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# **Successful Restructuring Features for Regional Economies in the EU New Member States. An Emphasis on the Alba County of Romania**

## **Características de Reestruturação Bem Sucedida para as Economias Regionais nos Novos Estados-Membros da UE. Uma Ênfase na Região de Alba na Roménia**

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### **Abstract /Resumo**

In the last 20-25 years the regional economies of the new EU member states were confronted with multiple challenges, from transition to crisis and EU integration. They were reflected by the content of structural transformations and regional policies, closely relating to economic, social and territorial cohesion objectives. This paper proposes a case study in Alba county of Romania, as a relevant example of successful restructuring in a turbulent economic environment. The research methodology has been based on in-depth interviews carried out with representatives of national and local actors as well as on the processing and interpretation of statistical socio-economic data, strategic documents on development strategy, various reports on evaluations of public policies, etc.

Nos últimos 20-25 anos as economias regionais dos novos estados-membros da UE foram confrontadas com múltiplos desafios, desde a transição à crise e integração na UE. Estes refletiram-se no conteúdo de transformações estruturais e políticas regionais, estreitamente relacionadas com os objetivos de coesão económica, social e territorial. Este artigo propõe um estudo de caso no município de Alba, na Roménia, como um exemplo relevante de reestruturação bem-sucedida num ambiente económico turbulento. A metodologia da pesquisa foi baseada em profundas entrevistas realizadas com representantes dos intervenientes nacionais e locais, bem como no tratamento e na interpretação dos dados estatísticos socioeconómicos, documentos estratégicos versando sobre a estratégia de desenvolvimento, vários relatórios de avaliações das políticas públicas, etc.

*Keywords:* Romania, transition EU integration,

*Palavras-chave:* Roménia, transição de integra-

crisis, regional economies, restructuring

ção na UE, crise, economias regionais, reestruturação

*JEL Codes:* R11, R38, R58

*Códigos JEL:* R11, R38, R58

## 1. INTRODUCTION

In the last decades major restructuring processes have manifested in the context of globalisation, internationalisation and integration. They have taken different forms, have brought about different challenges for countries, regions and localities and have generated differential local impacts, highlighting the role of specific local conditions and actors in the corresponding outcomes (Wolfe and Gertler, 2001; de Bell, 2005). In other words, the careful consideration of the space issues and the place-based policy-making are among the critical conditions for ensuring the restructuring success and for building long-run resilience (Caraveli and Tsinas, 2012; ESPON and Cardiff University, 2014).

The study of the new factors that influenced the structure of the world economy indicates as an important driving force the transformation of the former centralised economies into market economies, especially in Central and Eastern Europe. They had to face rationalisation, adjustment and rejuvenation requirements, especially in the old industrial sectors and lagging behind regions (Cao, 2001; Wolfe and Gertler, 2001). The solutions proposed to transition challenges envisaged all components of the structural reform, the emphasis being placed on the reform of the legal and institutional framework required for the market economy, on the enterprise structures as well as on the physical structure necessary for a competitive economy (Pinder, 1991). The real life experiences reveal that restructuring has its winners and losers (Iheduru, 1999), suggesting the need of continuous concerns with the capacity of various regions to create and maintain viable, dynamic economies (Smith and Miller, 2001). They emphasize the importance of the orientation towards growing industrial sectors and of policies able to ensure economic diversification.

Besides the transition to the market economy, the regional economies of the East European countries had to face additional trans-

formations entailed by the accession to the European Union, economic crisis adversities, etc. As a result, their economic structures suffered tremendous changes, adaptations, which responded the requirements of each period.

The financial support offered by the EU in both pre-accession and post-accession period aimed to alleviate the hardships of these transformations and to contribute to a more balanced regional development at both national and EU level. Whether the restructuring processes at regional scale have been successful is still the subject to animated debates in scientific as well as policy-making arena, with an important accent on impact assessment of the regional policy in European, national and local context and on the most relevant factors of influence. These debates are frequently combined with those regarding various resilience issues, especially in relation to the recent economic and financial crisis, aiming to reveal which “elements in economic structures and policy responses” created differentiations in regions’ ability “to withstand, absorb or overcome” the internal or external shocks triggered by the crisis (ESPON and Cardiff University, 2014: ii)

In line with these considerations, a study undertaken under the auspices of the FP7 project entitled “Growth-Innovation-Competitiveness: Fostering Cohesion in Central and Eastern Europe” – GRINCOH<sup>1</sup> has proposed a preliminary typology able to reveal the principal components of regional differentiation in Central and East European countries, namely metropolisation, industrialization, urbanization (market services) and dependency (agriculture and public services) (Smetkowski, 2012). Further on, three specific categories of regions have been selected, pointing out extreme cases of successful restructuring, border location hindering economic growth and social problem regions. For each of them relevant case studies have been performed, contributing to laying

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<sup>1</sup> See [www.grincoh.eu](http://www.grincoh.eu)

the foundations for scenarios regarding the future cohesion policy options.

