

## REGIONAL DEVELOPMENT AND SOCIO-ECONOMIC DIVERSITY IN ROMANIA

**EMILIAN M. DOBRESCU, Professor, PhD**

*THE INSTITUTE OF NATIONAL ECONOMY, BUCHAREST, ROMANIA*

**DIANA-MIHAELA POCIOVĂLIȘTEANU, Assoc. Prof., PhD**

*“CONSTANTIN BRANCUSI” UNIVERSITY OF TÂRGU-JIU, TÂRGU-JIU, ROMANIA*

### **ABSTRACT:**

*During the economic and political changes that took place in Europe and in Romania after 1989, it was imposed and also made important steps in the foundation of a new concept and a new regional development policy. Regional development policy in Romania is now an important component of the Government Program.*

**Keywords:** regional development, region, regional development policy

## **1. Historical perspective on regional development in Romania**

Romania has experienced economic and social disparities at regional level throughout its entire development as a state. While industrial activity was concentrated in certain regions of the country, mainly where they were mineral and energy resources available, other regions were characterized by the dominance of agricultural activities and services.

After World War II, the communist government pursued the implementation process of the industrialization policy, a series of major principles regarding the location of new industrial objectives, such as: location near the sources of raw materials or the main conurbation; maximum use of the labor resources available, especially in the underdeveloped areas; capitalization by industrialization and processing of local raw materials, support the growth and development of new industrial areas in urban areas. Therefore, in the poorest areas of the country such as: Bistrița-Năsăud, Buzău, Ialomița, Mehedinți, Olt, Sălaj, Vaslui, there were developed branches of the heavy and light industries: mechanical engineering, chemistry, metallurgy, textile and textile work etc. (Chiriță, Dobrescu, 2006)

In 1967, the Romanian Communist Party leadership promoted a new administrative – territorial division of the country, changing the 16 administrative regions with the component districts into 41 counties, plus Bucharest. The Plenum of the Central Committee of the Communist Party ideology in 1971 and then the election of Nicolae Ceausescu in 1974, as president of the country led to hyper policy of the economic, social and cultural decisions with consequences across the country and each county in its composition. During each congress or plenum of the unique party, is stated that it is aimed the harmonious development of all the areas of the country in close connection with the natural and human resources specific to these areas. Each five-year plan included new economic, social and cultural objectives developed in every corner of the country, trying to obtain the harmonious development announced. (<http://www.houseofeurope.ro/europEN.htm>)

In 1975, the political leadership of the country defined in very precise terms the objectives of the territorial development policy in industrialization process. These were expressed by setting a minimum threshold of 10 billion lei yearly industrial production as objective and task of each county. The plan based on the Unique National State Plan developed nationally included, since 1976, the planning of a territorial profile based on the taxation of an economic development model. The objective was to reduce the development differences between the counties, having as sole criterion the level of industrial development. It resulted in a forced industrialization of all counties and substantial reduction of the regional disparities, but neglecting the economic efficiency criteria. The result was contradictory: an exaggerated diversification of the types of industries located in the counties, but also the emergence of many cities that depended of a single large or small industrial enterprise, usually in the heavy industry, chemical industry or engineering. In 1980, the threshold of 10 billion yearly industrial production was modified and correlated with the size of each county. The result of the industrialization process was the creation of industrial production base in each county of the country. The motivation and objective of this type of development was to use the full potential of labor resources and reduce inter-district disparities. This type of redistribution of the national global resources eventually led to a slowdown of the economic development in the whole country. The process of industrialization failed to create an industrial structure specific to each county, each of them gaining a highly diversified industrial structure. Thus, in all the counties was diversified the food, clothing, leather and footwear industries as well as building materials, exploitation and woodworking industries. Each

county had mechanical engineering and metal processing enterprises. A number of industrial branches with a higher share defined the industrial profile of the county. (<http://www.houseofeuropa.ro/europEN.htm>)

Regional development is a strong relationship between the developments of the country. We mean the development of areas that make up a country, it means that the development of the country as well. Ensuring efficiency in the allocation of resources and the most important goal of regional development, social justice and the distribution of income. ((Zaharia, Halil Ibrahim, Bălăcescu, 2013)

## **2. Regional development during the transition years from plan stage to the market**

During the economic and political changes that took place in Europe and in Romania after 1989, it was imposed and also made important steps in the foundation of a new concept and a new regional development policy. Regional development policy in Romania is now an important component of the Government Program. It is defined according to the new concept developed by the EU as a stage of the process of adherence to the European structures. The upheaval of the entire economy of the country and its decline after 1989 made the issue of the territorial priorities, which is the main concern of a regional development policy, to become quite difficult to sustain. Besides the traditionally underdeveloped areas there appeared areas in industrial decline which raise now special problems with the high unemployment rates caused by the restructure. Almost all, but especially the industrially underdeveloped counties raise problems regarding the economic restructure.

