ECONOMIC AND SOCIAL DISPARITIES OF ROMANIA IN REGIONAL AND COUNTY PROFILE

Constantin LEFTER, Cristinel CONSTANTIN
Transilvania University of Brasov

Abstract. *Romania's accession to the European Union imposes a new way of approaching the economic and social disparities existing nowadays both at the level of the eight development regions of the country and at the level of counties as well. The analysis of the level and evolution of these disparities can be useful to all the factors that design and put into practice strategies meant to stop the gaps widening on one hand and to fill the existing gaps among the Romanian development regions on the other hand. All these analyses are made from the perspective of Romania's process of integration into the European Union's structures.*

Keywords*: convergence objective, development regions, economic disparities, EU cohesion, Principal Components Analysis.*

1. Introduction

We have chosen the *Principal Components Analysis* as the main method of analyzing the existent differences in regional and county profile. According to some sets of significant economic and social variables, there have been designed models that reveal the simultaneity of the correlations among these variables; this allows the examination of phenomena on their whole by considering a reduced number of factors (Bry, 1995, p. 30). In every plane, determined by the principal components there are positioned the regions or counties in order to measure and visualize the amplitude of existent differences. The results of this positioning are to be found in qualitative conclusions correlated to quantitative determinations.

For every model and analysis, the correlation among data and the adequate nature of the main factors was validated by using specific statistical tests (Malhotra, 2004, p.561). The values of all the variables used in the *Principal Components Analysis (PCA)* were calculated per capita or they are relative values, in order to eliminate the effects of the region's size and to allow a real analysis of the disparities. The data used in analyses are the most recently published in official statistics, being mainly gathered at the level of year 2006.

The research of economic and social disparities is made in regional profile by analysing all the eight development regions and in county profile, on a sample comprising the most developed county and two of the least developed counties within every of the eight development regions. These regions were established through the Law no. 151/1998 (see Appendix 1).

2. Economic and social disparities at the level of the eight development regions

The general levels of regions' development are decisively determined by their economic development. The global synthetic characterization of the eight regions' development level was made on the basis of six variables, presented as follows: GDP per capita, foreign direct investment per employed population, net investment of local units per capita, and the share of workforce employed in agriculture, in industry & constructions and in services.

According to the *Principal Components Analysis*, the two main factors resulted are:

a. *Investment effort,* explaining 80.38 % of the total variance;
b. *Industrial nature of the area,* explaining 18.81 % of the total variance;

The position of every variable in the plane of the two main economic factors is shown in fig.1. This figure reveals three poles of the economic activity related to the three economic sectors: the ones connected to population employed in services, in industry & constructions and in agriculture. We can notice that the population employed in agriculture is in an obvious negative correlation with the population employed in services and with the population employed in industry and constructions. The component 1, *investment effort*, is strongly correlated to the internal and the external investment effort, GDP per capita, and the share of people employed in services. The component 2 is strongly correlated to the share of people employed in industry and construction.
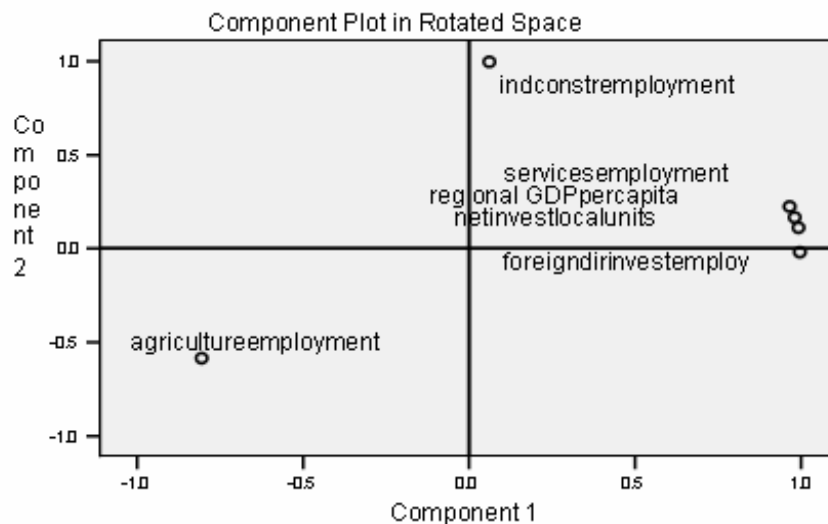

Figure 1. The emplacement of the economic variables in the plane of the two principal components
(Data source for SPSS analyses with PCA method : INSSE-Statistical data base: TEMPO-Online, time series)
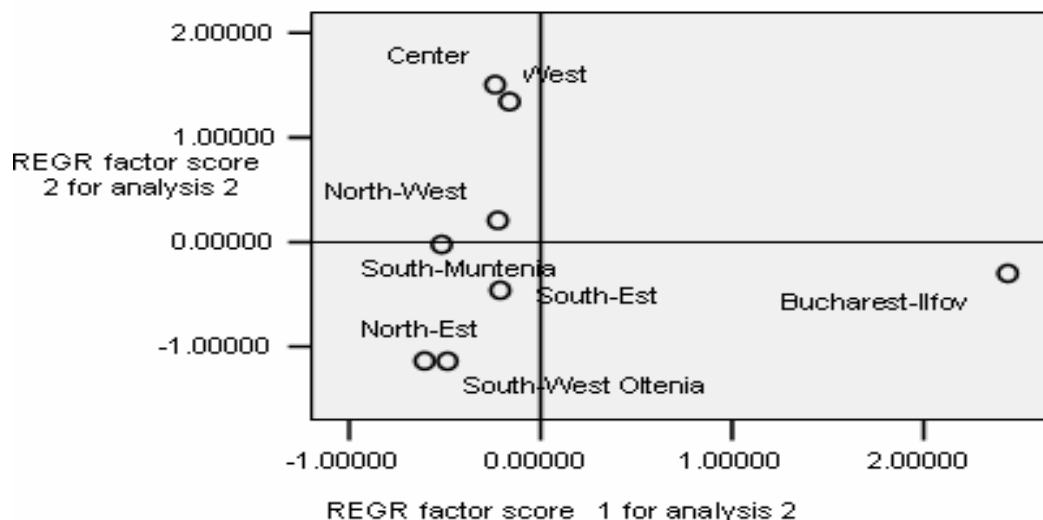
Figure 2. The emplacement of the eight regions in the plane of the two principal components

The positions of the eight regions in the plane of the two economic factors are shown in fig.2Firstly, we can observe the strong economic difference between Bucharest-Ilfov region and the other seven development regions; the economic underdevelopment of the South-East, South-Muntenia and North-West regions is opposed to the economic development of Bucharest-Ilfov region.

