

ROMANIA

NATIONAL STRATEGY FOR COMPETITIVENESS 2014-2020



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& consulting



ROMANIA - NATIONAL STRATEGY FOR COMPETITIVENESS

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1 Preamble

The issuing of the National Strategy for Competitiveness (NSC) represents a process undertaken by Romania through the National Reform Program 2011-2013 (updated for year 2013), observing the direction which aims to promote the economic competitiveness and local development¹. Similar to the situation valid for all member states of the European Union, the National Reform Program (NRP) translates to national level the objectives of the Europe Strategy 2020, establishing priorities for performing an economy that proves intelligent, sustainable and favorable to inclusion, with high levels of labor occupation, productivity and social cohesion². For the year 2013, NRP is issued in tight collaboration with the National Convergence Program 2013 - 2016³, whose role is to provide long term sustainability for the public finances, in agreement with the European Agreement for Stability and Growth. This way, NRP simultaneously pursues the objectives of Europe Strategy 2020 for employment, research, development, innovation, climatic changes and energy, education, social inclusion and decrease of poverty, such as the strategic priorities of Romania on improving the business environment, promoting the economic competitiveness and local development and modernization of public administration.

Concurrently, Europe Strategy 2020 represents the base for the European Commission's proposal on the Common Reference Strategic Framework 2014 – 2020 for implementing the Structural and Investment European Funds (SIEF)⁴, based on which Romania and the European Commission concluded a Partnership Agreement⁵, which established the investment priorities for promoting competitiveness, convergence and cooperation. In this framework, The National Strategy for Competitiveness represents a strategic documents owned by the Ministry of Economy, issued pursuing consultations with related ministries (especially with the Ministry of Agriculture and Rural Development, Ministry of National Education – RDI department, Ministry of Regional Development and Public Administration), for

¹ Ministry of Foreign Affairs (2013), “Main commitments for the National Reform Program 2013”, Annex no. 2, Romania, April 2013, p. 4

² Government of Romania (2011), “National Reform Program 2011 - 2013”, Bucharest, April 2011

³ Government of Romania (2013), “Convergence program 2013 - 2016”, Bucharest, April 2013

⁴ European Fund for Regional Development (EFRD), European social fund (ESF), Cohesion Fund (CF), Agricultural European Fund for Rural Development (AEFRD) and European fund for fishing and sea business (FEPAM) (see European Commission (2012), „Elements for a Common Strategic Framework 2014 to 2020”, SWD (2012) 61 final, Part I, II)

⁵ Ministry of European Funds (2013), „Advisory document for developing The Partnership Agreement for Romania 2014 – 2020”, 31 May 2013, available at http://www.fonduri-ue.ro/res/filepicker_users/cd25a597fd-62/2012-2020/doc/draft_AP_06.06.2013.pdf [accessed at 28.7.2013]

correlating the strategic interventions aimed to competitiveness, having in regard the national excellency field including the perspective of territorial dimension and rural development⁶. Figure 1.1 briefly represents the NSC relation with strategic documents which are the base of implementing the Europe Strategy at European and national level.

FIGURE 1-1 SOFTWARE FRAMEWORKS FOR ISSUING THE NATIONAL STRATEGY FOR COMPETITIVENESS



Programul Național de Reforma	National Reform Program
CSR Romania	CSR Romania
EUROPE 2020	EUROPE 2020
CSF 2014-2020	CSF 2014 - 2020
Acordul de parteneriat	Partnership agreement
Strategii sectoriale	Sectorial strategies
Strategia Nationala pentru Competitivitate	National Strategy for Competitiveness

CSR (Country Specific Recommendations): Recommendations from the Council on the National Reform Program

CSF (Common Strategic Framework): Common Reference Strategic Framework 2014 – 2020

*Sectorial strategies: strategies included in the National Reform Program which observe the theme objectives of the Partnership Agreement (see the references to such strategies in the sections of Chapter 2).

Source: processing based on EU's and Romania's strategic documents

Although it is naturally integrated in the European program framework, the National Strategy for Competitiveness arises from the desire to build a better future for the Romanian economy and Romania in general on strategic basis.

Starting from this double determination, the engagements undertaken by Romania as EU member state, as well as the specific development needs of the country, the issuance of the present Strategies aims to

⁶ „Memorandum for undertaking the ex-ante conditions concluded with the Ministry of Economy”, Appendix 2: „Action plan for issuing the National Strategy for Competitiveness (SNC)”. Available at: <http://www.fonduri-ue.ro/documente-nationale-de-programare/conditionalitati-ex-ante/memorandumuri-ex-ante>

lead a public policy document in the field of competitiveness which is structured in the following sections⁷:

- The national and European context of the economic development policies which identify the strategic action directions that shall drive this Strategy, mainly during 2014-2020;
- Description of Romania's current competitive position at country, sectorial and territorial level;
- Defining the visions and priorities of the Strategy together with the objectives for performing them.
- Operationalizing the Strategy by defining the action direction and the expected outcome together with the measuring indicators, budgetary and legal implications, monitoring and assessing procedures, the tasks of institutions involved in the implementation process.

The Strategy is the result of a research, consultation and debate activity in the governmental environment, as well as in the private environment, whose main methodological guidelines consisted in:

- Collecting and interpreting the information on which the performance of the main sectorial Strategies for the period 2014-2020 in Romania are based, especially the social-economic analysis specific to the strategic sector and accompanying context analysis (SWOT);
- Collecting and interpreting information included in Romania's program documents performed in implementing the Europe Strategy 2020, including the specific country recommendations (from the European Union) and ex-ante assessment of the Partnership Agreement for Romania 2014-2020;
- Collecting the statistical data and other research information from Regulations, studies and reports from the European Commission or Romania on issues of the general theme framework which encompasses the competitiveness area;
- Attending the labor meetings with the representatives involved in performing the Sectorial Strategies for the period 2014-2020, as well as the Partnership Agreement.

This Summary corresponds to a labor version of the Strategy whose main objective is the performance of a consensus with respect to underlying the strategic priorities for improving the competitive advantages of the activity sectors in Romania. Once this target is achieved, the present version shall be amended and brought to the final version phase with additional sections on the Strategy's operationalizing, namely on the action directions, outcome quantifying indicators, budgetary and legal implications, monitoring, assessment and institutions in charge with strategic implementation.

⁷ Presentation and formal content of such sections pursues the provisions with respect to the Strategy's structure as public policy documents included in the Appendix to the Romania's Government Decision no. 870 as of 28.06.2006.

2 National and European economic development context

The existence of a stable macroeconomic and financial framework represents a prerequisite for creating a favorable field for asserting the competitive potential of the business environment. Section 2.1 enlists the current condition with respect to action priorities and Romania's engagement undertaken within the EU economic growth program Europe Strategy 2020, as transported in Romania's main programmatic documents, namely the National Reform Program 2011-2013 and Convergence Program 2013–2016. On the other hand, the enunciation of the National strategy for Competitiveness starts from the assessment analysis of the development challenges and financing priorities for Romania in the development stage 2014-2020 as disclosed in the Partnership Agreement (see Table 2.1).

TABLE 2-1 DEVELOPMENT CHALLENGES AND FINANCING PRIORITIES FOR ROMANIA - 2014-2020

Challenges for the development period 2014-2020	Financing priorities
Low competitiveness and poor innovation and research system	Promoting the economic competitiveness and local economy
Underdevelopment of infrastructure facilities	Development of the modern infrastructures for growth and jobs
Low attendance on labor market: - Impediments of the education and training system - Low attendance on labor market - Population on the verge of poverty and social exclusion - Young unemployed population outside the education and training system	Improving the human capital through a larger occupation and better social inclusion and education policies
Inefficient use of resources	Optimizing the use and protection of natural resources and assets
Poor public administration and governance	Modernizing and consolidating the national administration and the legal system

Source: Ministry of European Funds, „Ex-ante assessment of the Partnership Agreement for Romania for 2014-2020”, labor document, 20.08.2013

On the other hand, formulating the Strategy is also based on the correlation created between Romania's targets engaged within the Europe Strategy 2020 and development priorities proposed by the European Commission through the 11 thematic objectives (TO) for the future programming period 2014-2020, including related to the three priorities on cross-border and inter-regional cooperation, within the macro-regions' and driver basins' strategies, as well as the transnational cooperation within the FSE objectives.

Along with monitoring the economic performance of the member states which the European Commission performs within the European Semester⁸, sections 2.2 – 2.4 individually list each thematic objective within three key thematic fields for economic growth in EU, namely:

- Promoting the economic growth and competitiveness pursued through strategic directions aiming to performing the thematic objectives for research consolidation technological development and innovation (OT1), improving ITC access, their usage and quality (OT2), improving the competitiveness of the agricultural sector and fishing and aquaculture section (OT3), supporting the transition towards a low carbon emission (OT4), promoting the adaptation to weather changes, prevention and risk management (OT5), environment protection and efficient use promotion of resources (OT6), promoting the sustainable transport and removing the blocks from major infrastructure networks (OT7);
- Labor market, social policies and education whose strategic direction are found in three thematic objectives, namely promoting the labor force and supporting the labor force mobility (OT8), promoting the social inclusion and poverty fighting (OT9) and investments in education, competences and life-long learning (OT10);
- Modernizing the public administration by consolidating the institutional capacity and providing an efficient administration found in direct correspondence with thematic objective OT11 within the Common Strategic Framework.

Last but not least, section 2.5 discloses the Territorial dimension of competitiveness, highlighting the challenges that Romania needs to face for a better capitalization of the economic potential in territorial plan.

2.1 Macroeconomic framework

For coordinating the political actions which include the Europe Strategy 2020, an economic governance system was intended at European Union level mainly constituted from the European Semester, Stability and growth pact, Economic unbalances procedure, Euro Plus Pact, as well as the Financial Sector Remedy⁹. Pursuing the engagements involved by such agreements, as well as the obligation to apply the preventive economic adjustment program with the European Union, IMF and World Bank during 2011-2013, Romania recorded a series of progresses. With respect to budgetary policy, the general public deficit was decreased in year 2012 to under 3% of GDP, observing the requirements from the Stability

⁸ European Commission, „Key areas: comparing Member States’ performances”, http://ec.europa.eu/europe2020/making-it-happen/key-areas/index_en.htm

⁹ European Commission, „Europe 2020 – Priorities: Economic Governance”. Available at: http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/priorities/economic-governance/index_ro.htm

and growth pact. Romania's public debt continues to be relatively low, representing 37.8% of GDP for 2012. The composition of fiscal income is favorable to the growth, Romania being placed on the 2nd place at EU level for the „growth favorable” tax quota. Finally, the macroeconomic scenario on which the Convergence Program is based is deemed plausible and in compliance with the Commission's predictions, Romania not being subjected to a short and medium term budgetary pressure¹⁰.

Consequently, on short and medium term, Romania observes the European Union's targets regarding macroeconomic stability and does not risk to be subjected to the budgetary pressure, providing the undertaken engagements are observed and the fiscal policy and sustainability risks are carefully managed¹¹. This means, besides the maintaining of above specified progresses, that other sources for streamlining the economic governance may also be identified, such as the cutback of weak structures that still persist in state enterprises or the implementation of some additional measures on improving the observance level of fiscal obligations and fiscal evasion, estimated at 10.3% of GDP at the level of year 2010¹², mitigating the increase of costs with population's aging and supporting the pensions reform by promoting the employment chances of aged workers¹³. For pursuing the observance of policies, the macroeconomic consolidation and structural reforms, Romania's Government considered to conclude a preventive type new agreement with IMF, World Bank and European Union in the following period, with duration of 24 months.

The main interest points for the competitiveness agenda remain those related to performing the public investments projects in compliance with the current engagements of the Romanian Government, which indicate an increase of the investment expenses from 6,0-6,5% of GDP, as forecasted for the period 2010-2012 (5,9% of GDP or 16,6% of the total budgetary expenses in 2013) at 6,5-7,6% of GDP for the period 2014-2016 and 21,8% of the total budgetary expenses in 2016.¹⁴ This investment effort, in the context of macroeconomic stabilization context is expected to especially contribute to the five field deemed strategy for investment and labor occupation: energy, mineral resources, agriculture, industry and infrastructure¹⁵, as well as to accelerate the spending rhythm of European funds in order to reach an absorption rate of 50-80% until 31st of December 2015¹⁶.

¹⁰ European Commission (2013), *Work document for Commission's Services: Assessing the National reform Program for 2013 and Romania's convergence program*, Bruxelles, 29.5.2013, SWD(2013) 373 final

¹¹ European Commission (2013), *Work document for Commission's Services: Assessing the National reform Program for 2013 and Romania's convergence program*, Bruxelles, 29.5.2013, SWD(2013) 373 final

¹² Romania's fiscal council (2012), *Annual report on year 2011: Evolutions and macroeconomic and budgetary perspectives*: <http://www.consiliulfiscal.ro/Raport2011.pdf>

¹³ European Commission (2013), *Council recommendation on Romania's National Reform Program for 2013 and which includes a certificate from the Council on Romania's Convergence program for the period 2012-2016*, Bruxelles, 29.5.2013, SWD(2013) 373 final

¹⁴ Government of Romania (2013), *Convergence program 2013 - 2016*, Bucharest, April 2013, p. 24

¹⁵ Government of Romania (2013), „National strategic plans and job creation”, July

¹⁶ Government of Romania (2013), *Convergence program 2013 - 2016*, Bucharest, April 2013, p. 24

2.2 Promoting economic growth and competitiveness

2.2.1 Research, development, innovation (RDI)

Consolidating the research, technological development and innovation (OT1) contributed to performing the priority Europe Strategy 2020 with respect to increasing the RDI investments at year 2020 level, so as this reached 3% of GDP at European Union's level, the target undertaken by Romania being 2% (1% from GDP from public sources and 1% from private sources). In order to perform a tighter association between research, innovation and enterprises, especially by granting a priority status to research and development activities which are susceptible to draw private investments¹⁷, it is necessary to correlate the National RDI Strategy 2014 – 2020 with the National Strategy for Competitiveness, stressing the intelligent specialization. This approach became an essential condition for decreasing the current offset for this target and for providing the connection between research-development and industrial sectors with development potential.

Currently, the level of RDI expenses is only 0.48% from GDP (2011) out of which the expenses of the private sector represent 0.17% from GDP (2011), case which locates Romania on the penultimate position of the European classification Innovation Union Scoreboard 2013¹⁸. Romania occupies the last position for categories, connection and entrepreneurship” and „intellectual assets” and the penultimate for „quality of research system”. Some additional data explain this performance: Romania has recorded only two EPO patent requests (European Patent Office) reported to one million inhabitants in 2010, compared to an European average of 109; the percentage of RDI employees in the active population of 0.5% compared to an European average of 1.5%; only 30% of enterprises recorded innovation activities in year 2010 compared to 52.9% at EU27 level, in compliance with the CID results (Community Innovation Survey), the technological innovators' percentage being the lowest among European countries a.o.¹⁹

The functional analysis of RDI system in Romania executed by the World Bank indicates that „the RDI sector in Romania is in a hidden crisis, with severe implications on competitiveness and the country's long term growth perspectives”, concurrently suggesting four main directions for short and medium action, namely: consolidating the RDI system' governance, improving the public RD management, accelerating the RD results' transfer and advancing the request for RD from the private sector,

¹⁷ European Commission (2013), „Council's recommendation on Romania's National Reform Program for 2013 and which includes a certificate from the Council on Romania's convergence program for the period 2012-2016”, Bruxelles, 29.5.2013, SWD(2013) 373 final

¹⁸ European Commission (2013), Innovation Union Scoreboard 2013. Available at: http://ec.europa.eu/enterprise/policies/innovation/files/ius-2013_en.pdf

¹⁹ Eurostat pocketbook (2013), Science, technology and innovation in Europe, 2013 edition

especially by improving the investment climate for innovation²⁰. To this end, the European Commission's recommendations aim to increase the efficiency and effectiveness of RDI investments, establishing some priorities with respect to actions which may attract private investments, consolidating the protection framework on intellectual property rights and accelerating the trading of research outcome²¹.

In order to answer the identified challenges, the strategic endeavors undertaken by Romania through the National Reform Program 2013 intent the issuance of National Strategy for RDI, the National Plan for RDI for the period 2014-2020 and the National Strategy for Competitiveness 2014-2020 which regard the promoting of innovation and improvements of technological transfer by developing the component of intelligent specialization, based on industrial sectors, services and regions identified as bearing a high innovatory potential in order to stimulate their capacity to draw the SMEs in the supplier chains, to innovate the technological processes and products and to enter new markets²². Complementary resources (proposed through the National Plan for RDI) may be drawn through the main European program for RDI financing for the period 2014-2020, Horizon 2020, whose central purpose is to develop European industrial capacities in the field of essential technologies (key enabling technologies, KET), among which the following are enlisted: photonics, microelectronics and Nano electronics, nanotechnologies, advanced materials, advanced manufacturing and processing systems and biotechnology. Beside aiming primary industrial fields, Horizon 2020 facilitates the cooperation between enterprises, superior learning institutions and research centers through the so called Knowledge and Innovation Communities (KIC) developed within the European Institute for Innovation and Technology (EIT)²³ or through public-private partnership programs open towards top research areas.

The RDI investments also have as important sources the structural and cohesion funds 2014-2020, which, compared to Horizon 2020, take into consideration the strengthening of the research-development capacity considering the particularities of the economic development level. The actions aimed to performing OT1 occupy a large spectrum, from the innovation activity in enterprises and supporting the competitive accumulations of firms to promoting the consultancy services for enterprises in RDI field, including in the field of services, at creative centers, cultural and creative industries and social innovation. A good part of the OT1 specific initiatives also answer directly to thematic objectives, such as OT2, by developing technologies, especially KET, pilot projects and demonstrative

²⁰ World bank – Europe and Central Asia region (2013), *Functional analysis of RDi system in Romania, 2012*. Available at: http://www.sgg.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-III/Cercetare_RO_Romania%20RD&I%20Functional%20Review%20-%20Final%20Report-RO.pdf

²¹ European Commission (2013), *Work Document of Commission's Services: The assessment of the National reform Program for 2013 and Romania's Convergence Program*, Bruxelles, 29.5.2013, SWD(2013) 373 final

²² Ministry of Foreign Affairs (2013), *Main commitments for the National Reform Program 2013, Annex no. 2, Romania, April 2013*

²³ European Commission, *Research & Innovation, Horizon 2020*. Available at: http://ec.europa.eu/research/horizon2020/index_en.cfm

activities for improving the economic infrastructure; OT3, by creating a more important request of innovatory products through public procurements in the field of innovation, developing advanced manufacturing technologies, strengthening of innovation activities of the rural areas enterprises and promoting RDI activities which answer the specific needs of peasants and foresters; OT8 and OT10 through investments in human capital for developing education services and for acquiring new skills and lifelong learning. Complementary resources come from other European initiatives European partnership for innovation type (such as European Partnership for innovation on active and healthy aging or the one for sustainable agriculture and productivity) or the cross-border cooperation type (such as Knowledge alliances financed through Erasmus for All).

2.2.2 Access to ITC

The improvement of access to ITC, its use and quality (OT2) provide a straight answer to the challenges raised by initiative Digital agenda for Europe, part of Europe Strategy 2020. In the knowledge based economy, the information and communication technology is an economic growth and competitiveness engine, the recommendations addressed to member states especially aiming to spreading and using the fast and ultrafast internet and interoperable services and applications²⁴. Romania has to recover a series of deviations regarding the informatics alphabetizations, the broadband infrastructure and increase the requests for electronic services. In the same time, the ITC sector was identified as a field with high potential of intelligent specialization in Romania, given the high economic performances obtained especially in telecommunications and development of software products²⁵. Despite some solid competitive advantages in the aforementioned fields, Romania's contribution to achieving the objectives of the Digital Agency is modest as immediate result of weak sectorial interdependencies. According to the composite indicator performed by World Economic Forum (Network Readiness Index) based on criteria related to infrastructure, accessibility, ITC competences, economic and social impact²⁶, Romania has the weakest performance among the European Union's countries and occupies the 67th position of 142 at world level. Furthermore, Romania concludes the European classification of the informatics alphabetization (computer literacy) occupying the 25th position for the weight of ITC professionals²⁷. Last but not least, the application of the e-governance continues to be a challenge, Romania recording one of the lowest levels of usage of such services by citizens and enterprises.

²⁴ European Commission (2010), *A digital agenda for Europe*, COM(2010) 245 final/2

²⁵ JASPERS (2013), *Analysis and evidence base of the R&D&I market in Romania. Final report*, 14th March 2013

²⁶ European Commission – Europa 2020 – Key fields: Digital agenda. Available at: http://ec.europa.eu/europa2020/pdf/themes/11_digital_agenda.pdf

²⁷ European Commission – Europa 2020 – Key fields: Digital agenda: ICT for jobs. Available at: http://ec.europa.eu/europa2020/pdf/themes/12_digital_agenda_ict.pdf

With respect to use of ITC services at enterprises' level, the European statistics indicate important deviations: in year 2012, only 79% of the enterprises in Romania had internet access, compared to 75% at EU-27 level and only 36% had their own website, compared to 71% at European level. In the same time, only 76% of enterprises had access to broadband (fix and mobile), compared to 92% at EU level, a lower percentage being recorded by small enterprises (73%). The electronic commerce represented about 4% of the turnover for enterprises in Romania in year 2012, compared to 15% at European level and only 5% of enterprises have practiced online sales in the same period (14% - EU27). Not the least, while at European level the percentage of enterprises who used Internet for interacting with public authorities was 87%, in Romania the level was much lower – 63%²⁸.

In order to provide the ITC access, its use and quality, the European Commission recommends Romania to improve the broadband communications infrastructure²⁹. In compliance with the National Reform Program, the National Plan for next generation access networks is currently being issued, whose objective is to create an optimum infrastructure for the high speed internet, which supports the economic growth. Furthermore, NRP also includes the issuing of the National Strategy for Digital Agenda, which aims to provide the horizontal approach for digital increase, ensuring a vision that shall synthetize all sectorial strategies and national plans specific for sector's priorities covering a large thematic area (e-governance, interoperability, ITC for education, health and culture, e-commerce, mechanisms for clusters and competitiveness ones, broadband infrastructure and digital services for the business environment)³⁰.

2.2.3 SMEs and business environment

Improving the competitiveness of SME, agricultural sector and fishing and aquaculture sector (OT3) is an essential intervention field providing the SMEs represent over 99% of all active enterprises in Romania's economy, with a decisive contribution to forming national gross added value, to creating labor places and providing cohesions. The issuance of the National Strategy for Competitiveness must highlight the capitalization of industries and competitive services; potential, attracting SMEs in the value creation chain, promoting technological innovation and supporting SMEs' internationalization, in addition to the Governmental strategy for SME sector's development in Romania Horizon 2020 and

²⁸ Eurostat, „Information Society Statistics”:

http://epp.eurostat.ec.europa.eu/portal/page/portal/information_society/data/database

²⁹ European Commission (2013), *Recommendation from the Council on Romania's National Reform Program 2013 and which includes a notice from the Council on Romania's Convergence program for the period 2012-2016*, Bruxelles, 29.5.2013, SWD(2013) 373 final

³⁰ Ministry of Foreign Affairs (2013), *Main commitments for the National Reform Program 2013, Annex no. 2, Romania, April 2013*

National Strategy for RDI, in order to subscribe to the logics of supporting a long term vision with respect to competitiveness.

Statistics related to the dynamics of enterprises provided significant inputs for the Romania's future competitiveness policy. Thusly, although the rate of creating enterprises is characterized through a slight increase in year 2011 (36,1%) compared to 2010 (33,2%), it is worth mentioning that 58,7% of newly incorporated enterprises have no employee, that only 63,4% of them keep an active status after one year of activity and that only 16,8% perform investments in that period, which indicates an entrepreneurial inclination towards small and very small enterprises, as well as the existence of difficulties upon entering the market related to resources, high competition, obstacles in identifying customers, difficult access to loans a.o.³¹.

In this context, the specific recommendations from the European Commission for Romania aim to facilitate the SMEs' access to financing and decrease of related administrative task³². Among the orientations proposed by the National Reform Program in 2013, there are strategic and operational endeavors for improving the framework conditions for enterprises, decrease of administrative costs, issuing the National Strategy for Competitiveness 2014 – 2020 and National Strategy for Local Development 2014 – 2020 and actions intended to improve the performances in attracting European funds and managing the state aid schemes and minimis. Distinctly, for supporting the agricultural sector competitiveness, GEO 58/12 June 2013 amends and supplements Law 283/2010 on Chambers for agriculture, silviculture and rural development, in order to provide a more active implication of the farmers in the decision making process for increasing the level of European funds absorption³³, the strategic frameworks being detailed in Strategy for medium and long term developing agriculture 2020-2030. In order to support the aquaculture, the Multiannual National Strategic Plan for Aquaculture proposes administrative simplifying actions, ensuring the legal security of agents with respect to access the waters and spaces and establishing some indicators for ecologic, economic and social sustainability. Other complementary actions include the Program for young entrepreneurs, destined to encourage your enterprises (under 35 years of age) to incorporate and develop small enterprises³⁴, as well as the orientations suggested by Small Business Act.

³¹ INS (2013), *New enterprises and profile of entrepreneurs in Romania*, ISSN: 2065-5487

³² European Commission (2013), *Council's recommendations on National Reform Program of Romania for 2013 and which include a certificate from the Council on Romania's Convergence program for the period 2012-2016*, Bruxelles, 29.5.2013, SWD(2013) 373 final

³³ Ministry of Foreign Affairs (2013), *Main commitments for the National Reform Program 2013*, Annex no. 2, Romania, April 2013

³⁴ European Commission (2012), *Industrial Performance Scoreboard and Member States' Competitiveness Performance and Policies*, SWD (2012) 298

In compliance with the principles for applying the Common Strategic Framework 2014-2020, Romania shall need to perform a decisive transaction towards financial instruments destined to SMEs in order to support innovation, which insure the availability of starting capital, collaterals, loans, mezzanine type capital and initial capital for supporting the SMEs. In the future programming period, the FEDR financing may cover actions to create an entrepreneurial culture, commercial exploitation or new ideas and research outcomes, business consultancy services, developing new business models, organizing marketing activities, especially for favoring the internationalization, supporting the investments in top technologies in the field of products and services, integration of SMEs in supplier chains and clusters and improving their access to financing including through development of financial instruments for supporting innovatory enterprises. Additionally, the FEADR and FEPAM financing may be oriented towards providing support for restructuring agricultural exploitations which face major structural issues, aids for commencing the activity granted to young agricultures, integrating main manufacturer in the food chain, efficient management of economic and environmental risks, developing enterprises, introducing new products, services, technologies and improving the market organization for fishing and aquaculture sectors.

Not least, the actions had in regard for achieving the thematic objective OT3 may be in addition to some actions financed within thematic objectives on promoting the labor force and social inclusion, such as, for supporting the social enterprises, as well as the actions financed with the European Union Program for enterprise and SME competitiveness 2014-2020 (COSME), which highlights the support for enterprise internationalization³⁵.

2.2.4 Energy, transports and environment

Supporting the transition towards an economy with low carbon emission (OT4), Promoting the adaptation to climatic changes, prevention and risk management (OT5), Environmental protection and promoting the efficient use of resources (OT6), Promoting the sustainable transport and removing the blocks from the level of major infrastructure networks (OT7) frame three targets of the Europe Strategy 2020 through which Romania aimed to reduce the greenhouse effect gas emission (GES) from ETS³⁶ by 21% and by 10% the GES emission for non-ETS sectors (compared to base year 2005), to increase up to 24% the energy weight from renewable sources in the final energy consumption (and to 10% for transportation sector) and to perform a saving of about 10 Mtep (19%) of the primary energy consumption.

