

# THE ECONOMIC STRUCTURES IN THE ROMANIAN REGIONS AND COUNTIES AND THE EU MEMBER STATES. COMPARATIVE ANALYSES\*

Marioara Iordan<sup>1</sup>, Mihaela Nona Chilian<sup>2</sup>,  
Ion Ghizdeanu<sup>3</sup>, Dalina Maria Andrei<sup>4</sup>

## Abstract:

*Bridging the gap between countries, and thus decreasing poverty, is the greatest challenge of European countries in the context of the European social cohesion. The risk of future economic difficulties caused by the size of budget deficits is beared by the funds to be allocated to social inclusion in the EU and the EU member countries. They will be concerned in the post-crisis period with aligning the requirements of progress, of poverty reduction, but also of ensuring the sustainability of public finances.*

*For Romania, cohesion is particularly important as most regions show significant differences as compared to the EU average and the national average. This group also includes the South Muntenia Region, which has many advantages for faster progress and to be able to exploit the opportunities offered by the implementation of the Europe 2020 strategy.*

**Keywords:** regional development, inter-regional economic development gaps, economic and social cohesion, Europe 2020

**JEL Classification:** O18, R11, R12

## Introduction

Romania, as well as the European Union, is going through a period of change in the economic and social paradigms. The crisis has wiped out years of economic progress and highlighted many structural weaknesses that caused vulnerability to many European economies. If before the crisis there was much optimism on reducing disparities between countries and, hence, poverty, today the prospects are not so encouraging. The European social cohesion policy is under assessment and conceptual rethinking. Along with general challenges, such as population aging, dysfunction of economic systems and globalization, currently and in the future the restrictions due to the crisis are/will be present. It is increasingly discussed the risk of future economic difficulties due to budget deficits. From the social point of view, this means that the EU and Member States funds for inclusion may diminish. The after-crisis period is characterized by the balance between the practical requirements of progress and poverty reduction and the need to ensure sustainable public finances.

In this context, Europe 2020 brings new elements to meet new challenges. This strategy is based also on the benefits from existing coordination within the European Economic Recovery Plan in response to the crisis by addressing key bottlenecks that constrain growth at national and EU level, including those relating to the internal market and infrastructure. Regional policy transposed into the European cohesion policy has a key role in the implementation of the Europe 2020 strategy. Regional policy does not only ensure economic and social cohesion, but is designed to facilitate the achievement of employment and social targets set by Europe 2020. Also, it aims at stimulating and diversifying economic activities, stimulating private sector investment to ensure maximum

---

\* The paper presents intermediate results of research theme „Coeziunea Economico-socială în România din perspectiva Strategiei Europa 2020”, authors: Iordan Marioara, Ghizdeanu Ion, Chilian Nona Mihaela, Radu Lupu, Andrei Dalina Maria, Tapu Dana and collaborators: Albu Lucian Liviu, Diaconescu Tiberiu, Adriana Grigorescu, 2013 research program, Institute for Economic Forecasting, NIER-"Costin C.Kirişescu", Romanian Academy.

<sup>1</sup> Senior researcher I, Institute for Economic Forecasting, Bucharest, e-mail: [miordan@ipe.ro](mailto:miordan@ipe.ro), [mioaraiordan@hotmail.com](mailto:mioaraiordan@hotmail.com).

<sup>2</sup> Senior researcher III, Institute for Economic Forecasting, Bucharest.

<sup>3</sup> Professor, Senior researcher I, Institute for Economic Forecasting, Bucharest.

<sup>4</sup> Researcher, Institute for Economic Forecasting, Bucharest.

exploitation of local physical and human potential in order to increase the standard of living and reduce disparities to national average and, thereby, to improve convergence in the European Union.