The industrial restructuring process after 1990 has had a slow pace which only solved partially the problem of large state enterprises that registered losses. The alternative necessary never appeared so that new economic structures, appropriate for the market economy replaced the old energy-intensive, inefficient and noncompetitive industry.

On the one hand there were kept the large enterprises, generators of losses, and on the other hand there were closed, without discernment, small and medium industrial enterprises that could have been partially restored and saved. Some of these businesses could have been the nucleus for an upgrade that would have gradually comprised a large part of the Romanian industry. In this way, not only it was damaged the economic structure of these centers, but there have also been registered departures of specialized personnel, their migration to other professions, and eventually their disqualification. Apart from a few examples of companies with foreign capital, the newly industrialized enterprises that emerged after 1990 do not have well-defined specializations, capable of resisting the massive foreign competition and do not have an appropriate level of modern technology.

A great danger in the case of the industrial areas undergoing restructuring was the loss, by migration, of the qualified workforce. If some industrial areas remain for a longer period of time without viable economic activity, until the restructuring, which is a long process, it was found that they lost to the detriment of some regions or of the country, the people trained, capable of innovative activity. With the renewal, or where appropriate, the restoration of the economic structure, and infrastructure, hopes appear for the stabilization of the workforce, reduce environmental pollution, especially in the industrialized and densely populated areas. Special problems arise from the rural areas regarding both the population occupation and infrastructure of all kinds: from road and technical public infrastructure to business infrastructure etc.

In the country's economy, agriculture was the main industry in terms of employment of the population (42% of active human resources). This position was acquired after 1990, mainly as a result of the reduced share of population employed in industry and constructions. Agriculture and forestry dominate the Romanian agriculture at regional level (only in three regions – West, Center and București-Ilfov – the number of the employed population in industry and agriculture is higher than the number of the employed population in agriculture. The regions where the population employed in agriculture exceeds 2/3 of the employed population are in order: North-East, South-West and South. These regions have a low level of development and face severe depopulation phenomena. Practically, all the regions of the country and each county have an agricultural sector well represented occupying 70% of the existing workforce in rural areas, those areas showing clear dependence of the agricultural activities. All regions, and within them, all the counties face special economic problems, both in quantitative and qualitative terms.

The situation continues to reflect the artificial conditions created during the communist regime. If we compare the situation of Romania with the EU members, or with the countries with market economies, it is observed that the level of inter-regional disparities in the case of Romania is lowered. Thus, in the process of “building” on the map of these regions resulted in the end the creation of areas with a homogenous level of development. The only notable exceptions are represented by the regions of București-Ilfov, relatively developed as compared with the others and the North – Eastern which is the least developed region economically and socially. It is important to note that outside the Bucharest-Ilfov and Northeast that are exceptions, all other regions of Romania presents similar income levels in the context of a slightly higher level of development of the western part of the country, compared with the east.

An ad-hoc map of the regional disparities in Romania allows the spatial localization of the poverty and of the under development, in two main areas of the country: the North – East, that practically includes in full the historical region of Moldavia, and the south, respectively the most expanded agricultural area of the country – the Romanian Plain. Unlike these two areas, the West and the Center of the country are outlined as being the richer and more developed areas, from the standpoint of both the income in the population’s households and of the technical - social equipments and facilities and of the economical potential. (Chiriță, Dobrescu, 2006) Besides the general and global disparities, the analytics have shown a series of details, symptomatic for the tipology of the problems specific to different areas.

### **3. Regional development and socio-economic diversity in Romania**

The existence of inequalities in the economic development of different regions in the same country represents an accepted reality, largely explained and partially remedied. (Frunză, 2011)

We can try a possible interpretation of the forces that will influence the overall level of regional disparities in the future in Romania, based on the existing trends. Those counties that have been affected by the massive forced industrialization of the '70s and '80s, we can assume will suffer the consequences of returning to an economy based on strong principles in business administration. The market forces have the tendency to recreate the regional disparities if not held under control. Romania is currently suffering the consequences of the ‘center-periphery’ model of development, found predominantly in the European Union. The economic restructuring is other factor that massively impacts the perspectives of development at regional and sub-regional levels.

The areas with economic and social problems can be classified into three categories: areas traditionally underdeveloped, areas experiencing a severe industrial decline and areas with a fragile economic structure (Hot. 965/2001). In many ways, these categories are similar to those enjoying the structural aid in EU.

The areas traditionally underdeveloped are described by a combination of high rates of structural unemployment and large shares of the labor force employed in agriculture. These two factors are significantly correlated, with an infant mortality rate higher than the national average and a trend toward migration of the population seeking a workplace. The underdevelopment of these areas is also outlined by the factors regarding the basic infrastructure (for example, the railway density) and the level of direct investment per capita (approximating the impact the market forces have on the local economy). These indicators are below the national average. We appreciate that Romania doesn’t have traditionally underdeveloped regions, following the forced industrialization policy led during the communist regime.