³⁵ European Commission (2012), *Elements for a Common Strategic Framework 2014 to 2020, SWD (2012) 61 final, Part I, II*

³⁶ European Union's scheme to trade greenhouse effect gas emission certificates

Romania is fairly advanced with respect to meeting the engagement undertaken through Europe Strategy 2020 for greenhouse effect gas emissions from non – ETS sectors (located within the objective with a 10% margin) and for the energy weight from renewable sources in the final consumption, which reached 21.4% in year 2011, close to the programmed target for 2020 namely of 24%, however it is still vulnerable with respect to energetic efficiency. After Bulgaria and Estonia, Romania is the third most energo-intensive economy country of the European Union, with an energetic intensity of 2.5 times larger than the European average and it is, further more on the third position from the point of view of carbon emissions intensity³⁷. The causes are related to the slow restructuring of the industrial basis which, prior to 1989 was characterized by a high weight of large energy consumer industries³⁸, as well as by the inefficiency of thermofication systems for house buildings and modest evolutions on the improvement of energetic efficiency from the road, railway and sea transportation sector. In addition the lack of efficiency and transparency of state held enterprises in energy and transportation sectors or difficulties related to integrating electricity and natural gas markets on European markets³⁹ bring an significant contribution. In addition to the energetic inefficiency, the transportation sector is seriously affected by the poorly developed infrastructure, especially the road one, for whose quality Romania occupies the last position among European countries in compliance with the World Economic Forum⁴⁰ classification.

In order to observe the European expectations with respect to „green” increase, Romania must introduce corrective measures, the main challenges aiming to decrease the GES emissions in atmosphere, as well as to increase the technical and energetic performances of the rolling material park and car park. Through the National Reform Plan for year 2013, Romania undertook a series of engagements on each of the three thematic areas – energy, transports, environment. Thusly, for Energy chapter, improvement measures for energetic efficiency are taken into consideration (thermal rehabilitation, centralized heat systems etc), as well as the decrease of support schemes for renewable energy, in order to decrease the costs deemed too high. Moreover, the Romania’s Energetic Strategy for the period 2007-2020 is currently being revised, including components dedicated to energetic efficiency in industry, transport and public and residential consumption, as well as a section dedicated to renewable energy. Not least, in year 2013 the National Strategy for climatic challenges 2013 – 2020 was issued, pursuing that, as soon

³⁷ European Commission – Europa 2020 – Key fields: Energy and climate targets . Available at: http://ec.europa.eu/europe2020/pdf/themes/16_energy_and_ghg.pdf

³⁸ European Commission (2012), *Industrial Performance Scoreboard and Member States’ Competitiveness Performance and Policies*, SWD (2012) 298

³⁹ European Commission (2013), *Work Document of Commission’s Services: Assessment of the National Reform Program for 2013 and Convergence Program for Romania*, Bruxelles, 29.5.2013, SWD(2013) 373 final

⁴⁰ European Commission – Europa 2020 – Key fields: Network Industries - Transport. Available at: http://ec.europa.eu/europe2020/pdf/themes/14_transport.pdf

as possible, its action plan is issued. With respect to Transportation, the Strategy for sustainable transport has as temporal horizons the period 2007-2013 and 2020, 2030, in the first trimester / 2014, pursuing that the General master plan for Transportation (MPGT) is issued, also including the Strategy for Developing the national transportation system. The Environment chapter aims to issue the National Strategy for Waste Management 2014 – 2020, whose purpose is to protect the environment and promote the rational use of resources, as well as national and county plans for waste management and National Plan to prevent waste generation⁴¹.

The performance of engagements described by the aforementioned strategies and plans decisively depends on the structural and cohesion funds' absorption capacity on each of the thematic objectives (TO) proposed through the Common Strategic Framework 2014 - 2020. Thusly, OT4 (supporting the transition towards a low carbon emission economy) may support actions to increase the energetic efficiency, the use of energy from renewable sources and decrease of greenhouse effect gas emission. From the perspective of economic competitiveness, this objective must be regarded in tight connection with OT3 on the consolidation of SMEs competitiveness, supporting new enterprises and activities in sectors with low carbon emission, as well as with OT1 by encouraging RDI in the field of energetic efficiency and energy from renewable sources, as well as the development of new technologies for attracting and storing carbon. The performance of OT5 (promoting the adaptation to climatic changes, risk prevention and management) may be supported by intensifying the reforestation process of agricultural and degraded lands, developing waste integrated management systems and rehabilitation of historically contaminated sites, as well as a better waste management, including the hazardous waste. Key-actions that may support the performance of OT6 (environmental protection and promoting the efficient use of resources) are the extension of green spaces in localities, performing water feeding integrated systems, treatment stations, sewage and treatment, implementing the adequate management systems for nature protection, especially in the European network Natura 2000. Not least, from the perspective of improving competitiveness, the development of transport infrastructure aimed through OT7 (promoting the sustainable land and eliminating the blocks at major infrastructure networks) must be regarded as a decisive economic increase factor and territorial and social cohesions. Other European financing programs, such as Connecting Europe Facility, may be complementary to those related to the support granted to enterprises for RDI and enactments of technologies for adaptation to climatic changes and decreasing their effects, environmental protection and promotion of sustainable transport⁴².

⁴¹ Ministry of Foreign Affairs (2013), *Main commitments for the National Reform Program 2013, Annex no. 2, Romania, April 2013*

⁴² European Commission (2012), *Elements for a Common Strategic Framework 2014 to 2020, SWD (2012) 61 final, Part I, II*

2.3 Labor market, social politics and education

2.3.1 Occupation and mobility of labor market

Promoting the labor force employment and supporting the labor force mobility (OT8) stands as essential objective for performing the indicator „Occupation ratio for 20-64 age group” of the Europe Strategy 2020. Romania aimed to a target of 70% by 2020, with five percent under the level proposed by the European Union, namely 75%. The indicator’s value for 2012 is 63.8% in Romania’s case and 68% in European Union’s case, situation which implies continuous improving efforts for the employment perspectives and labor productivity in compliance with Orientations on occupying the labor force enacted at European level in 2011, which establish priorities and objectives common to member states in order to increase the participation to labor market, decrease of structural unemployment and promoting the quality of jobs’ development of a well-qualified labor force, which answers the requests on the labor market and promote the lifelong learning; improving the quality and performances of the education and training systems at all levels and increasing the participation to the tertiary or equivalent learning; promoting the social inclusion and fighting poverty. In addition, The Package on the labor force occupation launched by the European Commission in year 2012 established a set of punctual measures for supporting the creation of new jobs, rebuilding the labor market dynamics and consolidating the governance in the field of labor force employment politics⁴³, with direct implications on the efforts to increase competitiveness described through OT3.

The challenges of occupation for Romania are related to the large number of youngsters who are unemployed and do not attend the education and training (16,8% in Romania, 13,2% at European Union level in 2012)⁴⁴, by a low employment degree among women (56,3% compared to the EU average of 62,4%)⁴⁵ and aged workers (41,4% compared to the EU average of 48,9%)⁴⁶, as well as by a very low labor productivity, dropping by 1,5% in year 2012 compared to year 2011, also directly related to the high percentage of active labor in agriculture, silviculture and fishing which is the largest in the European Union (28,6% in 2011).

The recommendations from the European Commission with respect to a better participation on labor market and the increase of labor productivity aims to an immediate application of the National plan for

⁴³ European Commission, *European Strategy on occupying labor force*. Available at:

<http://ec.europa.eu/social/main.jsp?catId=101&langId=ro>

⁴⁴ European Commission, *Europa 2020–Key fields: Youth unemployment*. Available at: http://ec.europa.eu/europe2020/pdf/themes/21_youth_unemployment.pdf

⁴⁵ *Employment Performance Monitor June 2013*. Available at:

<http://register.consilium.europa.eu/pdf/en/13/st10/st10373-re01.en13.pdf>

⁴⁶ *Idem* 39

employing youngsters, in order to fight unemployment among youngsters. The measures recommended include among others, the following: warranty for youngsters, increase of service quality provided by the Public Employment Service, by consolidating the capacity provided by the National Agency for Occupation of Labor Force, reviewing and consolidating the active policies in the field of labor market⁴⁷. Through the National Reform Program 2011-2013, Romania undertook to issue the National Strategy for Occupying the labor force 2013-2020, whose main objective is the reaching of a sustainable level of labor employment, supported by the economic competitiveness, social cohesion and sustainable development. The strategy includes objectives and measures meant to integrate on the labor market the categories consistent with difficulties – youngsters, aged persons, persons in the rural environment, persons of Roma ethnic group, handicapped persons, women, persons with reduced skills, as well as to develop the human resources with high qualification level and competences adapted to the market labor.

The key actions that may support the performance of OT8 in the future programming period, in addition to the National Strategy for Competitiveness, consider the support for developing independent activities, entrepreneurship and incorporation of enterprises, especially in emergent sectors such as „green economy”, environmental protection, creative and cultural sectors, ecologic agriculture, social sector, car components and ITC, sensitizing the economic agents with respect to equality of chances between women and men and reconciliation of profession and private life, adaptation to changes of enterprises, entrepreneurs and workers through continuous professional training programs which provide the competences necessary in order to practice the jobs with changed content or newly occurred jobs pursuing the introduction of technological progress, increase of transnational mobility of labor force, development of digital competences and anticipating the workers’ training necessary.

Furthermore, FEDR type actions must be taken into consideration for incorporating enterprises, mainly in the sectors which provide new sources for economic increase, such as ecologic economy, sustainable tourism, third age economy etc, as well as DEADR-FEPAM type actions, for creating new enterprises in rural areas and adding value to fishing activities and products in the coastal area and sea sector. The creation of synergies in this field implies the aligning with national programs which aim to the support for creating enterprises, as well as with other European initiative such as Program for occupation and social innovation, which supports the geographic mobility and facilitates the access to micro-financing

⁴⁷ *European Commission (2013), Recommendation from the Council on Romania’s National Reform Program 2013 and which includes a notice from the Council on Romania’s Convergence program for the period 2012-2016, Bruxelles, 29.5.2013, SWD(2013) 373 final*

for entrepreneurs⁴⁸. For aspects related to laying off the labor force, additional financial resources may be accessed from the European Fund for Adjusting to Globalization.

2.3.2 Social inclusion and decrease of poverty

The promotion of social inclusion and poverty fighting (OT9) stands as an objective with respect to which Romania aimed as target provided in the Europe Strategy 2020 to decrease the number of persons on the verge of poverty and social exclusion with 580.000 persons by year 2020, compared to benchmark year 2008. In interval 2008 – 2011, 240.000 persons were removed from under the incidence of this risk. Thusly, the data published by Eurostat indicates a slight improvement of the persons on the verge of relative poverty, the ratio of relative poverty reaching 22,2% in year 2011, compared to 23,4% in 2008. Moreover, in compliance with Eurostat, in year 2011, the percentage of persons found in households with very low intensity of employment was 6,7% and the percentage of persons with severe material deprivation was 29,4%.

Fighting poverty and promoting social inclusion, improving the efficiency of social transfers, with an increased attention paid in case of underprivileged children and finalizing the reform of the social services system are the main measures pursued in order to perform the proposed target. In addition, Romania is expected to continue the reforms in sanitary field, in order to increase their efficiency, quality and accessibility, mainly for underprivileged persons and isolated communities⁴⁹. The interventions proposed for this direction must be based on the action framework described through the European platform for poverty fighting and social exclusion, namely the issuing of measures which cover the entire specter of policies – labor market, minimum guaranteed income, education, health, houses, access to a basic bank account; a better use of EU funds in order to support the social inclusion; promotion of social innovation based on actual elements; labor in partnerships and capitalizing the social economy potential; improved political coordination between member states⁵⁰. In the same direction, The package of measurements on social investments enacted by the European Commission in year 2013 proposes a more efficient cost management in order to ensure an adequate and sustainable social protection, the access being moved towards policies meant to consolidate the capacities and

⁴⁸ European Commission (2012), *Elements for a Common Strategic Framework 2014 to 2020*, SWD (2012) 61 final, Part I, II

⁴⁹ European Commission (2013), *Recommendation from the Council on Romania's National Reform Program 2013 and which includes a notice from the Council on Romania's Convergence program for the period 2012-2016*, Bruxelles, 29.5.2013, SWD(2013) 373 final

⁵⁰ European Commission, *European platform to fight poverty and social exclusion*. Available at: <http://ec.europa.eu/social/main.jsp?catId=961&langId=ro>

competencies of citizens and to remove the obstacles in finding a job, equally servicing the interests of vulnerable groups and employers⁵¹.

Through the National Reform Program 2011 – 2013 the implementation of reform measures for the social services system is monitored, which includes the development of social economy, issuing the National Strategy on poverty fighting and promoting the social inclusion for the period 2014-2020, whose purpose it that of decreasing the poverty through active inclusion on labor market of the persons on the verge of social exclusion. Furthermore, through NRP, a series of central strategies on the issues of the main underprivileged groups shall be monitored, namely: National Strategy on aged persons and active aging 2014 – 2020, National Strategy on protecting disabled persons 2014 – 2020, National Strategy on the protection and promotion of child' s rights 2014 – 2020.

In addition, PNT considers the creation of the action plan for implementing the Strategy of Romania's Government to include Romanian citizen belonging to the Rromani minority for the period 2012 -2020, as well as for issuing the Strategy for Health 2014 – 2020, whose objective is the one to facilitate the access to better and safer health services especially for vulnerable groups⁵².

From the perspective of the national Strategy for Competitiveness, among the interest actions which may be financed under OT9 in the next programming period the one related to promoting the social economy of enterprises are enlisted and the ones through which a support for developing some new commercial models and some innovating solutions to approach the social challenges is granted. To this end, the coordination with the EU Program for employment and social innovation (EASI) must be pursued, increasing the access to micro-financing for social contractors⁵³.

Another related priority should be connected to the physical and economic regeneration of underprivileged urban and rural communities, including those composed of people of Roma ethnic group and implementing integrated measures to reduce the poverty rate and the risk of social exclusion. Finally, an important action funded under OT9 is increasing the administrative capacity for data collection, analysis, forecasting, strategic planning, monitoring and evaluation measures, action plans, strategies and policies of social assistance, nursing and social inclusion, including contributions from ICT, to which is added the action consisting in supporting the implementation of e-social assistance (e-services and e-social welfare benefits), through which the information management system of SAFIR

⁵¹ European Commission, *Summary for citizens – Social investments package for promoting growth and cohesion* (2013). Available at: <http://ec.europa.eu/social/main.jsp?catId=1044&langId=ro&moreDocuments=yes>

⁵² Ministry of Foreign Affairs (2013), *Main commitments for the National Reform Program 2013, Annex no. 2, Romania, April 2013*

⁵³ European Commission (2012), *Elements for a Common Strategic Framework 2014 to 2020, SWD (2012) 61 final, Part I, II*

social assistance benefits shall be extended to local authorities and the liaison with other major relevant electronic databases⁵⁴ shall be provided in order to reduce the risk of error, fraud and corruption in the system.

2.3.3 Education and professional training

Investments in education, competences and life-long learning (OT10) represents an action field which adds other two targets of the Europe Strategy 2020, namely to decrease the rate of early school drop-out, for which Romania undertook a target of 11.3% (above 10% at EU level) and to increase the weight of population aged 30-34 years who has graduated tertiary learning units or equivalent at 26.7% for Romania (minimum 40% at EU level). Decreasing the school abandonment, increasing the quality of education and professional training and their adaptation to labor market requests are the challenges needed to be faced by Romania in the next period, in order to provide a social base of the country's economic competitiveness.

In year 2012, in Romania, the early school drop-out was 17.4%, slightly decreased compared to 2010 and 2011, however largely above the EU average of 12.8%, special issues being recorded within rural areas and as well as Roma ethnic group. In the same time, the graduation degree of tertiary learning was 21.8% in year 2012, with 14 percent under the European Union average (35.8%), while the adults' attendance to life-long learning programs remained at very low levels (1.6% in 2011), considerably under the European Union's level (8.9%). The quantitative discrepancies are doubled by some qualitative ones, to the extent to which the level of basic competence for reading, Mathematics and Sciences is very low, and the employment rate of persons aged 20-30 who have graduated average studies, at least, is 69.4% in year 2012 (compared to 75.6% in EU's case)⁵⁵. Special issues are related to the „inadequate skills for the labor market” phenomenon (skill gaps), especially at professional and tertiary learning level, still misaligned to the labor market requirements⁵⁶.

Romania's National Reform Program refers to issuing some strategies meant to reply to identified issues, as follows: National Strategy for decreasing early school drop-out described the legal framework and includes measures for supporting the integration/reintegration in the educational system; Strategy for Developing the Educational Infrastructure proposes the issuing of a map for the educational infrastructure which allows forecasts on demographic technologies and adaptation of educational

⁵⁴ Other relevant data electronic bases: electronic databases on public finances, electronic registry on agriculture, electronic registries on labor force and pensions, Electronic Civil Registry

⁵⁵ European Commission – Europa 2020 – Key fields: Quality of education and training, Available at: http://ec.europa.eu/europe2020/pdf/themes/30_quality_of_education_and_training.pdf

⁵⁶ European Commission – Europa 2020 – Key fields: Skill gaps and labor mobility, Available at: http://ec.europa.eu/europe2020/pdf/themes/27_skills_gaps_and_labour_mobility.pdf

infrastructure; National Strategy for Life-Log Learning proposes to create a strategic framework in order to encourage and increase the participation in long-life training programs, with effect on the labor force productivity, the initiative being supported by supplementing and enacting by governmental decision the National Skill Framework; National Strategy for Tertiary Education considers a better absorption of European funds for projects which propose the support of access to tertiary education and increase of quality, efficiency and its accessibility⁵⁷.

The actions financeable under OT10 which consider the increase of participation to life-long training programs, improving the quality of the labor force, developing some partnerships between superior learning, enterprises and research sector, a better correlation of the education with the labor market, increase of creativity and entrepreneurship, as well as an economy based on the resources' efficiency, represents a special interest in the context of consolidating the economic efficiency.

2.4 Modernizing of public administration

The consolidation of the institutional capacity and providing of an efficient public administration (OT11) rises special challenges for Romania, again. In compliance with the assessment performed by the World Bank, The Worldwide Governance Indicators, Romania has one of the weakest performances with respect to public administration, being placed on the last position in the European Union for the efficiency of public administration, criterion which provides a general assessment of the system⁵⁸.

The public administration in Romania still needs sustained efforts for consolidating the governance and quality of institutions, decrease of bureaucracy, increase of public officer's professionalism, significant improvement of legal deeds' quality and performance of additional efforts for insuring a faster absorption of EU funds, especially by consolidating the management and control system and the improvement of public procurement procedures⁵⁹. Concurrently, the promotion of some high transparency standards, integrity and responsibility in administration and spending of public funds still rests as a vulnerable spot, needed to the remedies in the following period, Romania recording a poor outcome in the corruption perception index of International Transparency for year 2012 (position

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⁵⁸ Ministry of Foreign Affairs (2013), *Main commitments for the National Reform Program 2013, Annex no. 2, Romania, April 2013*

⁵⁹ European Commission – *Europa 2020 – Key fields: Public administration*. Available at: http://ec.europa.eu/europe2020/pdf/themes/34_public_administration.pdf

66/174), which measures the perceived level of corruption within officials and politicians and the incorrect use of public office for own interest⁶⁰.

The Strategy for consolidating the public administration capacity 2014 – 2020, included in NRP aims to cover the following priorities: increase of local public efficiency and decrease of development lacks at local level; consolidating the decision making process and increase of normative acts' quality; increase of public services' quality and improving access to the above mentioned. Furthermore, the strategy includes specific elements related to the zoning and continuing the decentralizing process. Not least, under operation report, the finalization and implementation of an Action Plan is considered for improving the administrative capacity for European funds management⁶¹.

The capacity and administrative efficiency influences the implementation of the present National Strategy for Competitiveness itself whose success depends, on one hand on the ability of administrative structures to create a framework favorable to SMEs, enterprises and business environment in general and on the hand, on their capacity to coordinate the proposed actions with the ones of complementary strategies described within this analysis and to assess the impact of actions within such strategies.

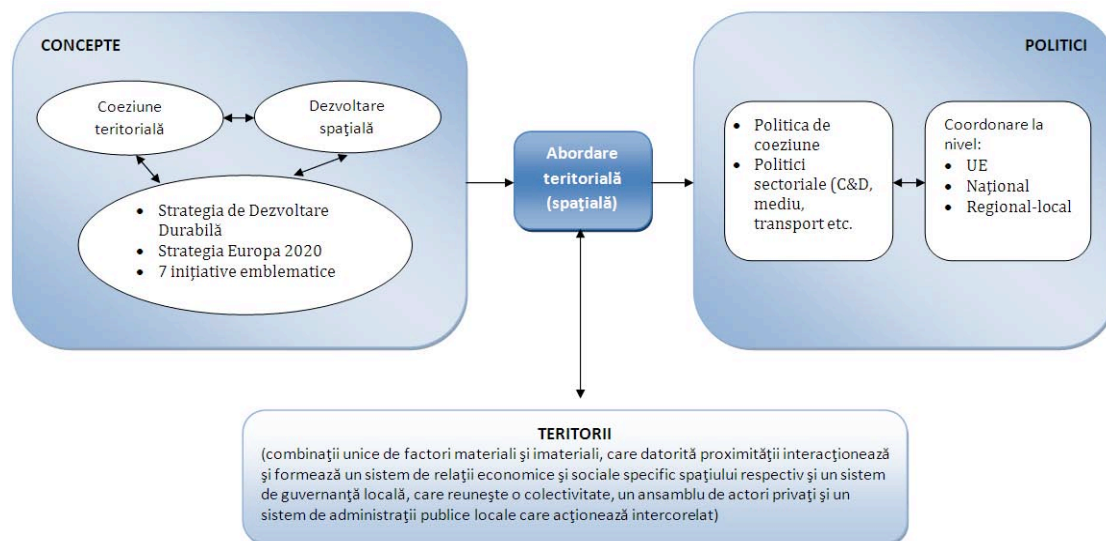
2.5 Territorial dimension of competitiveness

At European level, the territorial approach gains more and more importance in strategic planning. Although traditionally, it was regarded as an integral part of the Cohesion policy, the spatial development was awarded in the past few years an increasing recognition within other EU policies. The territorial cohesion was explicitly acknowledged as EU fundamental objective, together with the economic and social cohesion, through the Lisbon Treaty (art.3 TUE). This basic document mainly proposes the emphasizing of urban zones' role, functional areas, underprivileged areas from a geographical point of view as well as the building of some macro-regional approaches (Figure 2.1).

⁶⁰ Transparency International (2012), *Corruption Perceptions Index*,
[http://www.transparency.org/ro/politici_si_studii/indici/ipc/2012/CPI2012_map%20and%20country%20results.p
df](http://www.transparency.org/ro/politici_si_studii/indici/ipc/2012/CPI2012_map%20and%20country%20results.pdf)

⁶¹ Ministry of Foreign Affairs (2013), *Main commitments for the National Reform Program 2013, Annex no. 2, Romania, April 2013*

FIGURE 2-1 FRAMEWORK FOR TERRITORIAL APPROACH AT EU LEVEL



Source: processing based on EU documents

Concepte	Concepts
Coeziune teritoriala	Territorial cohesion
Dezvoltare spatia	Spatial development
<ul style="list-style-type: none"> • Strategia de dezvoltare durabila • Strategia Europe 2020 • 7 initiative emblematice 	<ul style="list-style-type: none"> • Sustainable development strategy • Europe Strategy 2020 • 7 emblematic initiatives
Abordare teritoriala (spatiala)	Territorial approach (spatial)
<ul style="list-style-type: none"> • Politica de coeziune • Politici sectoriale (C&D, mediu, transport, etc) 	<ul style="list-style-type: none"> • Cohesion policy • Sectorial policies (R&D, environment, transportation, etc)
Coordonare la nivel: <ul style="list-style-type: none"> • EU • National • Regional-local 	Coordination at the following levels: <ul style="list-style-type: none"> • EU • National • Regional-local
Politici	Policies
Teritorii Combinatii unice de factori materiali si imateriali, care daorita proximitatii interactioneaza si formeaza un sistem de relatii economice si sociale specific spetiului respectiv si un sistem de guvernanta locala care reuneste o coelctivitate, un ansamblu de actori privati si un sistem de administratii publice locale care actioneaza intercorelat	Territories Unique combinations of material and immaterial factors which, due to proximity, interact and form an economic and social relations system specific to the related space and a local governance system which reunites a collectivity, a group of private actors and a system of local public administrations which act in an interlinked manner.

Explicitly, the 5th Report on cohesion⁶² from the European Commission suggested the necessity to acquire a „deep understanding of the local impact of a policy, regardless of whether it was space-oriented or not” and furthermore, that „ the policies’ impact may not be maximized if a fragmented approach is enacted, and the decision making with respect to such policies is performed by an isolated manner”.

In May 2011, the Territorial Agenda of EU 2020⁶³ was approved, emphasizing the territorial priorities proposed for developing the Union. In the same year, the European Commission’s proposals for performing the Cohesion Policy 2014-2020 also aimed to a bigger attention paid to territorial dimension within the exchanges considered for streamlining this policy. It is found in the EU initiative with respect to integrated and sustainable urban development, intelligent specialization, local development lead by the community, as well as the integrated territorial investments (ITI).

In Romania, the past decade was marked by a progressive passing from policies which aimed the decrease of extinctions towards those which aimed to consolidating the regional and national competitiveness, emphasizing the exploitation of regional potential. However, this progressive trend did not have an optimum coherence and dynamics, sometimes being expressed as a desideratum, instead of being doubled by a mixture of actions correlated in strategic and operational plan. While trying to crystalize the policy change stated above, MDRAP is in full endeavor to define a medium and long term territorial strategy entitled Strategic Concept for Territorial Development in Romania 2030.

Under the new economic realities, the implementation of a coherent territorial approach in Romania must meet the challenges which result from the need of a better capitalization of the existent economic potential. The experience of past years (2007-2012) indicates that:

- (1) The territory is valued to a small extent in adding value to economic processes through its economic dynamics characteristics, economic functionality and space placement of activities. Although the policentricity indicators express values which are comparable to European regions, the urban centers insignificantly influence the economic activities’ networks and allow the forming of an urban and industrial cavity.
- (2) The investments supported by structural and cohesion funds are considered on a punctual basis (in cities, firms, persons) and not towards intervention areas defined as integrate development areas. In spite of efforts heretofore, the associativity (public-public, public-private or private-private) is weak and it stands as a first obstacle. Other obstacles refers to initiating and managing projects

⁶² Available at http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_ro.cfm

⁶³ Document Available at <http://www.eu2011.hu/files/bveu/documents/TA2020.pdf>

(especially the wise scope ones), under the conditions of institutional and operational level differences and the lack of integrate divisions of territorial development.

- (3) The intervention measures are not justified through and do not include value forming elements in territorial plan. The expected benefic efforts of operational programs may not be actually transferred into outcome due to disregarding the space agglomeration effect which, in the same time generate positive and negative effects on the added value. The interventions through various operational programs (POS & POR) are not territorially correlated, without any monitoring mechanism for the space impact.