For Romania, *cohesion policy* is particularly important as most regions show significant differences as compared to the EU average and the national average (a category that includes the South Muntenia region, which has important strengths to progress faster and to be able to exploit the opportunities offered by the implementation of Europe 2020). The policy objective most often associated to cohesion is reducing (or, in the worst case, avoidance) of excessive disparities between regions in terms of economic and social development. Conditioned by achieving the objectives of the Lisbon Strategy, in the previous decade a gradual shift from policies aimed to reduce disparities by those which aimed to strengthen national and regional competitiveness was noted, focused on exploiting regional potential to sustain and increase national competitiveness. Feature of regional development policies of the EU Member States in the past decade has been their increasing coverage, while switching to support endogenous development in the regions. Public investment policies to reduce disparities have become more efficient, more focused on the need to ensure real economic growth, but also more related to sectoral policies. In turn, the latter have a significant impact on cohesion, even without explicit goals, such as the policies on the development of transport and communications infrastructure, employment, education and research and development, rural development and tourism, etc [1].

This paper summarizes the analysis of development gap of Romania's regions as compared to the other EU Member States from the point of view of evolution of sectoral economic structures, focusing on the socio-economic status in the South Muntenia Region.

### **1. Evaluation of economic disparities at regional and sub-regional level in Romania**

Evaluation of *economic and social disparities at regional and subregional levels* is relevant for several reasons, among which we can mention: i) the significant inequalities are empirically found at territorial scale (growth combined with income polarization, the persistence of regional disparities in terms of welfare), ii) the trend towards decentralization and increased role of subnational governments as key players in the development and implementation of policies relating to welfare and economic development, iii) the impact of business and government policy is often evaluated rigorously by reference to the sub-national levels, iv) the importance of the sub-national level from the point of view of policies addressing inequality [2]. Particular attention in studies of determinants of inequalities at sub-national level is paid to the *structure of regional/sub-regional economies* (assessed through sectoral employment and/or sectoral value added), because it affects their income level and regional distribution, both directly, through occupational structures, earnings and economic multiplier effect, and indirectly, through family structures [3]. In this regard, many empirical studies have revealed, for example, that areas with sustainable manufacturing and a high level of employment in the service sector also enjoy greater economic prosperity, higher household incomes, and lower poverty rates, while the mining and agricultural areas where wages are lower and level of employment is unstable recorded higher rates of poverty.

The most common used indicator to assess inter- and intra-regional gaps is the GDP per capita. For countries and regions in Europe the *GDP per capita* expressed for each country and region considered for analysis in relation to EU28 average revealed both large gaps between regions of the 13 new Member States and the other 15 EU countries, but also large interregional disparities within most EU countries, including some highly developed countries.

In Romania, the GDP per capita at standard purchasing power parity in ratio to the EU28 average increased in the period 2000-2010 to 47.0%, with a tendency to stagnation

in 2008-2010, due to the global economic crisis. By region, the GDP per capita was only 29.0 % of the EU28 average in 2010 in the North- East Region and 117.0% in 2008 and 111.0% in the years 2009-2010, respectively, in the Bucharest-Ilfov Region (Table 1). *Inter-regional inequality rate*<sup>1</sup> increased between 2001-2008, of pre-accession and post-accession to the EU, from 2.9 to 4.0; however, all the more developed regions were those that have benefited most from this process. It declined during 2009-2010, suggesting that one of the effects of the economic crisis was, in a first stage, the decline in the territorial development gaps due to the greater impact of the crisis in the more developed regions. The *inter-county inequality rate*<sup>2</sup> has steadily increased during 2001-2010, emphasizing growth after 2007, which suggests that developed counties have benefited more from joining the European Union in comparison with less developed ones. Similar situations, of widening disparities between “core” and “periphery” were observed in the rest of the new EU member states, noting that regions adapt differently to a new economic environment and regions that have performed best previously have reinforced positions, while the regions with weaker economic performance remained stationed on the level of slow economic development, at best.

