

## **REGIONAL DEVELOPMENT - PAST, PRESENT AND FUTURE IN ROMANIA**

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**ABSTRACT:** *Romania's participation in the implementation of EU regional policy means, first opportunity to benefit from a system of values that can be found between economic efficiency, environmental protection, ensuring minimum standards of existence, the definition of a "European lifestyle, urban values, qualified human resources. Moreover, European integration and openness to the EU internal market and the challenge involves increasing competitiveness, which can negatively affect the process of building an economy, like Romania. In this context, structural instruments are the most important resource that Romania will have to face the challenges of change and integration. However, regional development policy can not solely be the key to overall development of a state, especially in terms of its actual effects on growth are difficult to assess. A critical dimension of this is represented on the nature of economic and quality of other public policies that form the core of economic policy mix of a state: the legal protection of property rights and market economy, taxation, antitrust, etc.*

**KEY WORDS:** *regional development policy; managerial competencies; public administration; decentralizations; territorial planning; operational program.*

**JEL CLASSIFICATION:** *O2, O29*

### **1. INTRODUCTION**

Regional disparities in Romania has experienced since the interwar period. After the Second World War, the communist leadership has opted for a unique solution of economic development, industrial sector development. Communist Party and its governments have pursued the policy implementation process of industrialization a number of major principles for the location of new industrial facilities. Throughout its history, various provinces and parts of Romania have had different degrees of economic development.

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Among these may be mentioned as priorities the following: *location near sources of raw materials or the main urban agglomerations; maximum utilization of labour resources available, especially in underdeveloped areas; recovery through industrialization and processing of local raw materials; support growth and development of new industrial sites in urban areas.*

These four priority directions of the process of industrialization policy, in general, all former centrally-planned socialist economy based on, contain contradictory elements. In an attempt to ensure a balanced development (in the egalitarian sense) of all regions of the socialist-oriented planning and infrastructure investments in the industry to all areas of the country, whether these investments were justified or not economically. The effect of this policy was the rapid industrialization of less developed counties, the expense of more developed, which was accompanied, as in other countries, a process of migration of rural population in urban areas. While industrial activity was concentrated in certain regions of the country where they were mainly mineral and energy resources available and other regions characterized by the dominance of agricultural activities and services.

## **2. THE PAST REGIONAL DEVELOPMENT POLICY IN ROMANIA**

Planning made based on individual state developed the National Plan at the national level included, since 1976 and in territorial planning, based on the imposition of the centre has a unique pattern of development. The goal is development was diminishing differences between counties, the sole criterion, the level of industrial development. Following this process of industrialization was creating a database of industrial production in each county, regardless of the economic viability of this development. This kind of redistribution of national resources in the global fund, eventually led to a slowdown in the pace of economic development. The result was contradictory: an excessive diversification of the types of industries located in the counties, but also the appearance of many localities are dependent on a single large or small industrial enterprise, usually in heavy industry, chemical engineering.

Also, many rural villages were declared towns without meeting minimum international standards in this respect, the communist regime was concerned about the decreasing percentage - very large - the rural population in Romania and who do not support, formal ambitions to place the country among countries developed world. The result of this policy was rather realization Romanian cities, their architecture standardization, working-class neighbourhoods of large transformation blocks in slums.

The whole extent of this process, rural residence remained substantial in Romania, the phenomenon of "commuting" with all its economic and social consequences, as their entire communist period. In general, the process of industrialization and urbanization forced imposed communist regime in Romania, in a brutal manner and massive displacement of the prevailing traditional structures of Romanian society. Correction to normal market economy and modernization of the company were halted.

However, as a result of this process of industrialization in many areas of the country's massive disparities in their economic development were substantially reduced during the centralized economy. With the transition to a market economy, regional disparities problem reappeared. After the collapse of the socialist regime and since the introduction of market economy, resources tended to be directed towards those areas where it was possible to maximize their utilization. As a result, the poorest regions, which have seen an artificial industrial development, now supports a severe impact of transition and structural adjustment in the transition to market economy system.

Statistical data, with all their shortcomings shows that Romania has entered the transition with a relatively low level of regional disparities, compared to the new Member States, but that these disparities have increased rapidly, first in Bucharest area and the rest of the country and, in lesser degree, among other regions.

Economic and social analysis revealed, after 1990, a process of increasing economic and social development disparities between regions. Development differences between the most developed region (Bucuresti - Ilfov) and the least developed (North-East), in terms of GDP per capita increased almost threefold.