The vulnerability of current approach in territorial plan is not both at defining level of strategic priorities, as well as especially at defining and stating concepts at field level and intervention areas. The necessary changes at occupational level namely are how we correctly understand the cause-effect connection from using the resources to the effects of economic increase. The current level of decentralizing is insufficient and the subsidiarity principle is approached solely formal in the design and implementation of policies with territorial impact. There is a cleavage between the up-down approach (initiated at national level) and the down-up (initiated at local level). The structures (local administrative, regional and national) pursue more bureaucratic roles that competitive mobility functions of some development areas. All above mentioned aspects prove the importance of territorial dimension in issuing a competitiveness strategy, mainly common directions being necessary with regional development strategies for orienting policies towards maximizing the competitive impact at territorial level by approaching the three Cs⁶⁴: Concentration: exceeding the density differences, Connecting the territories: exceeding the distance factor, Cooperation: exceeding the division factor. To this end, the thematic concentration and public investment priorities must be correlated with the main objectives/territorial keys (which connect between territorial priorities and economic and social development objectives): accessibility, general interest economic services, valuing of territorial potential, networking the cities, supporting the functional areas.

3 Competitiveness scoreboard

In year 2012, Romania held a world market share for exporting the products in the industrial and agricultural sectors of 0,32%, close to the level reached in 1948 of 0,28%, significantly less than the own record level of 0,60% reached in the '70, however an important recovery for the market economy period, from 0,13% in 1991 and 0,29% in 2007. The service export is at a world market share slightly

⁶⁴ European Commission (2009), *Green card on territorial cohesion and debates on the future reform of cohesion policy*

decrease from 0,27% in 2007 to 0,22% in 2012, the same level recorded in 1980, however, in this case as well, significantly less compared to 0,07% in 1991.⁶⁵ Consequently, in the current period, Romania's economy is on the route which only replaced it on the maximum historical positions in the world economy obtained in the communist industrializing period.

The prior observation is supported, at more detailed level, by the analysis of the global competitiveness index⁶⁶, which placed Romania among the efficiency factors based economies, which represents a progress of the past 15 years⁶⁷, however insufficient for keeping up with the other EU member states: save for Bulgaria, which has recorded a similar evolution, other six EU member states (Croatia, Estonia, Hungary, Latvia, Lithuania, Poland) are currently crossing-over towards the categories of economies based on innovation and sophistication, and the other 20 states are in the category of economies based on innovation and sophistication (see Annex 1). Moreover, other hierarchies of competitiveness warn about the level of performances which still place Romania in the lower part of the classification within the comparison countries. Such an example is the Global competitiveness yearbook 2013⁶⁸, where Romania is placed on the 55th position of the 60 states selected as being key actors on global market. As observed in Figure 3.1, the Romanian economy is placed in the first third of the classification only for labor force price (9/60) and in the first two thirds with three more indicators, occupation (33/60), commercial legislation (place 34/60) and public finance (place 37/60). As for the rest, Romania's classification proves vulnerability, especially with respect to international investments of Romanian companies, productivity and efficiency and access to financing, having in regard that for all these three indicators the Romanian economy is placed in the penultimate place in the classification.

⁶⁵ The data has been processed according to the World Trade Organization statistics.

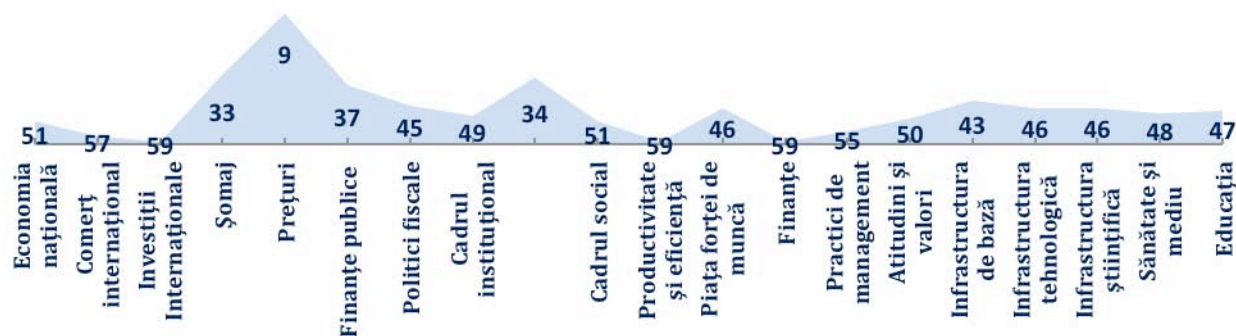
⁶⁶ Global competitiveness index (GCI) is calculated as of 2001 by World Economic Forum (Geneva).

In the edition used for this report, World Economic Forum (2012), *The Global Competitiveness Report 2012-2013*, the data was collected for 144 countries based on 12 competitiveness pillars (institutions, infrastructure, macro-economic environment, health and primary education, superior learning and training, product market efficiency, labor market efficiency, financial market development, technological training, market dimension, business sophistication, research, development and innovation) grouped into three categories (base factors, efficiency factors, innovation and sophistication factors) and built, in turn on 111 sub-indexes.

⁶⁷ Compared with the results from V. Cojanu (*Exteriro commerce and economic development in Romania, Bucharest, Ed. IRLI, 1997*), which using the methodological device founding the calculation bases of GCI, considers that Romania is found at that moment in the factors based development.

⁶⁸ *IMD World Competitiveness Yearbook, May 2013*, performed by IMD – World Competitiveness Center (Lausanne). According to the methodology used by IMD, the aggregated final classification final is based on 4 pillars calculated separately – economic performance, governmental efficiency, enterprises' efficiency and infrastructure and decomposed in other 20 relevant indicators for competitive development of a nation.

FIGURE 3-1 ROMANIA'S POSITION AT 20 RELEVANT INDICATORS FOR COMPETITIVE DEVELOPMENT (2013)



Source: IMD World Competitiveness Yearbook, May 2013. The comparison group is formed of 60 countries.

Economie națională	National economy
Comerț internațional	International commerce
Investiții internaționale	International investments
Șomaj	Unemployment
Prețuri	Prices
Finanțe publice	Public finances
Politici fiscale	Fiscal policies
Cadrul instituțional	Institutional framework
Legislația în domeniul afacerilor	Legislation in business field
Cadrul social	Social framework
Productivitate și eficiență	Productivity and efficiency
Piața forței de muncă	Labor force market
Finanțare	Financing
Practici de management	Management practices
Atitudini și valori	Attitudes and values
Infrastructura de bază	Basic infrastructure
Infrastructura tehnologică	Technological infrastructure
Infrastructura științifică	Scientific infrastructure
Sănătate și mediu	Health and environment
Educație	Education

The rest of this chapter shall detail Romania's competitive positioning, mainly by comparing it to the evolutions of the other EU member states. Section 3.1 provides a perspective on the competitive performance of the economy measures through some key indicators. Section 3.2 enlists framework themes of policy in the field of competitiveness as they were integrated in the European Semester. Section 3.3 emphasizes the economic activity sectors and the products which distinguish through the largest global level market shares, and section 3.4 continues over this subject from the perspective of attractiveness it represents towards the foreign investors. Section 3.5 represents the main themes of competitiveness at territorial level through some synthetic indicators. The chapter ends with section 3.6 which contains the conclusions with respect to competitive development in Romania.

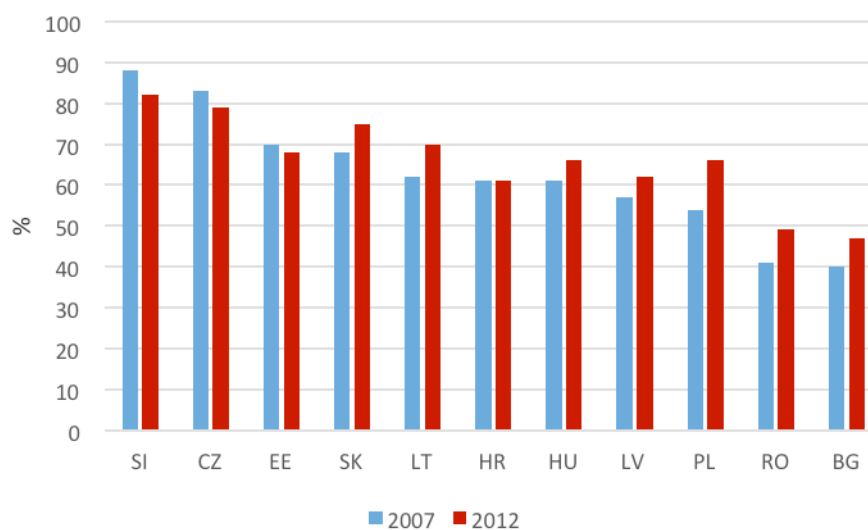
3.1 Romania's economy within the EU: review

The European economy is characterized through significant development lacks at the member states' level. Measured through GDP per capita, the differences between states are important, with end values of 271% for Luxemburg to 47% for Bulgaria, from the EU - 28 average in year 2012. The EU's grand economies are close to the average, however they record increasing contrasting evolutions for Germany 121% (from 115% in 2002), however decreasing for most other countries, Holland (from 133%), Great Britain 110% (from 120%), France 108% (from 116%) and Italy 98% (from 112%)⁶⁹.

In this context, Romania managed to improve the relative position compared to other EU member states, from a GDP level per capita of 29% in 2002 to 49% in 2012 from the European average (EU-28), however not fast enough as to avoid the status of less developed country, being placed on the penultimate position in the classification of member states. All 11 East-European countries which are part of the EU are located under EU-28 average (Figure 3.2), the highest development levels being recorded in Slovenia (82% in 2012), Czech Republic (79%) and Slovakia (75%). A very good evolution was noticed in Poland, which, in 2007 was located on the final places and in 2012 managed to exceed countries such as Croatia and Latvia, equaling Hungary. (66%).

⁶⁹ European Commission (2012), "Member States' Competitiveness Performance and Policies"

FIGURE 3-2 EVOLUTION OF GDP PER CAPITA IN EU MEMBER STATES IN CENTRAL AND EASTERN EUROPE



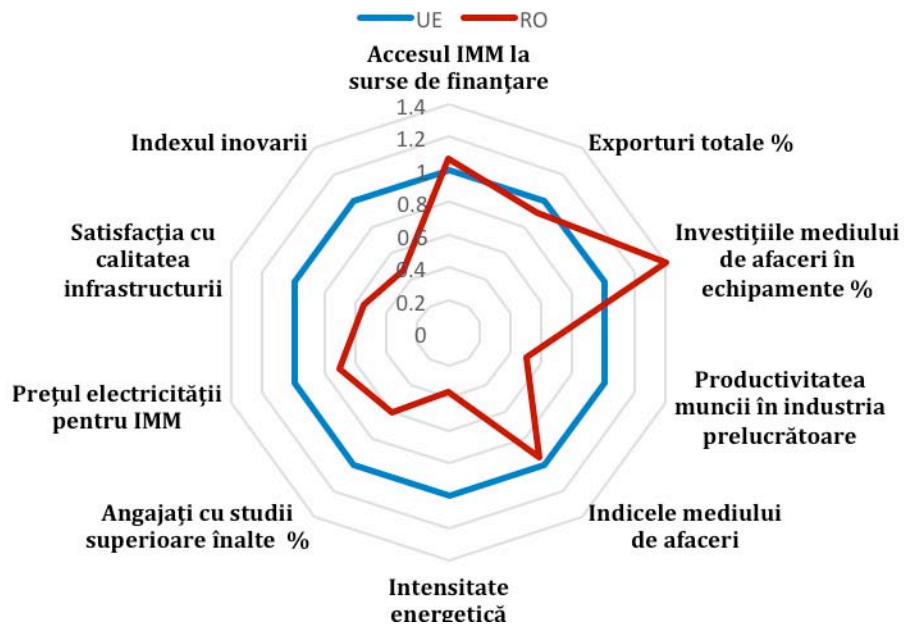
Note: Value index of GDP per capita is calculated at the Purchase Power Stands and it is expressed compared to the EU28 average = 100. See Annex 11 for the countries' codes.

Source: Processing after Eurostat data.

The competitive position of each EU member state is subjected to some annual analysis from the European Commission through approx. 30 monitoring indicators, out of which 10 are key indicators and are based on synthetic assessment of competitive performance of a member state⁷⁰. For Romania, a brief table of competitive position depicted through the 10 indicators is disclosed in Figure 3.2.

⁷⁰ These assessments are disclosed in European Commission (2012), „Industrial performance scoreboard”, October, Available at <http://ec.europa.eu/enterprise/policies/industrial-competitiveness/monitoring-member-states/> [accessed at 14.6.2013] and European Commission, “Member States’ Competitiveness Performance and Policies”, annual series (2010-2012).

FIGURE 3-3 ROMANIA'S COMPETITIVE POSITION IN EU ECONOMY (2011)



Source: European Commission, „Industrial performance scoreboard”, October 2012

Accesul IMM la surse de finanțare	SME access to financing
Exporturi totale %	Total exports %
Investițiile mediului de afaceri în echipamente %	Business environment investments in equipment %
Productivitatea muncii în industria prelucrătoare	Labor productivity in processing industry
Indicele mediului de afaceri	Business environment index
Intensitate energetică	Energetic intensity
Angajați cu studii superioare înalte %	Highly skilled employees %
Prețuri ale electricității pentru IMM	Electricity prices for SMES
Satisfacția cu calitatea infrastructurii	Satisfaction with infrastructure quality
Indexul inovării	Innovation index

The image is suggesting enough for indicating three major gaps, namely with respect to the productivity in processing industry, innovation and energetic efficiency, as well as four fields (business environment

investments, SMEs' access to financing, business environment index and economy's opening degree) where we are close or even exceed the average level of EU achievements. Section 3.2 shall continue the discussion with respect to these indicators in a thematic context which helps to a better interpretation of this general view. For the moment, it is worth mentioning that the assessment of the performance measured by the set of 10 indicators leads to highlighting three groups of EU⁷¹ member states: a group for countries with a consistent performance (consistent performers), another group of countries with uneven performance (uneven performers) and finally a group of countries which catch-up (catching-up), for which the indicators (from the 30 enlarged set) are mostly located around the lower values of the EU. As per the European Commission's assessments, Romania is located in the third group of countries⁷², together with Bulgaria, Czech Republic, Poland, Hungary, Slovakia, Latvia and Lithuania, a positioning which established general guidelines for the competitiveness policy context for the following period.

3.2 EU's policy framework themes in the field of competitiveness

The starting point for formulating a competitiveness policy within the EU is given by four thematic fields – innovative industrial policy, sustainable industrial activity, business environment and the quality of public administration – which have been selected by the European Commission in order to answer the framework themes of the Europe Strategy 2020 especially the initiative An industrial policy for the globalization era, as well as the objectives of the European Semester with respect to improving the competitiveness of European countries⁷³. The attention granted to competitiveness is based on a worrying reality (see Annex 2): between 2007 and 2012 the position on world market for exporting agricultural and industrial merchandise has deteriorated for almost all EU member states, the few exceptions among which Romania, being the countries less important in EU's commercial position. This section shall pay attention to less important indicators on each of the four thematic fields in order to provide a better understanding of the strengths and weaknesses of the Romanian economy.

3.1.1 Innovative industrial policy

Exports represent a key source in increasing an economy. The weight of exports in GDP represents an indicator of the opening degree of an economy, where the high technology exports and the eco-

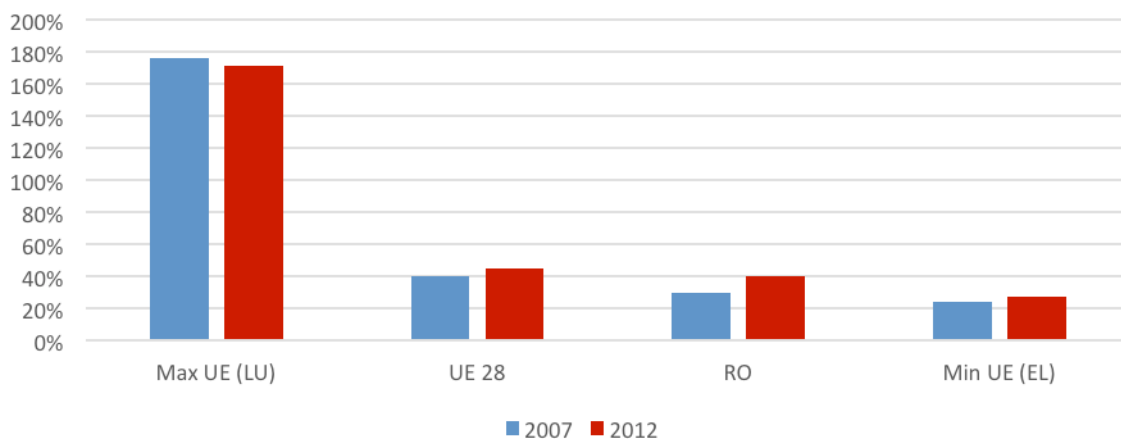
⁷¹ European Commission, „Monitoring progress in the Member States”, *Enterprise and industry*, Available at http://ec.europa.eu/enterprise/policies/industrial-competitiveness/monitoring-member-states/index_en.htm

⁷² The first group of countries includes: Germany, Denmark, Finland, Sweden, Austria, Ireland, Holland, Great Britain, Belgium and France, and the second group includes Estonia, Slovenia, Spain, Italy, Portugal, Greece, Malta, Cyprus and Luxemburg

⁷³ European Commission (2012), “Member States' Competitiveness Performance and Policies”, p. 27.

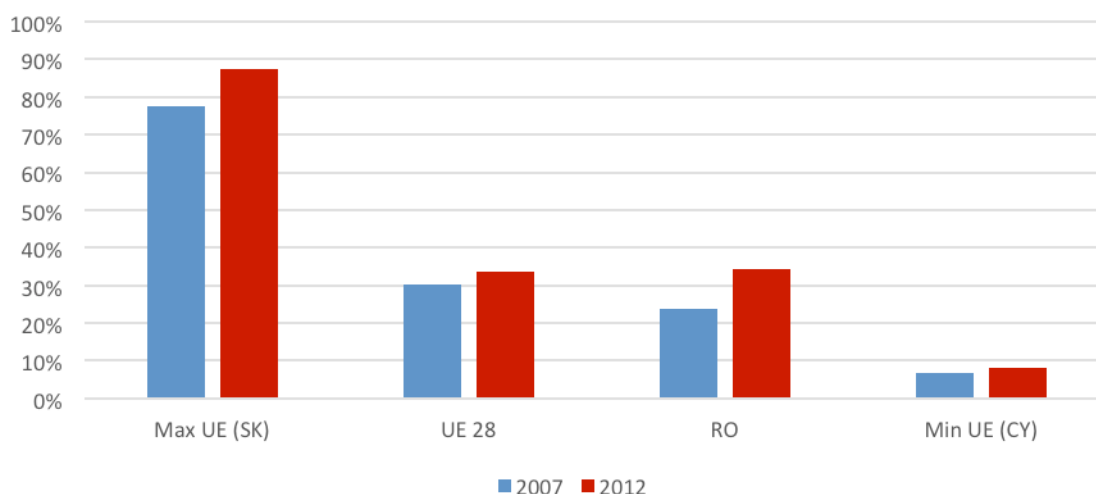
innovation ones reflect aspects specific to exports' performances. During 2007-2012, Romania has recorded an increase of the total exports; weight in GDP, from 29,3% in 2007 to 40% in 2012 (Figure 3.3), however it is still located under the European Union's average (40,1% in 2007 and 44,7% in 2012). With respect to the weight of exports of merchandise, exclusively in GDP (Figure 3.4), Romania is located under the European average in year 2007, recording a value of 3,7% compared to the EU average of 30,3%, however in year 2012 it exceeds the European Union's average level (33,7%), recording a weight of 34,2%. The top value of this indicator is recorded by Slovakia, both in 2007 (77,4%), as well as in 2012 (87,5%).

FIGURE 3-4 WEIGHT OF MERCHANDISE AND SERVICES IN GDP



Source: Data processing, Eurostat

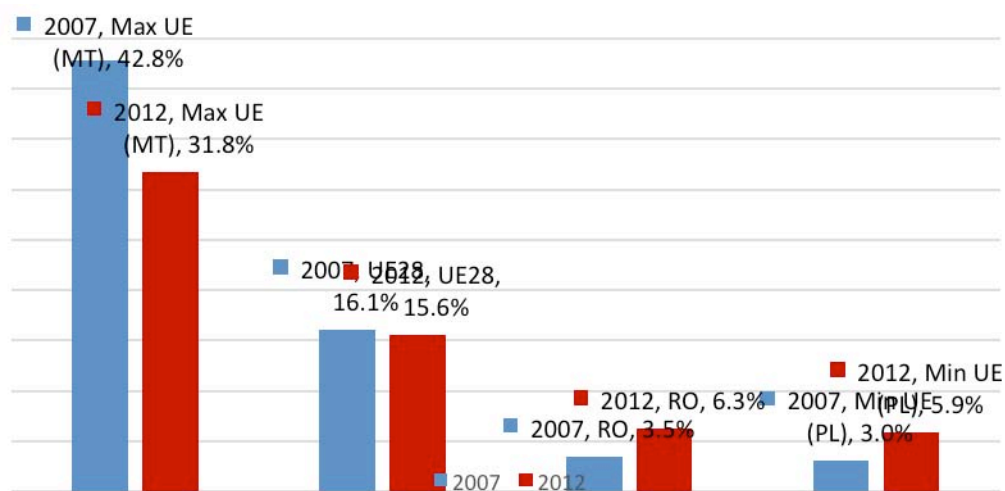
FIGURE 3-5 WEIGHT OF MERCHANDISE EXPORTS IN GDP



Source: Data processing, Eurostat

However, a set of indicators for the structural modifications on the composition of exports against the technology level, productivity, education and innovation indicates that the economy's opening takes place under conditions that are slightly favorable to a high competitive performance. With respect to the exports' composition, Romania has recorded an increase of high technology exports' weight from 3,5% in 2007 to 6,3% in 2011, occupying a place considerable under the European Union's average (16,1% in 2007 and 15,6% in 2008) and being at a level closely similar to the last country in the classification, namely Poland, with weights of 3% in 2007 and of 5,9% in 2012 (Figure 3.5).

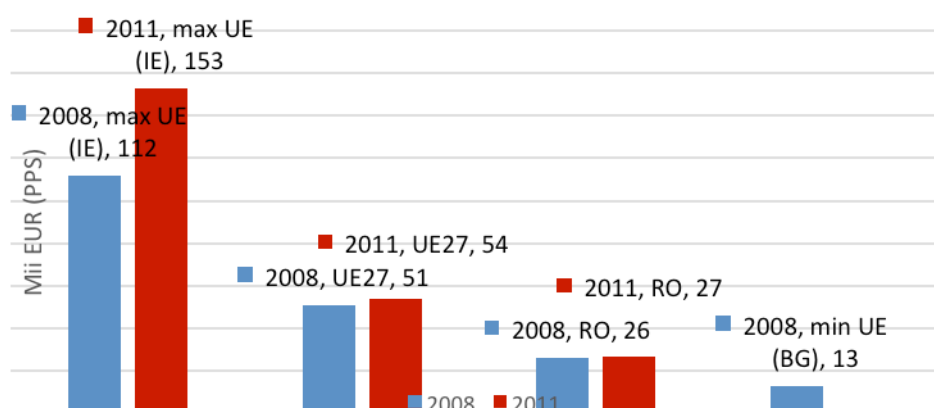
FIGURE 3-6 WEIGHT OF HIGH TECHNOLOGY EXPORTS IN TOTAL EXPORTS



Source: Eurostat data processing

The labor productivity indicator is a competitiveness synthetic indicator together with the market share, which we shall cover in detail in section 3.3. In Romania, the labor productivity in processing industry is almost double compared to the least productive country (Bulgaria), although finally its level is also very low (Figure 3.6). In spite of meeting a slight increase in year 2008 from 26.000 EUR (PPS)/employee to 27.000 EUR (PPS)/employee in 2011, this level is still half of the EU average of 54.000 EUR (PPS)/employee and four times less compared to the best performance, Ireland's, of 153.000 EUR (PPS)/employee. Furthermore, the increase has not been enough in order to prevent a relative worsening of the position within the EU: in year 2008, Latvia was located on the penultimate position with 19.000 EUR (PPS)/employee, being followed by Bulgaria with 13.000 EUR (PPS)/employee), in year 2011 it managed to exceed Romania after an increase of 50% in value, reaching 28.000 EUR (PPS)/employee.

FIGURE 3-7 LABOR PRODUCTIVITY IN PROCESSING INDUSTRY

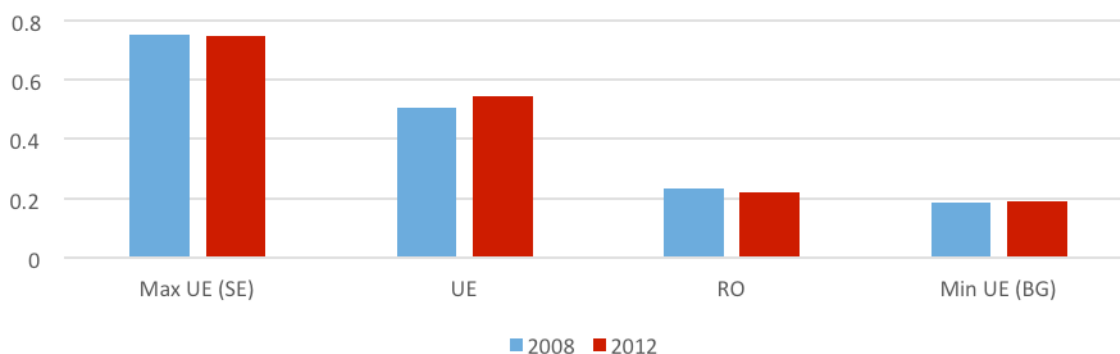


Note: For 2008, the data for RO are from 2007; For 2011 the data for RO are from 2009, for IE and EU from 2010, for BG there is no data.

Source: Eurostat data processing

With respect to education and innovation components, the distances which separate us from the best performances or even from the average ones continue to indicate major challenges for the competitive advance. In education's plan, the weight of employees with highly skilled superior studies in the processing industry was 11,7%, under the European Union's average of 19,2% and three times smaller than the maximum value recorded by Ireland (39,4%). This time, a positive exception is in the field of graduates' weight with technical profile in the graduates' total, where Romania records one of the highest increase rates in Europe, from 11,9% in 2007 to 15,6% in 2010, being close to Poland (15,8%), which determined the country's location over the European average in this period. With respect to innovation, the gaps are more visible (Figure 3.7): considerably under the EU average and very close to the lowest values in the EU.

FIGURE 3-8 INNOVATION INDEX



Note: Innovation index⁷⁴ takes values from 0 (the lowest performance) to 1 (the highest performance).

⁷⁴ It is based on three types of measurements: facilitators or inputs of the innovation process (human resources, research system, finance, support), companies' activities (investments, connections and entrepreneurs,

Source: Data processing from din Innovation Union Scoreboard 2013

3.1.2 Sustainable industrial activity

EU statistics indicate that 93% of European SMEs commit at least one action in order to use the resources more efficiently, especially in order to save the energy, removing the waste and recycling⁷⁵. Romania is hesitantly moving towards the EU direction on increasing the roles of sustainable sectors: concurrently, it is perceived as one of the countries with the highest energetic intensity of industrial activity, however as well as a country where the weight of expenses with environmental protection is relatively high⁷⁶.

