

## REGIONAL DEVELOPMENT IN ROMANIA

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**Abstract:** The interest that the European Union manifests towards the problems of the rural space has accentuated in the last years, generating specific policies. Thus, new policies have been adopted, centered on conserving and protecting the environment and the cultural landscape, on new treatments of the price policy, on organizing "modern production units". The political perspective is concentrated on integrated development, projecting it into a multifunctional system.

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Knowing the fact that that the majority of Romania's villages are at the edge of poverty and continuous degradation under all aspect, we consider the drawing up of some local, regional and national development programs as well as programs of rural development and their immediate running as main and absolute priority Rural development is considered for the E.U. as a main pillar of the Common Agricultural Politics, with an important stake that regards first of all the use of the work force. In this sense they pursue the highlighting of all the times of potential of the rural space

Overall economic development problems in all Romania's regions resemble those of European regions with a lower development level, in which structural policies are being applied.

Romania's structure per development regions provides a more homogenous image as far as development levels are concerned than district structure, smoothening differences between districts.

The rural development has a distinctive place within the background of the regional politics and has the following aims: to diminish the poverty in the rural regions, to balance the economic opportunities and the disparities between the rural and the urbane environment, to stimulate local initiatives and to preserve the spiritual and cultural patrimony.

Covering 80% of the European Union's surface and vulnerable owing to the decrease in the working agricultural population, these rural areas are also places in which the diversity of cultures and a substantial amount of the architectural and historical heritage, which makes up the European identity are founded. Areas of activity, culture, production of goods and services, they furthermore contribute to the well being of society in general, through the solutions they offer in response to nature, accessibility, diversity of the country side. [5]

The regional development is a concept that has in view the stimulation and the diversifying of the economic activity, the stimulation of the investments, the contribution to the reasonable use of the human resources and the improvement of life quality.

In order to implement the regional development politics, there have been created eight development regions that cover the whole Romanian territory. Each development region includes a number of counties.

The development regions are not territorial administrative units; they are not juridical persons, as they are the result of a free agreement between the county council boards and the local council boards.

The regional development politics represents a system of measures planned and promoted by the local and public administrative authorities, together with certain private, public or volunteer agents, in order to assure a dynamic and lasting economic growth through officially turning to good account the regional and local potential, in order to improve the life conditions.

The main domains taken into account by the regional politics are: the development of the industrial units, the human resources market, the stimulation of the investments, the technology transfer, the development of small and middle business field, the improvement of the infrastructure, the quality of the environment, the rural development, health, education, culture.

Within the economic and political changes which took place in Europe but also in Romania, after 1989, there has been imposed and here have been taken important steps in the foundation of a new vision and a new policy of the regional development.

The regional development policies in Romania is now a main part of the Government Program. It is defined according to the new concept developed by the European Union, as being a stage of the process of accession to the European structures.

The collapse of the whole economic system of the country and its decline after 1989 made the problem of the territorial priorities, which is the main preoccupation of a regional development policy, be rather difficult to support. In addition to the traditionally underdeveloped areas, there have appeared the industrially declining areas, which now raise serious problems because of the high unemployment caused by the reorganization.

After the introduction of the market economy system, the resources end to be directed toward those regions where their maximum use is possible. Therefore, the poorest regions that were industrially developed in an artificial way suffer now a severe impact of the transition and structural reorganization process.

The industrial reorganization process after 1990 was very slow and it solved only partially the problem of the losing State industrial units. There didn't show up that necessary alternative meant to replace the former ineffective and uncompetitive industry, which fed on energy, with economic structures adequate to the market economy. On one hand, the great combine groups of enterprises, which caused losses, were maintained, and on the other hand, small and middle industrial units, which could be partially reorganized and saved, were closed without judgement. A part of these industrial units could have represented the nucleus of a modernization, which could have gradually covered a great part of the Romanian industry.

Thus, not only the economic structure of these centers was deteriorated, but also the specialized staff migrated to other jobs and this finally led to their disqualification. Except some enterprises with fully foreign capital, the new units appeared after 1990, don't have well-defined specializations able to resist to the massive external competition and don't have an adequate degree of modern technology. [1]

A great danger for the industrial areas subjected to the reorganization was represented by the loss caused by the migration of the qualified labor force. If some industrial areas are left for rather long time without a viable economic activity, until the reorganization, which is a long process there has been ascertained that they lose, to the prejudice of some regions or of the country, the well prepared population, able to have a renewing activity.

Together with the renewal or the reorganization of the economic structure, as well as the infrastructure, there appeared hopes related to the stabilization of the labor force, the

diminution of the environment pollution, especially in the industrialized and densely populated areas. At the same time, special problems are caused by the rural areas, as far as the population employment is concerned, as well as the infrastructure of all types: from the road infrastructure to the technical, urban and business infrastructure.