At the same time, there is a growing disparity between regions located in the western half of the country (North-West, Centre and West), with positive economic developments and an increasing level of many indicators of economic and social development and those in the middle east of the country (North-South East, South and South-West), less developed. Market forces tend to favour the widening gaps. Industrial centres or areas that present a strong service sector are usually more developed, while the peripheral areas of agriculture, infrastructure predominantly poor become even more marginalized.

The first analysis of regional disparities in post-communist Romania has been made under the PHARE program for the period March to July 1996 and was included in two reports aiming primarily an analysis of sectoral differences and then global ones, between counties, with using aggregate indicators. Based on this information has been made a map of regional disparities in Romania, which allowed the spatial location of poverty and under - development in the country's two main areas: north-east, which includes virtually all the historical region of Moldova and the South, that the largest agricultural area of the country - Romanian Plain. The second report was completed in July 1996 ("B"), and established hierarchies of two counties, ordered on the basis of global development called DEVELOP, calculated for 1990, 1994. The second report followed, in particular, to analyze trends on the evolution of sectoral imbalances in the period 1990 - 1994, in order to identify their major causes and significant changes. In this variant were used 12 indicators, grouped into five categories.

**Regional development in Romania** is a new concept that aims at stimulating and diversifying economic activities, stimulating investments in the private sector, contributing to decreasing unemployment and, last but not least, a concept that would lead to an improvement in the living standards. In order to apply the regional development strategy, eight development regions were set up, spreading throughout the whole territory of Romania. Each development region comprises several counties. Development regions are not territorial-administrative entities; do not have legal personality, being the result of an agreement between the county and the local boards.

From institutional viewpoint the Government of Romania has responded to the new challenges generated by the post-accession period designating the institutions, the units in charge with the implementation and administration of the EU financial assistance via structural instruments (H.G. 497/2004). The definitions of the programming documents (Community Support Framework (subsequently replaced by the National Reference Strategic Framework), Operational Programmes, Complement Programme) have been introduced in the Romanian legislation on this occasion, at the same time with those of the key – actors, institutions that will deal with the implementation of the structural instruments (Management Authority, Monitoring Committee, Payment Authority). Each Operational Programme will have its own management authority, as follows: the Ministry of European Integration for the Regional Operational Programme, the Ministry of Economy and Commerce for the Sectoral Operational Programme on Economic Competitiveness, the Ministry of Transportation, Constructions and Tourism for the Sectoral Operational Programme on transportation and energy infrastructure, the

Ministry of Environment and Water Management for the Sectoral Operational Programme on environment infrastructure, the Ministry of Labour, Social Solidarity and Family for the Sectoral Operational Programme on human resources development, the Ministry of Administration and Interior for the Operational Programme on administrative capacity development, the Ministry of Public Finance for the Operational Programme of technical assistance.

The Operational Programmers will implement the priorities established by the National Reference Strategic Framework (NRSF). This document will harmonies the national priorities with the EU ones, included in the Community Strategic Guidelines for the Cohesion Policy. The NDP for 2007-2013 will remain Romania's internal working document for the Ministry of Public Finance. Two major differences can be noticed between the NDP and the NRSF, as follows (Ministerul Finantelor Publice, 2008): first, from financing viewpoint, the sources for the NRSF are exclusively the Structural Funds and the Cohesion Fund, whereas for the NDP there are additional sources such as national and local investment programmers, external credits, European Agricultural Fund for Rural Development, etc.; second, the NRSF does not address the rural development priorities included in the NDP since they are supported by the National Strategic Plan for Rural Development and financed via the European Agricultural Fund for Rural Development. The national co-coordinator for the Structural Instruments management will be the Ministry of Public Finance. The Ministry of Public Finance will also act as the Payment Authority for the European Regional Development Fund, the European Social fund and Cohesion Fund

**Regional development policy** is an ensemble of measures planned and promoted by the local and central public administration authorities, having as partner's different actors (private, public, volunteers) in order to ensure a dynamic and lasting economic growth, through the effective use of the local and regional potential, in order to improve living conditions. The main areas regarded by the regional policies are: development of enterprises, the labor market, attracting investments, development of the SMEs sector, improvement of infrastructure, the quality of the environment, rural development, health, education, culture.