The predominantly industrial nature of the Center and West regions is opposed to the underdeveloped agricultural nature of the North-East and South-West Oltenia regions.

The strong economic difference between Bucharest-Ilfov region and the other regions is synthetically expressed by GDP per capita, as one can observe according to the following data:

Table 1

Differences of GDP per capita in EURO PPP in 2005

1	Bucharest- Ilfov region	Average GDP/per capita of the other 7 development regions	Ratio
	16.760,1 €	7099,3 €	2,36
2	Bucharest- Ilfov region	North – East region	
	16.760,1 €	5429,6 €	3,09

Source: *calculated on data provided by Eurostat/regions-GDP in Euro PPP/capita*

In this regard, the Bucharest-Ilfov region has a GDP per capita 2.36 times higher than the average calculated for the other seven regions altogether and 3.09 times higher than the value resulted in the North- East region which is the least developed.

The economic differences among regions are highly reflected in the existent differences as regards the general human living conditions. The general image of those conditions is given by considering the following set of variables: employment rate, unemployment rate, rural and urban population, level of education, number of physicians per 1,000 inhabitants and infringement rate. The positioning of these variables according to the two main factors is presented in the figure 3.
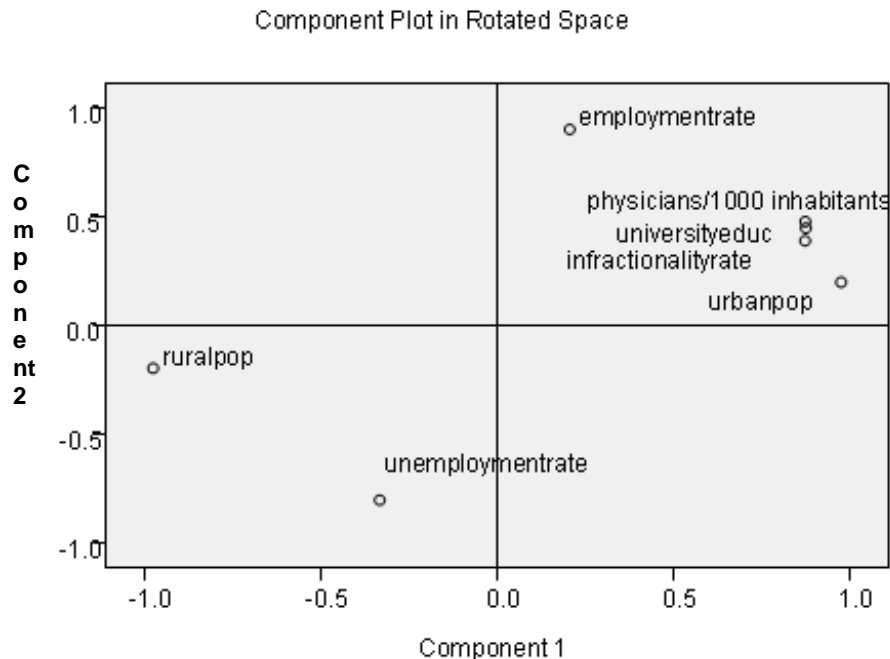

Figure 3. The emplacement of the variables related to the general human living conditions in the plane of the two principal components

We can ascertain that the Component 1 is determined by *the urban living space* which is opposed to *the rural living space*. This first factor is associated to a high percentage of population with academic studies as well as a higher infringement rate. The first factor explains 62% of the total variance. The second factor is determined by *the employment rate* which is opposite to unemployment rate. It explains 30% of the total variance. The emplacement of the development regions in the plane of the two factors that synthetically express the living conditions based on the seven above-mentioned variables is presented in figure 4.

We can ascertain the great difference existing as regards the general living conditions among Bucharest-Ilfov region representing the largest urban area of the country (90.5% urban population) and all the other regions. Other regions with relatively important urban population (55%-65%) such as South-East region, Center region and West region have living conditions marked by a lower level of employment and a higher unemployment rate as well. Thus, according to data offered by Eurostat, in

2006 the unemployment rate of the 16-64 aged population was of 4.8% in Bucharest-Ilfov region, whereas this rate was of 9.4% in the South-Muntenia region, of 9% in the South-East region and 9% in the Center region.
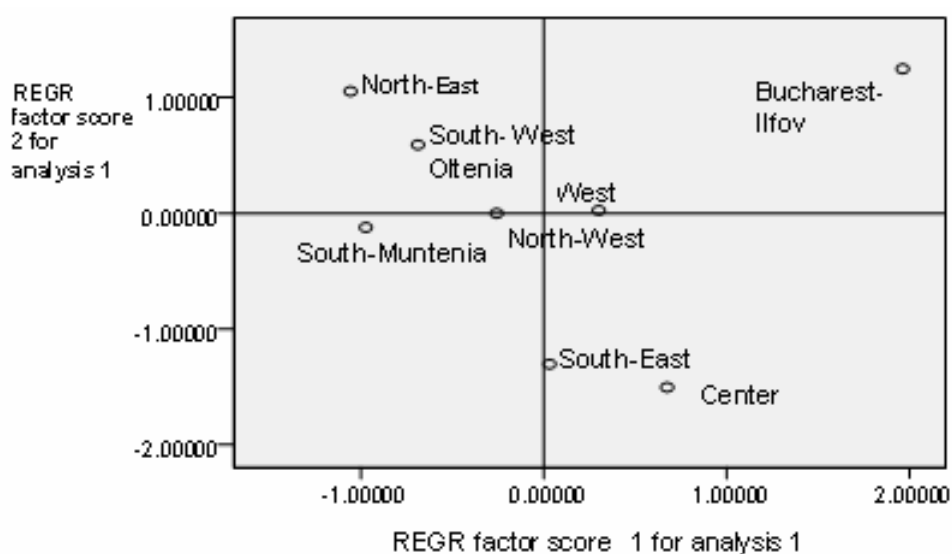

Figure 4. The emplacement of the eight regions in the plane determined by the two factors related to the general conditions of living

3. Economic and social disparities at the level of the seven development regions (excepting the Bucharest – Ilfov region)

The model offering the general image of interregional economic differences at the level of Romanian development regions excepting the country capital comprises the following variables: percentage of population employed in agriculture, respectively in industry & constructions and in services, foreign investment per 1,000 employees, net investment of local units per capita and regional GDP per capita. The emplacement of these variables according to the two main economic factors is presented in figure 5.