Within the economic contest of the country, the agriculture represents the main branch, as far as the population employment is concerned (42% of the active human resources). It got this position after 1990, mainly because of the diminution of the number of people who worked in industry and buildings.

The agriculture and forestry dominate the Romanian economy at the regional level (only in three regions – the West, the Center, and Bucharest – Ilfov - the number of people working in industry and buildings is bigger than the number of people who work in agriculture). The region where the population who works in agriculture represents more than two thirds of the employed population are, in the following order: North – East, South – West and South.

These regions are at a low development level and county has a well-represented agricultural sector, which represents about 70% of the labor force in the rural environment clearly emphasizing the dependency of these regions on agricultural activities. All the regions and counties included by them are quantitatively as well as qualitatively confronted with serious economic problems.[3, 7]

The European Union assistance in the regional development of the Central – European countries has a firm ground in the fact that every country that is in course of adherence must get closer to the middle level of the countries that are already members of the European Union as far as the regional development is concerned. But we consider that the effects of the implementation on the spot of these regional policies are not yet the best and the most expected ones, the created institutional structures are not known enough and implemented on a large generalized scale and the selection of the suggested programs is not the most objective possible because of a strong involvement of some subjective factors in these process.

Starting with 2001 the Ministry of Development and Prognosis elaborated (and the Government approved it by decision) the motion regarding the concentration of 2001 PHARE funds – the economic and social cohesion component - and of the respective co-financing funds from the state budget, in eleven areas of industrial reorganization, with a potential of economic increase.

The population of these areas represents about the third part of the Romanian population. There were mainly selected from the projects addressed to the localities belonging to the eleven zones, according to the PHARE procedures, those investments projects in the public and private sector, which are part of the national priorities of regional development, according to the national plan of development, priorities accepted by the European Commission: the development of small and medium size enterprises, of local and regional infrastructure, the development of social services and tourism.

The criteria recommended by the European Commission which were the bases of the identification of the zones were: the existence of certain areas – geographically concentrated – with enterprises facing difficulties because of various reasons (closing, reorganization, privatization) having a high unemployment and serious social problems, environmental pollution problems, but which also have a potential of economic improvement. The directing of the PHARE, funds, of the structural and cohesion funds of the European Union to the established zones, supports and completes the general development program of Romania, together with the measures taken starting with 2001, in order to improve the business environment, by providing the small and medium size

enterprises with facilities, the modernization of the infrastructure, the acceleration of the privatization, the intensification of the social protection actions.

Taking into account the existent tendencies, one can try to give an interpretation of those forces, which will influence the level of the regional disparities in Romania. On one hand, those counties that were affected by a massive industrialization during the 70s and the 80s may suffer the consequences of the returning to an economy based on the business management. On the other hand, the forces of the market tend to recreate the regional disparities, when they are not under control. Romania is affected especially by the consequences of the center-periphery model of development, which prevails in the European Union. The process of the economic reorganization represents another factor that will have a great impact on the perspectives of the regional and especially under-regional development in the years to come.

The zones with economic and social problems can be classified in three main categories: traditionally under-developed zones, zones that experience a severe industrial decline and zones with a fragile economic structure. In many respects, these categories are similar to those that are provided with structural aid in the European Union. [7]

The traditionally under-developed zones are characterized by a combination between a high proportion of structural unemployment and great shares of the work force in agriculture. These two factors are significantly connected with a ratio of infantile mortality higher than the national average and a tendency of the population's migration to other regions in order to find jobs.

The under-development of the zones is emphasized by the indices of the basic infrastructure (for instance, the density of the railways) and of the level of the direct investments per inhabitant (index that approximates the impact of the market forces on the local economy). These indices are much lower than the national average. We estimate that Romania does not have traditionally under-developed zones, after the politics of forced industrialization promoted during the communist regime.

The structurally fragile zones are those in which a great part of the labor force is still employed in metallurgy, chemistry and mining industry, which generate economical losses. The main part of the population that still works in industry also depends on one industrial sector and, as a rule, on one great enterprise.

During the 16 years of transition, the regional development politics have been based on certain national programs, created and promoted by the Government, in order to help certain disadvantaged zones.

The results were not encouraging, because of the unsatisfying financial resources, the absence of a legal and institutional background for these changes and also because of the unitary view on the regional development. We consider that, during the last three years, important steps have been taken in the implementation of the principles and the aims of the regional development and also in the creation of the legal and institutional background of the regional policies. [1]

The principles that the elaboration and implementation of the regional development are based on, are: the decentralization of the decision making process, from the central/governmental level to that of the regional communities; the partnership of all the agents involved in the regional development field; the planning, considered a process of using the resources (by programs and projects) in order to achieve the established aims; the co-financing, representing the financial contributions of diverse agents involved in the accomplishment of the regional development programs and projects.