Analysis in this paper have confirmed the general conclusions on the spatial distribution of disparities, namely the fact that the main problems of regional development are located in the north-east and the lowlands in the south, while the western and central areas of the country remain most developed. Unlike the two above-mentioned areas, Western and Central areas of the country is emerging as the richest and most highly developed in terms of revenue from households, equipping and technical endowment of the potential social and economic. Both shows, finally, that in terms of spatial distribution can be seen a remarkable group of global imbalances, the major differences between the east and south and central and western areas. Most poor and very poor counties were developed in Moldova and Wallachia, while most of those with high and very high growth were in Transylvania and Banat. Maramures historical regions of Oltenia and is characterized by a medium level of development. It is also surprising finding as one of the less developed areas are situated around the capital, except for the industrialized and urbanized area of the region Prahova.

Disparities in levels of development of different regions are the result of "equipping" their natural resources and human differentiated, and the teaching of evolution relatively specific (economic, technological, demographic, social, political and cultural) that shaped his development throughout history. This led to agriculture as the predominant economic force in regions where climatic and soil conditions were favourable, the heavy industry in areas where resources have been found in iron ore and coal industries and the concentration of services in the administrative centres. Some border regions have benefited from greater opportunities in terms of services and cross-border communication (Timis, Arad, Bihor, etc.).

Specific programs have been established for regional development severely disadvantaged areas (Apuseni Mountains, Danube Delta, Botosani, Vaslui, Giurgiu). However, it seems that these state interventions in the regions have been largely conducted on an ad hoc basis when specific request came more than being the result of regional development policies defined a priori. Currently, the country's economy can be characterized as an economy in the final phase of transition from central planning to a market economy functioning.

Although economic performance has been limited, Romania has inter-regional disparities, expressed synthetically by GDP values. Level generally low GDP, even in more developed regions of the country, indicate a lack of an area of great prosperity and economic strength, able to significantly influence these values. Although the growth rate nationwide has been raised in recent years and the inflation rate had a downward trend continues, the degree of economic polarization, dispersion distribution measured by gross domestic product per capita of the eight regions reported average country, had an increasing trend. Currently, the ratio between the maximum (Western region) and minimum (North - East) gross domestic product per capita stands at around 1.7 (Bucharest region, which has a very high GDP per capita relative terms) higher compared to the level of 1.56 recorded in 2003. Table 1 shows the regional disparity indices calculated for the period 2003-2006 and estimate for 2009.

**The main objectives of the regional development policies** are as follows:

- to reduce the existing regional disparities, especially by stimulating the well-balanced development and the revitalization of the disadvantaged areas

(lagging behind in development) and by preventing the emergence of new imbalances;

- to prepare the institutional framework in order to comply with the integration criteria into the EU structures and to ensure access to the financial assistance instruments (the Structural Funds and the Cohesion Fund of the EU);
- to correlate the governmental sector development policies and activities at the level of regions by stimulating the inter-regional, internal and international, cross-border cooperation which contributes to the economic development and is in accordance with the legal provisions and with the international agreements to which Romania is a party.

**The principles** that the elaboration and the application of **the development policies** are based on: decentralization of the decision making process, from the central/governmental level to the level of regional communities; partnership among all those involved in the area of regional development; planning – utilization process of resources (through programs and projects) in view of attaining the established objectives; co-financing – the financial contribution of the different actors involved in the accomplishment of the regional development programs and projects.

The process of decentralization of decisions and the development of local autonomy is a complex process that is intended - in line with European policies - to provide more relevant and real territorial communities and to create a financial system that would allow them greater involvement in activities that occur on their territory. The transition of responsibilities to local communities is a prerequisite for the success of local development policy.

**Table 1. The Region of Romania**

	<b>2003</b>	<b>2004</b>	<b>2006</b>	<b>2009</b>
Region North - East	0,723	0,692	0,675	0,676
Region South - East	0,857	0,907	0,845	0,841
Region South Muntenia	0,812	0,834	0,822	0,822
Region South - West	0,847	0,833	0,843	0,840
Region West	1,129	1,147	1,149	1,140
Region North – West	0,966	0,972	0,920	0,915
Region Central	1,072	1,042	1,087	1,084
Region Bucharest	1,940	1,915	2,044	2,067

*Source: Convergence Programmer 2006 - 2009, Government of Romania*

The main activities on the progress of the decentralization process aim to creating an appropriate framework for decentralization / devolution, which involves the establishment and operationalization of the Interministerial Technical Committee and Working Groups involved in ministries and districts, clarification of competences at different levels and structures of public administration, analysis and amendment aimed at primary and secondary legislation to support this process strengthening the financial autonomy of local authorities, redefining skills prefects, monitoring the decentralization process.