In the figure above, the component 1 is determined by the *investment effort* and by the percentage of population employed in service sector. It explains 51% of the total variance. The variables defining the first factor are opposed to the rate of employed population in agriculture, which is associated to economically underdevelopment. The second factor is determined by the rate of people employed in industry and constructions. It explains 46% of the total variance. At the level of the seven regions, each of the two main factors explains almost equally the correlations among the analysed variables, in comparison with the existent situation at the level of the eight regions where the investment factor has a contribution four times higher than the second

factor represented by area's industrial nature. The explanation, that is to be further analysed, is the extremely high level of concentration of investment at the level of Bucharest region.
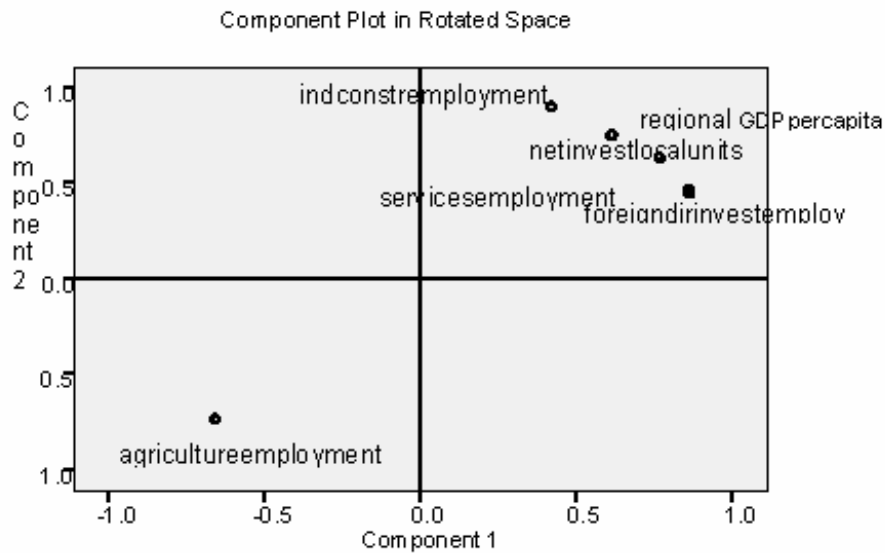

Figure 5. The emplacement of the economic variables in the plane of the principal components

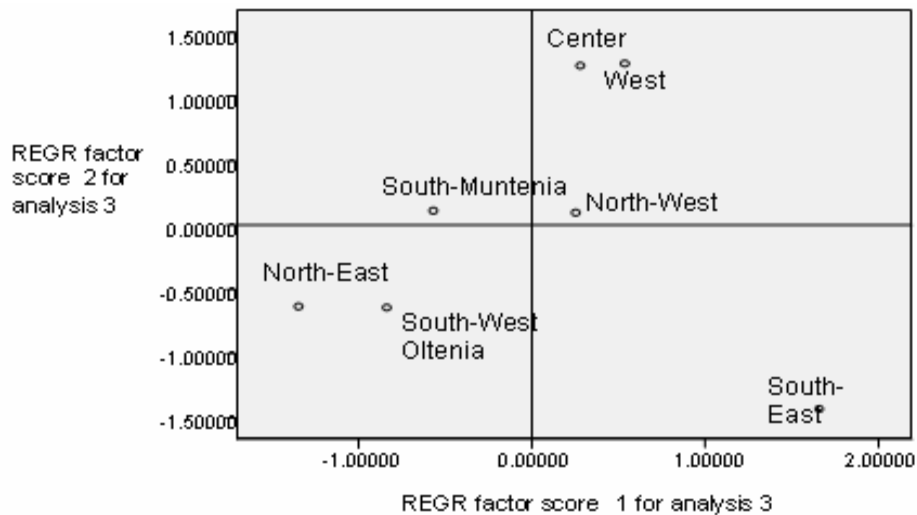The emplacement of the seven development regions in the plane of the two factors is presented in figure 6.

Figure 6. The emplacement of the 7 regions in the plane determined by the economic factors

As regards the general level of economic development, the interregional differences are obvious. The Center and West regions are industrially developed regions with a high GDP per capita. In opposition, there are North-East and South-West regions that are predominantly agricultural regions with the lowest levels of economic development. Between the two extremes, there are the South-Muntenia and North-West regions, the former having a more numerous rural population, the latter having a higher number of population employed in services. A distinct position is that of the South-East region which combines aspects of economic development with aspects of economic underdevelopment. National interregional differences at the level of the seven regions are obvious if we consider the level of regional GDP per capita and its evolution (see figure 7).
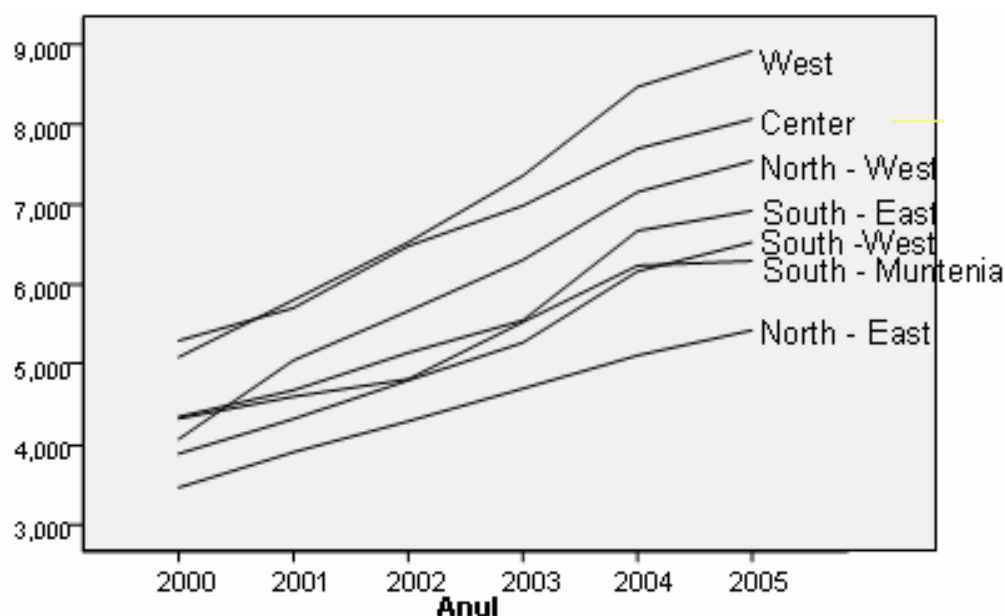

