

# **A strategic and operational view of competitiveness and cohesion in the European context**

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## **Abstract**

*The persistence of spatial developmental disparities suggests that the strategic directions of any initiative targeting regional competitiveness should follow the lines of (1) maximizing its competitive impact and (2) matching the territorial specificity. According to this perspective, the paper discusses an original theoretical construct and points to graphical representations of operational forms that may configure a policy of territorial development along four co-existent levels: (1) urban fields, (2) clusters, (3) development areas, and (4) disadvantaged areas. The main implication for public policy initiatives resides in facilitating the progress towards building up such a potential for growth.*

*Key words:* agglomeration, competitiveness, development, spatial network, territorial planning

## **1. Introduction**

One of the major challenges for the European territorial development policies, and at the same time, the justification of this study, is the attempt to highlight the connection or lack of it between the concepts of polycentricity and regional competitiveness and also between competitiveness and cohesion, in support of territorial development. Investigating the factors which may generate regional competitiveness is an up to date preoccupation in the European Union (EU) regarding the approach in the field of spatial planning. The new policies at European level target the reduction of development disparities and a more appropriate distribution of funds for development inside the regions. The experts of ESPON (*European Spatial Planning Observation Network*) have been developing studies on polycentricity since as early as 2006. They support the idea that an urban structure with a more pronounced polycentric character will

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contribute to a more balanced regional development and to an increase in European competitiveness. Nevertheless, the ESPON studies fail to provide a clear overlapping and a common approach to the two concepts, *polycentricity* and *regional competitiveness*.

This is also the approach of the recent reports of the World Bank (World Bank 2009) that bring forward topical issues in economic geography and its role in territorial development, conclusions and recommendations adopted also by the *Green Paper on territorial cohesion*, a programmatic document recently subjected to public debate at the European Union level. Romania has adopted the EU policy as far as the new theories on competitive development in the territory are concerned, through the *Strategic Concept of Territorial Development - Romania 2030* (CSDTR). Each stage of CSDTR was developed in conjunction with the strategic documents at the national level, taking into account, in turn, the territorial dimension of development. In 2007, the Strategic Development Concept was put into practice, as part of the public administration reform in Romania, in the *National Reform Programme 2007-2010*. From January to September 2008 the process of amending the legal framework continued by GO nr.27/2008 which provided a new title for the concept – the "*Strategic Concept of Territorial Development - Romania 2030*". The basic objective is to ensure the integration of Romania into the EU structures through the affirmation of its regional - continental identity, to increase spatial cohesion, develop competitiveness and sustainable development, in compliance with Objective 1 (Convergence), Objective 2 (Cohesion) and Objective 3 (territorial cooperation) of the Regional Development Policy of the European Union.

Although both theoretical and empirical studies gave rise to a series of indices that assess the competitiveness of a region, in the beginning, one must find the answers to some questions, namely: What are the determinants of regional development? Which is the most appropriate geographic scale to describe the level of regional development? What implications do these indices have on the causal relationship? To what extent does the availability of data make it possible to achieve regional analyses on comparable terms?

This material represents a step forward by providing some results which contain the recent conceptual approach in terms of *cohesion* and *competitiveness* in a manner that will provide a long-term coherent development programme, starting with the fields of intervention that are both necessary and possible on short-medium term and ending with fields of intervention that are necessary and possible on a longer term. Basically, the results that we present consist in:

- The proposal of a definition of regional competitiveness, together with the methodological elements for the analysis;
- The identification of the orientations and the strategic areas of intervention for the elaboration of a policy of consolidation of regional competitiveness according to the strategic objectives of CSDTR;

- The formulation of operational concepts to enable an effective intervention of public initiatives in the field of territorial development

One of the basic principles on which we develop the definition of regional competitiveness is that *territorial development is not a product of economic growth but one of the causes of growth*. From an incomplete vision that finds the premises for development in the need for efficiency (economic growth) and in the competitiveness of a defined population (individuals, firms, localities), located punctually in the territory, this paper conducts towards a vision that explains development through the territorial effects of economic activity.