The purpose of local public administration reform is to make it able to perform their functions so as to contribute to economic and social development in the region. This highly complex process, which is currently underway, will conclude with a general strategy that would ensure consistency and coherence of the decentralization process. Continued reform of public administration is based on the growth of local autonomy by making both the decision-making autonomy as well as the financial ones.

So far, this process has undergone a series of steps to create the necessary legislative framework:

- The first elements of fiscal decentralization have emerged with the Law 189/1998 (which represented a milestone for achieving financial autonomy of local authorities) on public finances, completed by GD 36/2002 on local taxes and revenues. GEO 45/2003 on local public finances (which replaced Law 189/1998) adds clear and explicit rules and procedures, directing the entire public management performance criteria.
- Law 273/2006 on local public finances (the main changes concern: the division into administrative unit, planning in the county, the amounts deducted from certain income to balance the state budget to local budgets, increase capacity by increasing local investment limit debt from 20% to 25% of total own revenues of local budgets).
- Law 215/2001 on local public administration encourages inter-county cooperation and local governments to develop programs to stimulate investment in capital to support development priorities. Law 286/2006 amends the Local Public Administration Law no. 215/2001.
- Approval of Law 326/2001 regarding public services operators favoured the emergence of municipal public services (water, wastewater, solid waste, district towns and local transportation), which can cause a high level of economies of scale at the county level. This law was repealed by Law 51/2006 on public utility community services.
- Law 350/2001 on Urban and Regional Planning.
- Framework Law 339/2004 on decentralization, repealed by the Framework Law no.195/2006 of decentralization - that the local government's financial resources should be commensurate with skills and responsibilities transferred. It is shown that the development of this framework has been achieved in terms of institutional dialogue as a result of the creation of the Federation of Local Authorities in Romania, including associations of communes, towns and cities of Romania, as well as the National Union of County Councils.

This reform process has created massive problems in the local administration institutions encounter difficulties in processing and adaptation to numerous updates and requirements. Although there are training programs for local government staff are still problems of institutional capacity at local level regarding use of the opportunities created by this new framework. So far, ineffective management, public management autocratic bureaucracy attributes remain as long as local governments' policies and procedures do not apply or not apply in appropriate terms.

Poor representation of citizen interests by local elected and appointed decision makers is a major constraint in achieving a more democratic political process. Working

groups on decentralization in Romania (both elected and formed of specialists from local and central public administration) have identified during their work on several dimensions of this process: political, financial and administrative. So far, decentralization has been brought forward by the decentralization of financial responsibilities, which was made without full coverage of financial needs.

Relations between central and local administration, there has been progress in parallel with the development of associative structures of local administration. However, there are still regulations issued by ministries that impact on local budgets, without consulting and without associative structures to ensure funding. Implementation of regional development policy and investment support in the context of decentralization cannot ignore the national budgetary constraints. Although there is a clear trend of decentralization of government functions in Romania, the volume of financing granted to local authorities to implement economic and social policies remains quite limited.

To continue the successful process of decentralization, it requires an inventory of sources of financing responsibilities and administrative units and their proposals for the delimitation of administrative levels, depending on the strategy of decentralization of each field and with the involvement of associations and ministries line.

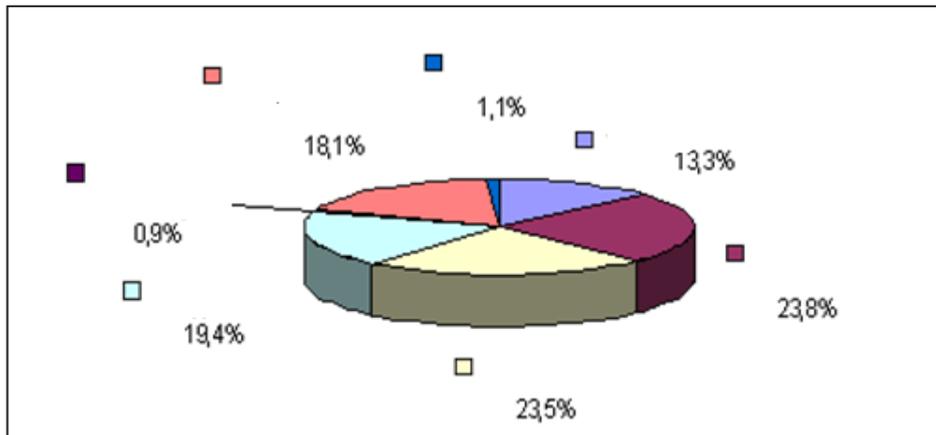
In accordance with EU regulations, Romanian regions are eligible under the convergence objective since their GDP is below 75% of average EU GDP. The total financial allocation of structural and cohesion funds for Romania in the programming period 2007 - 2013 is around 17.3 billion Euros, of which the Convergence objective: 16.9 billion Euros (11.2 billion euro funds allocated by Structural and Euro 5.7 billion represented the contribution of the Cohesion Fund) and European Territorial Cooperation Objective approximately 0.4 billion (including transfers IPA and ENPI). Allocations for the EAFRD are approximately 7.1 billion Euros and approximately 0.2 billion Euro EFF.