Figure 7. The evolution of GDP/capita at the regional level
(**Data source:** EUROSTAT/regions - GDP/capita in PPP)

An expression of the existent difference is represented by the ratio between the average GDP per capita in EURO PPP at the level of the two most developed regions (the West and the Center regions) and the average GDP per capita at the level of the two least developed regions (the North-East and South-West Oltenia). This index was of 1.33 in 2000 and it reached 1.45 in 2005. Moreover, if in 2000 the ratio between GDP per capita of the most developed region (the West) and the one of the least developed region (the North-East) was of 1.53, it reached 1.64 in 2005. According to the data

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provided by the National Prognosis Commission, in 2008, the disparity index will reach 1.67 whereas in 2011 it will be 1.65. In 2011, practically all the development regions will have a lower GDP than the value registered by the West region in 2001. For instance, the North-East region will have only 60.7% of GDP of the West region as compared to 67.7% of 2001, and the Center region 95.3% as compared to 99%. It results that in the next years, the interregional differences will continue to increase.

The interregional economic differences can be found in the differences regarding the general living conditions. Their analysis according to the six significant variables – households total incomes per capita, academic level of education, percentage of employed population in services, physicians per 1,000 inhabitants, unemployment rate and rural population shows that:
    – The first main factor is determined by the *population's incomes*; it explains 66.4% of the total variance. This factor is strongly correlated with the population employed in services, with population with an academic level of education and with superior conditions of health assurance;
    – The second main factor is determined by the *unemployment level* and explains 24.6% of the total variance. It directly and significantly influences population's living standard.
    According to the two main factors, the emplacement of the seven development regions shows the following:
- A great dispersion of the seven regions as regards the general living conditions;
- As regards Romania's economic and social development, except from the capital city, there is a superior level of living conditions in the West and Center regions. In opposition, in the North-East, South-West Oltenia and South Muntenia regions, the general living conditions according to the analysed variables are maintained at low standards. The South-East region has the highest unemployment rate, whereas the North-West region having the lowest unemployment rate is near the highest level recorded by the first two above-mentioned regions.

4. Economic and social disparities among counties

The important economic and social differences existing at the level of the development regions can be found with higher amplitude at the level of the counties, both inside every region taken separately and at the level of the forty counties as well. The amplitude of economic differences in inter-county profile is analysed on the basis of a sample made up of twenty-three counties that structurally comprises, from every

region, the most developed county and two counties that are the least developed regarding GDP per capita. The PCA model comprises five significant variables: GDP per capita, gross investment of the local units per capita, percentage of population employed in agriculture, in industry & constructions and in services. The positions of these variables in the plane of the two factors are presented in figure 8. We can notice that the economic development at the county level is explained by the first main factor, *the investment effort*. It explains more than 81% of the total variance. The other factor determined by the industrial nature of the county explains 15% of the variance. Both factors are in an obvious opposition to the population employed in agriculture. The investment factor is strongly correlated with GDP per capita of every county and with the percentage of population employed in services.
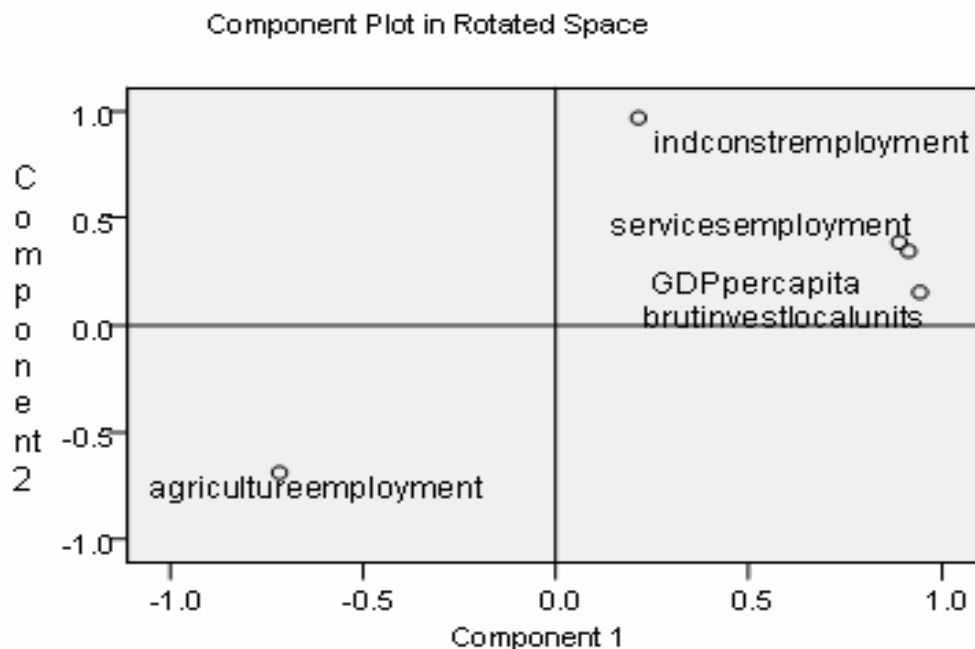

Figure 8. The emplacement of variables in the plane of the two components

The positions of the twenty-three counties in accordance with the two main factors are presented in figure 9.