## **2. Cohesion and competitiveness: the conceptual setting**

Recent developments, both in terms of public policy and economic theories and concepts, place regions at the centre of economic growth and the process of improving living standards, as key points of governance, organization and decision-making. Competitiveness is a highly debated concept, but for many economists, productivity and competitiveness have become for long similar terms (Porter, 1990), productivity in the sector of goods and services traded internationally leading to national competitiveness.

At the EU level, the concept of regional competitiveness has been outlined even since 1999, in conjunction with another fundamental concept of development: economic and social cohesion. The difficulty lies not in assessing the welfare effects, but in determining the competitive advantages that lead to achieving them. In this sense, there are countless variables that can influence competitiveness (or lack of it), from economic structure and resources, to sophisticated factors such as governance or entrepreneurial ability. The importance that knowledge, innovation and research have for economic development is unanimously recognized. Theories that refer to regions as „hubs of knowledge” based on the Schumpeterian theory and on evolutionary economy, bring innovation and the process of interactive learning at the centre of development. At a firm’s level, innovative activities are influenced by the operating environment: partners, competition, human capital, regional knowledge infrastructure institutions, regulations and legislation, etc. All these factors combined can be defined as the regional innovation system.

Whatever its definition, competitiveness is usually linked to tangible results such as continuous productivity growth, high real wages and living standards and innovative processes, with spreading effects. The conditions necessary for the study of competitiveness at a national level may be common to those required for the analysis at a regional level, although in the latter case, the usual constraints - membership of a monetary union, the mobility of factors of production, trade barriers, and macroeconomic shocks absorption - are incomparably more relaxed.

These observations allow us to propose a *working definition of regional competitiveness*: The capacity of a region, understood as a functional area of development and its public authorities, to increase the productivity of the employed resources (economic component), and to maintain the local businesses and qualified labour force and attract investment (the microeconomic and employment component) while ensuring a higher standard of living means, among others, an increase in the average household income, an improvement in the quality of life and environment preservation.

Both conceptually and programmatically, CSDTR represents the most advanced stage of integration of the principles of spatial positioning of the economic population with those of strengthening regional competitiveness. Promoting a "balanced polycentric urban system" is the most often mentioned as the objective of ESDP (*European Spatial Development Perspective*). The interest in polycentric development is fuelled by evidence that points to the fact that polycentric urban systems stimulate economic growth, are more sustainable in terms of environmental protection and support territorial cohesion better than monocentric urban systems. The current terminology introduces several new concepts that describe the geographic scale of development, such as FUA - Functional Urban Area, MEGA - Metropolitan Economic Growth Areas, PUSH - Potential Urban Strategic Horizon (OPUS) or PIA - Polycentric Integration Area. ("Enlargement of the European Union and the wider European Perspective", 2006, p. 149)

In Romania, the regional development policy became noticeable along with the implementation of the PHARE Programme, in 1996. Two years later, in 1998, the legal framework was established by Law 151/1998, which sets the national policy objectives in the field, the institutions involved, the specific skills and tools to promote regional development policy. The related accession negotiation chapter (Chapter 21) was opened in 2002, establishing the criteria to be met by Romania in the perspective of EU membership and eligibility for the European Social Fund and the Cohesion Fund, namely the *acquis communautaire* and the procedures for its implementation. At a territorial level, the unit of implementation of the regional development policy is represented by the development region, such a region resulting from the voluntary association of neighbouring counties, without constituting a territorial-administrative unit or a legal entity. Eight such development regions were established, in accordance with the Position paper for Chapter 21.

This material shows that the evaluations of regional competitiveness from this perspective are incomplete, because they focus mainly on socio-economic indicators, based on the (false) hypothesis that economic activity is capable to evenly distribute the benefits of growth in the territory. Some preliminary results (Cojanu at al., 2009) show that there are significant unused resources to

strengthen competitiveness through proper understanding of the factors of agglomeration as sources of development:

- *The existence of an urban and industrial vacuum inside the polycentric network of major urban centres* (over 100,000 inhabitants) that includes significant areas of the national territory, particularly in South-West, South, North West, partly in the Centre region, East and South East. The balanced distribution of urban networks is obviously lacking the ability to achieve functional development regions, which leaves important parts of national territory outside the mainstream of economic activity. Note that the results overestimate the existing potential anyway because, for the sake of better graphical illustrations and in the absence of more sophisticated instruments, the representation is not achieved at a fine scale (cities under 100,000 population, accessibility in the urban-rural and rural –rural space beyond national and European main roads etc.) and thus ignores the isolation and deeper territorial layers, which are essential for development.

