Covid-19 period, the industrial policies elaborated by the national public authorities, especially for the fields considered strategic will take into account the characteristics of a complicated economic-social, given and political conjuncture:

- the need to strengthen the role of the state in the national economy, both in terms of adopting the regulatory framework in all aspects of domestic economic and social life and international relations, and as a provider of public services in most areas: economic, health, education, social protection, protection environment, but also economic and financial control, population security, etc .;

- significant changes in the geopolitics of the world's regions, affecting material and financial supply chains, including relations between and even within companies - mainly in the case of multinationals, which in many situations, such as the US, are facing the requirement of the authorities to relocate;

- the requirements expressed by all media: scientific, economic, domestic and international social, regarding the need to improve environmental conditions.

Regulations proposed by international courts and adopted, in part for the most part, by many countries around the world, require access to clean technologies, which are generally expensive.

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