This operational program implements the first priority of the NDP 2007 - 2013: "Increasing economic competitiveness and development of knowledge-based economy" and the second priority of NSRF: "Increasing Economic Competitiveness in the long term, contributing at the same time the implementation of all other priorities of the NSRF. The overall objective of this program is to increase the productivity of Romanian firms in accordance with principles sustainable development and reducing disparities in productivity compared to EU average. The target is an average annual growth of GDP per employee approx. 5.5%, which will allow Romania to reach a level of approximately 55% of EU average productivity by 2015.

**Objectives:**

- ✓ Strengthening and developing the productive sector in Romania, in a manner that is favourable to the environment.
- ✓ The key element of this benchmark is to support innovation and modernization of existing businesses and creating new ones, in particular SMEs in the productive sectors and business services. Increase in value and quality production equipment based on the expansion and modernization, innovation, production processes and support the adoption of international standards, lead and support the development

of new products. Also, increasing the supply of specialized consulting and support the internationalization contributes to increase market share.



Source: National Strategic Reference Framework 2007-2013

**Figure 1. Operational program implements the first priority of the NDP 2007 – 2013**

**Legend:** 18.1%- resources humans; 1.1%- administrative capacity; 13.3% competitiveness; 23.8%- transport; 23.5%-average; 19.4%-regional; 0.9%- technical assistance.

- ✓ Establishing a business environment conducive to sustainable development: it aims to create a favourable framework for developing entrepreneurship by reducing constraints in the areas of market failure - access to finance, innovative financial tools, access to infrastructure and services business - the creation of new businesses and to develop existing ones. Achieving these two objectives above can be gauged by "increase SME contribution to GDP by 20% in 2015.
- ✓ Increase the research and development (R & D), stimulating cooperation between institutions of RDI (research, development and innovation) and the productive sector and increase business access to R & D: it is intended to finance projects of CDI, which generate results directly applicable in economy, modernization and infrastructure development and R & D capacity, increased quality and greater choice of innovative services and stimulate demand for innovation in the productive sector. Achieving this objective will contribute to increasing the value of total R & D expenditure (GERD) up to 3% of GDP in 2015.
- ✓ Potential of ICT and its application in the public sector (administration) and private (citizens, businesses) - by harnessing skilled human resources and know-how and improving infrastructure particularly in the areas of market failure. The aim is to promote the introduction of innovation in the productive, administrative processes in everyday life and development of the market for a new generation of products and services. Target is an ever increasing number of Internet users (access to services businesses online) to 52% in 2003 to 70% in 2015.
- ✓ Increasing energy efficiency and sustainable energy system development, promoting renewable energy - by reducing energy intensity in the energy sector by

implementing new technologies to increase productivity, increase energy efficiency throughout the production cycle and increase the share of renewable energy. It will provide significant support and implement new technologies to reduce emissions from large power plants. The aim is to contribute to national goals: reducing primary energy intensity by 40% by 2015 compared with 2001, increase energy from renewable sources to 33% of gross national energy consumption by 2010 and reduce emissions contaminant in the energy sector, according to the National Programmers for reducing sulfur dioxide (SO<sub>2</sub>), nitrogen oxide (NO<sub>x</sub>) and dust in large Exploitation of regional advantages is essential, so they are transformed into a key driver of market growth and competition. Starting from the conditions that have to do a region to be competitive in a competitive market (a favourable business climate, highly skilled workforce and adaptable, adequate infrastructure, and an innovative environment conducive to quality macroeconomic management), skills fundamental level would need to cover:

- strategic planning based on analysis of advantages and disadvantages - the knowledge and commitment to their strengths and weaknesses and consequently promote actions: finding workable solutions to improve the problems of development, operation, strengths and turning them into internationally competitive advantages;
- culture partnership: strategic approach and community involvement and the most relevant actors at national, regional and local issues so that both common and specific but different regions and communities to find solutions within this framework;
- administrative capacity - the availability of competent personnel at central and local administrative structures, effective cooperation with the private sector as well as other interested groups are factors that ensure good management of financial and material resources available to regions;
- innovation capacity, or where appropriate, research and innovation infrastructure necessary to foster the emergence of innovation, as a condition for an economy based on the results of research and innovation;
- ability to identify resources to encourage the emergence of new economic activities and diversification and qualification of human resources to adapt to the market needs (by adapting school curricula). Correlated with many objectives of cohesion policy (full employment and active labour market policies, the development of lifelong learning, research-based economy / development / innovation, sustainable development), the following key competences should be considered, so each individual, to personal development, as well as at the level of education and initial and continuing training:
- ability to adapt and meet the challenges of a dynamic environment in constant change through continuous improvement of knowledge and specialization in technical fields, as well as in services, in this context, ICT skills are essential for the whole population, contributing to increased information and communication capacity;
- entrepreneurial skills - key competences required by the market economy, competitive;

- managerial competencies - it is important to be developed in all sectors, as well as basic skills for better work organization and productivity growth, for understanding decision-making and accountability;
- linguistic and multicultural competencies - knowledge of several languages facilitate communication and dissemination of best practices and exchange of experience on problem solving, while helping to increase information capacity.

Moreover, regional policy can be successful by implementing isolated from other policies. In this sense, knowledge of relevant national policies and community, along with their integration into a coherent and well-defined strategic concept, which can make the best potential development value of a hard or a region or zone is essential.

Strengthening capacity for cooperation and effective absorption of funds by all available means: such as exchanges of good practice, joint actions, exchange of new technologies, developing partnerships, creating thematic networks, etc.. Leads to effective and efficient implementation of cooperation programs in place and also will create prerequisites to develop new partnerships of regional cooperation, including distant countries outside the Union and the United States, China or Russia.

**Management of the area at MRDH level.** At the level of the Ministry of Development, Public Works and Housing, the attributions regarding spatial planning, urban planning and housing policies are assigned to the General Department for Territorial Development. Thus, it provides a unitary legislative and regulatory framework in the area of territorial development, supports the elaboration, adoption and implementation of Romania's Strategic Concept of Spatial Development – CSDSR 2007-2025, elaborates spatial planning documentations, supports the elaboration of urban planning documentations, creates the information system specific to urban real estate and urban databanks.

According to the MRDH organizational chart, the *General Department for Territorial Development* is structured in *three departments*, as follows:

- Department for Spatial planning – organized in two services: a) *Service for territorial planning*, b) *Service for European inter-regional territorial cooperation*,
- Department for urban planning and local development – constituted of: a) *Service for urban planning*, b) *Service for local development*, c) *Service for information system specific to urban real estate area and urban databanks*, d) *The secretariat, organized at compartment level, for the enforcement of GD 834/1991 regarding the establishment and assessment of lands owned by commercial companies with state capital, with further amendments and completions*. e) *Service – Secretariat for the declaration of public utility with a view of carrying out expropriation*
- Department for housing policy – made up of: a) *The secretariat of the National Centre for Human Settlements (CNAU – Habitat)* b) *Service for legislation and regulations*.

For the management of this area, a series of specific laws specific to spatial planning and urban planning have been adopted, some under promotion and modification, while other normative acts have incidence on the activity and constitute connected legislation, of help in fulfilling attributions. In the area of spatial development, Romania is the signatory of strategic documents that set up objectives

agreed by several states, members of European or international bodies in this line. Fourthly, *the geographical distance from the European developed countries*:

- under the conditions of an extremely poor infrastructure, may have increased;
  - the gap between Romania's western and southern or eastern regions;
  - several directions of action should be followed to diminish the territorial inequalities growing even more deeply:
- defining and improving the present regional development strategies and achieving spatial social-economic cohesion;
  - increasing the officials' responsibility for the targeted use of the existing funds allotted through spatial cohesion programs, financed by EU or by the Romanian Government;
  - adapting the present legislation in the field of regional development and correlating it with the European one. Also, Romania's characteristics in the field of regional development should be taken into account in the essence of legislative papers so that they could be a real support in the territorial development process;
  - developing and implementing the new and old spatial cohesion concepts on the theory of poles and growing centers, on the network- or cluster-type development;
  - involving specialists in drawing up territorial strategies and policies; monitoring the implementation process;
  - identifying the best locations in implementing local and regional investments so that the amplified effects could really diminish the uneven development process;
  - learning from the mistakes made by the developed countries in the territorial development process.
- enumerating some of the actions connected with a better implementation of local and regional development process can rectify the so-called taboo;
  - procedures and achieve a performing territorial management.