The energetic intensity and energy costs are key indicators of sustainable development. In 2010, Romania occupied the penultimate place within the European Union as value of energetic intensity in industry and energetic sector (Figure 3.8), with a consumption twice largest than the EU average and over 10 times larger than the minimum value recorded in Ireland. In spite all these, the tendency is positive, decreasing, being one of the best evolutions in the period 2006-2010 at EU level due to structural changes which took place in the economy, as well as due to an increase of energetic efficiency⁷⁷. The observation is also supported by the evolution of the electricity price for SME⁷⁸, which decreased from 0,0811 EUR/kWh in 2009 to 0,0803 EUR/kWh in 2011 and it is located under EU average.

intellectual property) and outputs (introduction of products by SMEs, processes, organizational innovations and marketing, companies with high innovation increase).

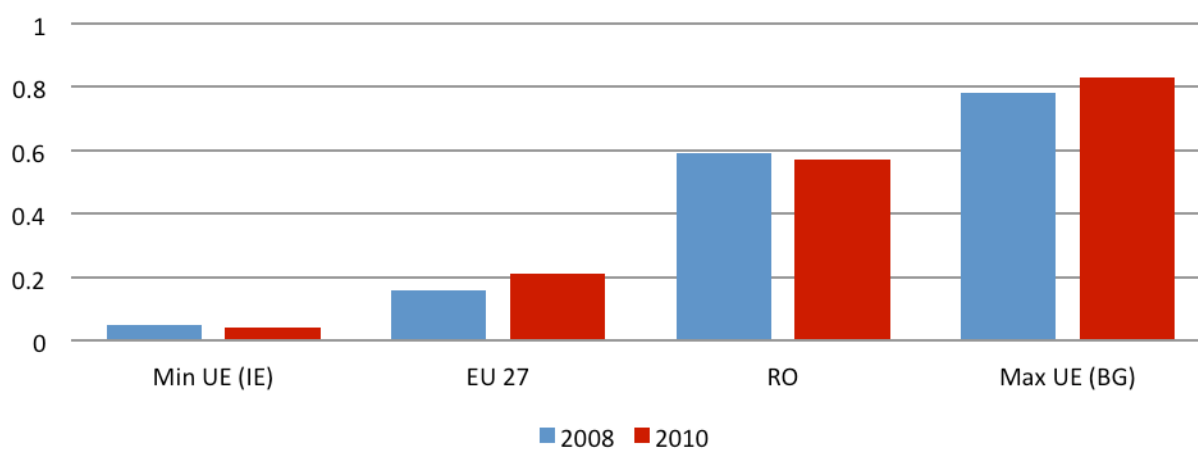
⁷⁵ European Commission (2012), "Member States' Competitiveness Performance and Policies", p. 34

⁷⁶ European Commission (2013), "Member States' Competitiveness Performance and Policies", Country chapter: Romania, manuscript, June 2013.

⁷⁷ Member States' Competitiveness, Performance and Polices, Industrial Performance Scoreboard, 2012. p. 15

⁷⁸ The price of electricity for SME is calculated as an annual average of the electricity's price for SME expressed as EUR/kWh electricity.

FIGURE 3-9 ENERGETIC INTENSITY IN INDUSTRY AND ENERGETIC SECTOR



Note: The energetic intensity is measured through the energy consumption expressed in kg equivalent oil per euro gross added value (exchange rate at level of year 2000).

Source: Eurostat data processing

The sustainable industrial activity is mainly dependent on the production and performance of ecologic industrial sectors. This is an important market for future economic orientation, whose global value is estimated at 1,15 tril. Euro per year, out of which EU holds approx. 30%.⁷⁹ In Romania, exports of ecologic goods⁸⁰ have met an increase of their weight in total exports of goods from 0.21% in 2009 to 0.25% in 2011, however it continues to be placed considerably low under the European Union's average of 0,77% in 2011, thusly representing the minimum value in EU in the past year for which the data was available (2011). An important vulnerability in the sector is the massive presence of small micro-enterprises among the newly incorporated companies in the sector, to almost 80% in the period 2008-2011, which is deemed to reduce the sector's capacity „to undergo wide scope projects, to adequately face some possible economic and financial shocks, to bear important expenses with research, development and innovation.”⁸¹

3.1.3 Business environment

⁷⁹ European Commission (2012), “Member States' Competitiveness Performance and Policies”, p. 36

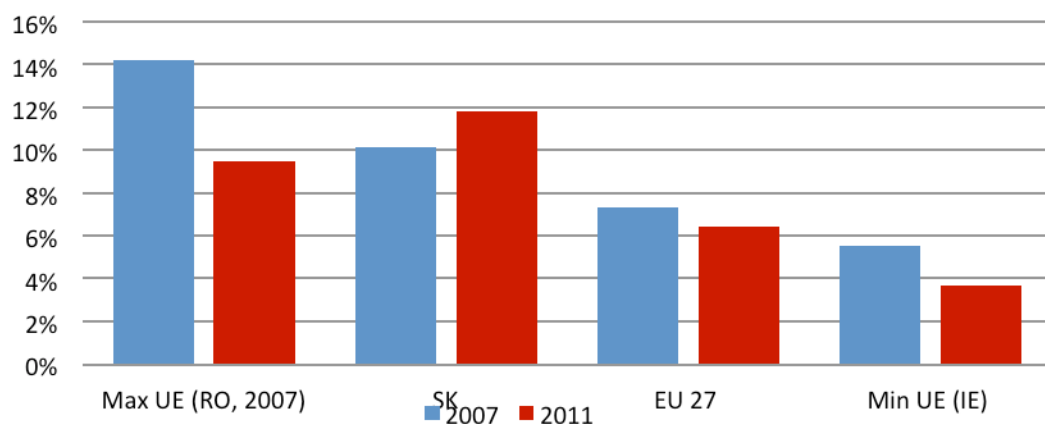
⁸⁰ As per the definition of the European Commission, the ecologic sectors produce merchandise and services in order to measure, prevent, mitigate or correct the damages caused to water, air and soil and issues related to waste, noise pollution and ecosystems (European Commission (2012), “Member States' Competitiveness Performance and Policies”, p. 36).

⁸¹ Munteanu, C. (et al.), *New industrial policy directions and necessary structural modifications*, Bucharest, Ed. Economică, p. 123. The following industrial sectors were included in the analysis: Waste water collection and treatment, Waste collection, Waste treatment and removal, Materials recycling and Decontamination activities and services.

The business environment is a framework theme for the European policy in the competitiveness field where Romania's level of performance is high compared to the other assessment fields. At a general level, the business environment's attractiveness is assessed by the European Commission through a composite indicator⁸², whose value, increasing from 0,56 points in 2011 to 0,671 points in 2013, places Romania close to the European average. The time necessary in order to commence a business⁸³ in Romania was 14 days in year 2011, being equal to the European Average, much faster than the last country, Poland with 32 days, however far from the 4 days necessary in Belgium and Hungary⁸⁴.

The values for the other two important indicators in order to characterize the business environment – equipment investments and access to financing – indicate performance levels above the EU average. Although dropping from 14,22% in 2007 to 9,48 % in 2011 (Figure 3.9), equipment investments record a level above the European average – 7,37% in 2007 and 6,42% in 2011 – during this entire interval. Furthermore, in year 2007, Romania occupied the last place on this classification. It is worth mentioning that Ireland, a high performance country, as stated above records the lowest value in EU and decreasing from 5,53% in 2007 to 3,7% in 2011.

FIGURE 3-10 INVESTMENTS OF BUSINESS ENVIRONMENT IN EQUIPMENT (PERCENTAGE OF GDP)



Note: GDP is calculated at current prices in bil. Euro/ecu; Equipment investments are calculated at current prices, bil. Euro/ecu

Source: Data processing, Ameco, Eurostat

⁸² The indicator is calculated using a personal methodology, based on the annual reports of the World Bank Doing Business. Smarter Regulations for Small and Medium-Sized Enterprises. In turn, the World Bank considers a set of 10 indicators which assess the business regulation and copyright protection, as well as their effects on businesses, especially the small and medium-sized ones. The indicator takes values from 1 (the best performance) to 0 (the lowest performance).

⁸³ The time required for starting a business is recorded in the calendar days and it is deemed as an average duration which the lawyers deem necessary. The time required for each producer is of minimum one day.

⁸⁴ As per the latest data available for 2012, the time interval decreased in Romania with 4 days.

With respect to the SME access to financing sources⁸⁵, in 2011, Romania is again located above the European Union's average with 0.58 points compared to 0.54 point. However, the assessment must be regarded with reserves⁸⁶. On one hand there are real tendencies which explain the relatively good positioning within the EU. The short term loans granted to SMEs raised to 39 bil. Lei (approx. EUR 8,7 bil.) in June 2012, with 7,4% more than in June 2011 (p. 58), and medium and long term loans have continued to grow, being located at the level of 44 bil. Lei in June 2012 (approx. EUR 9,9 bil), with 7.4% more than the previous year (p. 62). In spite all these, the bank indebtedness level in Romania is approx. 2,3% of GDP, under the EU average EU of 5,65% in 2010 (p. 23).⁸⁷

On the other hand, the economic and financial crisis had a negative impact on the financing operational ensemble, by narrowing the markets, harshening the conditions from granting credits concurrently with rising their price, guarantees' loss of value, especially the real-estate ones, worsening of the financial position of SME, which stopped many of them to meet the eligibility criteria and to be able to provide the co-financing and cash flows necessary for projects. In particular, two segments of the market have recorded a worrying evolution: micro-financing and crediting export. The micro-financing activity was affected by high rates of under-performing credits from the bank's micro-financing portfolios, as well as from the banks' perception on the risks related to financing operations in favor of SMEs. There are only three non-banking financing institutions specialized in micro-financing and most of this financing is performed in foreign currencies with negative consequences on related costs. With respect to export credit, these represent the financial instrument with the lowest presence in the tender provided by the banks on Romanian market, the weight of export credits in the total volume of loans representing only 0.13 % in June 2012 (p. 71). This phenomenon happens in spite of the fact that the bank wish to finance export activities, considering that the SMEs involved in export operations have a better reimbursement capacity⁸⁸.

The instruments of the capital market may represent a potential financing alternative, however currently, they may not be widely used, as the critical mass of promising companies which may attract the attention of investment funds in this field is missing. In the same time, Romania continues to have

⁸⁵ The SMEs' access to financing sources is a score calculated based on Eurobarometru surveys, cumulating 6 indicators as percentage of all answers to the following questions: Did the need of bank financing increase? Did you not apply to a bank loan of fear of rejection? Have you applied for a bank loan but got rejected? Have you noticed a significant increase in 1) availability, 2) size, 3) banks' predispositions to grant loans to SMEs in the past 6 months. It takes values from 0 to 1, 1 being the best.

⁸⁶ The arguments used in this part closely pursue the GEA Strategy & Consulting S.A. material, "SME Access to Finance Preliminary Study for Romania", 29 March 2013.

⁸⁷http://ec.europa.eu/enterprise/policies/finance/data/enterprise-finance-index/situations-in-member-states/ro/index_en.htm

⁸⁸ According to the NBR Report on financial stability in 2011, the weight of underperforming credits regarding the companies involved in the exterior commerce is significantly lower than the rest of economy (NBR (2011), „Financial Stability Report”, p. 87 (Available at : <http://www.bnro.ro/Publicatii-periodice-204.aspx>.)

an underdeveloped capital market, the alternative transitioning platforms are still in starting phase and there is no entrepreneurial culture to this end, which, together with a rigid labor market, a low level of expenditure dedicated to research and development and a legal and fiscal framework still inadequate, represents factors which prevent the development of a more significant financial instruments market.

3.1.4 Quality of public administration

If the three politics framework themes mainly reflect the private environment's contribution in obtaining competitive performances, the fourth theme focuses on the context of public regulation which may or may not stimulate the economy in producing in a more efficient innovative manner. Probably the most well-known guide used for assessing the quality of the public administration is the Indicator Government's efficiency executed by the World Bank⁸⁹, however also undertaken by the European Commission, indicator which reflects the key characteristics of the governmental action context in economy: perceptions on the quality of public services, quality of public services and degree of independency against political pressures, quality of formulating and implementing the policies as well as the credibility of the government's engagement against them. The indicator's values indicate a positive evolution for Romania from -0,28 in 2007 to -0,22 in 2011, but the level recorded is not specific to EU countries, actually placing Romania on the last place, considerably under the EU average (1,11 in 2007 and 1,14 in 2011) and extremely more against the first ranked, Denmark with values close to the maximum (2,34 in 2007 and 2,17 in 2011).

The conclusions are not too different and by comparison with another important indicator, Population's satisfaction towards infrastructure's quality, which is also undertaken by the European Commission from the analysis of the Global Competitiveness Indicator.⁹⁰ The values for this indicator increase from 2,4 points to 2,7 points in the period 2009-2011, but in spite all these, Romania continues to occupy the last place at EU level, compared to the European average of 4,9 points and the maximum value of 6,2 points reached by France.

3.3 Competitive position of economy's sectors

⁸⁹ The indicator is calculated in World Bank Worldwide Governance Indicators and takes values from -2.5 (poor performance) to 2,5 (high performance).

⁹⁰ The indicator occurs in The Global Competitiveness Report and takes values from 1 (very poorly developed) to 7 (efficient according to international standards).

Romania's economy is mainly based on services, which represent 67% of GDP, followed by the processing industry 22% and agriculture and other non-processing industries with 7% namely 4%⁹¹. It is worth mentioning that the much higher industrialization level compared to other states in the EU, with a weight of the processing industry in creating the total added value of 24,7% compared to 15,5% in EU in 2011. This section reviews the performance on international markets, measured through the world market quota, the merchandises and services coming from Romania. A special interest is paid to creative and cultural sectors, as well as direct foreign investments pursuing their important role in generating innovation and in general in the economic activity in Romania.

3.1.5 Market position

Romania exports merchandises in value of approx. 52 bil. USD, out of which 87% are industrial products and the rest are agricultural products and exports services in value of approx. 20 bil. USD.⁹² The role of tangible good commerce is obviously larger compared to the intangible goods' one, through positive evolutions and through the superior market shared emphasized in the first part of the chapter, although in both cases the differences are equally significant compared to the best placed countries in the EU. For merchandise export, Romania holds the same market position⁹³ as Portugal and has values close to countries such as Finland (0,41%) or Greece (0,20%). Germany leads by far this classification of the most important European traders, with 9,59% world market share of merchandise exports in 2007 and 7,78% in 2012, being followed by France (3,9% in 2007 and 3,1% in 2012) and Italy (3,61% in 2007 and 2,79% in 2012). Romania, Bulgaria, Greece and Lithuania are the only countries that have recorded an increase of the market share in this period and Poland and Cyprus have known a stagnation (Annex 2). In case of service commerce, Romania has values close to countries such as Croatia (0,29%) and Cyprus (0,20%), both being on a descending slope as well. Romania is at great distance from EU performers, Great Britain (6,91%), Germany (6,25%), France (5,28%), even if they have recorded a share decrease in this period (Annex 3).

Romania directs approx. 70% from its merchandise exports (2012) towards other EU countries, less than upon the joining moment when this weight was around the value of 72%, save for year 2009 when the intra-EU exports' value reached 74,3%. Accordingly, exports towards countries outside the EU have become more important and placed Romania better in the total extra-EU exports from 0,4% in 2001 to 0,8% in 2012.⁹⁴ Among the community partners, the following are also noticed, on importance criteria

⁹¹ Ministry of Economy (2013), "Socio-economic analysis", Competitiveness work group

⁹² WTO data, for 2012.

⁹³ Measured as weight from the world exports.

⁹⁴ Eurostat data

Germany, Italy and France, which held 37,7% from the Romanian exports in 2012, considerably less than the level of 47,4% recorded in 2003. Turkey rests the most importance extra-community partner, nonetheless the only one in the first 10 in 2012, immediately after France, with 5,5%. The destinations that have become increasingly important in the period of the past 10 years (2003-2012) are Bulgaria (from 1,6% at 3,9%), Hungary (from 3,5% to 5,4%), Poland (from 1% to 2,4%) and Spain (from 1,8% to 2,5%).⁹⁵

The evolutions described above may be understood from the perspective of wide transformations which took place at the industrial specialization level in Romania. The statistical data on commerce with identical and of similar quality goods (horizontal intra-industrial commerce, CIIO) indicate the forming of an economic integration structure in networks and agglomeration with industries within countries be they ex-communist (Hungary, Bulgaria, Poland), or classified as being the most important export markets for Romania, as well as the most important investors in Romania (Germany, Italy, Greece⁹⁶, Great Britain, Holland). The number of products exchanged through CIIO increased at least twice on most relations between 1999 and 2010, which is indicative of the modifications' spread and with respect to relations with most European countries the intra-industrial commerce represents at least 20% in 2010, and for 17 bilateral relations the same weight is of at least 50%⁹⁷.

However, the structural evolutions are not entirely favorable. The first important observation is that the main export products are not enlisted as highly competitive products if we were to assess the competitive level in the simplest and most relevant manner, through the world market share. A second observation is that the products with the highest market share, today, as well as 10 years ago are at very low processing levels.

The hierarchy⁹⁸ of products holding over 1% of Romania's exports emphasis two major structural evolutions: the occurrence between 2001 and 2012 in Romania's important export of products from the electric and electronic sectors as well as car sector⁹⁹, which represented approx. 30% in 2012 from approx. 11% in 2001, compared to the disappearance of clothing industry products. The presence on external market is a true image of processing industry specialization in Romania, mainly present in the sectors „Manufacturing of electrical equipment” and „Manufacturing of road transportation vehicles,

⁹⁵ *International Trade Centre data*

⁹⁶ *Greece, with only 1,2% of Romanian exports, is no longer one of the first 10 export destination in 2012, however, in exchange rests an important country for investments in Romania.*

⁹⁷ *Munteanu, C. (et al.), New directions of industrial policy and necessary structural modifications, Bucharest, Ed. Economică, pp. 77-80*

⁹⁸ *Classification at 4 numbers according to ITC based on UN COMTRADE statistics*

⁹⁹ *Parts and accessories for vehicles (5.52%), Cars (including trucks) (5.24%) and New tires (2,19%).*

trailers and semi-trailers” together with other few sectors equally important such as metallurgy, wood, rubber and plastics processing ¹⁰⁰.

Concurrently, the first three categories of competitive products are unprocessed or slightly processed agricultural products. Two categories of products had a sustained increase in this period, namely Silk, from 2,74% in 2002 to 17,24% in 2012, and Live sheep and goats, from 5,15% in 2002 to 18,44% in 2012. As a matter of fact these are placed on the first two places of the most visible Romanian products on international markets, being followed by Sunflower seeds (12,3%). Romania’s most high achiever¹⁰¹ 20 categories of products in year 2002 have become almost entirely less visible or even invisible on world market until 2012, and the most dramatic decrease was recorded by best ranked products (Annex 5).

With respect to services, in the period 2002-2011, the sectors that recorded the most significant increase of the market share have become the most competitive in Romania’s exports at the end of the period: communication services (0.70%), Construction services (0.45%) and Computers and information technology (0.42%). Insurance services and Travels have met an important increase from 0.04% in 2002 to 0,16% in 2011, namely from 0,07% to 0,13%. In comparison, Personal and recreational services have met the most significant decrease in the interval, from 0,40% in 2002 to 0,24% in 2011, evolution followed by Financial Services, although at much less important levels, from 0.08% in 2002 to 0.06% in 2011. (Annex 7 and Annex 8)

Consequently, in the past 10 years, a structural change occurred for diversifying the most important products on international markets, although without major modification with respect to processing level. Among the agricultural products, the most famous are raw materials (live animals, meat, seeds and cotton) and among industrial products probably the most significant evolution is the almost complete exit of clothing manufacture from the most high achiever 20 export products. In the field of service trade, although the structural changes are still in progress of clarification, it is worth noticing that two major export sectors which mainly use the knowledge economy resources, namely Communication and Information Technology.

¹⁰⁰ Source: Mereuță, Cezar (2013), „Territorial distribution of node companies on the main activities of the national economy”, manuscript. The important sectors were identified depending on the weight of the first 8 classified activities in decreasing order of the turnover of node companies on main 80 activities (CAEN divisions). The node companies are those companies which cover 80% of the turnover for each of the 80 activities.

¹⁰¹ Assessed as such through the world market share held from the exports of the related sector

3.1.6 Economic role of creative and cultural sectors

The creative and cultural sectors contribute with 5,93% of GDP, 4,73% in turnover at national level and with 4,48% from the number of employees (2009).¹⁰² Although the values of these indicators are not to be neglected, being superior to tourism¹⁰³ for instance, the economic activities associated to this sector are mainly important through the trending effects produced in economy, especially at the level of local economies, effects which are however difficult, sometimes impossible, to quantify through the indirect and long term impact. Note that the sector contributes with significant effects on the labor productivity, superior to the national level with weight between 32% and 41% compared to the national average in the period 2006-2009.¹⁰⁴

The trade exchanges in this sector do not yet represent a clear evolution; there are significant value gaps from one year to the next.¹⁰⁵ Romania's world market share for these products has recorded a decrease from 0,40% in 2007 to 0,29% in 2012. According to the data disclosed in Annex 4, one may notice a decrease of the market share for products in the creative industries in almost all EU member countries, the only country that recorded an increase in this interval being Lithuania. The values closest to Romania were recorded in year 2012 by countries such as Slovakia (0,24%), Hungary (0,24%) and Portugal (0,54%). Italy has the leader position in the EU in the past 10 years, with market shares of 9,25% in 2007 and 7,03% in 2012.

3.4 Roles of foreign investments

The foreign investors occupy a vital positions in determining the specialization tendencies in Romania's economy and consequently, of the mode in which the competitive advantages are formed. According to statistics¹⁰⁶, more than 72 % of the turnover for the large and very large enterprises in the industry is achieved by the branches of multinational companies residing in Romania. In Top 100, it is noticed the presence of 30 foreign owned capital companies, which cover 76,55 % from the turnover of the companies in the industry and only 3 companies with Romanian private owned capital, which cover 3,87% of the turnover for top industry companies. With respect to the presence on foreign markets,

¹⁰² Source: Anda Becuț, Bianca Bâlșan, Liviu Chelcea, Cătălin Dărășteanu, Delia Mucică , „Contribution of creative industries at the level of national economy” , 2012, manuscript.

¹⁰³ Idem

¹⁰⁴ Idem

¹⁰⁵ Also see Becuț et al (2012). Annex 9 and Annex 10 disclose the world market share of the most performance product categories from creative industries in Romania records decrease in the interval 2002-2012.

¹⁰⁶ Data taken from Dan Popa, „Statistics: Exports in July climbed to 4,5 billion euro. From the first 100 exporters, 96 have foreign capital”, Available at http://economie.hotnews.ro/stiri-finante_banci-15542033-statistica-exporturile-din-luna-iulie-urcat-4-5-miliarde-euro-din-primii-100-exportatori-96-capital-majoritar-strain.htm [9.9.2013]

from the largest 100 exporters, which ensure over 52% of total exports, 96 are foreign capital countries, and from the total 34 sub-branches in the industry (CAEN), 25 have foreign capital companies as leaders.¹⁰⁷

Romania's ISD stock rises up to 70,3 billion Dollars (approximately 55,1 billion euro) in 2011, considerably under Poland's level (197,5 billion Dollars), and especially under Czech Republic's level (125,2 billion Dollars) and Hungary's (84,4 billion Dollars), countries significantly smaller than Romania. The value of this stock represents 37,7% of Romania's GDP, level close to the EU average (41,4%), however much lower than small member states, such as Bulgaria (89,1%) or Hungary (60,4%).¹⁰⁸ The market perspectives are not promising: starting from 2008, the peak year of foreign investment inflow with 11,2% of investments' value in period 1991-2012, they are in continuous decrease (save for a small sudden change for the better in 2010-2009), reaching the value of 1,4% from GDP in 2011 compared to values comprised between 5%-10% of GDP between 2004-2008.¹⁰⁹

The foreign investments coming from the European Union in ratio of over 70% are relatively equally appropriated between the economy's sectors. The processing industry represents 31,5% of total stock, but the service sectors are important destinations as well, financing brokerage and insurance representing 18,2%, commerce 11,4%, as well as sectors such as constructions and real-estate transactions 10,7%, information technology and communications 5,4%. Within the processing industry, the best represented branched are oil, chemical products, rubber and plastics processing (6,3% of the total), transportation means industry (5,2%), metallurgy (4,9%), food, beverages and tobacco industry (4,1%) and cement, glass, ceramics (3,2%).¹¹⁰ Note that the largest part of these investments are directed towards low technology sectors, from 3,7 bil. Euro in 2003 to 12,4 bil. Euro in 2010, and only a small part is directed towards high technology sectors, from 1,1 bil. Euro in 2003 to 4,3 bil. Euro in 2010¹¹¹.

In geographic profile, there is a remarkable concentration of investments in BUCHAREST-ILFOV region (61,7%) and an equally important absence in NORTHEAST, the least attractive region for foreign investors, with only 2,9% of ISD. For the rest of the territory, the appropriation is balanced,

¹⁰⁷ Dan Popa, „Statistics: Exports in July climbed to 4,5 billion. From the first 100 exporters, 96 have foreign capital”, Available at http://economie.hotnews.ro/stiri-finante_banci-15542033-statistica-exporturile-din-luna-iulie-urcat-4-5-miliarde-euro-din-primii-100-exportatori-96-capital-majoritar-strain.htm [9.9.2013]

¹⁰⁸ UNCTAD (2012), *World Investment Report*, Geneva, Available at www.unctad.org/en/PublicationsLibrary/wir2012_embargoed_en.pdf

¹⁰⁹ NBR, *Balance of payments and Romania's international investment policy*, Annual reports 2004-2011

¹¹⁰ NBR, *INS (2012) Direct foreign investments in Romania in year 2011*, Bucharest, p. 9

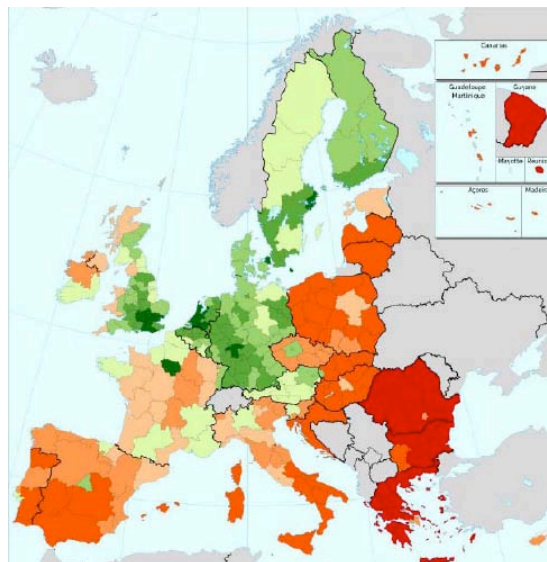
¹¹¹ *Processing after National Bank of Romania*, „Statistics on direct foreign investments in Romania – Distribution on main economic activities”, <http://www.bnr.ro/Balanta-de-plati-si-pozitia-investitionala-internationala-5992.aspx>; *Investments in high and low technology industry were assigned according to Eurostat classification*: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:High-tech_classification_of_manufacturing_industries

with relatively small differences between regions: the CENTER absorbs 7,6%, SOUTH-MUNTENIA 7,4%, WEST 7,2% and SOUTH-EAST 5,4 per cent.¹¹² Further details regarding the regional economy are disclosed in the following section.