The names of the most developed counties of every region are written in *large letters* whereas those of the least developed ones, in *small letters*. By taking into account the economic variables, we can notice that:

− There is a strong difference between the city of Bucharest, the capital city of Romania, and all the other developed counties; the highest difference is recorded

against the county of Olt, and the smallest against the county of Constanţa. The counties of Braşov, Prahova, Timiş and Cluj form a distinct group, being counties which have a significant industrial base.
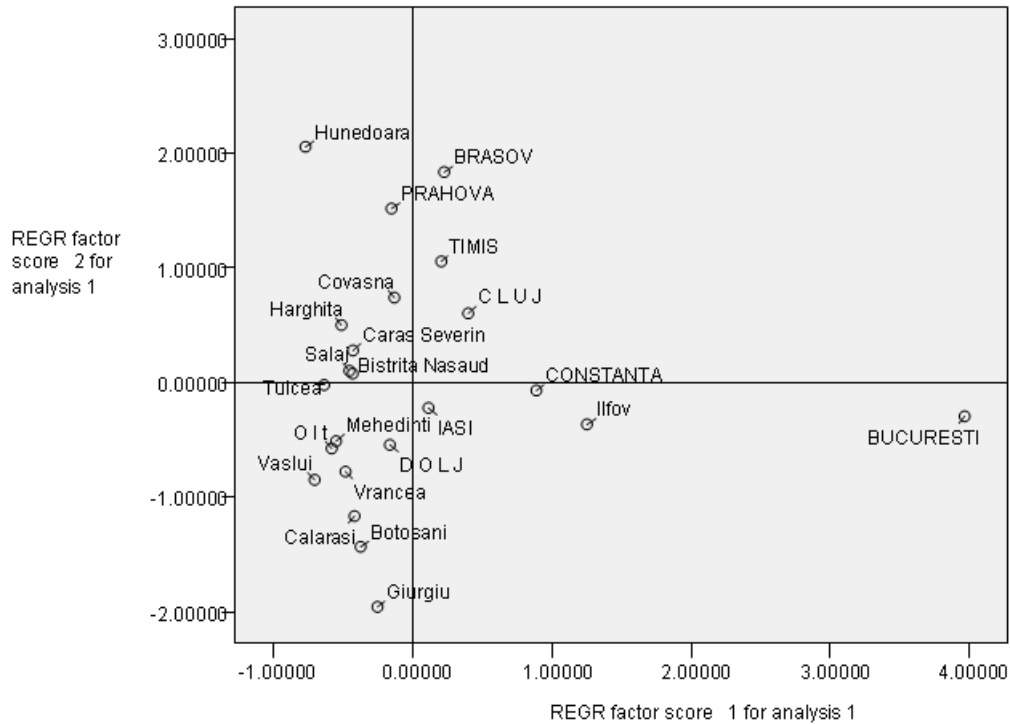

Figure 9. The emplacement of the counties in the plane of the two economic factors

− Two counties, Dolj and Olt, considered to be the most developed within two regions, are among the least developed counties.

− There are major differences among the most and the least developed counties. On the axis representing the first principal component, the maximum difference is between Bucharest and Tulcea; the city of Bucharest distinguishes itself for its highest level of investment, GDP per capita and the most developed service sector, at the opposed pole being situated the county of Tulcea. On the axis of the second component, the maximum difference is between Braşov and Giurgiu; the industrial nature of the county of Braşov is opposed to the agricultural nature of the county of Giurgiu.

− There are strong differences even at the level of counties registering the lowest development level. For instance, GDP per capita in the county of Ilfov is 2.8 higher than in the county of Giurgiu, whereas in the county of Hunedoara, it is 1.8 higher than that of the same county.

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If we exclude Bucharest from our analysis, we will get a new image of the differences among counties. Taking into consideration the same five variables that are identically located in the plane of the two main factors, the new emplacement of the counties is the following:
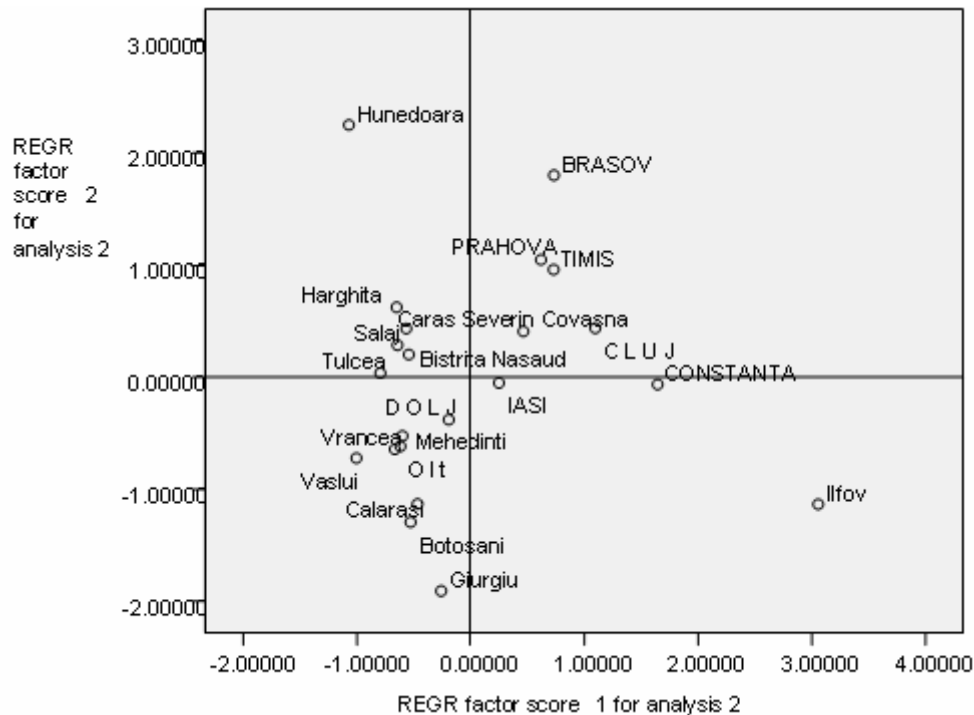