- *Polycentric development does not necessarily support the development of a competitive potential* at a regional level, so that important urban networks are not able to establish the conditions of competitive development, as it can be represented by indicators such as GDP/capita, number of SMEs/1000 inhabitants or RDI expenditure/1000 inhabitants. This result is most visible when representing the expenditures on research and development, where the size and distribution of urban poles play an insignificant role for most of the national territory. Consequently, territorial development plans must, through an original approach, contain priorities for the competitiveness policy, which in turn must be justified directly to an appropriate geographical scale.

To overcome these shortcomings, the following section takes into consideration additional factors of influence, such as the increased integration of markets and the governmental actions to help support the transformation of the local and regional skills into a self-generating process of positive cumulative dependences between industries. The emergence of such agglomerations plays a significant role in sharpening the competitive advantages of those already in the area, especially when existing business and technology networks are used to strengthen their capabilities. The picture of regional development shows spatial scale phenomena: some regions – the centre - become more attractive to industries characterized by lower average costs as production increases, because the location serves a much larger integrated market, while others - the periphery - undergoes an acute relocation of economic activity. This is the starting point of an improved perspective on cohesion and competitiveness.

### **3. Strategic guidelines for a competitiveness and cohesion policy**

Recognizing the regions and introducing geography in the study of economic development was one choice that had a considerable impact on changing the atomized nature of the areas of economic activity, as economic actors. Analyses developed at European level (e.g. Martin and Sunley 1996, Rodriguez-Pose 1994, Vickerman et al. 1999), suggest that completing a plan for economic growth does not necessarily lead to the improvement of the living conditions and thereby to the consolidation of the competitive function of a territory. EU experience has accumulated over a sufficiently long period to allow corrective action recommendations to the orientations so far. First, the transfer of funds produces the expected results only in combination with an articulate and comprehensive national development policy. Funds could be and often were poorly used or discretionarily allocated in the absence of a well grounded regional policy. Secondly, the economic factors of agglomerations are usually accompanied by centres of political decision and local initiative that do not necessarily orient initiatives towards well-established growth poles. Other regional centres may occur, and prosperity becomes dependent on factors that stem from peripheral activities. Trade in similar goods and productive initiatives between similarly developed economies seem to be stronger factors in establishing a prosperous regional economy.

Prosperity depends on the context of development, which in fact configures a living area. Under the current approach, spatial organization of industries is more relevantly characterized by agglomerations located at a variable geographical scale than the administrative units used by either academics or officials, such as counties, cities or development regions, in the case of Romania. Specialization may therefore be less significant for the trends in industrial development than local processes of local industrial diversification. Strong competitive cores of groups of industries show a better capacity to cope with adverse shocks in demand and with structural crises and therefore more appropriate to indicate the best way forward for the regional development policy. Also, a more relevant regional model of spatial organization should go beyond the familiar image of the disparities – urban-rural, centre-periphery, agrarian-industrial – and put less developed locations in a dynamic perspective. Modern business organization (cf. Porter 1998) requires the increasingly wide geographic configuration of value chain activities in order to exploit geographically dispersed opportunities for growth. This process may involve the relocation of production through sub-contracting - data collection, financial service centres, production units or centres for research and development – towards peripheral areas. This increased flexibility of production systems allows the emergence of new development poles in areas previously isolated or left behind. A redefinition of the policy implications indicates the following fundamental strategic directions:

**(O0) Giving priority to measures for the integration of the development space to the detriment of the territorial balance of economic growth**

This basic direction is explained by the fact that competitive development in the territory depends on other essential features of location besides the traditional criterion of economic efficiency. The potential for absorbing the effects of growth at the level of the territory has its origins in phenomena (geographical, economic and political and socio-cultural) related to:

- Agglomeration (population density, concentration of production, urbanization etc.);
- Distance (administration and taxation, institutions, infrastructure, services etc.);
- Exchanges (economic integration, factor mobility etc.);
- Culture (institutions and law, tacit knowledge, social networks etc.).