3.5 Regional dimension of competitiveness

Having in regard the European trends for analyzing the territorial component of competitiveness, in 2011 the European Commission proposed the calculation of a Regional Competitiveness Index (ICR)¹¹³. The calculation methodology starts from the premises that in spatial context the economic competitiveness is determined by a complex system of factors which concentrates, among others: creative and innovative capitalization of the regional potential, performing of connections at territorial level by stimulating the occurrence and consolidation of intra and inter-industrial connections on value chains, capitalization of natural and cultural patrimony, usage of research-innovation potential and improvement of connectivity and accessibility. Based on ICR, whose calculation formula closely pursued ICG, the map of regional competitiveness was issued (Figure 3.11) at European Union level. As depicted in the graphic diagram, between the European Union's countries, Romania's development regions occupy the last places both with respect to ICR as well as in almost all classifications of indicators which form this composite index. The capital's region records the higher value with respect to competitiveness however the positive effect on the neighboring regions are limited.

FIGURE 3-11 REGIONAL COMPETITIVENESS MAP AT EU LEVEL



Source: P. Annoni and L. Dijkstra (2013), „EU Regional Competitiveness Index – RCI 2013”, Unit of Econometrics and Applied Statistics, DG JRC Ispra; Economic Analysis Unit, DG Region, Brussels
 Explicative note: The index's values are represented with color nuances from dark green for high values to dark red for low values.

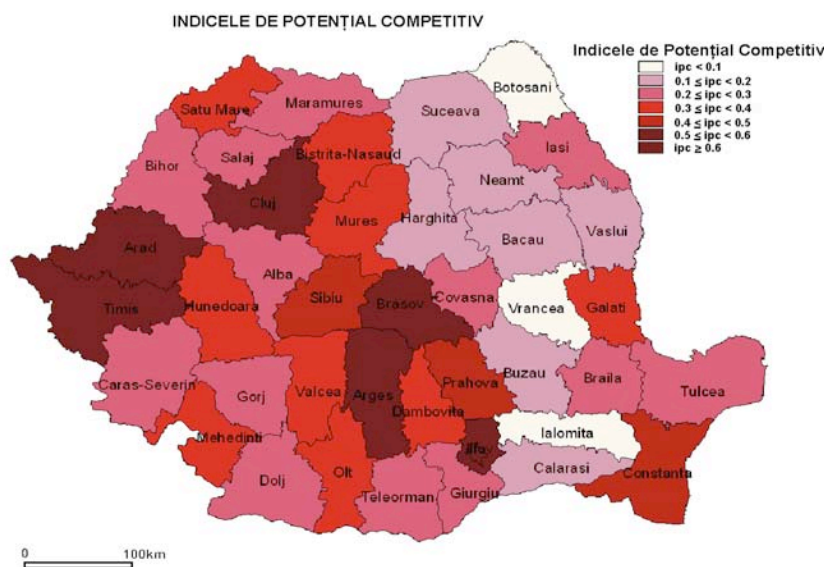
¹¹² NBR, INS (2012) *Direct foreign investments in Romania in year 2011*, Bucharest, p. 11

¹¹³ European Commission (2011), „A New Regional Competitiveness Index: Theory, Methods and Findings”, Working paper no.2/2011

Under these conditions, in Romania's case the cohesion policy must contribute both to decreasing the regional disappearances, as well as to reaching the competitiveness objectives in Romania. The outcome provided by the Competitive Potential Index (CPI) at territorial level NUTS 3 (country)¹¹⁴ help us in establishing some economic aspects more clearly, related to the diagnosis and economic performance measuring of a territory. Figure 3.12 graphically depicts the value obtained. The visual analysis of appropriating these values leads to at least two observations:

- An axis of counties with larger values of the Competitive potential index, almost diagonally crossing the country and overlapping the most complete infrastructure in Romania (European, national roads, railways, airports)
- A mosaic aspect for appropriating this index overlapping the western, center and southern part. The eastern part of the country is characterized through a homogenous appropriation of the values, which translates within the economic performance landscape in an incapacity to judiciously capitalize the natural and anthropic capital (low technology transfer, low capital, limitation with the polarization area of Moldavian cities).

FIGURE 3-12 SPATIAL DISTRIBUTION OF COMPETITIVE POTENTIAL INDEX



Indicele de potential competitive

Competitive potential index

Source:
Valentin

Cojanu (coordinator), Competitive potential of economic growth: guidelines for a new industrial policy in Romania, Strategy Studies and Policies SPOS 2010, European Institute in Romania, Bucharest, October 2010

Map processed by dr. Robert Dobre and executed by using the thematic maps and processing through geo-reference, digitization and processing through GIS Open Source software (Map Analyst).

¹¹⁴ IPC is a composite index calculated by aggregating some derived simple indicators (GDP/inhabitants, Exports /employed population) and a complex indicator (Technological development index). Source: Valentin Cojanu (coordinator), Competitive potential of economic growth SPOS 2010, European Institute in Romania, Bucharest, October 2010

At the local economy's level, according to the IPC values, the first place is occupied by Arges county, with an index value of 0,78, compared to a country average of 0,31, which reflects a large volume of total exports (the second per country), the highest ratio between exports and occupied population (10.925 euro/employee) and the highest weight of medium-high technology exports (20.3% of total per country and 24% of total per county). The second place, with an index value of 0,68, is occupied by Bucharest municipality, having the highest export levels, as well as the largest number of employed persons. Timis county occupied the third place, with the highest exports in the field of high technology. No county in the NE region is placed in the first 20 counties in the classification, as competitive potential. Bacau, on the 4th place from the point of view of high technology exports occupied a mere 34 place from 42, due to the large weight of low technology exports in the county's total (almost 70%) and the low value of exports/occupied population, of only 1.099 euro. Only two counties in the SE region - Constanța and Galați – exceed the country average with respect to the competitive potential index value, having as main branches the ship building industry, namely ferrous metallurgy. The situation is similar for regions, each having generally two, or at most three counties with values above the country average.

The limited training effects in the territory, both in spatial plan (from county to county) as well as sectorial (from industry to industry) may be understood, on one hand, through the insufficient development of connections between various economic activities. Romania's commercial glut largely depends on the development of car industry in Arges and Bucharest-Ilfov region contributes more through the import demand than through the external sales glut. The competitive advantages, measured by participating in the exports, are concentrated in seven counties, situated in the Western and Central part of the country (Argeș 10%, Timiș 9%, Arad 5%, Constanța 5%, Bihor 4%, Brașov 4%, Sibiu 4%), which, together with Bucharest (17%) achieve 60% of Romania's exports. The counties Călărași, Ialomița, Mehedinți, Neamț, Olt, Tulcea and Vrancea do not have high technology exports and 29 counties of the total of 42 do not exceed the threshold of 1% of total per country.¹¹⁵ On the other hand, the absence of participation in international production and commerce networks are as immediate effect on the local economy's health. Counties such as Bistrița Năsăud, Brăila, Buzău, Caraș Severin, Călărași, Constanța, Dâmbovița, Hunedoara, Olt, Sălaj, Tulcea, Vâlcea, face a potential risk at social level which

¹¹⁵ Valentin Cojanu (coordinator), *Competitive potential of economic growth: guidelines for a new industrial policy in Romania*, Strategy Studies and Policies SPOS 2010, European Institute in Romania, Bucharest, October 2010

result in the presence of some companies with a large number of employees, however with relatively poor economic performances¹¹⁶.

The identified companies, with a large number of employees, sometimes to relatively poor performances constitute a potential risk at social level, which we constantly need to be aware of. According to our analysis, very large companies found in this situation are located mainly in the following counties:

Bistrița Năsăud, Brăila, Buzău, Caraș Severin, Călărași, Constanța, Dâmbovița, Hunedoara, Olt, Sălaj, Tulcea, Vâlcea. Mereuță, Cezar (2013), „Territorial distribution of node companied on main activities of the national economy”, manuscript.

The forming of competitive advantages in industrial agglomerations has recently become a preoccupation at public level, where the most important role is played by project of forming competitiveness poles initiated as of 2009 by the Ministry of Economy, Commerce and Business Environment through the Industrial Policy Direction.¹¹⁷ The accumulations with the most important roles at national level, with respect to the exports' performance and occupying the labor force are those in ferrous metallurgy sector in Galati county, ship building in Tulcea, cars in Arges and footwear in Bihor.¹¹⁸ Table 3.1 provided a full image of the distribution at regional level of the most important economic agglomerations, of which the four highlighted above are missing, including those in Bucharest-Ilfov in order to provide a clear image on the territorial specialization. Table 3.2 completes this image with the sectors at county level which are noticed in international specialization.

TABLE 3-1 ECONOMIC AGGLOMERATIONS OF REGIONAL IMPORTANCE

Development region	Economic agglomerations (CAEN sector)	County distribution
North-East	1610 Wood 1413 Clothing	2x1*(BC, NT), 1x2*(SV) 1x1*(VS), 1x2*(BT)
South-East	1413 Clothing 3011 Naval sector 5222 Water transportation services	3x1* (BR, BZ, TL), 1x2*(VR) 3x2* (BR, CT, GL) 2x2* (CT, GL)
South	1413 Clothing 2892 Construction equipment 2815 Ball-bearings, training elements 1013 Meat products 0111 Cereals	1x2*(CL), 2x1*(IL, TR) 2x2* (DB, PH) 2x2* (PH, TR) 1x2* (PH), 2x1*(AG, CL) 3x1* (CL, IL, TR)
South-West	3020 Train engines and rolling material	2x2* (MH, TO)

¹¹⁶ Mereuță, Cezar (2013), „Territorial distribution of node companies on main activities of national economy”, manuscript.

¹¹⁷ See Ministry of Economy, Commerce and Business Environment, „Analysis of existing situation on current and potential competitiveness poles in Romania”, 2011

¹¹⁸ Data based on Valentin Cojanu, Dragoș Pîslaru (2011) “How important are agglomeration economies: a case study of Romanian industrial clusters” *Review of Economic and Business Studies* 4:1, pp. 35-58.

Development region	Economic agglomerations (CAEN sector)	County distribution
West	2932 Parts and accessories for vehicles 2931 Electric and electronic equipment for vehicles 1414 Linen	2x2* (TM, AR) 2x2* (TM, AR) 1x1* (TM), 1x2* (AR)
North-West	3109 Furniture	2x1* (SM, SJ), 1x2*(MM)
Center	1413 Clothing 2932 Parts and accessories for vehicles 2341 Ceramics 1610 Wood	1x1* (HG), 1x2*(CV) 2x2* (BV, SB) 2x2* (AB, MS) 4x1* (AB, CV, HR, MS)

Source: Valentin Cojanu, Dragoș Pîslaru (2011) "How important are agglomeration economies: a case study of Romanian industrial clusters" Review of Economic and Business Studies 4:1, pp. 35-58.

Explicative note: According to European Cluster Observatory methodology, agglomeration may be 3*, the most important, 2* and 1*. IN order to define a regional importance agglomeration it is necessary for the sector to accumulate at least 3 starts through their presence in the region's counties (de ex. 1x1*+ 1x2*). Bucharest-Ilfov area was not included in the analysis.

TABLE 3-2 COUNTY SPECIALIZATION ON ECONOMIC SECTORS

Development region	Economic sectors
North-East	Bacău (wood, cork and rod knitting products; textile materials and related articles; footwear, hats, umbrellas and similar articles) Botoșani (textile materials and related articles) Iași (cars, electric devices and equipment; recording or reproducing devices) Neamț (products from chemical industry and related industries) Suceava (wood, cork and rod knitting products) Vaslui (cars, electric devices and equipment; recording or reproducing devices)
South-East	Braila (means of transportation, textile materials and related articles, common metals and related articles) Buzău (textile materials and related articles, common materials and related articles) Constanța (means of transportation, vegetal products, livestock and animal products) Galați (common metals and related articles) Tulcea (means of transportation) Vrancea (textile materials and related articles)
South	Argeș (means of transportation) Călărași (common metals and related articles; vegetal products) Dâmbovița (cars, electric devices and equipment; recording or reproducing devices; common metals and related articles; livestock and animal products) Giurgiu (livestock and animal products) Ialomița (products from chemical industry and related industries; textile materials and related articles) Prahova (wood, cork and rod knitting products) Teleorman (food, beverages and tobacco products; recording and reproducing devices)
South-West	Dolj (means of transportation) Gorj (plastic materials, rubber and related articles) Mehedinți (means of transportation) Olt (common metals and related articles) Vâlcea (plastic materials, rubber and related articles)
West	Arad (means of transportation) Caraș-Severin (means of transportation; cars, electric devices and equipment; recording or reproducing devices; common metals and related articles) Hunedoara (cars, electric devices and equipment; recording or reproducing devices; wood, cork and rod knitting products) Timiș (cars, electric devices and equipment; footwear, hats, umbrellas and similar articles; means of transportation)
North-West	Bihor (footwear, hats, umbrellas and similar articles; cars, electric devices and equipment;

Development region	Economic sectors
	recording or reproducing devices) Bistrița-Năsăud (cars, electric devices and equipment; recording or reproducing devices) Cluj (merchandise and various products; footwear, hats, umbrellas and similar articles) Maramureș (merchandise and various products) Satu Mare (merchandise and various products; plastic materials, rubber and related articles) Sălaj (common metals and related articles)
Center	Alba (wood, cork and rod knitting products) Brașov (means of transportation) Covasna (textile materials and related articles; livestock and animal products) Harghita (merchandise and various products; textile materials and related articles; wood, cork and rod knitting products) Mureș (products from chemical industry and related industries) Sibiu (cars, electric devices and equipment; recording or reproducing devices; means of transportation)

Source: calculations from authors

Explicative note: The specialization is emphasized in the sectors with the largest commercial excess (in 2012), which includes the first sector and the following three if the positive balance of the trade balance represents at least 50% of the highest excess. The data were processed according to the National Statistics Institute, temporary data, March 2013.

This analysis of the regional economy highlights some characteristics of the specialization in territorial plan:

- First, the premises of competitive advantage are very different between regions as the economy's structure is very different. Certain regional economies, such as: South-West, South-East and West, are specialized on a very limited number of sectors, other regions, such as: South, North-West and Center are very diversified. Although none of these situations is favorable or unfavorable to competitiveness in itself, clearly this various image suggests different needs in local education plan, qualification and research, industrial restructuring and technological needs.
- Second, it is worth noticing that the agglomeration are already a visible presence in most regions, through the participation of two or more bordering counties in the same activity branch and through the diversification of economic activity; the situation is less favorable only in North-East, South-West and North-West. This trend must be consolidated and commence producing effect in the plan of improving competitive advantages.

3.6 Conclusions on the competitiveness policy context

This section includes the conclusions to undergo the analysis so far and establishes general guidelines for the competitiveness policy context of the following period which shall serve as starting point in issuing the Strategy in chapter 4. The method for presenting the conclusions is enumerable, brief and pursues the basic scheme of context analysis (SWOT), highlighting the strengths and weaknesses, such

as the favorable and unfavorable conditions which best describe the competitive development in Romania at present.

3.6.1 Strengths

- A general ascending trend for the economic and trade performance emphasized for instance, through the constant improvement of the relative position compared to the other EU member states and through the gradual increase of visibility on international markets reflect the increase of the world market share for export of products in the industrial and agricultural sectors.
- The existence of some areas with competitive and intelligent specialization potential (such as sector of electric and electronic equipment, car sector, ITC sector, clothing sectors, food, furniture industry etc). A general board of specialization, traditional and increasing is disclosed in Table 3.3 below.

3.6.2 Weaknesses

- Low performance innovation pursuing a national RDI system currently forming, mainly characterized through: weak connections between research units and business environment, low level of RDI expenses (as % of GDP), incipient connections at international level, reduced transfer of RD outcome, reduced demand for RD on behalf of private sector, very low percentage of employees in RDI in the active population.
- Low level of computer literacy among the population and usage of ITC at enterprises and company's level
- A slower rhythm for transformation than necessary for Romania to exceed the status of underdeveloped country in EU member states classification on important indicators of competitive position. For this reason, the improvement of indicators does not frequently lead to a better performance by comparison.
- The commercial opening takes place at low performance, measured through the level of productivity in processing industry, the weight of high technology products, innovation index.
- Weaknesses of private environment exist especially with respect to international investments of Romanian companies, productivity in processing industry, innovation, energetic efficiency and development of competitive economic agglomerations at territorial level.
- Weaknesses of central and local administrations exist especially with respect to the low absorption rate of European funds, high values of corruption index, engagement lacking efficiency for solving procedural difficulties in the way of business development, including the business infrastructure.

- Contribution to improving the competitive advantages is significantly low in case of services, the most important economic sector, with 67% of GDP, whose exports are at a low world market share and slightly decreasing.
- Contribution to improving the competitive advantages at territorial level, measured through the participation of counties; economies to exports is significantly unbalanced, in favor of seven counties located in the western and central part of the country, which, together with Bucharest (17%), achieve 60% of Romania's exports.

3.6.3 Favorable conditions

- The beginning of a new budgetary exercise at European level, with procedures and revised regulations and a stronger result-orientation. Romania is currently experienced in absorbing European funds in the period 2007 – 2013 and may use the „lessons of the past” for a more rigorous planning and a better manager of the funds' attraction system.
- The simultaneous revision of all sectorial strategies (ex-ante conditions) provides the premises of a better planning and coordination at regional level.
- Including on the public agenda of the regionalization/decentralization theme whose correct implementation may lead to new sources for economic development.
- The existence of a stable macroeconomic framework, without short and medium term budgetary pressured, a governmental engagement with respect to the Strategic investment plan and the creation of jobs for the following period.
- Substantial reconfiguration of production and commerce structure which took place during the period 2002-2012:
 - Romania's most high achievers 20 categories of products in year 2002 have become almost entirely less or at all visible on the world market in this period.
 - The structural change occurred in the direction of diversification among the most important products on international markets, although without major modifications with respect to the processing level.
 - Among the agricultural products, the most visible on external markets are the raw materials (live animals, meat, seeds and cotton) and among the industrial products probably the most remarkable evolution is the almost complete disappearance of clothing from the most higher achievers 20 export products.
- A much diversified economic structure in territorial profile, which provide conditions for placing in Romania of a good part of grand companies' value forming circuits.
- High natural agricultural potential may provide the population's consumption necessity, food for animals foddering, raw material for food industry and availabilities for export.

- The sustained dynamics of entrepreneurship, reflected through such trends such as the increase of the newly-created active enterprises weight in the industry (16,8%, the highest percentage recorded after 1995), progresses (and engagements) on behalf of the central administration in creating a favorable entrepreneurial environment.
- High potential to use the energy from renewable sources and to increase the energetic efficiency, lower dependency of energy imports compared to other European states.

3.6.4 Unfavorable conditions

- The persistence of risk factors at macroeconomic level as well as the low level of tax collection and high fiscal evasion, sustainability of pensions' system, vulnerabilities of health system, weaknesses still persist in state enterprises.
- High risk aversion within SMEs emphasized through such trends as: low percentage (16,8%) of newly-created enterprises which perform investments in the first year of activity (compared to 39% in previous periods); threatening the competition is more important than the access to credits for newly-created enterprises, against a reply rate of 77% compared to 40% with respect to the most important difficulties met; approx. 59% of newly created enterprises have no employee, which indicates that the entrepreneurship inclination does not lead to proportional occupation growths.
- The business environment is not attractive for developing the investors' projects: the transport routes are poorly developed (especially the road ones) or un-capitalized (especially the internal river ones); many industrial capacities are energy-intensive; the bureaucracy is excessive; the qualifications do not match the labor market's requirement; the difficult reconversion towards productive occupations and creative of added value of the very high weight of active labor force in agriculture, silviculture and fishing the reduced financing through non-banking organizations; the insignificant exports' financing in the total loans towards SME.
- In spite the economic increase, Romania is a country with special social issues, especially regarding: large weight of population on the verge of poverty and risk of social exclusion; much higher school drop-out rate compared to the European level; reduced weight of population with superior studies; aging of population/labor force due to the migration of young population and birth rate decrease; low level of education for the population, which may lead to unemployment and affect the long term welfare.

TABLE 3-3 ROMANIAN SPECIALIZATION PRIORITY FIELDS *

Field of activity	Production specialization directions	RDI specialization directions	Regional Impact **	
A	Agriculture	Agro-food, bio-technology, apiculture, zootechnic, pisciculture sector, raw materials for the textile industry	Agronomy, cereal sciences, food, agriculture and biological science, agricultural biotechnology, soil research, Nano-materials for protein separation	South
B	Processing industry			
	High technology			
B.1	Computers, electronic and optic products	Computers, optic and optic products, precision medical instruments, mechatronics, auto industry electronic products, integrated circuits design, technical support services, applications in telecommunications	Electronic engineering, nanotechnology, avionics.	North West, West
B.2	Flight devices and equipment	Supplying components, subsystems and engineering services through the global supply chain. Maintenance services.	Major research European projects	Bucharest Ilfov, Center, South West, North East
	Medium-high technology			
B.3	Motor vehicles, trailers, tires	Materials, components, assembly	Electric engineering, materials (electronic, optic, magnetic, chemical, material sciences) petro-chemistry	South, South West, West
B.4	Machines and equipment	Intelligent agriculture, automation, mechatronics. Oil and gas industry equipment Engineering project management	Extraction safety, ATEX equipment. Mechanical engineering Intelligent energetic systems for the navy.	North East, Center, North West
B.5	Chemicals and chemical products, oil and refinery products	Oil extraction, plastic, ceramic and carbon based materials	Motor vehicle transportation and other transport types Monitoring systems, charging electric vehicles Connecting technology, mechatronic systems, micro-nano manufacturing, magnetic nano-fluids. High power lasers, X-rays	North East. South, South West, Center
B.6	Electric equipment			North West, West, South, Center,
	Low-Medium Technology			
B.7	Other non-metallic mineral, construction materials.		Energy efficient construction materials Ecological materials for agricultural production	
B.8	Base metals, metal products		Metals and alloys	South East, South, South West
B.9	Building ships and boats, railways			South East, South West
	Low technology			
B.10	Processing food, beverages, Tabaco	Functional foods, wine, ecological foods.		South

Field of activity	Production specialization directions	RDI specialization directions	Regional Impact **	
B.11	Textile, footwear, leather products	Sector connections industry-agriculture, complete value chain, added value through design	Nano-composites for textile applications Anthropometric research for clothing industry Technical textiles for health, auto, agriculture Intelligent textile Converting textile waste	North East, South East, Bucharest Ilfov
B.12	Wood and wood products, furniture	Furniture with design added value	Converting wood waste Wood based materials	Center, North East, North West
C	Communication and information technology	Telecommunications and software, software design Mechatronics, security, e-health, CIT for transportation, new average.	Networks for the future, service's internet, software and visualization, average in the network and 3d internet, flexible organic electronics of great surface, integrated systems' design, systems for personal health CIT for energy efficiency, support CIT Behavior science and artificial intelligence	North East, South East, Bucharest Ilfov, West, North West
D	Energy and environment	Renewable energy, wind energy, solar energy, green buildings, biomass, ecological services, geothermal energy, nuclear energy, oil industry	Pollution, management and monitoring, environmental engineering, ecology and environment science, network technologies, renewable energy and biofuel, solar tubs, thermo-chemical, TiO2 nano composites for decontamination, high energy lasers, solar cells, trigeneration, co-generation, mini windmills for cities, heat pumps, autonomous energetic irrigation systems, building energy efficiency, molecular structures for photovoltaic panels, intelligent systems for monitoring and sensors for energy production, energy production and management (in special urban areas)	South, Bucharest Ilfov, West, North West
E	Pharmaceuticals, health, tourism	Maintenance tourism, geriatrics, plant treatment and other nature products, dermatologic cosmetics	Systems for elderly persons and with disabilities, antibiotics, cosmetics Mechatronics for health, medical instruments and biomedical engineering Plant treatment and other natural products	North East, South East, South West
F	Construction		Solutions for neutral energy buildings	National

* Processing after Ove Arup & Partners "Analysis and Evidence Base of the R&D&I Market in Romania", Final Report, 14th March 2013

** Additional mentioned sources at (*) have been used data from this chapter's analysis.

4 Forming the strategy: vision, priorities and strategic objectives

This section defines the strategic vision for competitiveness and presents the strategic priorities and objectives necessary for transforming the vision in an action plan and further on in developing an economic development programs in Romania on medium and long term. The premises for defining the strategic vision, as it is may be observed until now from the national and European development contest, as well as the advantages and disadvantages for the Romanian economy competitiveness, are transposed in action priorities that, are themselves performed by implementing a set of national, regional and local level objectives.

The competitiveness is firstly a challenge in order to have a better presence with goods and services on the international markets. For this reason, and taking into consideration the vision's exposition, the identified priorities mainly address to those activity fields that play an important economic role or that have proven an important growth in the subsequent years (see Table 3.3). At the same time, although, competitiveness is a challenge in order to value the entrepreneurial abilities still unformed or latent, but with a potential to change the economy and the society. For this reason, the Strategy includes priorities and objectives that follow the creation of a stimulating, transparent and attractive environment for manifesting any occupation that promises creativity, innovation and in general new solutions for competitive advancement, a better quality social life and setting the economy on sustainable bases.

4.1 National Strategy Vision for Competitiveness

In order to build a coherent vision for Romania's competitive economic development, it is necessary and natural that the analysis presented in these chapters to be completed by defining some key premises for interpreting the proposed transformation process. The five premises that follow are meant to comprehensively summarize all the development ideas that would otherwise be impossible and only desire to extract some directions, as simply as it can, for building the future. Shortly, these directions refer to:

- (1) Restructuring economic sectors in the directions of some superior competitive positions;
- (2) Forming a critical mass of competitive companies by creating an attractive and transparent medium;
- (3) Forming a critical mass of competitive companies by creating an innovating environment;
- (4) Integrating major players in a coherent project for developing the economy;

(5) Integrating the society in a coherent economy development project.

#1 vision premise Valuing the best available advantages for Romania of top specialties in production and research, as well as local clarification resources, entrepreneurial initiative and natural factors

Coexistence of excellency elements next to the precarious circumstances for developing seem to be the most significant feature of the modern Romanian society. A Romanian company (MB Telecom) is the one in the 41 year history of the International Geneva Invention Exposition that has won the Grand Prize ¹¹⁹ twice, the Romanian high school students dominate the international competitions for decades on a large sciences spectrum (mathematics, physics, informatics, chemistry, biology), but, on the other hand, as was observed from the data so far, the international hierarchies, with very few exceptions, Romania is placed on the latter places, in the relevant comparison groups, in almost all economical key development fields. In the situation in which the availability of the same resources – natural, human, capital and knowledge - is likely to lead to such contradictory results within a society, recovering the gaps is not a main strategy for the following development period. Romania is rather in the situation in which it must better value the growth resources that it disposes of, internally and by belonging to the EU, the most important of the world's economies¹²⁰.

The directions for innovating transformation and creating wellbeing stems from the advantages proven for the system depending on what some authors ¹²¹ prefer to call the center of gravity for the value creating circuit, identified as part of the processes that provide the highest level of expertise in one community. The past provides a promising pattern for valuing the potential that we dispose of: in the interwar years, Romania imposed the world some cultural marks (Brâncuși, Eliade, Cioran, Ionesco, Enescu), and in the communist years it became known for the exceptional talent of some athletes (Pataichin, Năstase, Comăneci, Hagi). Continuing this tradition of great accomplishments at global society level by drawing in the economic field of positive sustainable evolution may constitute the first feature of a future development model.