The basic aims of the regional development politics are: the diminution of the existent regional discrepancies, by laying stress on the stimulation of the balanced development and on the reinforcement of the disadvantaged zones (with a delayed development); the

prevention of new discrepancies; the accomplishment of the criteria of accession to the structures of the European Union and of the accession to the financial means of assistance for the countries that are members of the European Union (the structural and cohesion funds); the correlation with the governmental sector politics of development; the stimulation of the internal and international inter-regional co-operation, which contributes to the economic development according to the legal stipulations and to the international agreements concluded by Romania.

Regional development policy is a relatively new concept for Romania. In 1998, the country was structured in 8 regions of development (grouping the 42 existing districts).

These Regions represent territorial units large enough to constitute the ground for elaborating and implementing regional development strategies, allowing the efficient use of financial and human resources.

As a part of the institutional process of the implementation of regional development politics, the Romanian state and Government created the National Agency for Regional Development (NARD) which controls the disadvantaged zones and includes 8 agencies of regional development (ARD). ARD1: North-East (it has the quarters in Piatra Neamt), ARD2: South-East (the quarters in Braila); ARD3: South (the quarters in Calarasi), ARD4: South-Western Oltenia (the quarters in Craiova); ARD5: the West (the quarters in Timisoara); ARD6: North-West (the quarters in Cluj-Napoca); ARD 7: Centre (the quarters in Alba Iulia) and ARD8: Bucharest-Ilfov (the quarters in Bucharest).

The regional development strategies are comprehensive documents elaborated according to the economic and social analysis made by the ARD staffs and also to the discussions with diverse local agents, representatives of local corporations, trade unions, private enterprises, non-governmental organizations, etc. [2, 6]

Table 1 shows an analysis of regional development, summarising the main economic variables.

The Northern-Eastern region is affected both by its dependence on agriculture and its proximity with the borders of the Moldavian Republic and of Ukraine. The same goes for the Southern region, as it is dependent on agriculture and hindered in its fluent trade over the border by the Danube. The Western and Central regions have the advantage of their position closer to western markets and of their lower dependence on the primary sector. Until now, they have the most benefited from foreign investments.

**Table 1**

Indices concerning regional development in Romania (national mean = 100)

Region	PIB / inhabitant		Unemployment		ISD / inhabitant		IMM / inhabitant		Rural population	
	1998	2000	1998	2001	1998	2001	1998	2001	1998	2001
Northeast	79.8	70.0	133.7	120.5	15.3	14.9	68.7	68.3	123.9	124.7
Southeast	100.1	88.9	112.5	111.4	42.7	74.6	102.5	101.5	94.7	95.4
South	85.8	81.5	97.1	101.1	65.5	69.9	78.1	74.4	129.0	128.6
Southwest	90.0	83.8	104.8	118.2	11.9	34.1	92.3	85.0	120.8	120.3
West	100.9	102.6	101.9	108.0	99.1	98.6	86.7	95.9	83.8	82.4
Northwest	95.5	93.0	84.6	77.3	5.8	55.6	107.1	107.8	104.9	104.2
Centre	105.9	107.1	98.1	97.7	87.7	57.8	99.2	102.7	87.1	87.7
Bucharest - Ilfov	162.2	206.8	47.1	53.4	598.3	503.5	195.3	197.1	24.8	23.8

Source: *Statistical Yearbook of Romania, 2002*

Between 1995-1998, development regions have contributed relatively evenly to the constitution of the IRR (Table 2), with no major differences. The lowest contributions were those of the Southern-Western and Western regions, due mainly to the low levels of added

value both in industry (the Western region ranking last and the Southern-Western region ranking penultimate every year) and in agriculture. Just opposite is the Bucharest-Ilfov region, which particularly high added value values engendered by the non-agricultural sectors (mainly services).

Table 2

The share of regional IRR of the national IRR

Development regions	1995	1996	1997	1998
Total	100,0	100,0	100,0	100,0
Northeast	13,3	13,4	13,0	12,9
Southeast	12,8	13,2	13,2	13,1
South	14,7	14,2	13,9	13,3
Southwest	10,3	9,6	10,1	9,6
West	10,0	9,7	10,4	9,6
Northwest	11,9	11,8	11,7	12,0
Centre	12,6	13,2	13,3	12,7
Bucharest	14,2	14,6	14,4	16,6

Source: National Institute for Statistics - Statistical Yearbook of Romania, 2000

The regions with the lowest IRR/capita are (in a decreasing order, in 1998): the Southern-Eastern, the Northern-Western, and the Northern-Eastern regions.

Though Romania has a dense urban net that could represent the potential for economic increase at a regional level there are few economic relations between these urban centres and the surrounding areas as the development of the two was not conceived in an integrated way.