**The innovation phenomenon** for present has different manifestations depending on the companies' profile or the EU region where they are located.

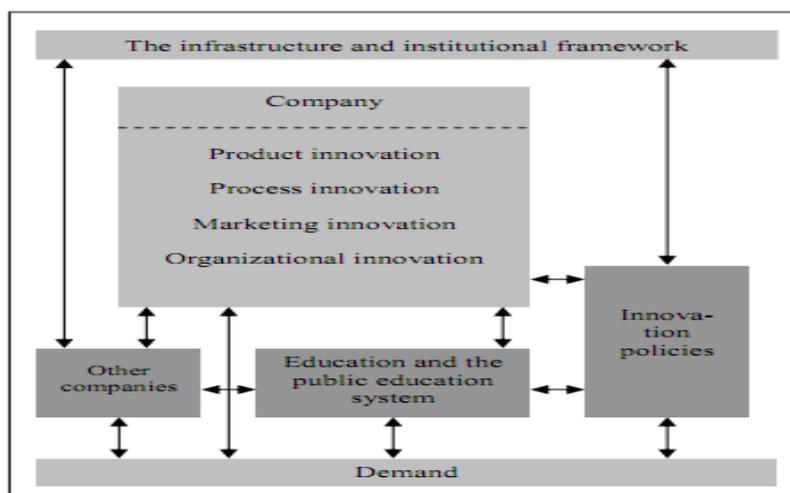


Figure 2. Organizational dynamics of innovation

- Innovation is essential for sustainable growth among the averagely developed countries, so that simply emulating other countries' innovations will not do.
- Despite the massive foreign investments implementing technology and know-how, this has not led to a similar development in our national economy.
- During the past five years, innovation has only reached modest levels in Central and Eastern Europe compared with the EU's developed countries, a trend that continues to be seen.
- Some of the local SME's have proven that successful innovation and export are possible even in the absence of brand recognition abroad.

The same analysis performed by the Economist Intelligence Unit made it possible to design an innovative model around two main components: innovative performance and facilitating innovation.

**Table 2. Inovative performance**

	Innovative performance 2003-2007	Innovative performance 2008-2013	Facilitating innovation 2003-2007	Facilitating innovation 2008-2013
Slovenia	7,68	7,86	7,16	7,34
Hungary	7,26	7,64	7,29	7,68
The Czech Republic	6,83	7,04	7,41	7,62
Estonia	6,75	7,09	7,34	7,69
Slovakia	6,26	6,25	6,84	6,82
Latvia	5,89	6,42	5,87	6,41
Bulgaria	5,79	6,06	5,98	6,26
Poland	5,65	6,14	6,21	6,71
Lithuania	5,52	5,77	6,09	6,35
<b>Romania</b>	<b>5,25</b>	<b>5,87</b>	<b>5,61</b>	<b>6,25</b>
EU 14 <sup>5</sup> average	8,54	8,66	8,53	8,67

Source: Economist Intelligence Unit, *A Time for New Ideas. Innovation in Central Eastern Europe*

This year's activities also include a large spectrum of target groups, including young people, teachers, companies, public players, and citizens, and highlight the factors that can contribute to promoting creativity and innovation capacity:

- *highlighting openness to cultural diversity as a means of encouraging intercultural*
- *communication and promoting a closer connection between the arts, as well as with schools and universities;*
- *stimulating aesthetic sense, emotional development, creative thinking, and intuition in all children, from the youngest age, including in preschool education;*
- *heightening awareness of the importance of creativity, innovation, and the entrepreneurial spirit for personal development, as well as for economic growth and employment, as well as for encouraging an entrepreneurial*