Therefore, it can be said that an *area of development is a continuous area of development whose borders (socio-economic, institutional and cultural) are set according to the dynamic, geographical location and function and which appears as a result of maximizing net benefits resulting at territorial level from the evolution of:*

- Economic development related to competitive exposure: economic borders limit an area where companies and institutions go through a process of maximizing competitive development. They face competition of similar value, technologically and economically, and thus become motivated to innovate and to overcome what they understand as a direct threat, not distant or insurmountable, as compared to their current performance.
- Institutional development, related to decentralized administration, associated with regional expertise and knowledge. Administrative centres of government are replaced by functional centres of decision, which favour a widespread use of the sources of competitive power, free of political influence or bureaucratic obstacles.
- Social development, related to forming preferences: problems relevant for any development policy, such as income disparities, labour motivation and conflict resolution or underground economy, have an almost identical sensitivity to a broader area of economic activity.
- Cultural development related to forming values: tastes, attitudes towards work, consumption propensity, all leading towards the formulation of effective business strategies that target an easily identifiable market. A level of integration based on economic history and cultural identity reinforces the premises of enhanced flows of information and knowledge.

The impact on the consolidation of competitiveness is both positive and negative, in the same manner as territorial development supports the emergence of a *potential for growth* because:

- it enables the diversification of occupations and thus, regional specialization;
- it makes possible to develop bigger production capacities, of greater productivity;
- it allows the monetization of trade through an adequate financial circuit;
- it encourages the consolidation of social capital in various forms, as a direct source of growth, etc.

and at the same time, by the same causal chain, it can multiply the *effects of regression*:

- the emergence of power concentrations and the decoupling of production from real needs;
- increased exposure to financial risk (fiscal, monetary);
- disintegration of personal ties in favour of formal, institutional ones;
- negative network effects (e.g. congestion, pollution) etc.

Based on these considerations, public policy interventions (i.e., public or private initiatives supported by institutional or financial public resources) must be validated by two *specific guidelines*:

#### **(O1) Orienting policies towards the maximization of the competitive impact**

The expected impact of development projects results either from the amplification of positive effects or from the minimization of the negative ones, or, still, from monitoring the evolution of territorial agglomerations of economic activities in order to develop specific, real-time response capabilities.

Under this guideline, strengthening competitiveness at a territorial level is achieved by the proportional distribution of resources to areas of intervention aimed at *enhancing the positive effects, mitigating negative effects, monitoring developments*.

#### **(O2) Orienting policies depending on the territorial specificity**

Development projects are justified when their target is achieving a socio-cultural impact in the case of local initiatives (restricted geographical area) or an economic impact in the case of regionally concentrated projects (extended geographical area).

Keeping the focus on the maximization of the competitive impact is achieved when:

(1) Enhancing the positive effects is possible by achieving the economic impact of regionally concentrated projects (extended geographical area) such as e.g. Potential Integration Area (PIA) or Potential Urban Strategic Horizon (PUSH) but also other relevant descriptions of the areas of development, and

(2) Mitigating the adverse effects is possible by achieving a socio-cultural impact of projects concentrated locally (restricted geographical area), e.g. Functional Urban Areas (FUA), Metropolitan Economic Growth Areas (MEGA).

A recent assessment of the state of facts ( "Enlargement" 2006, p. 157) shows that there is no method to identify or measure polycentricity at different geographical scales, as there is no way to estimate its impact on achieving the objectives of cohesion, efficiency and sustainability. If you highlight a picture of economic geography at a given time, through measures like the size of settlements, geographic dispersion and the level of connectivity, it is risky to indicate the degree or optimal spatial configuration of territorial development. Therefore, in the same context it is suggested ("Enlargement" 2006, p. 157), that it is necessary to develop an operational concept of polycentricity and operating methods for identification and measurement. The scope of the implementation of development policies should be sufficiently large to allow, on the one hand, spatial links between cities and between cities and villages and, on the other hand, the economic maximization of net benefits of specialization and diversification.