This paper discusses a case study in Romania, which refers to Alba county as a good example of successful restructuring. Alba county was chosen by the GRINCOH project considering its improved position in relation to the national average in terms of changes in the share of the industrial sector in the economy and labour market, at the same time with a significant reindustrialization (Smetkowski et al., 2014).

We aim to assess the current regional development in Alba county, as well as its specific responses to transformation, crisis and EU membership. The results provide a comprehensive image on the trends in restructuring Alba's economy, the most important regional development factors (exogenous, endogenous, structural, socio-political ones, etc.), the relationship between social disparities and economic growth, the successful regional/local policies for economic regeneration, the significance of external intervention for county's development and so on.

The paper is organized as follows. First, the general characteristics of the Alba county in terms of territorial organization and overall economic and social features are discussed. Second, the trajectories of economic development and structural change are examined, followed by – third – the identification of the development factors which determined these evolutions. Fourth, the governance and regional development policies are discussed, so as to reveal the contribution of EU, national and local support. Finally, a look forward is proposed in order to highlight the opportunities for Alba county – associated with its strengths – in the new context of the EU cohesion policy, which places a strong emphasis on its territorial dimension.

## 2. MAIN COORDINATES OF ALBA'S SUCCESSFUL ECONOMIC RESTRUCTURING

This section is exploring the most important regional development factors, the trends in restructuring Alba's economy, as well as the relationship between social disparities and economic growth, aiming to draw a comprehensive picture on the trajectories of economic development and structural change in the last two decades. Our quantitative analysis draws

on two main sources of data: a) information from the in-depth interviews - carried out in 2013 - with representatives of county and regional authorities, regional development agency, chambers of commerce, higher education institutions, implementing authorities; b) desk research targeted official statistics and documents on development strategy and various reports on evaluations of public policies have been studied. Statistical socio-economic data from various sources (mainly the National Institute of Statistics and Eurostat) were collected and processed. The data processing included descriptive statistics, grouping, cross-tabulations and correlation analysis. In unreported econometric models we tried to explain economic growth based on a series of development factors, but the results were inconclusive from the perspective of statistic significance.

### **Geographical position and demography.**

In accordance with Romania's territorial organisation, Alba county is a NUTS 3 territorial unit. It incorporates 67 communes (with 656 villages) and 11 urban centres, of which 4 are municipalities. Alba county is included in the Centre region, as a NUTS 2 region located in the Western part of Romania. The Centre region belongs to the Macroregion 1 as NUTS 1 region.

In 2010, the population of Alba county was 327,224 persons, representing 1.74 % of the total population of Romania. The county capital is Alba Iulia, with 58,861 inhabitants. The density of the population in Alba county is 52 persons per km<sup>2</sup>, lower than the national average which is 79.9 persons per km<sup>2</sup>. In the last 20 years, the county population decreased by 12.3%, which represents one of highest decreasing rates in Romania, and this negative evolution is still in progress. An important cause of the population decline in Alba county is the low birth rate: 8.8 ‰ in 2010, well below the national average of 9.9 ‰. The age group structure reveals a pronounced ageing process, the share of elderly increasing from 10.8% in 1990 to 15.3% in 2010, while the forecast for 2050 is 35.4%. This raises concerns on the negative impact on the economy: increase in the dependency ratio, higher government spending on health care and pensions and potential shortage of workers in the future.

**Trajectories of economic development and structural changes.** The level of

GDP/capita of Alba county was 6388 Euros in 2011, accounting for 104.72% of the national average and 46.2% of the European one. In the

last ten years, this ratio doubled, as can be noticed in Table 1.

**Table 1: GDP/capita (at PPP) in Alba county compared to Romania and EU average**

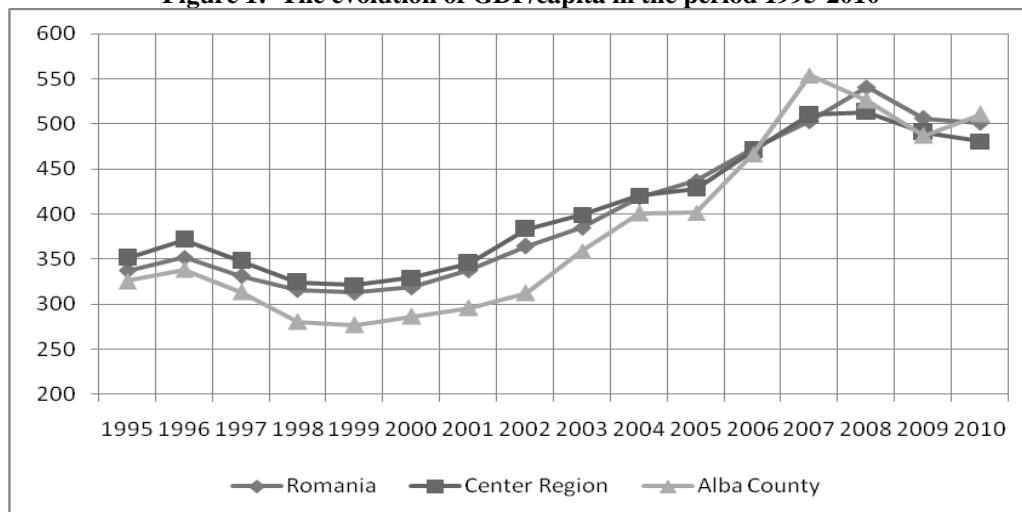
	1998	2000	2005	2008	2009	2010	2011
% national average	80.2	93.2	91.9	98.1	96.2	102.03	104.72
% EU average	21.7	26.0	31.5	46.1	45.2	46.0	46.2