- mentality, especially among young people, through cooperation with the business environment;*
- *promoting education in the fields of mathematics, science and technology, basic and advanced skills that favor technological innovation;*
  - *encouraging openness to change, creativity, and solving problems as competencies favorable to innovation, which can be applied to a variety of professional and social contexts;*
  - *heightening public awareness, both within and outside the labor market, regarding the*
  - *importance of creativity, knowledge, and flexibility in an age of technological changes, and of fast global integration for a prosperous and satisfying life, as well as offering the means that*
  - *will enable citizens to improve their job opportunities in all the fields where creativity and innovation capacity plays an important part;*
  - *developing creativity and innovative ability in private and public organizations by training and encouraging them to make better use of the employees' and clients creative potential in the knowledgebase society and especially in the creative economy, strategies and policies dedicated to research, development, and innovation are considered a priority.*

### **3. CONCLUSIONS AND PROPOSALS**

Practically, Romania does not have a management model of uneven development. The discussion on drawing up the national strategy of spatial development has reached its final stage, but it has engaged only a part of the specialists involved in territorial analysis and management.

The main way for reducing territorial discrepancies seems to be a polycentric development. We expressed this idea publicly when Romania's regional development policy was being defined, but it was marginalized. Today, when Europe promotes such an idea, it has been embraced with no comments.

Elements of value added generated by the implementation of EU Regional Policy Understanding the European Union as a complex system, whose operation depends primarily on sub-component unit is the first condition to understand the need for coherence at all levels, including regarding policies, strategies, plans and development programs. Under this system, it occupies a special place at the Community regional policy formulation, which continues at national and regional level, with the programming strategies, plans and programs to implement this policy for determining which term macroeconomic medium term. If the European Union, this policy is especially important because it directly influences the direction of the Community and national financial resources to those projects that support the development of the whole groups.

In identifying and adopting best solutions to ensure an optimal level of development, both as decision makers and policy researchers aim to establish regional best ratio between responsive to the needs of development - continue quantitative

change and qualitative and administrative constraints, financial and cultural manifested in the construction of the complex system required for the formulation and implementation of regional policy, which is often characterized by a low degree of flexibility.

However, measuring the consequences of all these units is more difficult, especially if attempts are beyond the raw results of an evaluation of growth rate and the evolution of territorial imbalances. In recent decades there has been a reduction of the imbalances and inequalities between wealthier areas and less developed EU. This process has been generated in part by existing long-term trends in advanced market economies, the regional efforts for equalization of national policies, other EU policies and rules established in favour encourage trade and mobility, as well as community interventions by regional politics.

The magnitude scale of the last element cannot be appreciated because, as noted professor Andre Sapir, "... in practice, the evolution of regional GDP data are not sufficient to distinguish the effects of this policy, the absence of other categories of regional indicators, such as initial income, human capital, quality of local administration and in the absence of other influences separation.

Regional Development Strategy will be developed in Romania in the fall guidelines and trends. Its successful application in future years will depend not only on ensuring necessary financial support but also how they can meet the so-called "challenges Behavioural: participation, communication, mentalities and attitudes. An approach to strategy focused on the needs of citizens (people-centred approach) may lead to broadening the knowledge base, understanding and commitment of groups involved in regional development, improving links promising local initiatives. In the implementation phase strategy can be identified actors involved: central and local government, business, non-governmental organizations and Last but not the latter, local communities, citizens. To think that participation is all non-governmental problems would be a big mistake: the government, central government and are local ones that should contribute to creating the conditions necessary for participation.

In a democratic political system, local government is a key element. Its institutions provide a range of services essential to economic and social welfare of residents, use a significant proportion of public money and are, directly and indirectly, a source of jobs. But local government is more than one service provider. It is the most closer to citizens and has an important role in representing the concerns and views outlined in local level. Local government must build the structures, environment able to support active participation. The only pertinent conclusion is that you cannot establish any relative performance of these regions in the absence of regional policy. In conclusion, the results of its regional policy are somewhat modest in terms of contribution to the overall objective of cohesion and the annual financial reporting transfers of around 40 billion Euros for the period 2000-2006.

However, there are some positive elements and effects generated by implementing this policy cannot be neglected. First, there is a symbolic dimension of regional policy as an expression of solidarity. The spatial management of the country's territory constitutes a compulsory, permanent and of perspective activity, carried on in the interest of the collectivities that use it, in keeping with the values and aspirations of

the society and with the requirements of integration in the European space. Territorial development is achieved through spatial planning and urban planning, which represent ensembles of complex activities of general interest, contributing to the balanced spatial development, to the protection of natural and built patrimony, and to the improvement of living conditions in urban and rural localities.

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