In the light of the above-mentioned principles and motivations, the *operational forms* of implementing the territorial development initiatives for strengthening competitiveness are described on four levels of *coexistence*:

**(1) Urban field (UF)** is the area whose socio-economic and administrative identity includes the metropolitan area (a big city, secondary cities), cities and rural areas (villages and settlements) and therefore may overlap, cover or be included in the representation of polycentric urban networks (e.g. FUA, MEGA or PUSH).

This characterization refers to the benefits of an economic space of development in the first place, which is centred around a representative urban centre and the networks formed between this centre and the secondary satellite cities, between urban and rural areas and inside the rural areas. An example is the Brăila-Galați metropolitan area in an isochronous map (Cojanu et al., 2009). The synergy of the development initiatives is thus more appropriately highlighted and the administrative territory is set in the secondary plan. The field lies on the territory of three counties - Brăila, Tulcea and Galați and covers industrial and agricultural areas whose functional integration may be more effectively supported by public policy initiatives.

The essential difference from the present approach is that investment projects should be integrated from the beginning throughout the space, including e.g. through justifying initiatives connected to a large city area by the impact expected inside the urban field, possibly in rural areas. For example, this is the case of the new Brăila-Galați airport project, which is very likely to serve other neighbouring urban fields. In any case, an area of development has a spatial dimension, related primarily to distance, and an economic dimension, related primarily to the effects of congestion. Development needs are met by the integrated use of a residential area and through economic agglomeration centres, connected by one or more urban and rural settlements. Both specialization and

diversification of activities are important for the development of an economic space; both can contribute to productivity growth, just as well as they can curb this desirable trend.

**(2) Groups of related industries (GRI)** (clusters) which can be connected to an urban field or can cross several urban fields and areas of development. They represent a community in itself, whose function is primarily economic. Foreshadowing an area is visible when the activities belong to a production chain, vertical or horizontal, but it is more difficult when the influences are felt along a dispersed network of factors.

Organizing development at this level involves the formation of a network of collaboration between two or more urban fields, depending on the territorial dispersion of the added value activities in the space of the industrial concentration. For this reason, it is true that a detailed mapping of the GRI, through the use of more diverse landmarks, is necessary not only in this case, but on the whole territory of Romania. At European level, initiatives of this kind are facilitated through existing programs of cooperation between the European Commission and the private environment (e.g. [www.clusterobservatory.eu](http://www.clusterobservatory.eu), <http://www.cluster-research.org/>).

**(3) Area of Development (AD) of regional-national importance**, with possible cross-border location, assimilated to a great extent to the Potential Integration Area (PIA). The space of an AD is a complex socio-economic system, which may combine specific converging benefits of a relatively wide development space, administered by different jurisdictions (national and international). The economic activity takes place in Romania on a relatively wide area at European level, which is why it is normal for the phenomena of territorial integration to take place both nationally and internationally.

Across borders, the area of development of South-East Europe is traced by the main international centres – Bucharest, Istanbul, Sofia, Athens, Skopje, Tirana, Belgrade, Zagreb – which configure a region whose identity is given by a relatively low development, similar economic and political development objectives and a similarity of space in the design of investment strategies and business (Cojanu 2007a, b). A feature of this area, which better highlights the territorial specificity, is its geographical area, covering both members and non-members of the European Union.

**(4) Disadvantaged areas** can include the following categories of territories:

- Areas with deficient positioning: mountain regions, where people often live in rural areas, border areas;
- Scarcely populated regions;
- Specific natural areas (the Danube Delta, natural reservations);
- Areas with low accessibility (rural interstitial areas);

- Areas with temporary socio-economic difficulties (e.g. mining areas, restructuring industrial areas).

Concentrating measures on these areas should respond to specific needs, both for immediate economic adjustment and for territorial integration.

The role played by a developing space becomes more important for economic growth and increasing living standards, as it engulfs wider areas (but not too wide). Here are some of the challenges posed by this new strategic orientation of development:

- **Identifying the optimal area for supplying integrated services.** For example, the Asian experience showed that the private sector considers necessary to have at least a 200.000 inhabitants in a city before initiating an investment project in water supply (ADB, p. 17); this often refers to projects developed at the level of the urban field.