Source: own calculations based on National Institute of Statistics (NIS) data

Due to the economic crisis, the economic performance of Alba county, as measured by GDP, worsened after 2009 (Figure 1), but the county still has a better position than the region it belongs to (the Centre region), remaining close to the national average. From this view-

point, Alba county can be considered a relatively resilient territory in terms of the typology proposed by the ESPON project on “Economic Crisis: Resilience of Regions” (ESPON and Cardiff University, 2014).

**Figure 1: The evolution of GDP/capita in the period 1995-2010**



Source: own elaboration based on NIS data.

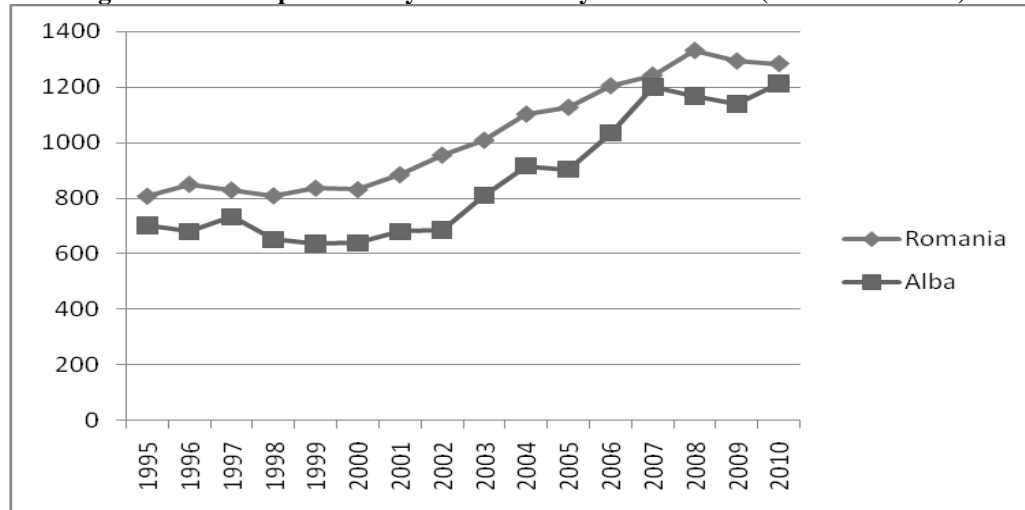
As for the labour productivity, on the long run it has been slightly below the national average. In 2007 and 2010 it reached the closest level to the national average (Figure 2). The highest levels of labour productivity, strictly in terms of financial indicators, were recorded in 2008, in the following sectors: trade, production and distribution of electricity, thermal energy, gas and water. The lowest levels of labour productivity were reached in education, hotels and restaurants, and health.

Between 1990 and 2000 the county went through a difficult period of economic decline marked by a slow transfer of ownership and difficult restructuring of inefficient economic

activities, the loss of traditional markets in Eastern Europe, the deteriorating of macroeconomic equilibrium and galloping inflation. From 2001 the economic climate has improved, the economy resumed its growth and the period 2006 to 2008 consolidated the economic growth. The economic and financial crisis that began in the second half of 2008 had a significant negative impact on GDP and employment.

In the structure of Gross Value Added in Alba county services and industry had a predominant role in 2008, with 46.8% and 36.5% of the total, respectively. Over 1998-2008, the agriculture contribution in GDP had decreased,