¹¹⁹ „Romania's MB Telecom wins again top prize at Geneva Inventions Expo”, *Nine O'Clock*, 14 April 2013

¹²⁰ According to data supplied by Eurostat, EU-27 owned 25,8% of the world's GDPI, more than rival economies: USA (22,9%), China (9,1%) and Japan (8,7%) (data refer to 2010) („The EU in the world—economy and finance”, Available at

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/The_EU_in_the_world_-_economy_and_finance). Also, the EU is the world's first exporter and importer, as well as the biggest beneficiary and the most important source of direct foreign investment (see „EU position in world trade”, Available at <http://ec.europa.eu/trade/policy/eu-position-in-world-trade/>). [accessed at 02.08.2013]

¹²¹ Wheelen, Thomas L., J. David Hunger (2006) *Strategic Management and Business Policy*, 10th edition, Pearson, p. 112; Isenberg, Daniel J., „How to start an entrepreneurial revolution”, *Harvard Business Review* June 2010.

#2 vision premise Increasing conditions activities for developing businesses by transparent and stimulating regulations.

Regardless of whether it is about high performance sectors or the ones in development, valuing resources is optimum in an environment that provides equal opportunities for all and is attractive for developing businesses. Perverting chances for honest gains shall leave the economy just for the helpless, less innovative and incapable of assuming entrepreneurial risks. We observe the emigration of medics, of newlyweds and in general of the labor force with the highest level of productivity: Romanians that in 2012 lived in EU member states represent about 10% of the population (2.4 mil), and 65% of those that went abroad to labor are between 20 and 40 years of age¹²². Romania has become a less attractive country than it might have been without special efforts.

The responsibility for creating an attractive labor and innovation environment belongs to the authorities and the private sector. First in order to perform a negative market integration by eliminating the barriers in valuing the business initiative. Secondly, the private environment and the state institutions have in the same amount a common interest for collaborating in positive market integration by creating some attractive conditions for labor and innovation. The value of the competitive environment is a result of both the state participation that comes to meet the business' facile needs of regulation, as well as the participation of private actors whose own interest consists in eliminating undeclared labor and establishing a transparent conduct regarding fraud. With an informal economy of about 30%, Romania may not speak of competitive development than by a more intelligent, transparent and non-bureaucratic regulation.

#3 vision premise Encouraging entrepreneurial discovery and consolidating the economy innovative base.

There are premises for valuing free initiative in Romania: 54% of those asked what they would do if they suddenly inherit a large amount of money they stated that they would open a business, a level of

¹²² *The Ministry for regional Development and Public Administration (MDRAP) (2013) „The Strategy for Romania's Territorial Development 2014-2035”, Counseling Document, 20.6.2013, cap. 2*

commitment never before met in a EU member state, where the average is 17%, as well as no other non-EU member state that participated in the inquiry. Only 1% mentioned that “they would not work” compared to 5% from the EU.¹²³ However, this favorable predisposition at an individual level is not automatically transformed in entrepreneurial potential. This matter depends on the context in which entrepreneurial discovery is encouraged to manifest itself so that it creates rapid transition mechanism between projects, ideas and initiatives and their economic and commercial applications. The creativity specific to Romanians must be doubled by managerial sophistication, know-how and pragmatism. Not last, the native capital needs to be awarded trust in order to overcome the assimilation and intermediation phase.

In Romania, about 60% of expenses for research are made by the state (as opposed to advanced economies where the private sector has a majority of about 70%), and about 70% of the total financing sustains activities that do not get passed the technical development phase, in stark contrast to about 1% for selling RDI products and approx. 2% for product development, meaning the innovation essence and business initiative¹²⁴. The private sector, with a relative modest implication in the innovation activities, has enormous gap to overcome in order to form a critical mass capable of contributing to economic competitive transformation. Without understanding the fact that you cannot have a convergence with the developed countries if you constantly invest less and in an inefficient manner in research-development-innovation, any discussion of competition on a global level remains an unfounded form.

#4 vision premise Formulating the public policy directions around the initiatives and accomplishments with a major impact on creating added value in the business field.

Romania’s competitive development must not commence from a list of fragmented desires and from the assumption that it is a process that may be imposed by the public sector on a shapeless mass of private actors, from which an exemplary mobilization is expected. In order to put in motion a notable transformation process, concentrating efforts and coupling with significant projects already proposed by the great private actors is needed.

¹²³ The data are from June 2012 and are presented in the European Commission, “Entrepreneurship in the EU and beyond”, Report, Flash Eurobarometer 354, Available at http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf [accessed at 29.7.2013]

¹²⁴ The World Bank (2011) “Romania Functional Review. Research, Development, and Innovation Sector”, Final Report, 31 May, p. 42

The initiatives that lead to competitive advances considerable effects follow like a rule of market verified business plans and promising for the business success, which are usually engaged by the big companies, capable of assuming, first of all greater risks for failure. Most industrial branches in Romania, especially those important for economy dynamics of the latter years, are dominated by companies with over 250 employees, that hold the most important turnover percentage: over 70% of sectors from road transportation sectors, extraction industry, crude oil processing, computers and electronic products, other transportation means, metallurgy industry, beverages manufacture, electric equipment, and between 50% and 70% in the chemical industry, information technology and telecommunication, machineries, pharmaceutical, food industry.¹²⁵

The special role of great companies in creating wellbeing is essential not only for sustaining the ambition to advance competitiveness on the international markets, but also from the perspective of multiplying wellbeing in the entire society, by imitation and emulation effects by driving SMEs, responsible for 51% from the added value and about 66% of employees from the Romanian economy¹²⁶. Developing a functional, stimulating market mechanism for competitive advancement, is performed through the synergy of these two actors from an economy, big companies and SMEs, when each ones' strengths are amplified through positive feedback in a sector interdependent network.

#5 vision premise Correlating development initiatives at a sectorial, territorial and societal level for efficient and integral forming of competitive advantages

Beyond the functional particular relation between big and small and medium companies, the modern economy has developed a very advanced business dynamic transformation system, a business ecosystem that may be represented as dens social-economic tissue characterized by (1) at sector level by amplifying the specialty between and within the branches, (2) at a territorial level by the role of growth within the local economy based on singular production factors (for example know-how, silent knowledge, social capital, territorial identity) and (3) at society level by diversifying the business plans by economic activities destined for improving the quality of life.

¹²⁵ Munteanu, C. (et al.), *New directions of industrial policy and necessary structural modifications Bucharest, Ed. Economică*, p. 29. Data are for 2010.

¹²⁶ European Commission (2013) "Enterprise and SBA Fact Sheet 2013 Romania", pp. 2-3. The statistics do not take into consideration the agriculture, health and education sector and is based on Eurostat data, that may differ from those provided by the national statistics.

At sector level, collaboration development with horizontal activity sectors (same activity profile) and vertical activity sectors (different related activities branches) takes place on specialized segments that take into account highly connected sector interdependencies. In the prior example regarding the MB Telecom, the product has reached the market by using nuclear physics, electronic and software expertise.

At sector level, the appearance of an authentic territorial economy with planning responsibility ¹²⁷ and the decision received a large scope at the EU economy level, especially after the current program frame (2007-2013) has included the territorial cooperation as a main objective of the cohesion policy. The relevance of this theme for Romania is special because we speak of an extremely diverse social and economic territory. There are extremely diverse development conditions for businesses at regional and local level, and this represents an opportunity to be valued by territorial market integration and regional economic development.

At society level, the expected initiatives from the private sector, by which this can contribute in the most important measure to the general society's development, including action directions with impact on solving what the European Commission designates society challenges namely, globalization, demographic change, environmental degradation, migration, climatic change, energy consumption, as well as the economic and social consequences¹²⁸ of the crisis.

Thusly, the activity of creating economic value currently reflects in changing the premises for economic growth from an industrial economy to that based on knowledge, knowing the transformations at a sector, territory and society level. Founding the vision on the business ecosystem represents accepting an open and modern perspective on forming competitive advantages in the economy, and together with the other four premises presented above leads to forming a unitary vision for Romania's competitive development:

¹²⁷ *The meaning understood here is related by the possibility to monitor and prevent the negative market conditions in order to encourage the positive ones.*

¹²⁸ *European Commission, "Elements for a Common Strategic Framework 2014-2020", Part II*

The National Strategy for Competitiveness

Developing the business competitive bases in an ecosystem capable of sustaining excellence at global level, open and favorable for free initiative and innovation, stimulating for increasing productivity and oriented towards integrated and sustainable transformation of the Romanian economy.

Briefly, the vision proposes commitments on behalf of the Romanian society for sustaining excellence, encouraging entrepreneurial discovery and a better quality of life.

Starting from these essential elements, the following sections provide arguments for identifying the eight strategic priorities and the corresponding objectives for transforming this vision into reality by 2020 and beyond. Table 4.1 below briefly presents the priorities for The National Strategy for Competitiveness as these answer the financing priorities established in the Partnership Agreement, and Table 4.2 at the end of this chapter provides a brief image on the correspondence between the strategic priorities, objectives and the expected outcome, as well as the theme objectives for the 2014-2020 programming period

TABLE 4-1 STRATEGIC PRIORITIES MATRIX FOR NSC AND FINANCING PRIORITIES *

Strategic priorities for the NSC	Priority 1	Priority 2	Priority 3	Priority 4	Priority 5
#1 Forming production centers and technical development at regional and international competence	√	√	√		
#2 Revitalizing the industry by intelligent specialization and knowledge transforming in a source of competitive advantage	√	√	√	√	
#3 Re-defining industrial policy by orienting towards innovation and consolidating the mechanism for market operation	√	√			
#4 Integrating network industries in the added value creating circuit	√	√		√	
#5 Better regulation of the business environment at a national level and developing the regional capacities for economic administration	√			√	√
#6 Integration in the urban – rural space and valuing the territorial capital for creating economic value	√			√	√

#7 Preparing the 2050s generation	√		√		
#8 Opening the business field for direct investment and research with impact on the society challenges	√		√	√	√

a) There are five financing possibilities (see Table 2.1):

- Promoting economic competitiveness and local economy
- Developing modern infrastructure for growth and jobs
- Improving the human capital by a larger occupation and better social inclusion and education policies
- Optimizing use and protection of resources and natural assets
- Modernizing and consolidating national administration and legal system

4.2 Forming production centers and technological development of regional and international competence

Romania disposes of proven advantages in scientific research, by labor force qualification and research results. Also, there is a recent tradition in creating some favorable innovation mechanisms: an evaluation of innovation national policies from ante-joining period notices the existence in Romania of some directional mechanisms towards the consolidation of links between research and industry, being among the first (ex-communist) countries that has set up the basis of some innovation support centers after 1990.¹²⁹ If we estimate the reputational value through indicators such as relative number of researchers, request financing, number of patents, specialization in knowledge intensive activities etc., we may state that there is a visible ascending trend of Romania's visibility at European level¹³⁰, and the networks of about 15 000 Romanian researchers abroad¹³¹, a remarkable number in absolute and relative values, places it under a favorable light for the integration in an international circuit of knowledge and innovation. The challenge consists in forming the capacity – simultaneous at productive and institution level – to transform this potential in economic results that form a long term solid basis, for competitive performances at a high level. Under these conditions, it becomes a priority to engage resources in the direction of financing some national and regional networks for elite centers in the field of applicative research in competitive advantages economic sectors, including by creating a stimulating frame preparing for companies and national research institution projects in order to better access the financing provided by the national and European research programs.

Strategic objectives

¹²⁹ „Innovation Policy in Seven Candidate Countries: the Challenges. Summary of main findings of first interim report”, Enterprise Directorate-General, Contract N°INNO-06-02, May, 2002

¹³⁰ Technopolis Group, GEA Strategy & Consulting, FMM Consultancy, “Mid-Term Evaluation of the National Strategy and of the National RD&I Plan 2007-13”, Final Report, 23 January 2012, Bucharest, pp. 6-12

¹³¹ The World Bank (2011) “Romania Functional Review. Research, Development, and Innovation Sector”, Final Report, 31 May, p. 21

4.2.1 Setting up some national networks for elite centers in the field of technology and innovation in the economic sectors with competitive advantage (see Table 3.3).

Target: Priority financial support of applicative research by FESI, in parallel with developing research programs founded on interest themes that target converting to green economy (ex. National Research Plan 2014-2020, Horizon 2020).

4.2.2 Supporting top multidisciplinary large programs by regional and international cooperation in order to prepare future companies' and national research institutions research programs regarding the massive participation at European research programs.

Target: Increasing the success rate of Romanian project leader participants in the Horizon 2020 projects.

4.2.3 Creating some competence centers for the intelligent specializing of regional economies.

Target: Incorporation of regional research consortiums based on elaborating common projects between the research institutions, including public ones, innovation and production companies, incubation centers and technological development.

4.2.4 Anticipating industrial transformation by interdisciplinary, exploratory and niche research, and by creating an adequate frame for trade in technological innovation

Target: Setting up the Romanian Institute for Technology (RIT) responsible for prospecting, defining, coordinating and monitoring technological innovation priorities and for ensuring the financing and support frame for trading innovation at a national and global level.

4.3 Industrial revitalizing through intelligent specialization and transforming the source knowledge into competitive advantage

Romania is an industrial economy, but it is necessary to revitalize this important platform for growth and occupation providing the traditional industries have consistently lost positions on the international markets, and the new perform and sectors have not escaped the small added value “trap”. New technologies allow the production in larger volumes and with more advanced material, technologies with lower carbon content, bio-technologies, nano-technologies, thus changing the competitive advantage. In order to maintain the competitive advantage at global level, the European Union

industry must increase its efforts to adapt these technologies¹³², and Romania must be part of this process. Formal or informal structures are needed that insure an adequate framework for creativity, available financing sources and means to insure against risk. Intelligent specialization is a participative project for innovation, technological experimenting and commercial valuing of government authorities (local and national) and the private environment.

Together, by establishing some labor groups, authorities and companies that must work and find solutions both for revitalizing the industry and for launching new competitive bases for traditional sector but also for promoting knowledge economy in the future industries, key sectors for attracting innovation private investment.

Strategic objectives

4.3.1 Promoting knowledge economy and orienting research towards development of new economic applications (products, procedures, techniques, technologies) based on models from the natural world (new composite materials etc) new functional structures (for supplying energy etc.), new pharmaceutical products and treatment procedures (biogenetics).

Targets: (1) Using at least 20% of the amounts obtained from valuing the state owned assets through privatizing for developing the national education system and innovation in the objectives direction. (2) Setting-up a Research fund with risk capital whose functioning shall be oriented towards RIT identified fields (including by public co-financing of financial vehicles for risk capital).

4.3.2 Setting up the "10 future industries" research and innovation program concentrated on developing the product, including by acquiring the intellectual property rights, in 10 priority theme fields for RDI (Table 3.3).

Target: Increasing the percentage with innovating activity up to 40% in 2020.

4.3.3 Industrial revitalizing of traditional sectors in agriculture and processing industry and launching on new competitive bases, by innovation and innovation's commercial applications, of activity sectors that play an important economic role regarding occupation and committed investments, but that are in competitiveness loss. (ex. Intelligent textiles and design for textiles and clothing, organisms genetics for agriculture, cultural and creative occupations for tourism and agriculture, new materials and design for furniture and wood processing).

¹³² European Commission, „Member States` Competitiveness, Performance and Polices, Industrial Performance Scoreboard”, 2012, p. 7

Target: Obtaining a new world market quota of at least 5% for the most performing sectors from the traditional industries.

4.3.4 Establishing some taskforces between the Government – Universities and the research development institutes – Professional associations for identifying resources for innovation and investment in technologies in key sectors of industry and related services (Table 3.1).

Target: Increasing engaged expenses by the private sector for RDI up to 1% of GDP by 2020.

4.4 Re-defining industrial policies by orienting towards innovation and consolidation of the market operation mechanism

The existing evaluations depicting weak points in Romania's industry are located in the "reduced offering capacity for export in accordance to the market needs, that lead to a structural rigidity of the export offer with high added value and its captivity next to the dominating productive chains within the country from the first line of the exporter's hierarchy (big exporter countries) that have the tendency to externalize only the production function to Romania."¹³³ Companies' capacity to participate in correcting these deficiencies is especially unequal in the Romanian economy. Regarding the companies, approximately 75% of the companies' turnover with over 250 employees in the Romanian industrial sector is reported by foreign companies, and the economic influence significantly extends in regard to selling indigenous products on external markets: the first 100 exporting companies (large and very large companies) cover approximately 52% of Romania's exports value.¹³⁴ On one hand, the modern industrial activity depends on multiplying the inter and intra- company cooperation between the Big companies and the SMEs, especially by attracting the latter in research or experimental activities of multinational companies. On the other hand, forming of industrial policy has become essentially a result from public – private dialogues based on sector action agendas in order to uncover solutions in real time for problems depending on the competition's tendencies in each industrial sector. The general expected effect is of consolidating the production and export platforms for SMEs, the greatest employer in the national economy, especially by engaging them in regional production networks.

¹³³ Ministry of Economics, Export Development Division, „Export National Strategy 2011-2015”, 2011, p. 16

¹³⁴ Mereuță, Cezar, cited from Popa, Dan, „From top 100 exporters, 96 are foreign companies. Do we re-launch the exports or the exporters? 10 concrete for re-launching the Romanian industry”, http://economie.hotnews.ro/stiri-finante_banci-12717845-din-top-100-exportatori-96-suntcompanii-straine-relansam-exporturile-sau-exportatorii-10-solutii-concrete-pentru-relansareaindustriei-romanesti.htm

Strategic objectives

4.4.1 Attracting research or experimental activities from multinational companies and valuing the national competences by integrating these in research and innovation activities in a percentage superior to production and assembly activities.

Target: Increasing by at least 50% of RDI occupation activities (2014 – 2020) in the private sector.

4.4.2 Consolidating business relation viability by multiplying cooperation inter and intra-industries between big companies and SMEs for the purpose of increasing commercial performances for economic clusters¹³⁵.

Target: Doubling exports as percentage of sales in companies associations and in institutions identified as economic clusters.

4.4.3 Consolidating the public-private dialogue in implementing the industrial policy by “national task forces” between the government and the industrial professional associations in favor of sustaining economic growth depending on the competition’s trends in each industrial sector.

Targets: (1) Forming industrial policy strategies based on “Sector action agendas”; (2) Convening on frame agreements and priorities regarding the Rules for state aid for supporting innovative industries. (3) Forming responsibilities for the National Competition Council (CONACO) depending on „Sector action agendas” and the NSC priorities.

4.4.4 Consolidating the national offer for production and export by attracting the SMEs in the commercial circuit, especially by cross- border and inter-regional exchanges , based on regional export strategies.

Target: Doubling the goods’ export in Romania for counties that hold less than 1 % by the 2020 horizon .¹³⁶

¹³⁵ For ex. sales value, exports value, number of patents, high qualified labor force percentage, high end technology sale and export percentage

¹³⁶ Counties under 1% of Romania’s exports : Bacău, Botoșani, Brăila, Călărași, Covasna, Giurgiu, Gorj, Harghita, Ialomița, Mehedinți, Sălaj, Teleorman, Tulcea, Vaslui, Vâlcea. The data are for 2012 in accordance to the National Institute for Statistics.

4.4.5 Promoting export products through some regional and cross-border initiatives regarding common development of commercial services (tourism) and business services (marketing and promotion, electronic trade, transport, insurance etc.).

Target: Increasing export of goods identified by product image and/or origin (brand).

4.4.6 Developing market for technology transfer through technology brokers and opening towards the business environment of services provided by offices for intellectual property (ex. counseling, access to documentation, training)

Target: Increasing the percentage of high end technology product exports up to 10% by the 2020 horizon.

4.4.7 Consolidating economic relations with the most important current partner (EU member states), diversifying economic exchanges for Romania with emerging states and regions, with fast and sustainable economic growth or with special economic potential - countries from the Asia – Pacific area (China, India, Indonesia, Vietnam, Australia) Latin-American countries (Brazil, Mexico, Peru, Chile, Columbia, Argentina), sub-Sahara African countries (Nigeria, Ghana, Botswana, East Africa community member states) and revitalizing relations with traditional economic partners – North American countries, Middle East/Gulf area, Russia and the ex-soviet countries, Northern Africa.

Target: Increasing the degree of economic opening over the EU average by the 2020 horizon.

4.5 Integrating network industries in the circuit for creating added value

Romania had to overcome more important gaps than the other more advanced European countries and in the past, this imposed an orientation of investment programs mainly towards physical infrastructure. New technologies allowed important progress in certain fields (communication infrastructure, renewable energy production equipment). The needs for accumulating capital and especially in transport and healthcare are still important, but must be prepared at the same time for the next phase of passing to integrated infrastructure projects, that need investments that appear rather as a result of the business development projects than the objective of bridging the gap. Market studies must fill in the cost analysis and the feasibility studies for developing transport, communication and energy infrastructure in the frame provided by existing or forming territorial strategies, but also for amplifying connectivity inside the polycentric network interior and increasing Romanian territorial accessibility to the EU. Particularly, the approach to the energy infrastructure must take into account the external interconnection, but especially the internal challenges and the general market operation,

as is the monitoring, analysis and forecast capacity for trends in production and consumption , and improving competitive advantages especially as is the decentralizing of energy production, adaptation to future standards in energy production and consumption, intelligent energy distribution and storage technologies development.

Strategic objectives

4.5.1 Developing the transport, communications and energy infrastructure in the frame provided by the existing or forming territorial strategic visions, such as the Strategic vision for South East Europe, Black Sea strategic vision, Danube economic corridor, European Union Eastern space, as well as the priority corridors or EU regional initiatives.

Target: Increasing the global market quota for transport services at least double than the total export of Romania's services by the 2020 horizon (Appendix 3 and Appendix 7)

4.5.2 Amplifying the polycentric network connectivity by (a) assessing the territorial impact as a space evaluation instrument of great infrastructure projects and (b) investment in developing intermodal goods transport nodes networks in relation with the pan-European corridors and with the maritime and interior navigation.

Target: Increasing investment in transport networks for increasing territory accessibility for Romania with the EU especially in the vulnerable regions (by geographic isolation, industrial activity retraction, poverty risk, massive emigration, high levels of unemployment)

4.5.3 Developing services in the business environment by operating strategic communication infrastructures.

Target: (1) Increasing the global market quota for "Communication" and "Information technology and computers" up to 2 % by the 2020 horizon (Appendix 3 and Appendix 7) (2) Standardizing the cable communication systems and making data bases compatible.

4.5.4 Adopting future standards in energy production and consumption (implementing network codes in electricity and gas networks; participating in common interest projects in the EU; developing technology for making the consumption in residential areas efficient).

Targets: (1) Reducing energy costs at industrial consumers (expressed by costs for electricity consumption in the small and medium enterprises sector); (2) Reducing energy costs for household consumers.

4.5.5 Promoting energy decentralized production and developing intelligent technologies for energy distribution and storage.

Targets: (1) Development of intelligent energy sustainable cities by their own production; (2) Reverse engineering of new market technologies with top results (for ex: high efficient cogeneration and hydrogen storage energy).

4.5.6 Consolidating the monitoring, analysis and forecasting tendencies in the energy production and consumption by (re)establishing a Regional energy observation network.

Target: Increasing private and public expenses for RDI in the energy sector.

4.5.7 Forming the medical services market by establishing the health services exchange (treatment, prevention and care, family planning, emergency) as a meeting place of offer (public and private health operators) and demand (medical services brokers, insurers).

Target: Doubling health expenses for (public and private) health per inhabitant (from approx. 500 USD (2008-2012)¹³⁷ to 1.000 USD) by the 2020 horizon.

4.6 Better regulation of the business environment at a national level and developing the regional capacity for economic administration.

In a functional economy, the state apparatus is a society partner: bureaucracy is neither a source of favors, nor an adversary for the business men and the common citizen. Bureaucracy produces added value when it comes up with support measures in order to foresee the needs of those it serves. The European states that today use as model for a competitive advantage, the rate of absorption of structural and cohesion or resistance funds in the face of crisis have developed a powerful mechanism of economic decision at a regional or local level, always doubled by a fiscal and financial responsibility relatively important by reporting to national level public expenses. Thus, the value of taxes collected by the local or regional authorities as part of the total tax percentage are as follow: 34,3% in Sweden, 25% in Belgium, 23,3% in Finland, 26,7% in Denmark, over 20% in Germany and Austria, and percentages between 10% and 20% in Latvia, Italy, Czech republic, Estonia, France,

¹³⁷ The World Bank, „Health expenditure per capita (current US\$)”, <http://data.worldbank.org/indicator/SH.XPD.PCAP>

Poland, Slovenia, Slovakia and Lithuania. In Romania, the level is of 3,8% in 2011 from 9,2% in 1995.¹³⁸

Currently, the crucial decisions for improving the business environment are taken as close to the implementation site. Local and regional authorities responsibilities' grow in fields as capital taxation and differential labor in accordance to the regional economy cycle, that depends on the economic sector structure; professional training and education in order to cover the local job demand; attract investments; setting on transparent and predictable bases of investors' participation in the public-private partnerships of regional interest.

Strategic objectives

4.6.1 Keeping the impact neutrality principle on business environment regulations and evaluating regulation effects, emphasizing on the most vulnerable areas

Targets: (1) The Business environment regulation neutral principle: costs introduced by the legislation must be compensated by eliminating some equivalent impact regulations. (2) Introducing the SME test (obligation of evaluating the regulations' impact on SMEs) (3) Introducing the competitiveness test.

4.6.2 Outsourcing by partnership with the private environment of market analysis and impact type government services, evaluation and monitoring of public policies and regulations.

Target: Reducing administrative tasks generated exclusively by the national legislation by at least 25%¹³⁹ by the 2020 horizon.

4.6.3 Developing the risk capital market and the regional level exchange listing.

Target: Increasing investment percentages through risk capital funds (reported to GDP) from 0,003% (2011) to 0,02% of GDP¹⁴⁰ by the 2020 horizon.

¹³⁸ Data source consists of Eurostat (2013), *Taxation Trends in the European Union*, Luxembourg: Publications Office of the European Union

¹³⁹ Minimum undertaken level by Romania as part of the initiative at EC level– Better Regulation strategy.

¹⁴⁰ Level exceeded in 2007, see „SME access to finance”, Available at http://ec.europa.eu/europe2020/making-it-happen/key-areas/index_en.htm [accessed at 18.7.2013] Also see European Commission dedicated page, „Venture capital” accessible at http://ec.europa.eu/enterprise/policies/finance/data/enterprise-finance-index/access-to-finance-indicators/venture-capital/index_en.htm .

4.6.4 Implementing a fiscal reform by transferring the responsibility related to taxation and decision to local authorities by introducing fiscal competition for labor, capital and property taxation.

Target: Increasing the value of collected taxes by local authorities to 9% of the total taxes value by the 2020 horizon.

4.6.5 Forming an open business culture by institution collaboration between local authorities and private environment representatives for making businesses transparent (declaring labor agreements, reducing tax evasion, facilities for hiring personnel from vulnerable categories by developing SPO)

Target: Decreasing the level of underground economy down to the level of 20% of GDP by the 2020 horizon.