The areas undergoing a regional decrease are the ones for which the transition led to losing an unseemingly large number of workplaces, especially in the manufacturing and mining industries. The development perspectives of these areas are substantially different than the ones of the traditionally underdeveloped areas, because the level of infrastructure is relatively satisfying, and the mechanisms of market economy have started to work. Except for Bucharest and the counties in the West, almost all of the others are located in areas of industrial decline. Among the most important such areas are the counties of: Botoșani and Suceava; Brăila and Buzău; Călărași, Giurgiu, Dâmbovița and Teleorman; Dolj, Gorj and Olt; Hunedoara; Maramureș and Cluj, as well as Brașov.

Industrially fragile areas are the ones in which a fairly large share of the labor force is still assigned to the metallurgic, mining and chemical industries, generating major economic losses. Also, most of the people employed in the industry are still dependent of a single industrial sector and, usually, of only one large enterprise. These regions have a lot in common with the areas of economic decline, including a short-term potential recovery, but at the same time they carry the risk of social tensions. This type of areas are to be found especially in the counties of Neamț, Galați, Prahova, Satu-Mare.

In the years of transition, the policy of regional development in Romania focused on specific national programs, designed and promoted by the Government with the purpose of supporting certain disadvantaged areas. The results have not been encouraging, due to unsatisfying financial resources, lack of legal and institutional framework for such transformations, as well as a unitary conception of regional development. We appreciate that, especially over the last years, there have been made great strides in applying the principles and objectives of regional development and the creation of legal and institutional framework of regional policy.

The principles that underlie the elaboration and application of the regional development policies are: decentralization of the decision making process, from a central / governmental level, to the one of the regional communities; partnership between all actors involved in the area of the regional development; planning, considered as process of using the resources (through programs and projects), with the purpose of reaching some established objectives; cofinancing, through which we understand the financial contribution of the various participants involved in the fulfillment of the programmes and of regional development projects. (<http://www.mdrap.ro/dezvoltare-regionala/politica-de-dezvoltare-regionala>)

The main objectives of the regional development policy are the following: diminishing the existing regional imbalances, focusing on the stimulation of the balanced development and on reviving the disadvantaged areas (with

delayed development); prevention of the production of new imbalances; meeting the criteria of integration in the EU structures and of access to the financial instruments of assistance for the member states (structural and cohesion funds); correlation with the development sectorial governmental policies; stimulation of the interregional cooperation, internal and international, which contributes to the economical development and is in conformity with the legal provisions and with the international agreements concluded by Romania. (<http://www.mdrap.ro/dezvoltare-regionala/politica-de-dezvoltare-regionala>)

In the institutional process of implementation of the regional development policies, the state and the Romanian government have founded the National Agency for Regional Development (NARD), which manages the disadvantaged areas and is made up of 7 agencies of regional development (RDA) : RDA 1 North – East (based in Piatra Neamt) ; RDA 2 South – East (located in Braila) ; RDA 3 South (based in Calarasi) ; RDA 4 South – West Oltenia (based in Craiova) ; RDA 5 West (based in Timisoara) ; RDA 6 North – West (based in Cluj – Napoca)l RDA 7 Center (based in Alba Iulia) and RDA \* Bucharest – Ilfov (based in Bucharest).

The Regional Development Strategies are comprehensive documents elaborated based on the economical and social analyses made by the RDA teams and, at the same time, based on the discussions with different local actors, representatives of the public local administrations, unions, private entrepreneurs, non-governmental organisations etc. The Regional Development strategies, as well as the National Strategy of Development, were conceived not only as documents of fundamenting and programming the structural funds, of which Romania and its regions take advantage.

## 4. Conclusion

After the introduction of the market economy, the resources tend to focus on those areas where it is possible to maximize their use. As a result, the poor regions, that have known an artificial industrial development, support the severe impact of the transition and structural adjustment process.

Romania is facing major issues both on a macro and microeconomical scale, which influences negatively the country's ability of relaunching economical activities. On a macroeconomical level there is a reduced base of competitive industries, with insufficient own capital, as well as big delays in the establishment of modern services. On an enterprise level there are big issues in the areas of financing and management. The economical development is clogged by the insufficient structured, not adapted to the efficient economical activities.

There are the differences and the diversity between Romania's regions, but there is growth potential, but not at the level of the richest EU regions. Romania must set its priorities in securing the future development of their regions and to establish realistically attainable targets, based on the current evidence available in each region, without letting ourselves be influenced by what is happening in Europe. (Savu, Mîndreci, 2012)

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