**Figure 2: Labour productivity in Alba county and Romania (constant 1995 lei)**

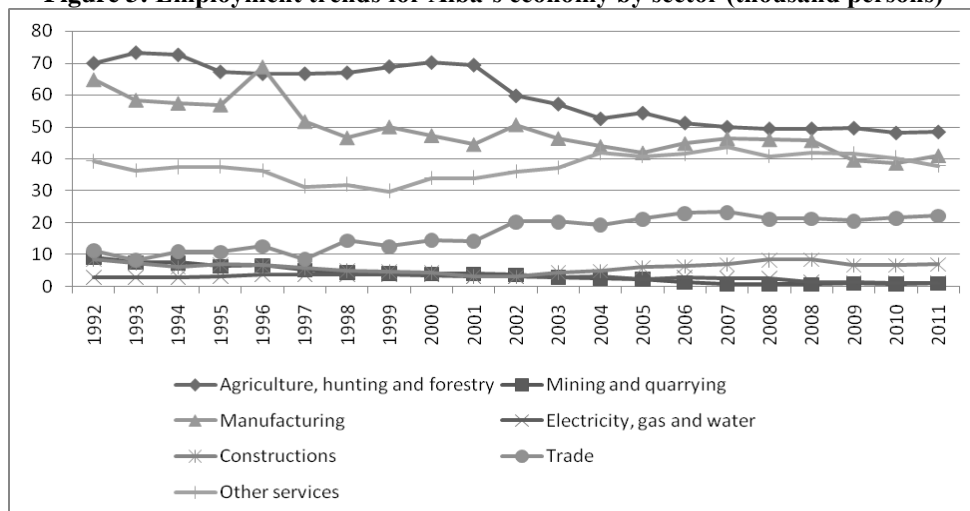


Source: own elaboration based on NIS data.

from 23.1% to only 9.2% of GDP, while the construction sector increased from 5.2% to 7.5%. After a steep increasing in the 1990s, the

industry reached a peak in 2000, followed by a slow decline, but it still has a dominant position in Alba's economy.

**Figure 3: Employment trends for Alba's economy by sector (thousand persons)**



Source: own elaboration based on NIS data.

Considering the structure of employment, Alba county is more industrialised than the national economy and has a lower employment level in services (Figure 3). Manufacturing accounts for 25.87% of employment in Alba county, compared to the national average of 17.87%

Romania's accession to the European Union entailed a series of beneficial effects for Alba county, including enlarged and diversified financial resources, accelerated reforms, and larger openness of the economy. The respondents to our survey noticed an improvement of the transport infrastructure in the rural areas after accession, as well as a slight in-

crease in foreign investment and reduction of agricultural holdings' debt. EU membership is perceived as a catalyst for modernization and a change in mentality also occurred. Among the adverse effects was mentioned the abolition of custom duties that reduced the protection for domestic producers.

Accession to EU also brought risks such as increased vulnerability to external shocks like in the recent economic crisis case. Since the last quarter of 2008 the financial crisis hit Romania and, given its lasting effects on the economy, it is very difficult to estimate precisely the impact of EU accession (Goschin and Constantin, 2010). The general picture

seems to indicate little if any positive effects, as the structural and cohesion funds have had a low absorption rate, and foreign direct investments did not promote innovation and growth throughout the country as they are highly concentrated in Bucharest-Ilfov (capital) region. Moreover FDIs did not bring the sought after technological advancement as they targeted mainly low-tech activities, such as trade.

As regards the economic and financial crisis, it had uneven effects on regions, depending on their specific economic structure. The economy of Alba county was most severely hit by the crisis in construction sector and in mining and quarrying as well (Table 2). Turnover declined strongly in many sectors. The gross investments have been also deeply affected in all sectors, except for electricity, gas and water. Many public and private investments

(excluding those who have received EU funding) have been suspended. High reductions in the number of employees occurred in most sectors, but mining and quarrying significantly increased employment, despite lower turnover.

Effects of the crisis were felt most intensely during 2009 – 2010, when have taken place massive restructuring in industry and commerce, the collapse of the construction sector and the lack of liquidity in the banking sector was severe.

The activity of micro-, small and medium-sized business in trade and other services has dropped significantly due to lower purchasing power of the population and the banks' restrictions on loans for private firms' investment.

**Table 2: Turnover, gross investments and employment in Alba county by sector**

Sector	Turnover (mn lei)		Gross investments (mn lei)		Employees	
	2008	2009	2008	2009	2008	2009
Mining and quarrying	74	63	133	8	712	1023
Manufacturing	4800	4168	739	400	32983	28514
Electricity, gas and water	410	364	65	216	2150	2018
Construction	847	674	123	53	7635	5851
Trade	2851	2806	186	136	13415	11954
Other services	1134	1133	264	390	12625	12082

Source: authors' computation based on NIS data.

An insight into the situation on regional labour market and social problems also reveals significant facts and figures. Active population represents 49% of the total population of Alba and is declining on the long-run both because of the increasing number of retirees and the tendency of young people to extend the studies and delay the entry into the labour market. Similarly, employed declined. These evolutions resulted in significant decreases in the activity rate of the working age population. The number of unemployed and the unemployment rate developed largely in accordance to economic cycles, with decreases in times of economic growth (1995-1996, 2000-2007) and increases during recessions (1997-1999, 2008-2009). As a consequence of reducing the employment and the growth in the number of inactive people, the economic dependency ratio of the population has gradually increased during 1995-2010, reaching 1370 %.

