

REGIONAL DISPARITIES IN ROMANIA'S ECONOMIC DEVELOPMENT

Elena Claudia SÎRBULESCU

U.S.A.M.V.B. TIMIȘOARA,
FACULTATEA DE MANAGEMENT AGRICOL TIMIȘOARA

ABSTRACT

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.

KEY WORDS:

regional disparities, economic development, regional development

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.

Regional development asked for the implementation of a statistic system for the monitoring of regional differences without precedent in Romania, which still is subjected to improvement and redefining. Statistic data show that Romania is in full transition as it has a relatively low level of regional disparities compared to other member states or candidate states, but these grew rapidly and particularly between Bucharest and the rest of the country. Inter-regional disparities in absolute terms are relatively small compared to the European Union. In relative terms, they have reached levels comparable with those in Germany and Holland (as shown in Table 1).

We should emphasise that there are still major disparities within the regions where mainly agricultural districts coexist with more developed ones. This phenomenon turned worse because of the impact of economic restructuring in certain areas with mono-industrial towns whose population was affected by unemployment as a result of liquidating unprofitable state enterprises. Other factors with an impact on regional development usually include border regions and the Danube – regions on

the border with Moldavia and Ukraine and less developed regions along the Danube.

TABLE 1.
INTER-REGIONAL DISPARITIES BETWEEN THE E.U. AND CENTRAL AND EASTERN-
EUROPEAN CANDIDATE NATIONS ACCORDING TO THE REGIONAL IRR IN 2000

Nr.	Country	Regions with maximum GDP	Relative GDP	Regions with minimum GDP	Relative GDP	Maximum ratio
1	Great Britain	Inner London	246.3	Mersyside	71.6	3.43
2	Belgium	Brussels	223.1	Hainaut	71.8	3.11
3	France	Ile –de-France	154.1	Reunion	50.9	3.02
4	Germany	Hamburg	183.4	Dessau	63.2	2.9
5	The Czech Rep.	Prague	121.6	Sredni Cechy	48.5	2.51
6	Hungary	Kozep – Magyaroszag	72.4	Eszak –Alfold	32.5	2.23
7	Italy	Lombardia	136.1	Calabria	61.9	2.22
8	Spain	Madrid	108.1	Extmadura	50.3	2.15
9	Austria	Viena	150.6	Burgenland	70.9	2.12
10	Poland	Mazowieckie	55	Lubelskie	27.6	1.99
11	Portugal	Lisabona	101.1	Acores	52.2	1.94
12	Romania	Bucuresti –Ilfov	35.3	Nord-est	19.1	1.85
13	Finland	Uusima	137.2	Ita-suomi	74.9	1.83
14	Holland	Utrecht	143.4	Flevoland	81.3	1.76
15	Greece	Sterea Ellada	81.5	Ipeiros	47.3	1.72
16	Bulgaria	Yugozapaden	34	Severozapaden	22.2	1.53
17	Sweden	Stockholm	133.9	Vastsverige	89.9	1.49

Source: CE 2002, First report about social and economic cohesion, and another calculus

Economic increase followed the western-eastern direction, as proximity with western markets had an enhancing effect. though statistic data show some variations in time due to local factors, one can see how economic increase had a significant geographical component, under developed areas concentrating on the border with Moldavia and in the south, along the Danube. Underdevelopment appears as strictly correlated with unemployment and with the preponderance of rural activities, as well as with the inability of attracting direct foreign investments. Table 2 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.

Between 1997-2001, population occupied in agriculture increased in all regions, with significant increases in the Northern-Eastern and Northern-Western regions (Figure 1).

The population occupied in industry and construction shows massive decreases in all regions. In the case of industry, to note the Southern and the Southern-Eastern (-131,700, and -83,400 persons, respectively), and in the construction the Southern-Western and the Southern regions (-20,000, and -15,100 persons, respectively).

TABLE 2.
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

The service sector shows different trends from one region to another. In the Western and Southern-Eastern there are decreases of population occupied in this sector (-55,600, and -40,800 persons respectively). Less dramatic decreases were in the Southern region (-21,100 persons), Southern-Western region (-15,500 persons), and Northern-Eastern region (-12,600 persons). As a positive phenomenon, to note the significant increase of population occupied in the service sector in the Northern-Western and Bucharest-Ilfov regions (+22,400, and +46,500 persons, respectively).

The good position of the Bucharest-Ilfov region from the point of view of population occupied in industry and services is due to the rapid growth of industrial and business sectors, to the relatively high rate of academic education, a factor that supports the increase of services and the size of investments in the Tele-communication sector by the company Romtelecom.

As for unemployment at a national level, the highest rate is in the Northern-Eastern region, while the Northern-Western and Western regions show the lowest rates (6.5% and 7%, respectively). Unemployment is low in the Bucharest-Ilfov region (3.4%) due to the rapid increase of financial banking services and to the development of Tele-communications, through massive investments by Romtelecom, which created new jobs, particularly for highly skilled people, whose share is higher in this region (Figure 2).