4.7 Integration of the urban-rural space and valuing territorial capital in the economic value forming circuit.

Romania is a socially and economically diversified country at a territorial level. From a social point of view, large country areas are confronted with an accentuated demographic decline (losses of over 14% of the population); the population is mainly rural in 25 of the country's 41 counties, and that exposed to relative poverty represents about 40.3% compared to the 24.1% at EU level of the population in 2011 but in the North-East, South, South-West and South-East regions the exclusion risks are much higher than the national average. From an economic point of view, only 8 counties are characterized by industry covered percentages of over 30%, these being the ones placed in the country's center, west and north-west, and the services sector reaches over 60% in Bucharest, Ilfov, Cluj and Constanța.¹⁴¹ Persistence of unequal development in Romania's space suggests shifting the focus in the territory valuing policy from the regional inequality to the functional integration of a development area. The definition of a development area also incorporates features related to life standards, environment protection, local traditions that favor or not the development and operation of a region and that thusly justifies the separate treatment of the cultural specificity in the territorial plan. The entrepreneurial valuing possibilities are supported by such programs that seek to monitor the negative outsourcing at urban-rural masses, territory economic restructuring in creativity and innovation areas or monitoring and coining environmental assets.

Strategic objectives

¹⁴¹ MDRAP (2013), *idem*

4.7.1 Urban development of rural localities situated in the vicinity of large towns in order to create a metropolitan area as poles for economic growth.

Target: (1) Increasing the number of SMEs /1000 inhabitants in the rural environment; (2) Increasing investment in non-agricultural activities in the rural environment.

4.7.2 Diversifying the economy in the rural space and creating some large productivity by promoting industries specific to the rural environment, investment in technologies and equipment, adopting quality schemes, risk management and consolidating the value chain relations (research – agriculture/pisciculture/silviculture – industry – services).

Targets: Doubling the labor productivity in agriculture in 2020 compared to the current level of 4.328 euro (VAB/UAM) (2010-2012)¹⁴².

4.7.3 Monitoring the negative outsourcing at the urban-rural masses and implementing living degradation management programs (outskirts and unsanitary neighborhoods or with an elevated rate of crime, water, air and soil pollution; unemployment and social exclusion; traffic congestion; factors' migration – people, capital and qualifications).

Target: Investment in improving the access to general economic interest (medical and social assistance, education, transport infrastructure, etc.) whose net social benefits are positive.

4.7.4 Economic reconfiguration for territory in areas of creativity and innovation by creating the infrastructure for intelligent town development, economic valuing of artistic creation, of local cultural traditions and the indigenous flora and fauna genetic potential.

Target: The percentage of employees in creativity sectors must reach at least 3% at each county level.

4.7.5 Developing public e-government services and insuring inter-operations at a national level for these services (healthcare, education, loan and guarantee banking, business' support etc.)

Target: Increasing by 10 p.p. of enterprises and the population that uses e-government services in the 2014-2020 period.

4.7.6 Implementing some national and regional programs for monitoring and coining the environment assets.

¹⁴² MADR, "PNDR 2014-2020 –SWOT analysis", version 28.6.2013

Target: Establishing a national registry for Future habitats that shall adequately qualify those settlements whose environmental action (bio-diversity, landscape, waters and so on) have an economic value at least equal to the local industrial and agricultural production.

4.8 Preparing the 2050s generation

The increase in birth of the '60-'70s, generated by a policy of the communist regime rightfully contested, has been transformed in the education received in the '70s-'80s and to a productive base of the 2000s. Increase in the labor offer didn't have the conditions necessary to be transformed in high productive inputs for the current times since the education process has been characterized by a strong ideological narrowing and cultural and professional isolation towards the international horizon. The ideological perception is under the same sign of bad starting conditions: the productive base for the 2020s is prepared by the births of the '80s – '90s and the education from the '90s – '00s still in an early modernization process, burdened by a teaching reform always changing and investments that never reach the promised level. At the PISA base education verification, Romania received a weak results percentage of 41% compared to the 18% EU average in science, 47% compared to the 22% in Mathematics and of 54% compared to the 20% in reading.¹⁴³ This Strategy has as immediate objective to transform the economic growth conditions in the following period (2014-2020) in order to improve competitiveness, but also on the long term : to prepare the conditions for a living standard higher than those who are born today, approx. 15% of the population¹⁴⁴. In 2020, these shall be in the first years of school, between 2020 and 2050 they shall be at the maximum productivity, and in 2050 shall live life at full maturity. In order for these elements to occur in conditions superior to those found nowadays, the duty of the present generation is to ensure the educational foundations adapted to the modern society, through objectives such as monitoring the mandatory education based on an aptitude standard suggested by international experience; implementing a flexible and innovative learning system; favoring intellectual opening to contemporary civilization values and creating bridges with the Romanians abroad by sustainable cooperation mechanism; and finally the professional assertion at any ability level through some objectives such as preparing learning programs for implementing early education for research and innovation and vocational training at regional level in the public-private partnership.

¹⁴³ Quoted from the European Commission, „Quality and relevance of education and training”, accessible at http://ec.europa.eu/europe2020/pdf/themes/30_quality_of_education_and_training.pdf [accessed at 18.7.2013]

¹⁴⁴ The data refers to the population aged 0-14 in the 2005-2020 period. 2005-2020 (http://esa.un.org/wpp/unpp/panel_indicators.htm)

Strategic objectives

4.8.1 Monitoring the mandatory obligation based on an aptitudes standard suggested by international experience.

Target: Progress in the direction of placing Romania at least half way in the PISA tests hierarchy.

4.8.2 Implementing a flexible and innovative teaching system for the purpose of equalizing the balance between abilities and competences, adapted to the various forms of cognitive and creative development at a personal level, as well as an educational – administrative management based on implication in increasing the local communities.

Targets: (1) Fulfilling the national target regarding early school dropout. (2) Educational offer based on ITC to represent at least 30% of the mandatory educational programs at a national level and at least 50% of the vulnerable inhabitable areas.

4.8.3 Preparing the learning programs for the early research and innovation education.

Target: The percentage of employees with high qualification reaches at least 20% of the employees in the processing industry by the 2020 horizon.

4.8.4 Creating bridges with the Romanians abroad through sustainable cooperation mechanisms in RDI on ad-hoc or institutionalized bases.

Target: Usage of at least 10% of the public finances destined for research for international research programs with main participation of Romanian origin researchers.

4.8.5 Technical and professional preparation through vocational learning programs at a regional level in the public-private partnership in order to adapt the training programs to the labor market requirements namely for a better correlation between components with sector needs for economic growth, including by facilitating labor force mobility.

Target: Achieving a 70 % occupation rate for groups of 20 – 64 years of age at a regional level by the year 2020.

4.9 Opening the business environment to investment and research directions with impact on society's challenges

As the attention and European and national authorities' resources are driven for a better offer of public goods – quality of life, occupation, cohesion – it is expected that an adequate answer comes from the society, and first of all the business people, in general the population capable of social involvement. The relation between economy and nature, nature and the life environment has changed greatly in the past decades and claims modifications in the economic behavior as well as in the attitude towards society common values. The chaotic development in the construction field – from materials' extraction, to illegal buildings from protected areas - represents a considerable percentage from our country's Ecologic Footprint¹⁴⁵. In general, despite smaller income compared to the European level, in Romania the resource consumption and the quantity of waste generation are large¹⁴⁶, exceeding the environment's capacity of natural regeneration.

In order to rebalance the functional relation between economy, nature and society, it is necessary to implement a measures package both financial in nature as well as institutional. The financial instruments must seek to increase investment in equipment and know-how in order to reduce the unit energy consumption, increase non-banking institutions, diversify financial instruments (for ex. establishing the social bonds market) or investment in rebuilding vulnerable inhabitable areas in economic activity areas (entertainment services, cultural and creative industries, amusement parks and artistic theme centers) that mainly employ the young workforce. Regarding the institutional plan, there is a need to implement an evaluation and monitoring system for the effects of social-economic development and coordinating bio-capacity growth measures, including those for reducing Romania's ecological footprint or implementing some mobility schemes at a macro-region level for transfer of good practices, investment programs for commonly use of services (soft cooperation) and developing some research partnerships for improving the quality of life.

¹⁴⁵ index that measures the pressure mankind exerts on the ecosystems – Ecological Footprint (eng.).

¹⁴⁶ In 2010 Romania had an ecological footprint on average of 2,7 ha per capita – Living Planet Report 2010, WWF

4.9.1 Implementing an evaluation and monitoring system for the effects of social-economic development on the environment regeneration capacity and coordinating the bio-capacity growth measures.

Target: Reducing Romania's Ecologic Footprint to under 2,5 hectares per capita.

4.9.2 Increasing investment in equipment and know-how for reducing the unit energy consumption

Target: Increasing energetic efficiency per export unit value for companies which are members of the Association for Large Energy Industrial Consumers (ABIEC).

4.9.3 Organizing some task forces Authorities – University – Industry – Social partners in the regional and national plan with the purpose of generating opportunities for increasing occupation, depending on the demographic structure of the unemployed, young graduates' and employers' demands.

Target: Increasing expenses with active occupation measures from 0.03% to 0.1% of GDP by the 2020 horizon.

4.9.4 Rebuilding of vulnerable inhabitable areas¹⁴⁷ in economic activity regions (entertainment services, cultural and creative industries, amusement parks and artistic theme centers) that mainly employ the young workforce.

Targets: (1) The percentage of the population which is at poverty or social exclusion risk must decrease at a level between 25% and 35% by the 2020 horizon. The decrease in the rate of young people with ages between 15-24 years which are neither enrolled in an education or training form, nor enlisted in the workforce (NEET) from 16.8% to the current level of the EU average of 12% (2012)¹⁴⁸ in the 2014-2020 period; (3) Forming the social bonds market.

4.9.5 Implementing some mobility schemes at macro region level for transfer of good practices, investment programs for commonly using services (soft cooperation) and developing some research partnerships for improving the quality of life in areas such as water and waste treatment, preventing disasters, healthcare infrastructure, education services, research-innovation infrastructure.

Target: Increasing the occupation of ecological industries to 1% of the occupied labor force.¹⁴⁹

¹⁴⁷ For definitions and classification see the Ministry for Regional Development and Public Administration's (MDRAP) „Strategy for Romania's Territorial Development 2014-2035”, Consulting document, 20.6.2013, chap.2

¹⁴⁸ For definitions and statistics see European Commission, „Youth unemployment”, Available at http://ec.europa.eu/europe2020/pdf/themes/21_youth_unemployment.pdf [accessed at 20.7.2013].

¹⁴⁹ For definitions and statistics see European Commission, „Green jobs: employment potential and challenges”, Available at http://ec.europa.eu/europe2020/pdf/themes/19_green_jobs.pdf [accessed at 20.7.2013], as well as Munteanu, C. (et al.), *New directions of industrial policy and necessary structural modifications*, Bucharest, Ed. Economică, pp. 118-128

TABLE 4-2 PRIORITIES, STRATEGIC OBJECTIVES, EXPECTED RESULTS AND THEME OBJECTIVE MATRIX FOR THE 2014 – 2020 PROGRAM PERIOD

Strategic priorities and objectives	Expected outcome *	Correspondence to theme objectives **
Forming of production and technological development centers of regional and international competence		
#1 Establishing national networks for elite centers in the field of technology and innovation in economic sectors with competitive advantages.	Priority financial support of the applicable research through FESI, in parallel with the development of fundamental research programs on a theme of interest that targets passing to green economy.	TO 1- TO 6
#2 Supporting some multidisciplinary programs of large scope by regional and international cooperation in order to prepare companies and national research institutions research projects regarding the massive participation at European research programs.	Increasing the rate of success for Romanian project leader participants in the 2020 Horizon projects.	TO 1, TO 3
#3 Creating some competences centers for intelligent specialization of the regional economies.	Establishing regional research consortiums based on issuing common projects between research institutions, innovative and production companies, incubation centers, public institutions for researchers and technological development centers	TO 1-TO 6
#4 Anticipating industrial transformations through interdisciplinary research, explorations and niche by creating an adequate frame for trading technological innovation.	Establishing the Romanian Institute for Technology (RIT) responsible for prospecting, defining, coordinating and monitoring the technological innovation priorities and for insuring the financing and support framework for trading in innovation at national and global level.	TO 1, TO 3-TO 7

Revitalizing the industry by intelligent specialization and transforming knowledge into a source of competitive advantage		
#1 Promoting knowledge economy and orienting research to developing new economic applications (products, procedures, techniques, technologies) based on natural world models (new composite materials etc) new functional structures (for energy supply etc.) new pharmaceuticals and treating procedures (biogenetics).	(1) Using at least 20% of the obtained amounts for valuing the assets owned by the state by privatization for developing the national education system and innovation in the objective's direction (2) Establishing a research Fund with risk capital the function of which should be oriented to RIT identified fields (including by public co-financing of financial vehicles for risk capitals).	TO 2- TO 7, TO 10
#2 Establishing a research and innovation program "10 future industries" concentrated on product development, including by acquiring the intellectual property rights, in 10 theme fields that are a priority for RDI.	Increasing enterprises' percentage with innovation activity up to 40% in 2020.	TO 1, TO 3, TO 4, TO 6
#3 revitalizing industry for traditional sectors in agriculture and processing industry and launching on new competitive bases, through innovation and commercial innovation application for activity sectors which play an important economic role by occupation and committed investments but that are losing competitiveness.	Obtaining a global market quota of at least 5% for the most performing traditional industry sectors.	TO 1, TO 2, TO 3, TO 6, TO 8
#4 Establishing taskforces between the Government – Universities and the research, development institutions – Professional associations for identifying resources for innovation and technological investment on key industry and related services sectors.	Increasing the expenses engaged in the private environment for RDI up to 1% of GDP until 2020.	TO 3-TO 7, TO 11

Re-defining industrial policies by orienting to innovation and consolidating the mechanism of market operation		
#1 Attracting research or experimental activities from multinational companies and valuing the national competences by integrating these in research and innovation activities in a higher degree than the production and assembly activities.	Increasing by at least 50% the occupation of RDI activities (2014-2020) in the private sector	TO 1, TO 3, TO 8
#2 Consolidating the business links viability by multiplying the inter and intra- industry cooperation between large companies and SMEs for the purpose of increasing economic clusters' commercial performances	Doubling exports as percentage in the company associations and institutions identified and publicly supported as economic clusters sales.	TO 3, TO 8, TO 11
#3 Consolidating the public private – public dialogue for implementing the industrial policy through “national labor groups” between the government and the industrial professional associations in favor of supporting the economic growth depending on the competition’s trends in each industrial sector.	(1) Forming industrial policy strategies based on “Sector action agendas”. (2) Agreeing on some frame agreements and priorities regarding innovative industry activities. (3) Forming responsibilities regarding the National Council for Competiveness (CONACO) depending on the “Sector action agendas” and the NSC priorities.	TO 2- TO 8, TO 11
#4 Consolidating the national production and export offer by attracting SMEs in the commercial circuit, especially by cross-border and inter-regional exchanges, based on regional export strategies.	Doubling the percentage in Romania’s goods exports of counties that hold less than 1% by the 2020 horizon.	TO 3, TO 8, TO 9, TO 11
#5 Promoting export products through some regional and trans-border initiatives regarding the common development of commercial services (tourism) and business (marketing and promotion, electronic trade, transportation, insurance etc.)	Increasing export percentage for goods identified by product image and/ origin (brand)	TO 2, TO 3, TO 8
#6 Developing the market for transfer of technology through technology brokers and opening the business environment for services provided by the intellectual property offices (ex. counseling, access to documents, training)	Increasing the percentage for high technology products in exports up to 10% by the 2020 horizon	TO 1, TO 3, TO 8
#7 Consolidating economic relations with the most important current partner (EU member states), diversifying economic exchanges for Romania with emerging states and regions, with fast and sustainable economic growth or with special economic potential - countries from the Asia – Pacific area (China, India, Indonesia, Vietnam, Australia) Latin-American countries (Brazil, Mexico, Peru, Chile, Columbia, Argentina), sub-Sahara African countries (Nigeria, Ghana, Botswana, East Africa community member states) and revitalizing relations with traditional economic partners – North American countries, Middle East/Gulf area, Russia and the ex-soviet countries, Northern Africa.	Increasing the degree of economic opening over the EU average by the 2020 horizon.	TO 3, TO 4, TO 8, TO 11

Integrating network industries in the circuit for creating added value		
#1 Developing the transport, communications and energy infrastructure in the frame provided by the existing or forming territorial strategic visions, such as the Strategic vision for South East Europe, Black Sea strategic vision, Danube economic corridor, European Union Eastern space, as well as the priority corridors or EU regional initiatives.	Increasing the global market quota for transport services at least double than of the total export of Romania's services by the 20202 horizon.	TO 2, TO 3, TO 4, TO 7, TO 11
#2 Amplifying the polycentric network connectivity through (a) assessing the territorial impact as a space evaluation instrument of great infrastructure projects and (b) investment in developing intermodal goods transport nodes networks in relation with the pan-European corridors and with the maritime and interior navigation.	Increasing investment in transport networks for increasing territory accessibility for Romania with the EU especially in the vulnerable regions (by geographic isolation, industrial activity retraction, poverty risk, massive emigration, high levels of unemployment)	TO 3, TO 7, TO 8, TO 9
#3 Developing services in the business environment by operating strategic communication infrastructures.	(1) Increasing the global market quota for "Communication" and "Information technology and computers" up to 2 % by the 2020 horizon (Appendix 3 and Appendix 7) (2) Standardizing the cable communication systems and making data bases compatible	TO 2, TO 3, TO 8
#4 Adopting future standards in energy production and consumption (implementing network codes in electricity and gas networks; participating in common interest projects in the EU; developing technology for making the consumption in residential areas efficient); participating in EU common interest projects; developing technology for making consumption in residential areas efficient .	Reducing energy costs at industrial consumers (expressed by costs for electricity consumption in the small and medium enterprises sector); (2) Reducing energy costs for household consumers.	TO 2, TO 4, TO 5, TO 6
#5 Promoting energy decentralized production and developing intelligent technologies for energy distribution and storage.	(1) Development of intelligent towns energy sustainable by their own production; (2) Reverse engineering of new market technologies with top results (for ex: high efficient cogeneration and hydrogen storage energy).	TO 2, TO 4, TO 5, TO 6
#6 Consolidating the monitoring, analysis and forecasting tendencies in the energy production and consumption by (re)establishing a Regional energy observation network	Increasing private and public expenses for RDI in the energy sector.	TO 4, TO 5, TO 6, TO 7, TO 11
#7 Forming the medical services market by establishing the health services exchange (treatment, prevention and care, family planning, emergency) as a meeting place of offer (public and private health operators) and demand (medical services brokers, insurers).	Doubling health expenses for (public and private) health per inhabitant (from approx. 500 USD (2008-2012) to 1.000 USD) by 2020.	TO 2, TO 3, TO 11

Better regulation of the business environment at a national level and developing the regional capacity for economic administration.		
#1 Keeping the impact neutrality principle on business environment regulations and evaluating regulation effects, emphasizing on the most vulnerable areas.	1) The Business environment regulation neutral principle: costs introduced by the legislation must be compensated by eliminating some equivalent impact regulations. (2) Introducing the SME test (obligation to assess the regulations' impact on SMEs) (3) Introducing the competitiveness test.	TO 3, TO 11
#2 Outsourcing by partnership with the private environment of market analysis and impact type government services, evaluation and monitoring of public policies and regulations.	Reducing administrative tasks generated exclusively by the national legislation by at least 25% by 2020.	TO 11
#3 Developing the risk capital market and the regional level exchange listing	Increasing investment percentages through risk capital funds (reported to GDP) from 0,003% (2011) to 0,02% of GDP by the 2020 horizon.	TO 3
#4 Implementing a fiscal reform by transferring the responsibility related to taxation and decision to local authorities by introducing fiscal competition for labor, capital and property taxation.	Increasing the value of collected taxes by local authorities to 9% of the total taxes value by 2020	TO 3, TO 11
#5 Forming an open business culture by institution collaboration between local authorities and private environment representatives for making businesses transparent (declaring labor agreements, reducing tax evasion, facilities for hiring personnel from vulnerable categories by developing SPO)	Decreasing the level of underground economy down to the level of 20% of GDP by 2020.	TO 3, TO 11

I 1.7 Integration of the urban-rural space and valuing territorial capital in the economic value forming circuit		
#1 Urban development of rural localities situated in the vicinity of large towns in order to create a metropolitan area as poles for economic growth.	(1) Increasing the number of SMEs /1000 inhabitants in the rural environment; (2) Increasing investment in non-agricultural activities in the rural environment.	TO 2, TO 3, TO 8, TO 9, TO 11
#2 Diversifying the economy in the rural space and creating some large productivity by promoting industries specific to the rural environment, investment in technologies and equipment, adopting quality schemes, risk management and consolidating the value chain relations (research – agriculture/pisciculture/silviculture – industry – services).	Doubling the labor productivity in agriculture in 2020 than the current level of 4.328 euro (VAB/UAM) (2010-2012).	TO 2, TO 3, TO 8
#3 Monitoring the negative externalizations at the urban-rural masses and implementing living degradation management programs (outskirts and unsanitary neighborhoods or with an elevated rate of crime, water, air and soil pollution; unemployment and social exclusion; traffic congestion; factors' migration – people, capital and qualifications).	Investment in improving the access to general economic interest (medical and social assistance, education, transport infrastructure etc.) whose net social benefits are positive	TO 2, TO 9, TO 11
#4 Economic reconfiguration for territory in areas of creativity and innovation by creating the infrastructure for intelligent town development, economic valuing of artistic creation, of local cultural traditions and the indigenous flora and fauna genetic potential.	The percentage of employees in creativity sectors must reach at least 3% at each county level.	TO 2, TO 3, TO 7, TO 8, TO 9, TO 10
#5 Developing public e-government services and insuring inter-operations at a national level for these services (healthcare, education, loan and guarantee banking, business' support etc.)	10 % increase of enterprises and the population who uses e-government services in the 2014-2020 period	TO 2, TO 9, TO 11
#6 Implementing some national and regional programs for monitoring and coining the environment assets.	Establishing a national registry for Future habitats that shall adequately qualify those settlements whose environmental action (bio-diversity, landscape, waters and so on) has an economic value at least equal to the local industrial and agricultural production	TO 2, TO 11

Preparing the 2050 generation		
#1 Monitoring the mandatory obligation based on an aptitudes standard suggested by international experience.	Progress in the direction of placing Romania at least half way in the PISA tests hierarchy.	TO 10, TO 11
#2 Implementing a flexible and innovative teaching system for the purpose of equalizing the balance between abilities and competences, adapted to the various forms of cognitive development and creative development at a personal level, as well as an educational – administrative management based on implication in increasing the local communities.	(1) Fulfilling the national target regarding early school dropout. (2) Educational offer based on ITC to represent at least 30% of the mandatory educational programs at a national level and at least 50% of the vulnerable inhabitable areas	TO 2, TO 9, TO 10
#3 Preparing the learning programs for the early research and innovation education.	The percentage of employees with high qualification reaches at least 20% of the employees in the processing industry by the 2020 horizon.	TO 2, TO 8
#4 Creating bridges with the Romanians abroad through sustainable cooperation mechanisms in RDI on ad-hoc or institutionalized bases.	Using at least 10% of the public finance destined for research for international research programs with main participation of Romanian origin researchers	TO 1, TO 3
#5 Technical and professional preparation through vocational learning programs at a regional level in the public-private partnership.	Achieving an occupation rate for age groups 20 – 64 years at a regional level of 70% until the year 2020.	TO 2, TO 3, TO 10

Opening the business environment to investment and research directions with impact on society's challenges		
#1 Implementing an evaluation and monitoring system for the effects of social-economic development on the environment regeneration capacity and coordinating the bio-capacity growth measures.	Reducing Romania's Ecologic Footprint at under 2,5 hectare per capita.	TO 1- TO 7, TO 11
#2 Increasing investment in equipment and know-how for reducing the unit energy consumption.	Increasing energetic efficiency per export unit value for companies which are members of the Association for Large Energy Industrial Consumers (ABIEC).	TO 3- TO 7
#3 Organizing some task forces Authorities – University – Industry – Social partners in the regional and national plan with the purpose of generating opportunities for increasing occupation depending on the demographic structure of the unemployed, young graduates' and employers' demands.	Increasing expenses with active occupation measures from 0.03% to 0.1% of GDP by the 2020 horizon	TO 3, TO 8, TO 10, TO 11

<p>#4 Rebuilding of vulnerable inhabitable areas in economic activity areas (entertainment services, cultural and creative industries, amusement parks and artistic theme centers) that mainly employ the young workforce.</p>	<p>(1) The percentage of the population which is at poverty risk or social exclusion must decrease at a level between 25% and 35% by the 2020 horizon. (2) The decrease in the rate of young people with ages between 15-24 years that are not enrolled in an education or training form are not enlisted in the workforce (NEET) from 16.8% to the current level of the EU average of 12% (2012) in the 2014-2020 period; (3) Forming the social bonds market</p>	<p>TO 2, TO 3, TO 8, TO 9</p>
<p>#5 Implementing some mobility schemes at macro region level for transfer of good practices, investment programs for commonly using services (soft cooperation) and developing some research partnerships for improving the quality of life in areas such as water and waste treatment, preventing disasters, healthcare infrastructure, education services, research-innovation infrastructure.</p>	<p>Increasing the occupation of ecological industries to 1% of the occupied labor force.</p>	<p>TO 1, TO 3- TO 8, TO 11</p>

* Target indicators undertaken by Romania through the Europe Strategy 2020 are marked in bold font.