From the employment perspective, the highest risk of poverty is among young people, persons with a low level of education, unemployed, Roma, and employees in the shadow economy. The level of unemployment rate in Alba County was below the national average until 1997, and constantly placed over it thereafter (Table 3).

Unemployment rate reached a peak of 12.9% in 2000 in the context of economic downturn that accompanied the transition to the market economy. Sustained economic growth in the 2000s, combined with massive external migration of the workforce reduced the unemployment rate to a minimum of 5.7% in 2007, followed by increase due to economic crisis. The activity rate reached a maximum of 90.8% in 1993 and steadily declined afterwards, but remained constantly well above the national (Table 3).

The main problems on the regional labour market are the declining rates of activity and

employment. The unemployment rate is higher than national average, and intra-regional dis-

**Table 3: Unemployment rate and activity rate (%)**

	Unemployment rate		Activity rate	
	National average	Alba county	National average	Alba county
1991	3	1	85.1	83.5
1992	8.2	5.7	86.7	87.3
1993	10.4	8.2	84.9	90.8
1994	10.9	8.1	84.9	87.7
1995	9.5	6.8	79	87.5
1996	6.6	4.5	75	84.9
1997	8.9	8.9	73.9	87.3
1998	10.4	12.7	73.7	78.4
1999	11.8	11.8	71.4	82.6
2000	10.5	12.9	72.1	82.3
2001	8.8	10.4	69	85.8
2002	8.4	10.8	68.1	78.8
2003	7.4	9.2	66.2	82.7
2004	6.3	10	64.2	77.8
2005	5.9	8.3	64.5	77.2
2006	5.2	7.1	64.7	74.7
2007	4	5.7	66	75.8
2008	4.4	7.1	66.6	76.3
2009	7.8	12.5	65.7	75.3
2010	7	10	64.1	75.4
2011	5.2	7.7	62.8	71.3

Source: authors' computation based on NIS data.

parities in terms of employment have increased in the last years. Unemployment is larger among young people (25-30 years) and among older population (55-62 years).

The interviewed persons in Alba county consider that the activity and employment rates in this county and in Centre region in general are still low, especially in rural areas. Even if the unemployment rate follows a downturn trend as a result of a slow recovery, it is still above the national average by 1 percentage point. However, the overall economic context makes the unemployment rate remain pretty high, the majority of the firms not being interested in new investments. A series of sources of social exclusion have been also mentioned. The most important one is poverty, especially for a significant part of rural population,

Roma minority and the elderly with very low pensions. They also highlighted the inequalities expressed by the lower level of income compared to the national average and the difficult access to labour market for the youth, aged and Roma workers. Access to education and training is also difficult for Roma population.

**Development factors.** The large natural resources and the existence of cheap labour had a positive impact on the development of the Alba county. Other factors with a positive influence were foreign investments, exports, the programmes financed from European funds, and partial improvement of transport infrastructure (RDA Centre, 2012).

There were also some obstacles in the development process of Alba county, such as: the underdeveloped and poorly exploited business



infrastructure, the relatively low connection with the European market, and the weak participation of local companies in the international economic cooperation networks. Most of the rural settlements are dependent on the low-tech agriculture, with modest labour productivity. The farms are small sized and economically unsustainable. In the small towns and rural areas of Alba county the urban infrastructure as well as education and health infrastructure are poor.

The mountainous relief of Alba county restricts the balanced territorial development, both socially and economically. Alba county lacks highways and large roads and the existing road network is technically inadequate. Also, low investments in railway infrastructure maintenance hinder regional development. The tourism infrastructure and the access to tourist areas are unevenly developed regionally.

Another problem is the demographic decline, the accelerated ageing process deepened by the extensive external migration. As previously pointed out, there are relatively low rates of activity and the employment, unemployment rate is higher than national average, and intra-regional disparities in terms of employment have increased in the last years.

Examining the external context of development, the emphasis is put on trade and FDI. An important role in the economic development of Alba County is played by the exports of goods, which increased nearly 2.3 times in the period 2001-2007, falling slightly in 2009 to EUR 486 million (Table 4). In 2010, there were a record high exports of almost 700 000 Euros. In comparison with the national average, Alba has followed the trend of national exports, its share in the national exports remaining at 1.7-1.8%.

**Table 4: Exports of Alba County, selected years**

		2001	2005	2007	2009	2010
Exports of Alba County	thou euro	227505	391793	513485	486306	691923
% Romanian exports	%	1.8	1.8	1.7	1.7	1.9
Export/ capita	euro	588	1030	1370	1303	1859

Source: own calculations based on NIS data

Between 2001 and 2010, the export/ capita of Alba county increased more than 3 times. Wood (with 43% of total), footwear, furniture, textiles, machinery and equipment, chemicals are the most representative exported goods in recent years. At the opposite, the agricultural products and raw materials have negligible weights in the county's exports (below 2%).