**Table 1. Evolution of GDP per capita at regional level in Romania  
(PPS, percentage of EU28 average)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Romania</b>	<b>26</b>	<b>28</b>	<b>29</b>	<b>31</b>	<b>34</b>	<b>35</b>	<b>38</b>	<b>41</b>	<b>47</b>	<b>47</b>	<b>47</b>
Macroregion one	25	27	30	31	33	33	37	41	43	44	43
North-West	24	26	28	30	33	33	36	40	42	43	42
Center	27	28	31	33	34	34	38	42	44	46	45
Macroregion two	20	22	24	25	27	26	28	30	33	33	33
North-East	18	20	21	22	24	23	25	26	<b>29</b>	<b>30</b>	<b>29</b>
South-East	23	25	26	28	31	30	32	34	37	38	38
Macroregion three	35	36	38	40	44	48	53	57	70	69	68
South - Muntenia	21	22	24	25	28	29	32	34	39	40	39
Bucharest - Ilfov	56	57	59	63	68	77	84	92	<b>117</b>	<b>111</b>	<b>111</b>
Macroregion four	24	26	27	30	33	33	37	40	42	43	44
South-West Oltenia	22	24	23	26	28	27	30	33	35	36	36
West	27	30	32	35	39	39	45	48	51	52	53
<b>Inequality rate at national level*</b>	<b>3,1</b> <b>(4,9)</b>	<b>2,9</b> <b>(3,9)</b>	<b>2,8</b> <b>(4,1)</b>	<b>2,9</b> <b>(3,8)</b>	<b>2,8</b> <b>(4,1)</b>	<b>3,3</b> <b>(4,9)</b>	<b>3,4</b> <b>(4,7)</b>	<b>3,5</b> <b>(5,3)</b>	<b>4,0</b> <b>(5,5)</b>	<b>3,7</b> <b>(5,3)</b>	<b>3,8</b> <b>(5,8)</b>

\*Figures in brackets show the inter-county inequality rates.

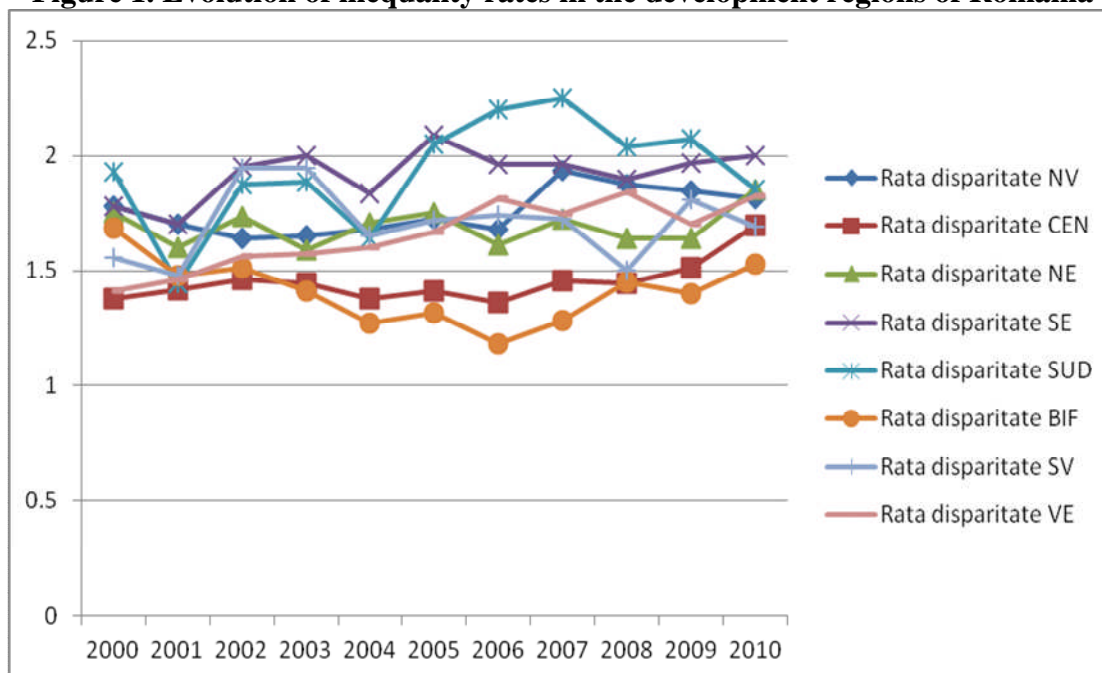
Source: Data from Eurostat and authors' computations.

Previous statements are supported by the evolution of *inequality rates in the development regions*, most pointing upward trend after 2007 (Figure 1). The notable exception to this trend is South Muntenia Region, which recorded a significant reduction in the inequality rate in the post-accession period, but in terms of substantial decline the level of GDP per capita in its most developed counties (Arges and Prahova), under circumstances of adjustments induced by the economic crisis and in terms of levels of GDP per capita below 50% of the EU28 average (Table 2).