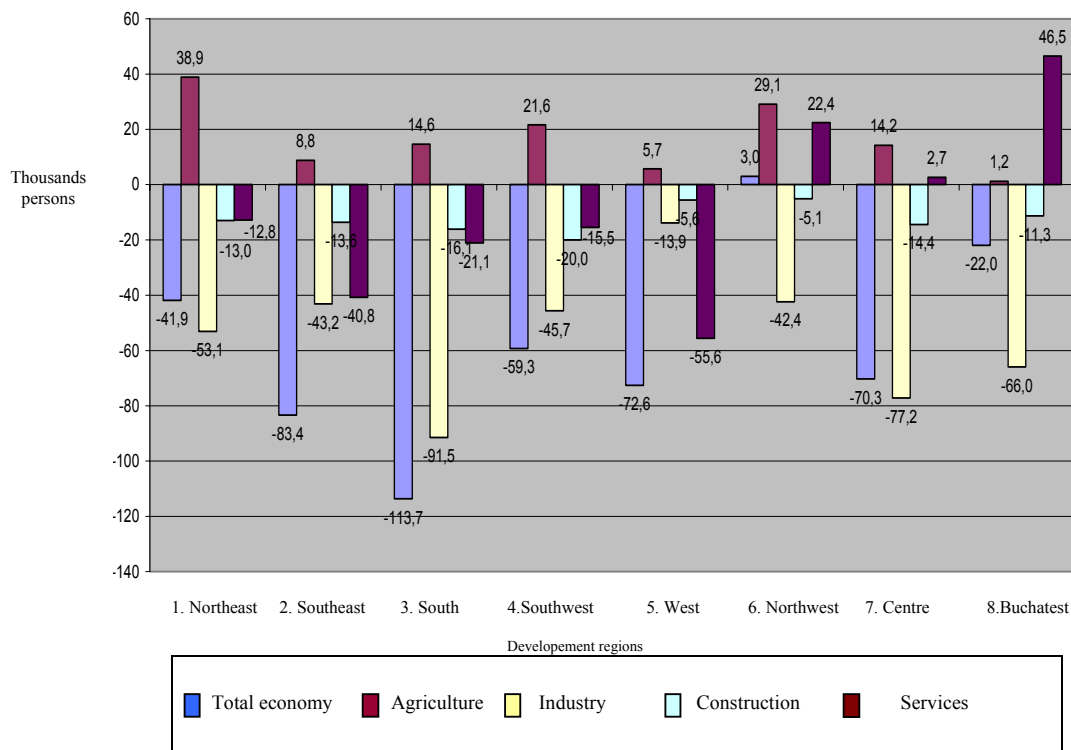


FIGURE 1. POPULATION OCCUPIED PER REGIONS – DIFFERENCES BETWEEN 1997-2001. SOURCE: STATISTICAL YEARBOOK OF ROMANIA, 2002

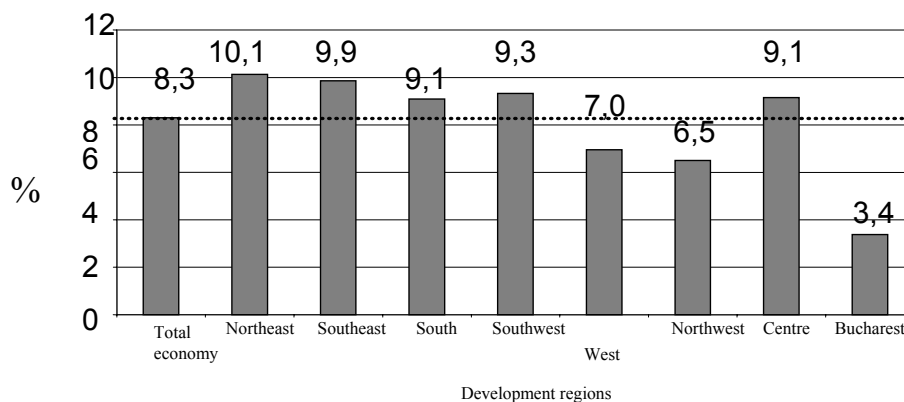


FIGURE 2. UNEMPLOYMENT RATE IN 2003. SOURCE: NATIONAL INSTITUTE FOR STATISTICS - STATISTICAL YEARBOOK OF ROMANIA, 2002

This economic development differentiated at the levels of Romania’s regions associated with fiscal policy mechanisms led to the intensification of underdevelopment and accentuation of disparities.. as one can see in Tables 3 and 4, the number of Romanian localities enjoying running water and sewage systems have not significantly increased these last years. On the contrary, there are small and medium size towns with difficulties in the supply of basic service public facilities, which represents an impediment in attracting investment strategies.