Foreign direct investment in Centre Region (that includes Alba county) reached up to EUR 605 million in 2008 alone. At the end of the same year, the FDI stock summed EUR 4.146 billion (8.5% of total FDI in Romania). In Alba county, despite the financial crisis, the FDI stock reached a peak of EUR 320 million in 2010. According to the total foreign investment, the Centre Region ranks second, after the Bucharest-Ilfov region. The investments were mainly directed towards industrial activities such as wood processing industry, food industry, building materials, machinery.

Even more, there are good consolidation chances for FDI in the forthcoming years.

Thus, Alba county hosts the most important Austrian investments in Centre region: the Holzindustrie Schweighofer and Kronospan wood processing firms in Sebes have employed more than 2000 people in the latest years, recruited from Alba county. Also, Daimler AG, the German company which also owns Mercedes-Benz announced in 2013 the expanding of its Sebes unit (part of Star Transmission subsidiary), which is the biggest investment announced in the car components industry in the latest years. So far, Star Transmission has two production units, in Sebes and Cugir, with approx. 400 employees each. The firm intends to reach 1200 employees up to 2016. The Dutch firm Bosch Rexroth has also invested in car components industry and expanded its investments in Blaj. There are important Romanian investors activating in Alba county as well, such as Jidvei, Albalact, Transavia or Romaqua Group – Sebes Division.

Innovation and entrepreneurship are the endogenous factors of Alba development. The research - development - innovation sector may enable the increase of competitiveness in Alba County. The need to strengthen the link between research and business environment draws the future development of the knowledge economy, speeding up technological transfer into productive activities.

In recent years, the development of most cities in the county was positively influenced by the improved access to information and the dynamics of urbanization. Business support infrastructure, especially in areas affected by industrial restructuring, may be developed by setting up industrial parks, business incubators, industrial and scientific clusters, technological and logistic platforms, centres for research and transfer of technology, etc. These structures may also support economic activities in those areas with development potential in the county. They may provide good conditions for development of productive SME, which will contribute to the economic development and reduction of unemployment in both underdeveloped and rising areas.

A major concern is the rehabilitation of old industrial sites that favor not only the environment, but are also advantageous for efficient new investments because they have an infrastructure that need to be improved and not completely renewed. A good example in this respect is the industrial park in Cugir, administered by the Alba County Council, which is located on the former industrial platform site.

There are two higher education institutions in Alba county, the most important being the state university "1 December 1918", in Alba Iulia, with 9 faculties and 190 people as teaching staff of. These institutions delivered education programmes in trade, tourism and business, business administration, finance, banking, accounting, marketing, informatics, land measurements and surveying, applied electronics, environmental engineering, law. An educational network is functioning in Alba County which runs programmes aimed at offering adult education opportunities for those looking for professional reconversion or interested in acquiring new skills. The research centres of "1 December 1918" University perform studies for the benefit of SMEs and other business environment entities. They offer consulting for decision making, applied research, survey design and analyses in areas such as: land meas-

urements, geodesy, geology, sociology, economics, spatial development, environmental engineering, etc. The research sector is also represented by several research institutes which are stated in Alba county, such as: the Research and Development Station for Viticulture and Vinification Blaj, the Centre for Refractory Research, Design and Production (CCPPR) in Alba Iulia and the Institute of Systemic Archaeology Alba Iulia.

The SME sector has an important position in the regional economy. There were 8270 active companies in Alba County at the end of 2008, in total; 88% of them were micro enterprises, 9.6% small, 1.9% in the medium-sized, and 0.4 % large enterprises. Most of the companies have trade as the main activity (nearly 35% of the total), followed by manufacturing (17.5%) and those in the real estate and business services (13.7%). In 2008, there were 33 large firms in Alba, among which 26 companies, with over 250 employees, were activated in manufacturing. At the end of 2010, only 7398 companies were still active in Alba county. 88,2% of them were micro enterprises, 9.8% small, 1.6% medium-sized, and 0.4 % large firms (28 companies, in total). The proportion of small and micro enterprises is above 90% of the companies at branch level, except for the production and distribution of electricity, water and gas.

Examples of successful SMEs can be indicated in food and drinks industry, wood processing and furniture industry, textile and footwear, machinery, building raw materials, metallurgy, commerce, agriculture, construction, transport, etc.