Figure 10. The emplacement of the counties in the plane determined by the two principal components

In this case, the differences are also obvious. The county of Ilfov, located around the capital city, has benefited from all the opportunities so that as regards the GDP per capita, it outruns all the developed counties. The counties of Braşov, Prahova, Timiş, Cluj, Constanţa and Iaşi are industrially developed counties with a high GDP per capita, having also a high percentage of population employed in services. On the contrary, the counties of Dolj and Olt have a high percentage of population employed in agriculture and they also have low levels of GDP per capita. Among the less developed counties, the differences are obvious and significant. What is extremely severe is that in time, the economic differences among counties have increased in every development region. For instance, from 2000 to 2005, the ratio between GDP per capita of the most developed county and the average of the two least developed counties has evolved as presented below:

Table 2

**The evolution of the ratio between GDP per capita of the most developed
Counties and the average of the two least developed counties**

Development regions	Year 2000	Year 2005
1. North – East	1,59	1,63
2. South – East	1,63	1,88
3. South – Muntenia	1,61	1,78
4. South – West Oltenia	1,12	1,16
5. West	1,35	1,55
6. North – West	1,62	1,53
7. Center	1,16	1,53
8. Bucharest – Ilfov	1,38	1,59

Data source: calculated based on the statistical data published by Romanian Institute of
Statistics.

The above-mentioned data show that the strongest discrepancies among
counties appeared in the Center, South-East, Bucharest-Ilfov and West regions. The
huge economic gaps among counties generate high differences as regards the general
living conditions. We have analysed these discrepancies according to the six significant
variables that synthetically characterize the general living conditions: average life
expectancy, physicians per 1,000 inhabitants, net nominal income per capita,
percentage of population employed in services and urban population rate. The results of
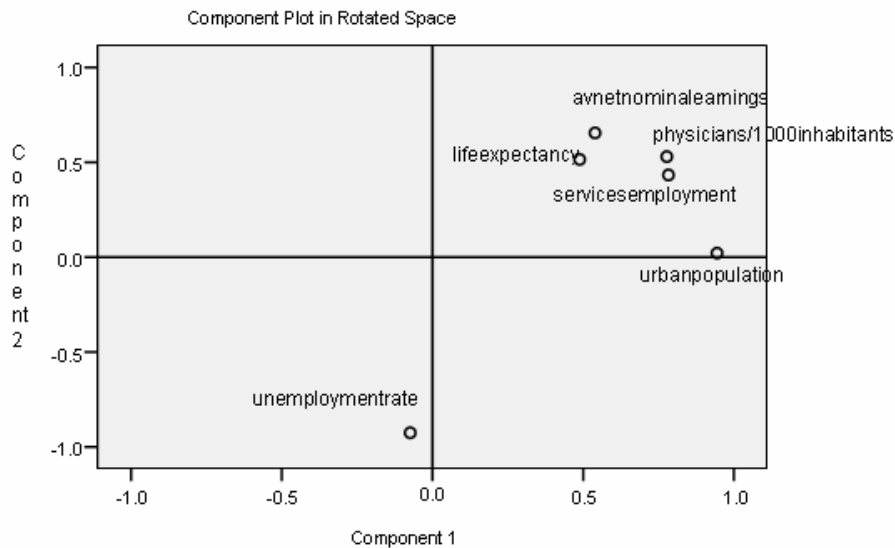the Principal Components Analysis are presented in figure 11.

**Figure 11. The emplacement of the variables related to the general living conditions
in the plane of the principal components**

The figure above shows that the first main factor is represented by *the urban nature of the county*. This factor is associated with the high percentage of population employed in services, a higher number of physicians per 1,000 inhabitants, a higher net income and a higher life expectancy. The second main factor is *the level of employment determined by* different unemployment rates. The twenty-three counties herein analysed are positioned in the plane of the two principal components mentioned above, as it can be seen in the figure 12.
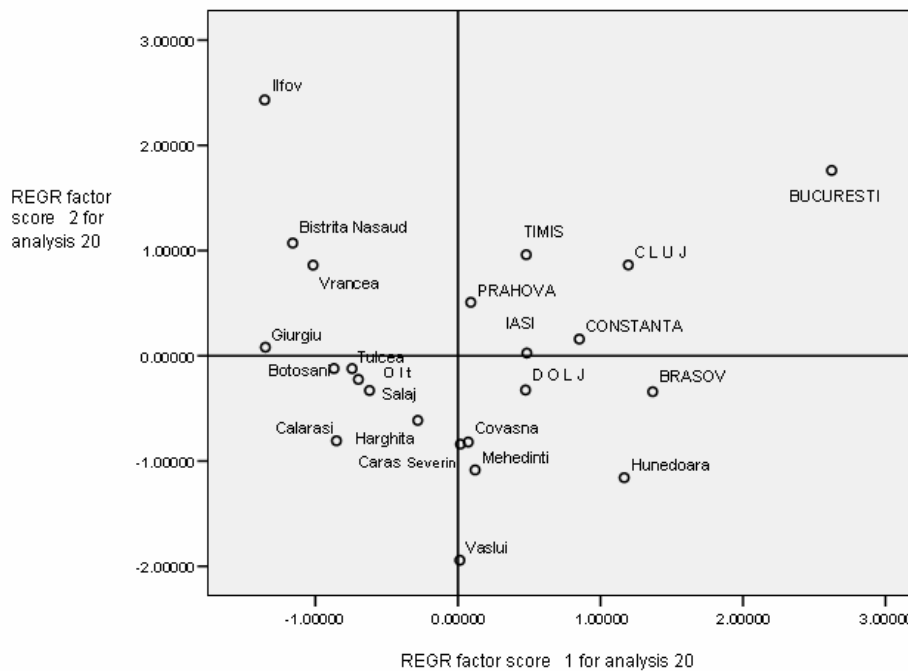

Figure 12. The emplacement of the counties in the plane of the two factors related to the general living conditions

Taking into account the emplacement of the twenty-three counties in the plane of the two main factors, we can underline:

- All the eight counties that are the most developed at the level of every development regions are positioned in the area of the variables defining a higher living standard taking into account the interaction among the six mentioned variables; regarding the living standard, we can notice an obvious difference between the city of Bucharest and every of the seven developed counties. Among the seven counties, differences are relatively small, these counties forming a relatively homogenous group as regards the general living conditions;

− Developed counties are strongly differentiating themselves from all the other counties as regards the general living conditions reflected by the six variables;

The less developed counties are differentiating among themselves as regards the more or less agricultural nature and the level of employment. Differences are in most cases extremely high. For example, the county of Ilfov has the highest level of employment and a powerful agricultural nature whereas the county of Vaslui has the highest unemployment rate and a relatively lower level of population employed in agriculture.