TABLE 3.
EVOLUTION OF NUMBER OF LOCALITIES ENJOYING DRINKING WATER SUPPLY SYSTEMS

Region	Number of localities enjoying drinking water supply systems							
	1998	% of the total localities in the region	1999	% of the total localities in the region	2000	% of the total localities in the region	2001	% of the total localities in the region
Northeast	310	12,52	324	13,08	344	13,89	357	14,41
Southeast	520	34,95	536	36,02	568	38,17	572	38,44
South	448	21,61	454	21,90	454	21,90	475	22,91
Southwest	293	13,87	299	14,16	299	14,16	286	13,54
West	260	18,96	281	20,50	269	19,62	278	20,28
Northwest	736	39,61	729	39,24	731	39,34	743	39,99
Centre	313	16,71	343	18,31	342	18,26	359	19,17
Bucharest	31	29,52	31	29,52	22	20,95	22	20,95
Romania	2.911	21,79	2.997	22,44	3.029	22,68	3.092	23,15

Source: Statistical Yearbook of Romania (1999- 2002)

TABLE 4.
EVOLUTION OF PUBLIC SEWERAGE SYSTEMS PER REGIONS

Region	Number of localities enjoying drinking water supply systems						
	1998	% of the total localities in the region	1999	% of the total localities in the region	2000	% of the total localities in the region	2001
Northeast	104	4.20	110	4.44	128	5.17	131
Southeast	75	5.04	79	5.31	83	5.58	86
South	95	4.58	95	4.58	93	4.49	94
Southwest	54	2.56	56	2.65	56	2.65	53
West	73	5.32	74	5.40	80	5.84	80
Northwest	108	5.81	106	5.71	106	5.71	108
Centre	104	5.55	110	5.87	108	5.77	111
Bucharest	23	21.90	24	22.85	20	19.05	19
Romania	636	4.76	654	4.90	674	5.05	682

Source: Statistical Yearbook of Romania (1999- 2002)

TABLE 5.
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

Comparing the number of localities with water supply systems (357) with those enjoying sewerage systems (131), we can see in the Northern-Eastern region a great discrepancy in the sense that more than half of them have no sewerage systems, which leads to pollution.

Between 1995-1998, development regions have contributed relatively evenly to the constitution of the IRR (Table 5), 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).

Figure 3 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 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. Recently, there have appeared local systems of labour markets as a consequence of increased specialisation in manufacturing production. However, not taking into account the consequences of need for specialisation it is necessary to monitor in order to assess the consequences on regional development.

In all regions of Romania there are districts with industrial restructuring problems but in many districts they combine with rural underdevelopment problems both resulting in unemployment and poverty. As a consequence, there are in each region problems engendered by declining industries, but also problems specific to territories with dramatic back-draw in economic and social developments.

Comparative analysis of the regions on the ground of indices shows two particularly important conclusions for the shaping of regional policy in Romania:

- though each region has certain particular features and though there are differences between regions, there are no major discrepancies between development levels of the regions;
- all regions have to face a type of problem or another, which is obvious over almost the whole region.

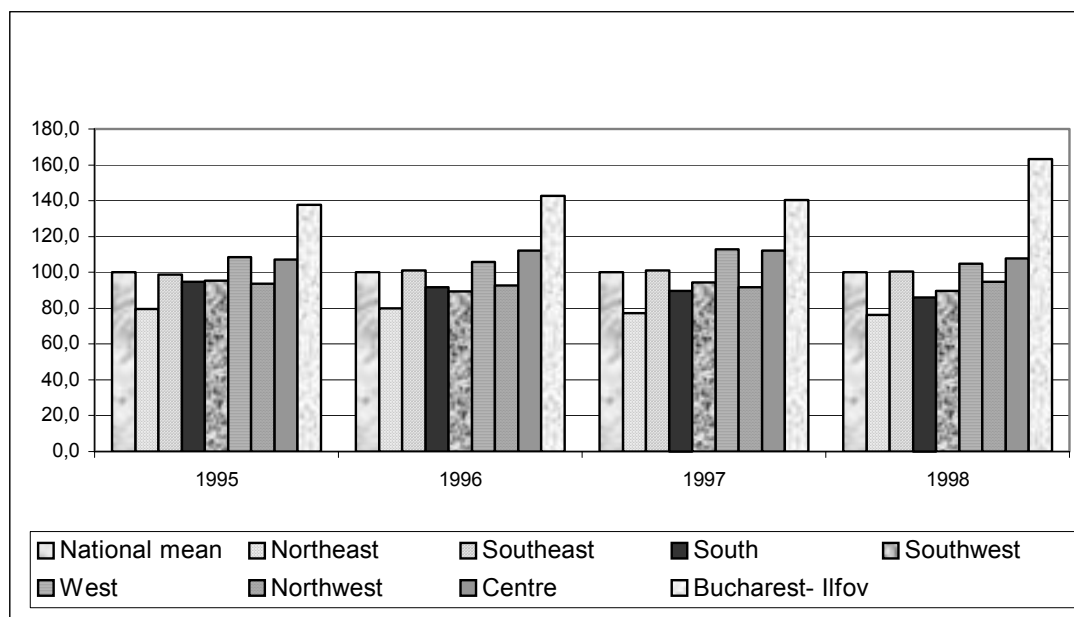


FIGURE 3. EVOLUTION OF NATIONAL IRR/CAPITA COMPARED TO THE NATIONAL MEAN.
SOURCE: NATIONAL INSTITUTE FOR STATISTICS

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