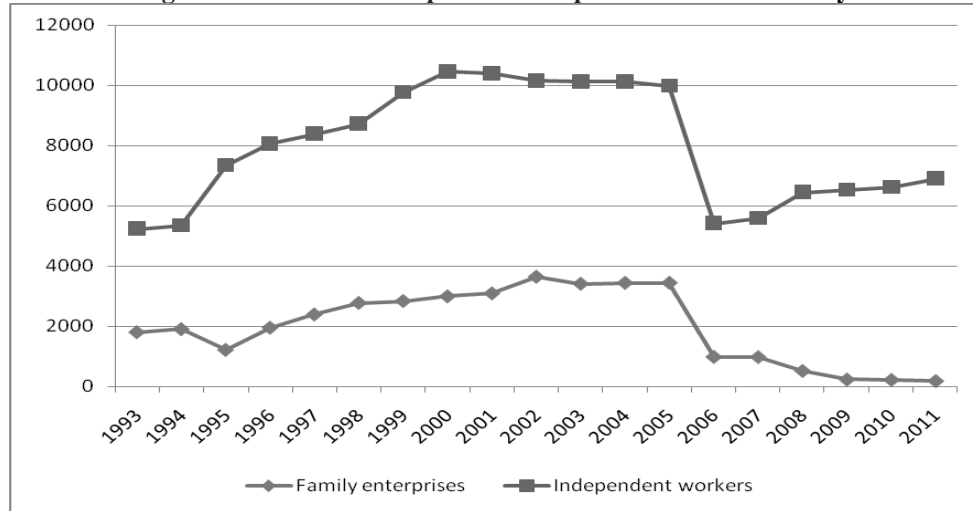
The SME sector is absorbing the most important segment of the workforce and is actually a driver for the local economy, therefore creating incentives for investors in specific locations is a strategic priority.

In order to ensure a good business environment, with real opportunities for SMEs it is necessary to support the development of economic zones around the localities, to facilitate the creation and development of economic structures, such as: business incubators, industrial parks, research and technology transfer centres, to support a better access to information infrastructure and business networks, to sustain the development of commercial and financial centres and to improve the logistic capabilities. The creation of five economic development poles at least in the county is

established as an economic goal for Alba, each of them having a business centre with the appropriate infrastructure. Each economic pole

will integrate a socio-economic development zone, with education and a health infrastructure.

**Figure 4: The number of private entrepreneurs in Alba county**



Source: own processing based on NIS data

In Alba county the number of private entrepreneurs had a positive evolution during the transition to the market economy, then remained stable until 2006 (Figure 4). In the context of economic crisis, the number of family enterprises decreased, but the number independent workers increased.

### 3. RESPONSES IN TERMS OF GOVERNANCE AND REGIONAL DEVELOPMENT POLICIES

The Romanian regional development policy is entirely connected to the EU Cohesion Policy. Both the policy statements and the financial allocations are closely correlated with the co-funding levels established by the regulations regarding the use of Structural Instruments (Constantin, 2013).

The financial allocations via the Regional Operational Programme (ROP) are determined at NUTS 2 level and offer priority to the lagging behind regions: they are in inverse proportion to each region's GDP per head and in direct proportion to population density. As a result, the highest allocations are directed to the less-developed regions.

In the case of Centre region, it ranks third in Romania in terms of GDP per capita while its

population density is 74.0 inhabitants per sq km compared to 90.9 for the whole Romania.

The calculations have indicated for this region the third lowest share in the allocations from

European Regional Development Fund (ERDF). In absolute terms, these allocations represent 483.62 million euro, that is 10.9% of the total ERDF for the ROP (Government of Romania, 2007).

As far as the ROP implementation is concerned, the available data on financial absorption reveal important variation across the NUTS 2 regions. On 18 October 2013 the Centre region recorded the third highest absorption rate (49.2%), indicating a promising response to the prospects in terms of support to urban development, regional and local transport infrastructure, social infrastructure, regional and local business environment, tourism promotion and development, as priority axes of the ROP. An important role in the good results of the Centre region with regard to the EU Funds absorption rate has been played by the Centre Regional Development Agency (with the headquarters in Alba Iulia, the capital of Alba county), which is the Intermediate Body for the ROP implementation.

The number of projects in Alba county represent about 14 per cent of the total number

**Table 5: Projects implemented or ongoing**

	Number of projects	% county	% region	% Romania
Alba Iulia – capital city	46	76.7	11.0	1.3
Alba county	60		14.31	1.7
Centre Region	419			11.89
Romania	3524			

Source: Authors' processing based on <http://www.inforegio.ro>

of projects implemented or ongoing in the North- East Region (Table 5).

A bird's eye view on the implemented or ongoing projects in Centre region shows that two of its most important projects belong to Alba county, both of them regarding the rehabilitation of the historical city centre of Alba-Iulia, of an exceptional importance for the whole Romania. In Alba county many of the top projects envisage the improvement of regional and local transport infrastructure, which can create synergic effects between this axis and the other axes of the ROP via increasing accessibility.