Likewise, the transportation system at an urban level is not perfectly adapted to the hardening of relations and contacts among districts. As a result, nobody can say that there is a regional labour market, which explains why a shock on the labour market in a mono-industrial town often led to migration toward rural areas in the same district to start subsistence farm activity or to Bucharest with no migration toward urban centres at the same regional level.

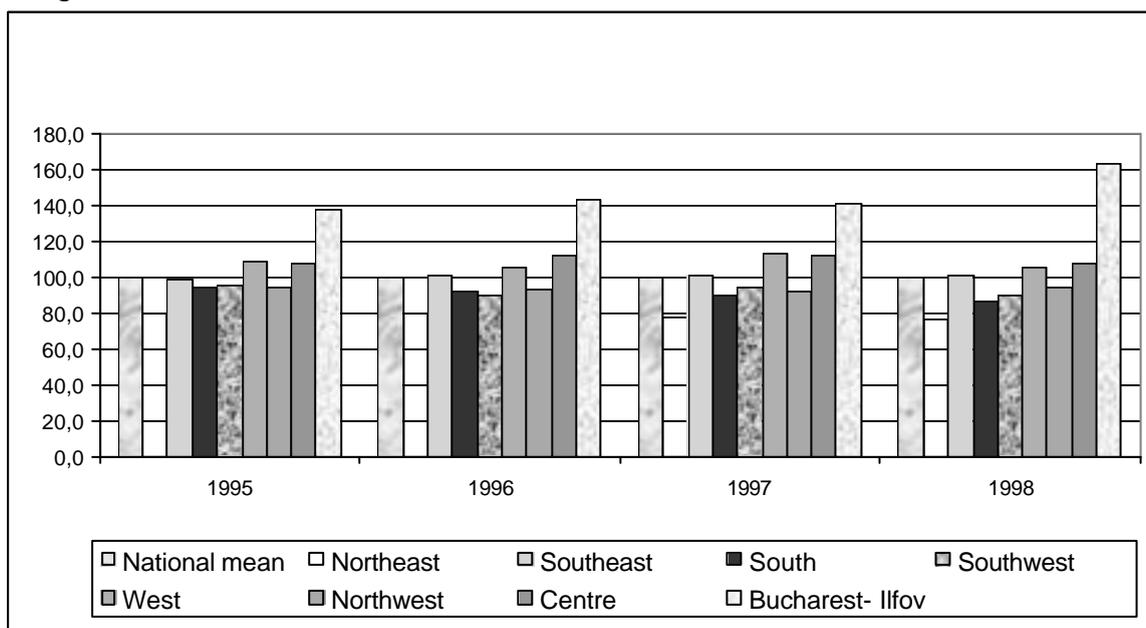


Figure 1 Evolution of national IRR/capita compared to the national mean.

Source: National Institute for Statistics

Figure 1 shows the evolution of IRR/capita size between 1995 -1998, for every region. They show that on one hand there are some steady differences between regions and, in relative terms, these differences have increased lately. In absolute values, the level of IRR/capita of Romania is low, which makes differences between regional levels less relevant.

Low levels of the regional IRR associate with the predominance of rural areas. Thus, the regions with the lowest IRR are those regions with the highest share of rural population as the latter is occupied mainly in agriculture – an activity with a much lower productivity than other activities.

The regional development strategies, as well as the National Development Strategy were not thought only as documents meant to fund and plan the structural funds that Romania and its regions will be provided with. They are more comprehensive, because they include more development aims, excepting those financed by PHARE, ISPA and SAPARD funds. [6].

The main problems that the rural space is confronted with are:

- the lack of demographic balance, the number of old people being greater than of the children;
- the existence of an increased demographical ageing; the small number of jobs and the weak diversifying of the economic activities;
- the uncompetitive agriculture-the small agricultural exploitations prevail and they lack the necessary endowments and they can provide only the subsistence of the family;
- the great number of buildings made of nonresistant materials (62 % of the whole number of buildings);
- the precarious situation of the roads- the majority of the communal roads were not modernized and more than 61% of the rural population have no direct access to the major road and railway network;
- the insufficient and inadequate network of alimentation with drinking water- 57% of the whole number of the communes don't have installations for the alimentation with water in the public system and where these installations exist, they are usually in the villa which is the residence of the commune.

As far as the social infrastructure and the adjoining services are concerned, the educational network is very little diversified and the buildings and their endowment with the specialized apparatus are unsatisfying; the infantile mortality is high as a direct result of the low level of life quality and of the precarious medical care.

As a consequence of this underdevelopment which prevails on the greatest part of the country and affects more than a half of the population of the country, it is necessary that actions meant to help the population and the economy of these zones should be initiated as an aim of the regional development.

The main purpose of these actions is the diminution of the discrepancies between the level of development of the rural space and that of the urban space.

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