- **Identifying the functional perimeter of a territorial development unit.** Currently it is considered that a 45 minute radius is representative, based on commuter connectivity. Another unit recommended in spatial planning is the perimeter described by the distance covered in one hour or a concentric area with a radius of not more than 80 km. (ADB, p. 45). Such an "urban field" (ADB, pp 9-10) is described by an area of a 75-100 km diameter around a city, which includes several facilities: airport, new industrial premises, recreation areas, water basins, sewerage and drainage facilities, intensive horticultural areas, new residential areas, smaller satellite cities, power plants, oil refineries. A homogeneous administrative space, which can combine urban-rural characteristics depending on the geographical and social specificity. Another example is the "one hour circle of development" in Chongqing, Sichuan province (China). The plan covers an area of 28.700 km<sup>2</sup>, i.e. an area of a circle with a radius equal to the distance that a car can go in an hour from downtown. The area comprises a population of 22 million inhabitants, of which approx. 8 million in the urban centre (ADB, p. 12). However, the unit measuring distance should be considered in relation to a set of criteria (WDR 2009, p. 54):

- Population density exceeds a threshold of 150 persons per km<sup>2</sup> (equivalent of situating a person at 81.6 m distance of another);
- Distance is measured with reference to a maximum amount of time and to adequate roads;
- The human settlement is large enough and exceeds 50.000 inhabitants.

- **Implications on the area structure of governance.** A development territory at a variable geographical scale requires autonomy in the budget formulation and prioritization of initiatives at a local level. Administrative decentralization is a natural consequence of the territorial development process. International experience shows a significant increase of sub-government authorities in public expenditure: from 25% in 1992 to 50% in 2002 in Vietnam,

from 67% to 72% between 1990-2004 in China, from 11% to 25% between 1990-2002 in the Philippines (World Bank, p. 231).

• **The role of social capital.** In the short-term, coordination between institutional actors is formal, based on “professional sense”, dictated by competitive and cooperative behaviour, while long-term coordination becomes more informal and based on trust, or more on a “historical sense”, as shown by the “competitiveness pole” in the French region of Pays-de-la-Loire (AMISSE et al. 2008). In other words, if in the first phase capital mobility and physical factors are important, the second, consolidation and growth phase, depends to a greater extent on social capital formation.

#### **4. Conclusions and implications**

The directions and principles identified so far are likely to establish a policy of cohesion and competitiveness whose contribution to development lies in the calibration of the intervention to the developments in the real economy. It requires the emergence of a gradual capacity of shifting development projects from punctual regional destinations (people, companies, municipalities) towards areas of development. The overlapping of the new development programs priorities with the devastating impact of the international crisis requires the careful consideration of recent recommendations included in the EU initiatives such as the European Economic Recovery Plan, the European Globalization Adjustment Fund (EGF) and the strategic assessment of the Lisbon Agenda. The elements of the new framework of the regional competitiveness policy is both necessary and possible to be developed within the remaining time of the current financial exercise (2007-2013); they have been justified by the latest EU regulations<sup>1</sup> which allow the adjustment of initiatives based on the new priorities for development.

Romania is part of an economic space characterized by considerable differences of economic performance, usually at a lower level as we move from the West to the East of Europe. A policy to strengthen competitiveness must meet the challenges arising both from the need to decrease disparities between our country and more developed countries, and from the need to make better use of the existing economic potential. As far as these objectives are concerned objectives, this study reached the following conclusions:

**(1) The territory is very little exploited in the process of adding value to the economic activities**, through its characteristics of economic dynamics, functionality and spatial disposition of activities. Although the polycentricity

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<sup>1</sup> COM (2008) 803, Proposal amending Regulation (EC) 1083/2006 on the ERDF, ESF and Cohesion Fund, COM (2008) 838, Proposal amending Regulation (EC) 1080/2006 on the ERDF, COM (2008) 813, Proposal amending Regulation (EC). 1081/2006 on the ESF.

indicators present values comparable to the European regions, urban centres have an insignificant influence on the networks of economic activities and allow the formation of an urban and industrial vacuum.

**(2) The functionality of an economic area is highlighted in a variable geographic scale** which does not necessarily overlap with the existing and accepted administrative (districts, borders) or bureaucratic (development region) boundaries, which are currently used as benchmarks for the geographical area of the intervention policies. Therefore, policy interventions, even if properly defined, do not respond to specific needs of existing production networks in a particular area of development, but to generic needs, which may or may not be related to competitive development.