5. Romanian vs. European differences at the regional level

Once the process of Romania's accession to the European Union has started, regional economic and social disparities have to be analysed according to the regional development at the communitarian level and to the disparities existing at this level too. In this regard, we must state that all the eight development regions of Romania are included in the 69 regions of the European Union that have a GDP per capita below 75% of the EU average. In 2005 the record was registered by the North-East region of Romania having a GDP per capita of only 24% of the European Union's average. Next, there were South-West Oltenia with 28%, the Center region with 34% and the West region with 39.4%. Bucharest-Ilfov region, the most developed Romanian region as compared to the other seven regions, had only 74.8% of the EU average. (*www.epp.eurostat.ec.europa.eu*).

Compared to the situation registered in the EU states, in Romania there is a strong regional disequilibrium expressed by the gap between the most and the least developed regions. In this view, of extreme importance it is the level of the ratio between the region with the highest GDP per capita and the region with the least one. Of the same importance are there the dissimilarities regarding the absolute value of GDP per capita:

Table 3

Regional discrepancies inside European Union

COUNTRY ▪ The most developed region ▪ The least developed region	The highest GDP/capita (Euro PPS)	The lowest value of GDP/capita (Euro PPS)	The highest value of GDP/capita divided by the lowest GDP/capita
BULGARIA ▪ Yogoiztochen ▪ Severozapaden	7.404	6.023	1,23
GREECE ▪ Attiki ▪ Dutiki Ellada	29.361	13.235	2,22
FRANCE ▪ Ile de France ▪ Languedoc Roussilon	38.666	19.841	1,95

POLONIA	15.634	8.126	1,92
▪ Region Centralny			
▪ Region Wschodny			
ROMANIA	16.760	5.430	3,09
▪ Bucharest – Ilfov			
▪ North – East			
SPAIN	29.997	18.285	1,64
▪ Madrid			
▪ Sur			

Data Source: EUROSTAT: www.epp.eurostat.ec.europa.eu/general and regional statistics.

From this point of view, Romania has recorded the highest national interregional difference if compared to the mentioned states: 3.09. The highest value of GDP per capita existing at the level of Bucharest-Ilfov region is 2.31 times less than the one recorded in France, 1.79 times less than the one of Spain, 1.75 times less than that of Greece. But it is 2.26 times higher than the value recorded in Bulgaria and a little higher than the one recorded in Poland.

5. The main factors generating economic and social differences in territorial profile

The most important factors that have generated the actual economic and social differences among development regions and counties of Romania are:

1. The restructuring of the former Socialist industry at the county level. This process generated massive dismissals of the working force that in the mono-industrial areas did not allow its reintegration in other fields of activity. A conclusive proof is represented by the drastic reduction of the employees. Thus, in the whole country, the reduction was of 44% in 2005 compared to 1990. In the same period, at the level of the development regions this reduction was of 51% in South Multenia and South-West Oltenia, 49% in the North-East region and of 50% in the other regions.

Until 2000, the drastic reduction of the number of the employees took place with the same intensity in all the regions. After 2000, new evolutions have appeared as the number of employees has increased strongly in Bucharest-Ilfov region in comparison with the rest of regions. This number also increased with only 1-2% in the North-West and West regions. In the other regions, the decrease tendency has continued (*www.insse.ro/cms/files/Statistici-teritoriale 2007*). The chart below highlights these evolutions:
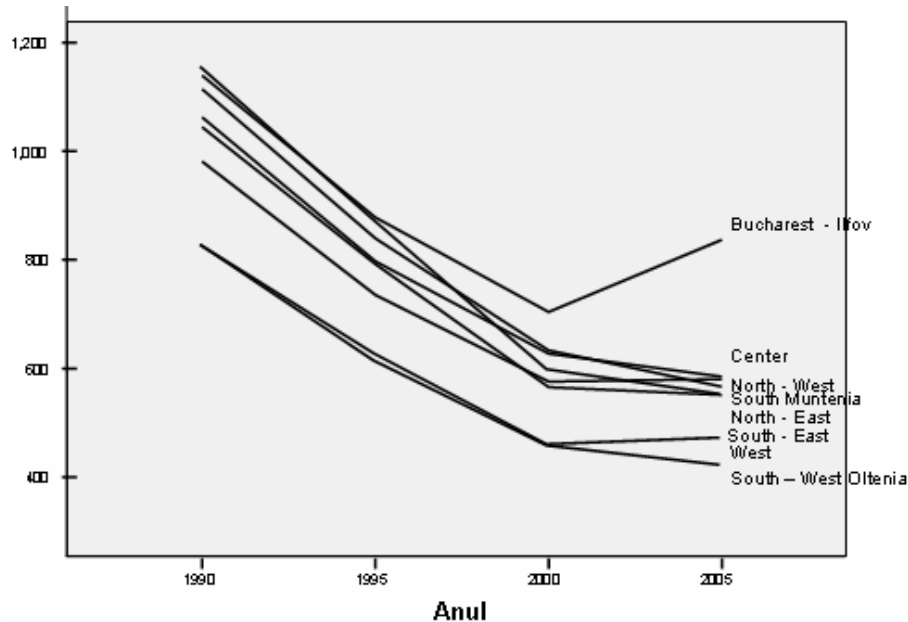
Figure 13. The level and evolution of the average number of employees at regional level
(**Source:** Statistical data regarding labour force – www.insse.ro/cms/files/Statistici-teritoriale
2007)

It is obvious that based on the above-mentioned evolution, the tendency to intensify differences will continue, leading to a polarisation of the Romanian society in regional and county level both from economic and social point of view. A direct consequence of these discrepancies is the high labour force migration phenomenon with all its negative consequences at economic, cultural, social and familial levels.