The promoted projects also contribute to turning to good account the tourism potential of Alba county. Cultural tourism (not only Alba Iulia, with its historic and cultural patrimony coming from the Roman times up to the modern era, but also smaller towns such as Sebes, Aiud, Blaj and Calnic (this one with a

well preserved medieval fortress), mountain and winter tourism (Apuseni Natural Park, Scarisoara cave, Sureanu mountains, Arieseni winter resort) and rural tourism (Ariesul Mare Valley, Rimetea, etc.) have big development chances. This is confirmed by the major increase in the number of tourists hosted in the accommodation units of Alba county after the economic and financial crisis had passed (Table 6). The current orientation focuses on eco-tourism support, expressing the necessity to defend, protect and preserve the natural resources, ecosystems and to ensure the required balance for the host communities in terms of the number of tourists that resources can bear, which points to the need of an active and correlated involvement of the local authorities, universities, environmental conservation groups and tour operators in these processes (Nistoreanu et al., 2003).

**Table 6: Number of tourists accommodated in Alba county**

2006	2007	2008	2009	2010	2011	2012	2013
50619	54054	51264	44271	47838	78496	95918	100721

Source: RDA - Centre Region (2012)

The analysis undertaken has also focused on the effectiveness and efficiency of the existing governance model. According to the Local Public Administration Law the county council elaborates its own forecasts, strategies and social-economic development programmes. Further on, these are integrated in the regional (NUTS 2) development strategy and correlated with the ROP.

The interviewees have mentioned that the current development strategy of the Centre region has been the result of a consultative process, characterised by a large participation and has been updated several times. It

combines the regional and sectoral priorities. However, it is not obligatory for the region's decision-makers, serving as an orientation for the targets included in the regional and sectoral programmes. The interviewed experts consider the strategy implementation quite difficult, either for inadequacy reasons or for the lack of resources. They have underlined the important role of the institutional system. It is not entirely functional yet, a high improvement potential continuing to exist. A special place in this context is held by the need to intensify the cooperation and to share the responsibility between the actors involved in the multi-level

governance so as to find the most appropriate policy measures and instruments for ensuring the economic resilience in longer run (ESPO and Cardiff University, 2014).

With regard to the outcome of the local/regional policies, the interviewees consider that these policies, supported by the EU funds via operational programmes, have had a significant impact especially in terms of improving the transportation, tourism, social infrastructure as well as labour markets, human resources development and social cohesion. In their opinion, the majority of local development strategies have not received all necessary financial support, being only partially implemented. The most notable exceptions at regional level are the Regional Operational Programme 2007-2013, which has an important economic and social impact, and the integrated urban development plans, with visible results.

The local policies applied at Alba county level have mainly employed normative instruments such as decisions of the county council offering incentives or tax exemptions, which represented stimuli for economic agents (i.e. production and service firms) and positively influenced their activity. As regards the local governance and local economic and social policies, the interviewees have characterised them as effective and efficient considering the economic growth dynamics and the continuous increase of foreign and domestic investments in Alba county. It has been also mentioned that the county's social policies are based on both EU funds and local budget revenues in order to solve problems that the disabled, the elderly, the education and health sectors, etc. are confronted with.

#### 4. A LOOK FORWARD

The main opportunities of Alba county – associated with its strengths – identified by the interviewees are related to turning to good account its natural and human resources. The main envisaged sectors are agriculture, agrotourism and food industry. A special importance is attributed to cooperation between local public administration from Alba county and neighbouring counties in order to develop joint projects (such as the Sebes-Turda highway).

The threats – associated with the weaknesses – mainly come from decreasing the investors' interest in Alba county's economy because of bureaucracy and fiscal policy. Also,

the still threatening financial crisis might endanger the co-financing capacity for the potential beneficiaries of the EU funded programmes.

Inspired from the Alba county's own profile the respondents have recommended for the future national development policy the orientation towards satisfying at local level the market demand for those goods and services which insufficiently use the local resources and have indicated as priorities the rural area development and environmental preservation. This view is based on the existence of the largest number of disadvantaged rural areas (40) in Alba county, as specified by the National Programme of Rural Development. This status has been conferred to various localities of the Alba county considering the development difficulties associated with mountain areas and environmental threats. Notably, Rosia Montana, which triggered large and hot debates at national and even international scale around the exploitation of the gold resources with huge environmental damages, is located in Alba county.

The recommendations for future objectives of the EU Cohesion policy envisage the strengthening of territorial dimension of the cohesion policy in Romania and a special emphasis on the urban development for those cities confronted with economic restructuring related problems. At the same time the social considerations should be also born in mind, as the sustainable well-being of local communities is not just a matter of economic restructuring but also of social transformation (Snower, 2014). The removal/prevention of any discrimination form between various categories of population, the integration of the disadvantaged persons in the active life, stabilising the labour force by offering attractive work opportunities to those thinking of emigration have been also mentioned as issues of reflection. A robust response in this respect could be offered by a coherent system of business services based on public-private cooperation (Sleigh, 1992), with industry representatives working with local policy makers and public administration experts.

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