**(3) The main challenge in the short-medium term is related to the transformation of the punctual character of investments (in the cities, businesses, people) to areas of intervention defined as areas of development.** Despite efforts made so far, partnership (public-public, public-private or private-private) is weak and this is the first obstacle. Gradually, the justification of projects should be transferred towards metropolitan bodies. Paradoxically, metropolitan areas (associative structures) are not eligible to obtain financing through ROP, which has negative effects on the partnership of communities and scope of intervention. Other obstacles relate to the initiation and management of projects (especially large ones), particularly due to significant differences at institutional and operational level.

**(4) Intervention measures are not justified by, and do not include elements of value formation at the territorial level.** The expected beneficial effects of the operational programs cannot be effectively transferred into results due to the neglect of the effects of spatial agglomeration of economic activity which generates both a positive and negative impact on the added value. Important interventions such as "Strengthening the local and regional business environment (Regional Operational Program, Axis 4), "Increasing the quality of life in rural areas and diversifying the rural economy (Axis 3), "Improving the environment and the rural space" (Axis 2, National Program for Rural Development - NPRD) exhibit a lack of capacity to mobilize entrepreneurial initiatives towards specific objectives defined in the space of a regional economy.

**(5) A greater effort to redefine and conceptualise the fields and areas of intervention is necessary** rather than to change the strategic priorities. The new CSDTR is not advancing major changes of priorities, except for the adequate inclusion of issues relating to development in the territory. Changes occur at operational level, at how we understand the correct causal relation from using resources to the effects of economic growth. This material presented a vision based on the fundamental strategic orientation focused on priority measures for

the integration of the development space to the detriment of the territorial balance of economic growth.

If these landmarks can be treated as a vision on future development, the immediate priorities are directly linked to facilitate the rapid transition towards the construction of such growth potential. Following this exercise, several implications may be submitted:

**(1) *Public policy interventions should be adjusted to a geographically variable scale / scope of intervention.*** The most recent recommendations in the European Union (contained in the "Green Paper") warrant once more this priority of policy adjustment from the strategic development perspective set out by CSDTR. This approach involves the cooperation, in some cases, between neighbouring local authorities or between neighbouring countries, or even between the EU and other neighbouring countries. The adoption of the four operational concepts as „destination” for public policy initiatives to strengthen competitiveness is consistent with the current model of reporting to the territory the projections of development, by identifying a system of axes, hubs and areas as physical support for the development processes.

**(2) *The gradual allocation of the financial assistance is made according to the difficulties of integration in the area of development,*** which are sized locally, regionally, nationally and perhaps internationally, and is defined by three basic functions. The ESPON program recommendations ("Enlargement", pp 225-226) suggest that in the new Member States the focus of structural funds during the first phase should be placed on the development of significant urban systems and other major agglomerations, a process that will facilitate convergence at the European level but may even cause an increase in economic disparities and therefore can only be justified for a limited time. The next phase should include a national program of regional development with emphasis on increasing the second pillar of territorial development. The justification for these plans is based on the analysis of the potential functions and contributions to the positive spatial development of the development areas.

**(3) *Increasing the role of interventions in the development of the programming capacity in the field of competitive development.*** The competitiveness consolidation policy is a process that requires continuous learning and real-time action for adjusting to changes in the economic situation and technological development. The integration of the new concept of territorial planning is gradual, long-term, with considerably high learning economies. Expected objectives may come from measures such as mapping the economic activity in the territory or the non-governmental institutional constructions for *observation and monitoring*.

**(4) *Enhancing the role of complementary financing programs by diversifying funding sources and stimulating private investment initiatives.*** At the level of the European Union a considerable multiplication of funding

programs took place in the last decade, brought on by specific regional and sectoral needs. On the one hand, it is necessary to increase the institutional capacity to maximize the best of these sources. On the other hand, domestic economy should consider a similar entrepreneurial effort to revive private initiative for investment programs. Stimulating the attraction of investment towards public intervention measures should be complemented by initiatives of the research community, of the local communities and by sectoral programs.

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