2. Reduced and unequal investment capacity of local economic units active in industry, trade and other services. In this view, net investment per capita made in 2005 in Bucharest-Ilfov region was 8.2 times higher than the lowest level recorded in the North-East region and 3 times higher than the highest level registered in the West region. At the counties level, *gross investment per capita* of the local units at the level of Bucharest was 41 times higher in 2006 than in the county of Vaslui, 37 times higher than in the county of Botoşani and 35 times higher than in the county of Vrancea.

3. Foreign investors' orientation to more developed counties and regions, especially to the large urban centres which ensure facilities for profit-maximizing.

Statistical data show a major discrepancy existing as regards foreign direct investment between Bucharest-Ilfov region and all the other development regions. The most negative aspect is the clear increasing tendency of the percentage of Bucharest-Ilfov in total foreign investment balance: from 54.2 % in 2003 to 64.3 % in 2006. The concentration of the foreign direct investment in Bucharest-Ilfov region is a

tough reality of Romanian regional discrepancies as in the same period, the percentage of the other regions except from the Center region were decreasing. Thus, in 2006, the South-West region recorded only 0.7% and the North-East region only 1.2% of the total foreign direct investment balance. The other regions had percentages ranging between 4.6% and 7.7%. In 2005, foreign investment reached 13.78 million Euros per 1,000 employees in Bucharest-Ilfov region and only 0.17 million Euros in the North-East region, hence being 81 times higher. Compared to the West region which had the highest level of foreign direct investments of 1.78 million Euros, it was 7.7 times higher. The above mentioned data explain the reason for which the number of employees strongly increased in Bucharest-Ilfov after 2000, and it continued to decrease in the other regions: generally the investments create jobs.

4. During the pre-accession period, between 1996 and 1998 in Romania no budget sources were allocated to regional aid. Moreover, the objectives stipulated by the National Development Plans for 2000-2002 and 2002-2005 did not comprise specific measures aimed to reduce the differences among regions. The objective regarding *the improvement of the economic structure of regions and the support of balanced and durable regional development*, as shown by the real evolution, remained only a desire (*www.ier.ro/publications*).

5. The special funds of pre-accession, PHARE, ISPA and SAPARD which meant an important financial aid from the European Union of 650 million Euros per year, excepting SAPARD fund for agriculture and rural development, were actually oriented more towards institutional and administrative facilities and less to regional development programmes.

7. Regional differences from the European integration point of view

Nowadays, the Convergence objective of the European Union covers Romania together with other seven ex-Communist countries and Malta. Moreover, Romania is also eligible under the objective of Territorial Economic Cooperation. For the Convergence objective, there is eligibility for all the eight development regions (NUTS II regions) as the regional average of GDP per capita is a lot below 75% of the European average. Romania is also eligible for the Cohesion Fund as national GDP per capita is under 90% of the European average. For the objective of European territorial cooperation within the cross-border cooperation, Romania is also eligible with 19 counties, respectively NUTS III regions.

Romania's evolution in the next years is designed in the National Development Plan for 2007-2013. The strategic document entitled the National Strategic Reference Framework (NSRF) 2007-2013 makes a correlation of the national development priorities with the European priorities, respectively Community Strategic Orientations for Cohesion 2007-2013 and the Lisbon Strategy. This strategic document on long-term is focused on the Cohesion Policy of the European Union, by using the structural and cohesion instruments of the European Union. The aim is to reduce the disparities regarding economic and social development between Romania and the member states

by *generating an additional increase of GDP with 15-20% until 2015* (*http://anaf.mfinante.ro*-National Strategic Reference Framework 2007-2013).

As regards the achievement of strategic objectives for the next seven years, the European Commission allots to Romania 19.213 billion Euros for the objective of Convergence which needs also a national co-financing estimated to 5.53 billion Euros. The total funds allotted by NSRF from 2007 to 2013 comprise: the European Fund for Regional Development, 6.662 billion Euros and the European Social Fund, 3.684 billion Euros.

The effective achievement of the strategic objective stipulated by the National Strategic Reference Framework is undertaken by the Operational Programmes approved by the European Commission. Their priorities are: developing basic infrastructure at European standards, long-term increase of competition, more efficient development and use of human capital, consolidation of an efficient administrative capacity and *promoting balanced territorial development.*

As regards the promotion of balanced territorial development, *the aim is to stop, eventually to reverse the tendency of gap amplification by supporting and promoting a balanced economic and social development of the regions* (*http://anaf.mfinante.ro*-National Strategic Reference Framework 2007-2013).

In Romania, the Regional Operational Programme is subordinated to the Ministry of Development, Public Works and Housing and is sustained from the European Fund for Regional Development.

Nowadays, our country is in the initial stage of absorption of European and national funds for co-financing. The most powerful challenge is the development of absorption capacity of these funds according to their allocation by the Operational Programmes. The big issue of the funds' absorption is the incapacity of the companies *to present technically and financially feasible quotations and of the local public authorities to prepare projects* (Vosganian, 2007, p. 3).

8. Conclusions

Regional development in Romania is asymmetrically distributed, with only a few increasing poles. With all the aid offered by the European Union, national development policies and strategies are decisive as regards the performance of every country both from the point of view of the competitiveness and of the convergence and inter-regional disparities reduction.

On the contrary, the real situation of Romania shows that the current policies, structures and mechanisms aimed to reduce economic and social differences among regions and counties are not useful as far as these differences are increasing. Achieving some cohesion objectives at national level should not be based on the increasing of discrepancies but contrary on their reduction. Hence, there must be implemented policies and strategies of real convergence aimed to ensure a higher development rate of the less developed regions and counties as compared to the developed ones.

To conclude, it is both Romanian authorities' and citizens' duty to take action by solidarity and responsibility in order to fructify the historical opportunity to reduce economic and social disparities and to benefit from multilateral progress promoted in the member states by the European Union.

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APPENDIX 1 – The map of Romanian counties and development regions
(**Source:** National Institute of Statistics – Statistical yearbook – 2006)

GRUPAREA JUDEŢELOR, PE REGIUNI DE DEZVOLTARE
COUNTIES GROUPING, BY DEVELOPMENT REGION