** Theme objectives are disclosed in Chapter 2.

Appendices

Appendix 1. EU 28 countries' classification in accordance to the Global Competiveness Index

Country	Global		Base stage		Efficiency stage		Innovation stage	
	Place	Score	Place	Score	Place	Score	Place	Score
Finland	3	6,03	4	6,03	9	5,30	3	5,62
Sweden	4	5,53	6	6,01	8	5,32	5	5,56
Holland	5	5,50	10	5,92	7	5,35	6	5,47
Germany	6	5,48	11	5,86	10	5,87	4	5,57
UK	8	5,45	24	5,51	4	5,50	9	5,32
Denmark	12	5,29	16	5,68	15	5,15	12	5,24
Austria	16	5,22	20	5,63	19	5,01	10	5,30
Belgium	17	5,21	22	5,52	17	5,09	13	5,21
France	21	5,11	23	5,52	18	5,04	18	4,89
Luxemburg	22	5,09	8	5,96	24	4,87	19	4,89
Ireland	27	4,91	35	5,11	25	4,85	20	4,87
Estonia	34	4,64	26	5,47	31	4,63	33	4,06
Spain	36	4,60	36	5,11	29	4,67	31	4,14
Czech Rep.	39	4,51	44	4,89	34	4,59	32	4,13
Poland	41	4,46	61	4,66	28	4,69	61	3,66
Italy	42	4,46	51	4,81	41	4,44	30	4,24
Lithuania	45	4,41	49	4,84	46	4,38	47	3,83
Malta	47	4,41	34	5,12	40	4,46	46	3,85
Portugal	49	4,40	40	4,96	44	4,40	37	4,01
Latvia	55	4,35	54	4,79	48	4,37	68	3,57
Slovenia	56	4,34	39	5,05	55	4,25	36	4,02
Cyprus	58	4,32	42	4,94	43	4,41	51	3,77
Hungary	60	4,30	55	4,78	52	4,32	58	3,69
Bulgaria	62	4,27	65	4,63	59	4,18	97	3,30
Slovakia	71	4,14	62	4,64	51	4,33	74	3,50
Romania	78	4,07	90	4,22	64	4,12	106	3,20
Croatia	81	4,04	60	4,68	72	4,01	83	3,39
Greece	96	3,86	98	4,13	69	4,05	85	3,37

Source: World Economic Forum (2012), The Global Competitiveness Report 2012-2013, pp. 13-15

-  - development stage 2 – efficiency factors
-  - in transition from stage 2 to stage 3 of development
-  - development stage 3 – innovation and sophistication factors

Appendix 2. Global market evolution for products exported form industrial and agricultural sectors in the 2007-2012 period in EU28

Index	Country	Code	2007	2012	Modification
1	Germany	DE	9.59%	7.88%	-1.72 p.p
2	France	FR	3.90%	3.10%	-0.80 p.p
3	Italy	IT	3.61%	2.79%	-0.82 p.p
4	Holland	NL	3.45%	3.08%	-0.36 p.p
5	Great Britain	UK	3.18%	2.68%	-0.50 p.p
6	Belgium	BE	3.11%	2.49%	-0.63 p.p
7	Spain	ES	1.83%	1.59%	-0.24 p.p
8	Sweden	SE	1.22%	0.96%	-0.26 p.p
9	Czech Rep.	CZ	1.20%	1.12%	-0.08 p.p
10	Austria	AT	1.18%	0.93%	-0.26 p.p
11	Poland	PL	1.00%	1.00%	-
12	Hungary	HU	0.94%	0.74%	-0.20 p.p
13	Ireland	IE	0.88%	0.66%	-0.22 p.p
14	Denmark	DK	0.74%	0.59%	-0.15 p.p
15	Finland	FI	0.65%	0.41%	-0.24 p.p
16	Slovakia	SK	0.42%	0.45%	0.03 p.p
17	Portugal	PT	0.37%	0.32%	-0.05 p.p
18	Romania	RO	0.29%	0.32%	0.03 p.p
19	Slovenia	SI	0.19%	0.15%	-0.04 p.p
20	Bulgaria	BG	0.18%	0.19%	0.01 p.p
21	Greece	EL	0.17%	0.20%	0.03 p.p
22	Lithuania	LT	0.12%	0.16%	0.04 p.p
23	Luxemburg	LU	0.12%	0.08%	-0.04 p.p
24	Croatia	HR	0.09%	0.07%	-0.02 p.p
25	Estonia	EE	0.08%	0.10%	0.02 p.p
26	Latvia	LV	0.06%	0.07%	0.01 p.p
27	Malta	MT	0.02%	0.03%	0.01 p.p
28	Cyprus	CY	0.01%	0.01%	-

Note: Method of calculation: Global market percentage = Total products exported form the country's industrial and agricultural sectors (thousands of EUR)/products exported from industrial and agricultural sectors at global level (thousands of EUR), product groups 4 digits; p.p = percentage points

Source: data processing International Trade Centre, Trade Map, Trade Statistics for International Business Development; <http://www.trademap.org/>, ITC calculations based on UN COMTRADE statistics.

Appendix 3. Global market evolution for services exported in the 2007-2012 period in EU28

Index	Country	Code	2007	2011	Modification
1	Great Britain	UK	8.32%	6.91%	-1.41 p.p.
2	Germany	DE	6.40%	6.25%	-0.15 p.p.
3	France	FR	4.30%	5.28%	0.98 p.p.
4	Estonia	ES	3.68%	3.34%	-0.33 p.p.
5	Italy	IT	3.22%	2.51%	-0.71 p.p.
6	Holland	NL	3.21%	3.25%	0.04 p.p.
7	Ireland	IE	2.68%	2.66%	-0.01 p.p.
8	Belgium	BE	2.14%	2.25%	0.10 p.p.
9	Luxemburg	LU	1.87%	1.67%	-0.19 p.p.
10	Sweden	SE	1.82%	1.75%	-0.07 p.p.
11	Denmark	DK	1.77%	1.57%	-0.20 p.p.
12	Austria	AT	1.56%	1.44%	-0.12 p.p.
13	Greece	EL	1.23%	0.94%	-0.30 p.p.
14	Poland	PL	0.83%	0.88%	0.06 p.p.
15	Finland	FI	0.67%	0.71%	0.04 p.p.
16	Portugal	PT	0.67%	0.63%	-0.04 p.p.
17	Czech Rep.	CZ	0.50%	0.54%	0.05 p.p.
18	Hungary	HU	0.50%	0.51%	0.01 p.p.
19	Croatia	HR	0.36%	0.29%	-0.07 p.p.
20	Romania	RO	0.27%	0.24%	-0.03 p.p.
21	Cyprus	CY	0.25%	0.20%	-0.05 p.p.
22	Slovakia	SK	0.20%	0.16%	-0.05 p.p.
23	Bulgaria	BG	0.19%	0.17%	-0.01 p.p.
24	Slovenia	SI	0.16%	0.16%	-0.01 p.p.
25	Estonia	EE	0.13%	0.13%	0.00 p.p.
26	Lithuania	LT	0.12%	0.12%	0.01 p.p.
27	Latvia	LV	0.11%	0.10%	-
28	Malta	MT	0.10%	0.12%	0.02 p.p.

Note: Method of calculation: Global market percentage = Total country's services exported (thousands of EUR)/services exported at global level (thousands of EUR); p.p = percentage points

Source: data processing International Trade Centre, Trade Map, Trade Statistics for International Business Development; <http://www.trademap.org/>, ITC calculations based on UN COMTRADE statistics.

Appendix 4. Global market percentage evolution in creative industries for 2007-2012 in EU 28

Index	Country	Code	2007	2012	Modification
1	Italy	IT	9.25%	7.03%	-2.21 p.p.
2	Germany	DE	6.80%	4.73%	-2.07 p.p.
3	Great Britain	UK	5.22%	4.31%	-0.92 p.p.
4	France	FR	4.88%	4.55%	-0.33 p.p.
5	Spain	ES	2.62%	2.00%	-0.62 p.p.
6	Belgium	BE	2.53%	1.60%	-0.93 p.p.
7	Holland	NL	1.74%	1.59%	-0.15 p.p.
8	Austria	AT	1.33%	0.86%	-0.47 p.p.
9	Poland	PL	1.28%	1.11%	-0.17 p.p.
10	Czech Rep.	CZ	1.20%	0.83%	-0.37 p.p.
11	Sweden	SE	0.90%	0.69%	-0.21 p.p.
12	Denmark	DK	0.74%	0.59%	-0.15 p.p.
13	Portugal	PT	0.61%	0.54%	-0.08 p.p.
14	Romania	RO	0.40%	0.29%	-0.11 p.p.
15	Finland	FI	0.30%	0.13%	-0.16 p.p.
16	Slovakia	SK	0.27%	0.24%	-0.03 p.p.
17	Hungary	HU	0.26%	0.24%	-0.02 p.p.
18	Slovenia	SI	0.23%	0.13%	-0.10 p.p.
19	Greece	EL	0.21%	0.14%	-0.07 p.p.
20	Ireland	IE	0.19%	0.10%	-0.09 p.p.
21	Lithuania	LT	0.17%	0.21%	0.03 p.p.
22	Hungary	HR	0.12%	0.07%	-0.05 p.p.
23	Estonia	EE	0.08%	0.11%	0.03 p.p.
24	Latvia	LV	0.06%	0.06%	0.01 p.p.
25	Malta	MT	0.04%	0.03%	-
26	Luxemburg	LU	0.03%	0.02%	-0.01 p.p.
27	Cyprus	CY	0.01%	0.01%	-
28	Bulgaria	BG	0.00%	0.00%	-

Note: Method of calculation: Global market percentage = Total products exported from the country's creative industries (thousands of EUR)/products exported from creative industries at global level (thousands of EUR), product groups 6 digits; p.p = percentage points

Source: data processing International Trade Centre, Trade Map, Trade Statistics for International Business Development; <http://www.trademap.org/>, ITC calculations based on UN COMTRADE statistics.

Appendix 5. Global market percentage evolution for products from industrial and agricultural sectors exported by Romania in 2002-2012; classification made on the most performing product groups in 2002

	SA code	Product	2002	2012	Modification
1	8606	Goods for railways and trams, trailers and wagons without own propulsion means	8.30%	0.96%	-7.33 p.p.
2	6406	Footwear parts; replaceable arms, heel damper; spatter dash	7.89%	4.69%	-3.20 p.p.
3	6405	Footwear	5.72%	0.94%	-4.78 p.p.
4	7004	Glass drawn or blown in sheets	5.68%	-	-5.68 p.p.
5	5302	Hemp, raw, processed, unthreaded, hemp waste	5.52%	0.22%	-5.30 p.p.
6	0104	Live sheep and goats	5.15%	18.44%	13.30 p.p.
7	1206	Sunflower seeds, broken or not	3.95%	12.03%	8.08 p.p.
8	6206	Women's blouses and shirts	3.90%	2.48%	-1.42 p.p.
9	7316	Anchors, four claw anchors or their parts, made of iron or steel.	3.56%	0.01%	-3.55 p.p.
10	6201	Men coats, capes, jackets etc o/t of hd 62.03	3.54%	1.16%	-2.38 p.p.
11	7605	Aluminum thread	2.84%	5.43%	2.59 p.p.
12	7208	Flat of rolls of iron products/not al/width >/=600 mm, hr, not covered by a protective layer	2.81%	1.25%	-1.56 p.p.
13	5004	Silk thread (other than that spun from silk waste)	2.74%	17.24%	14.50 p.p.
14	6503	Velour hats and other velour for covering the head	2.67%	-	-2.67 p.p.
15	6205	Men's shirts	2.65%	1.13%	-1.52 p.p.
16	6204	Women suits, jackets, dresses, skirts and aprons	2.52%	1.38%	-1.14 p.p.
17	2849	Carbide, whether chemically defined or not	2.44%	2.51%	0.07 p.p.
18	2926	Nitrile based compounds	2.42%	-	-2.42 p.p.
19	6203	Men's suits, jackets, pants and shorts	2.40%	1.53%	-0.87 p.p.
20	4304	Artificial leather and artificial leather products	2.33%	0.76%	-1.57 p.p.

Note: Method of calculation: Global market percentage = Total exports from the country's industrial and agricultural sectors at product group level (thousands of EUR)/ product group exports from industrial and agricultural sectors at global level (thousands of EUR), product groups 4 digits; p.p = percentage points

Reference year for the most performing products =2002

Source: data processing International Trade Centre, Trade Map, Trade Statistics for International Business Development; <http://www.trademap.org/>, ITC calculations based on UN COMTRADE statistics.

Appendix 6. Global market percentage evolution for products from industrial and agricultural sectors exported by Romania in 2002-2012; classification made by the most performing product groups in 2012.

1	Code	Product	2002	2012	Modification
2	0104	Live sheep and goats	5.15%	18.44%	13.30 p.p.
3	5004	Silk thread (other than that spun from silk waste)	2.74%	17.24%	14.50 p.p.
4	1206	Sunflower seeds, broken or not	3.95%	12.03%	8.08 p.p.
5	7605	Aluminum thread	2.84%	5.43%	2.59 p.p.
6	3914	Ionic shifters based on polymers from no. 39.01 to 30.13, exchangers based on polymers of no. 39.01 to 39.13, in primary forms	1.78%	5.42%	3.65 p.p.
7	4410	Hardboard wood plates or similar plates made out of wood or some other wooden material	0.32%	5.23%	4.91 p.p.
8	5107	Teaseled wool thread, not provided for retail	0.46%	5.05%	4.59 p.p.
9	6406	Footwear parts; replaceable arms, heel damper; spatter dash	7.89%	4.69%	-3.20 p.p.
10	5203	Cotton, carded or teaseled	-	4.32%	4.32 p.p.
11	7220	Stainless steel flat or roll products with a width less than 600 mm	0.16%	4.28%	4.13 p.p.
12	5109	Wool thread or fine animal hair thread, provided for retail	0.03%	3.73%	3.70 p.p.
13	4413	Pressed wood in blocks, plates, bands or profiles	0.32%	3.73%	3.41 p.p.
14	4406	Wood beams for railways or tramways	0.31%	3.60%	3.29 p.p.
15	8804	Parachutes or their parts and accessories	0.78%	3.59%	2.81 p.p.
16	6912	Ceramic pottery, kitchen pottery, other than porcelain	2.00%	3.56%	1.57 p.p.
17	5401	Sowing thread of manmade filaments	0.10%	3.46%	3.36 p.p.
18	4404	Wood circles; split poles; bunches, stakes, chips; saw dust.	0.16%	3.45%	3.29 p.p.
19	0205	Horse, ass or mule meat – fresh, refrigerated or frozen	0.76%	3.17%	2.41 p.p.
20	4408	Veneer sheets, plywood sheets, other wood types cut by length	0.69%	3.09%	2.40 p.p.
21	8904	Pushing and pulling equipment	0.66%	3.08%	2.43 p.p.

Note: Method of calculation: Global market percentage = Total exports from the country's industrial and agricultural sectors at product group level (thousands of EUR)/ product group exports from industrial and agricultural sectors at global level (thousands of EUR), product groups 4 digits; p.p = percentage points

Reference year for the most performing products =2012

Source: data processing International Trade Centre, Trade Map, Trade Statistics for International Business Development; <http://www.trademap.org/>, ITC calculations based on UN COMTRADE statistics.

Appendix 7. Global market evolution for services exported by Romania in 2002-2012; classification made by the most performing product groups in 2002.

	Code	Services	2002	2011	Modification
1	245	Communication services	0.47%	0.70%	0.23 p.p.
2	287	Personal, cultural and entertainment services	0.40%	0.24%	-0.16 p.p.
3	205	Transportation	0.27%	0.36%	0.09 p.p.
4	249	Construction services	0.18%	0.45%	0.27 p.p.
6	268	Other businesses	0.14%	0.24%	0.11 p.p.
7	262	Computers and information technology	0.13%	0.42%	0.29 p.p.
8	REM	Restoration	0.10%	-	-0.10 p.p.
9	260	Financial services	0.08%	0.06%	-0.02 p.p.
10	236	Travel	0.07%	0.13%	0.06 p.p.
11	291	Government services	0.06%	0.06%	0.01 p.p.
12	253	Insurance services	0.04%	0.16%	0.11 p.p.
13	266	Royalties and other licensing taxes	-	0.09%	0.09 p.p.

Note: Method of calculation: Global market percentage = Total Romanian exports from a certain services category (thousands of EUR) / global exports from the same service category (thousands EUR); Reference year for the most performing products = 2002; p.p. = percentage points.

Source: data processing International Trade Centre, Trade Map, Trade Statistics for International Business Development; <http://www.trademap.org/>, ITC calculations based on UN COMTRADE statistics.

Appendix 8. Global market evolution for services exported by Romania in 2002-2012; classification made by the most performing product groups in 2012.

	Code	Services	2002	2011	Modification
1	245	Communication services	0.47%	0.70%	0.23 p.p.
2	249	Construction services	0.18%	0.45%	0.27 p.p.
3	262	Computers and information technology	0.13%	0.42%	0.29 p.p.
4	205	Transportation	0.27%	0.36%	0.09 p.p.
5	268	Other business services	0.14%	0.24%	0.11 p.p.
6	287	Personal, cultural and entertainment services	0.40%	0.24%	-0.16 p.p.
8	253	Insurance services	0.04%	0.16%	0.11 p.p.
9	236	Travel	0.07%	0.13%	0.06 p.p.
10	266	Royalties and other licensing taxes	-	0.09%	0.09 p.p.
11	291	Government services	0.06%	0.06%	0.01 p.p.
12	260	Financial services	0.08%	0.06%	-0.02 p.p.
13	REM	Restoration	0.10%	-	-0.10 p.p.

Note: Method of calculation: Global market percentage = Total Romanian exports from a certain services category (thousands of EUR) / global exports from the same service category (thousands EUR); Reference year for the most performing products = 2012; p.p. = percentage points.

Source: data processing International Trade Centre, Trade Map, Trade Statistics for International Business Development; <http://www.trademap.org/>, ITC calculations based on UN COMTRADE statistics.

Appendix 9. Global market evolution for creative industry products exported by Romania in 2002-2012; classification made by the most performing product groups in 2002.

	Code	Sector	2002	2012	Modification
1	640510	Footwear with leather side or reconstituted leather	11.94%	8.92%	-3.02 p.p.
2	640320	Footwear, sandals	4.79%	4.25%	-0.54 p.p.
3	420229	Handbags made of heated fibers or cardboards	4.41%	3.39%	-1.02 p.p.
4	640351	Footwear, soles and exterior leather sides, that cover the ankle	3.54%	0.65%	-2.89 p.p.
5	630221	Bed linen, printed not kneaded	3.47%	0.65%	-2.82 p.p.
6	640520	Footwear with textile sides	3.35%	0.55%	-2.80 p.p.
7	940360	Wood furniture	2.87%	2.21%	-0.66 p.p.
8	701339	Kitchen items (for ex glasses), other than ceramic ones	2.74%	-	-2.74 p.p.
9	650300	Hats or other head covering articles	2.67%	-	-2.67 p.p.
10	701399	Glassware	2.55%	0.29%	-2.26 p.p.
11	460199	Woven material products	2.48%	-	-2.48 p.p.
12	570299	Woven textile carpets	2.33%	-	-2.33 p.p.
13	480210	Paper, hand worked, roll or sheets	2.03%	0.02%	-2.01 p.p.
14	570231	Wool, fine animal hair carpets	2.00%	0.02%	-1.98 p.p.
15	691200	Dishes, other household or toilet use articles	2.00%	3.56%	1.57 p.p.
16	460191	Vegetal origin woven material products, other than mattresses & screens	1.82%	-	-1.82 p.p.
17	442110	Wood coat hangers	1.78%	0.01%	-1.77 p.p.
18	940169	Wood frame chairs	1.73%	2.53%	0.80 p.p.
19	570210	Textiles, hand woven materials	1.69%	2.64%	0.96 p.p.
20	580500	Hand worked tapestries and needle worked tapestries	1.64%	-	-1.64 p.p.

Note: Method of calculation: Global market percentage = Total exports from the country's creative industry product group level (thousands of EUR)/ creative industry product group exports at global level (thousands of EUR), product groups 6 digits; Reference year for the most performing products = 2002 p.p = percentage points

Source: data processing International Trade Centre, Trade Map, Trade Statistics for International Business Development; <http://www.trademap.org/>, ITC calculations based on UN COMTRADE statistics.

Appendix 10. Global market evolution for creative industry products exported by Romania in 2002-2012; classification made by the most performing product groups in 2012

	Code	Sector	2002	2012	Modification
1	640510	Footwear with leather side or reconstituted leather	11.94%	8.92%	-3.02 p.p.
2	640320	Footwear, sandals	4.79%	4.25%	-0.54 p.p.
3	691200	Dishes, other household or toilet use items	2.00%	3.56%	1.57 p.p.
4	611790	Clothing parts / clothing accessories, from textile materials, kneaded	0.37%	3.50%	3.14 p.p.
5	420229	Handbags made of heated fibers or cardboards	4.41%	3.39%	-1.02 p.p.
6	420299	Containers	0.48%	2.78%	2.30 p.p.
7	570210	Textiles, hand woven materials	1.69%	2.64%	0.96 p.p.
8	940169	Wood frame chairs	1.73%	2.53%	0.80 p.p.
9	490591	Maps and hydrographic maps or similar diagrams of all types, printed as a book	-	2.25%	2.24 p.p.
10	940360	Wood furniture	2.87%	2.21%	-0.66 p.p.
11	960200	Mineral sculpture	0.03%	2.04%	2.00 p.p.
12	441400	Wooden frames for pictures, photographs, mirrors or similar objects	0.77%	1.98%	1.21 p.p.
13	621790	Clothing parts or clothing accessories, unweaving	0.15%	1.92%	1.76 p.p.
14	441900	Flatware	0.61%	1.67%	1.07 p.p.
15	420211	Travel bags, suitcases and similar cases with a leather exterior	0.20%	1.58%	1.38 p.p.
16	420330	Leather or reconstituted leather belts	0.06%	1.25%	1.19 p.p.
17	640420	Footwear with natural leather exterior soles and textile sides	0.12%	1.18%	1.06 p.p.
18	581010	Embroidery without a background, in pieces, in bands or decorative	0.59%	1.16%	0.57 p.p.
19	630231	Cotton bed linen	0.56%	1.07%	0.51 p.p.
20	691490	Ceramic articles	0.08%	1.06%	0.98 p.p.

Note: Method of calculation: Global market percentage = Total exports from the country's creative industry product group level (thousands of EUR) / creative industry product group exports at global level (thousands of EUR), product groups 6 digits; Reference year for the most performing products = 2012 p.p = percentage points
Source: data processing International Trade Centre, Trade Map, Trade Statistics for International Business Development; <http://www.trademap.org/>, ITC calculations based on UN COMTRADE statistics.

Appendix 11. Countries' codes used in the graphs

Country	Code
Belgium	BE
Bulgaria	BG
Czech Rep.	CZ
Croatia	HR
Denmark	DK
Germany	DE
Estonia	EE
Ireland	EE
Greece	EL
Spain	ES
France	FR
Italy	IT
Cyprus	CY
Latvia	LV
Lithuania	LT
Luxemburg	LU
Hungary	HU
Malta	MT
Holland	NL
Austria	AT
Poland	PL
Portugal	PT
Romania	RO
Slovenia	SI
Slovakia	SK
Finland	FI
Sweden	SE
Great Britain	UK
European Union	EU 27
European Union after Croatia's joining	EU 28

Glossary

Partnership Agreement (AP): National strategic field that founds and establishes the theme objectives for indicative development and allocation of European funds for the 2014-2020 period and subsequent Programs that shall transpose the elements stated in the AP and that shall contain the adamant commitments of member states regarding the EU objectives follow through by programing community funds.

Competiveness (economic): Companies', sectors', regions' or supranational bodies' capacity, under international competition to sustainably insure a relatively high income from valuing production factors, as well as a superior income from valuing the labor force. (OECD) An enterprise's, economic branch's, region's or a supranational body's capacity to generate in a sustainable manner and in competitiveness conditions, a relatively high income and factors' occupation level. (Eurostat)

Europa 2020: European Union strategy for 10 years (2010 - 2020) that desires to eliminate the deficiencies of the current development model and create favorable conditions for an intelligent, durable economic growth favorable to inclusions.

- **Intelligent growth:** EU priority that wants to develop an economy based on knowledge and innovation and by improving the performance in education (encouraging the learning process and improving competences) research and innovation (creating new products and services that generate economic growth and new jobs and aid in managing social order challenges) and digital society (using information technology and communication).

- **Sustainable growth:** EU priority that wishes to develop an economy with low carbon emissions, environmental protection, reducing greenhouse gas emissions and stopping biodiversity loss, developing new technologies and ecological production methods, introducing intelligent and effective electric networks, valuing European networks – in order to grant enterprises an additional competitive advantage, improving the business environment, especially for the SMEs, aiding consumers in choosing products and services knowingly.

- **Inclusion favoring growth:** EU priority that has as purpose promoting an economy with a high level of labor force occupation, capable of insuring social and territorial cohesion, through actions that target better and more numerous jobs, especially for women, young people and workers over 55 years of age, increasing the change anticipation and management capacity through investment in professional training and improving competences, modernizing labor markets and the social protection system, guaranteeing access to all economic growth benefits.

Polycentric development: Ranking the human settlement system in a territory that takes into account the distribution of economic functions and/or economically relevant ones in order to ensure the cohesion through diminishing the development gaps and consolidating competitiveness.

Vulnerable groups: Groups exposed to risk of social exclusion and/or poverty: young people, elder persons, persons from the rural environment, Romani ethnic people, handicapped persons, women, persons with low qualifications etc.

The EU new economic governance: A system for coordinating political actions performed at EU level and national level that is based on the three pillars: (i) consolidating the economic agenda by a more careful supervision on the EU behalf regarding the political priorities and the objectives established in the Europe Strategy 2020, additional commitments that the member states of Euro plus pact have assumed, consolidation of EU supervision of economic and tax policies as part of the Pact for stability and growth but also through the new instruments meant to stop the macroeconomic imbalances, adopting a new working method - European semester - that allows discussion of economic and budget priorities in the same period of every year; (ii) insuring the euro area stability through creation in 2013 of a permanent support mechanism for member states – The European stability mechanism (MES) the application of which is conditioned by implementing some reform programs and tax consolidation and that have been issued in close collaboration with the IMF ; (iii) recovery of the financial sector by introducing some new regulations and creating some agents in order to timely prevent problem occurrence and to insure that all actors in the financial filed are subjected to strict monitoring.

Euro plus pact: additional reform program for competitiveness, labor force occupation, public finance viability and consolidating fiscal stability convened by the euro area member states to which other six countries have joined including Romania.

- **Stability and growth pact:** Set of rules that encourage member states to maintain public finances viability and to annually send the stability program (euro area countries) or convergence (other member states), simultaneous with the national reform program, so that the Commission may provide political recommendations or, if the case may be, to forward the Council a proposal for sending a warning in case of excessive deficit.

- **Procedure in case of excessive deficit:** applied when the budget deficit of a member state exceeds the limit of 3%, case in which recommendations shall be formulated or sanctions shall be imposed for the euro region states.

- **European Semester:** Yearly cycle for coordination of economic policies within the European Commission and the EU Council provide political orientations, the member states commit to perform the reform and the Commission supplies recommendations specific to each country, of which the country shall commit to take into account when it elaborates the national policies and budgets. The European semester includes the first six months of each year and represents the period during which the budget, macroeconomic and structural policies coordination takes place for the member states as follows:

o **January:**
The Commission presents the Annual Growth Analysis that establishes the EU priorities for the following year relating economy and labor places.

o **March:**
The heads of state and the government draw up the EU orientations for the national policies, based on the annual growth analysis

o **April:**
The member states sent the stability/convergence programs as well as the national reform programs and the measures that the former intend to take in order to promote sustainable intelligent growth and favoring inclusion

o **June:**
The Commission evaluates these programs and if the case may be, forms specific recommendations for each country (Country Specific Recommendations, CSR). The EU Council discuss these recommendations, and the European Council approves them.

- June-
July: The Council officially adopts the recommendations addressed to each country.

European Competiveness Policy: Through article 173 of the Treaty regarding the European Union operation, the EU has established as objective creating some conditions optimum for competition by accelerating industry adaptation to structural changes, encouraging a favorable initiative and developing enterprises, especially small and medium enterprises, promoting an environment adequate for cooperation between enterprises and favoring a better exploitation of the industrial potential and the innovation policies, research and technological development, policies of crucial importance in the context of global competition.

National Reform Program (NRP): frame platform for defining and applying economy development policies, in accordance to the European Union policies, that allow concentrating the national efforts for economy and Romanian society modernization and supports the economical-social convergence with the other EU member states. NRP 2011 – 2013 translates at national level the Europe Strategy 2020 objectives and takes into account the Council Recommendations regarding the general Orientations for economic policies and Council Decision regarding the Orientations for labor force occupation policies, as well as the methodology recommended by member states.

Intelligent specialization: Ex-ante conditioning proposed for innovation financing strategic approach at regional level, that follows to encourage all regions to use their own diversity to their advantage in order to obtain intelligent growth. For a new financing programing period at European level, the member states and the regions are invited to draw up national and/or regional strategies for research and innovation for intelligent specialization, identifying their unique advantages and the advantages as compared to the competition and using all resources and interested parties (enterprises, research centers, universities) around a vision centered on the criterion of excellence.