<sup>1</sup> Estimated by the ratio of GDP per capita in the most developed region (București-Ilfov) to the least developed (Nord-Est).

<sup>2</sup> Estimated by the ratio of GDP per capita in the most developed county (București Municipality) to the least developed (Vaslui).

**Figure 1. Evolution of inequality rates in the development regions of Romania**



Source: Authors' computations on the basis of Eurostat data.

**Table 2. Evolution of GDP per capita in the Sud Muntenia Region (PPS, percentage of EU28 average)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<i>South Muntenia</i>	21	22	24	25	28	29	32	34	39	40	39
Arges	27	26	30	32	36	39	44	45	51	56	50
Calarasi	15	19	16	18	24	19	20	22	29	27	33
Dâmbovita	19	20	22	24	25	26	29	33	34	35	37
Giurgiu	14	18	17	17	25	19	21	20	25	28	36
Ialomita	19	22	22	24	30	26	27	25	32	32	32
Prahova	24	24	28	29	29	36	40	43	48	50	43
Teleorman	18	22	20	20	22	21	22	25	28	28	27

Source: Data from Eurostat.

## 2. Developments of regional economic structures in Romania

As previously mentioned, the economic structure plays an important role in the development of sub-national inequalities because it affects the income levels and their regional distribution. In the literature, but also in the practice of policy making, certain *typological groups* were highlighted, designed to reduce on the basis of their socio-economic development features to only a few major categories the mosaic of regions that compose a country/the EU. Their usefulness is evidenced by the role they have in regional policy making adequate to such representative categories of regions. Internationally, typological groups with *varying degrees of detail* have emerged, but we can distinguish several categories of regions whose problems are at the heart of regional policies in different countries. These regions are: the agricultural regions in difficulty, declining industrial regions or “abandoned” and regions that support the “pressure” of fast growth [4].

a) *Agricultural regions in difficulty* generally have a peripheral position in relation to a central region (“core” region), occupy relatively large areas, but their population is less numerous or dispersed. To them the isolated regions can be added (for example, some mountainous regions) that do not have a communication network, and proper infrastructure.

Backwardness of these regions can be explained by lack of resources, by development conditions less favorable as compared to other regions. Income per capita is low, the degree of underemployment and unemployment are high, tax revenue sources are scarce, and labor productivity is low enough. Often, first the people migrate from rural to urban centers, before leaving the region itself. Structural adjustment problems of these regions are sometimes strongly dependent on the primary sector, which diminishes their flexibility to adapt, while their main production is characterized by a low elasticity with respect to income.

b) *Declining industrial regions or “abandoned”* are characterized by the decrease of activity, slow growth of per capita income, high emigration, which are obvious symptoms of the difficulties faced by these regions. In such regions, one may frequently find aging infrastructure and working population, obsolete equipment with a high degree of pollution which may discourage new investment, and unsatisfactory social climate. The causes can be found in the “*location*” effect (some sectors tend to decay more in some regions than in others, resulting in an overall deficit) and the “*structural*” effect (firms in a region are specialized in “*slowing speed*” sectors as compared with results obtained nationally).

c) *Regions that support the “pressure” of rapid growth* are the regions where resources are experiencing a very intense operation, in the same manner as the infrastructure networks (transport, housing), while labor demand is excessive. At the same time, pollution and demographic congestion are common phenomena. Overall, the development recorded in these regions leads to negative results, despite the fact that industries that are installed in cities or populated areas are expected to achieve economies of scale due to urbanization and concentration of activities. Although employment, income or tax status is favorable, there are social dysfunctions, which translate into excessive length of the home - employment route, noise, etc. In these regions, growth involves decreasing yields and, ultimately, marginal costs are higher than marginal benefits.

In Romania, the regional development strategy originally developed by the National Agency for Regional Development (NARD) as a support of the national plan for regional development have been identified, taking into account the economic and social problems they faced, traditionally underdeveloped areas, areas undergoing severe industrial decline and areas with a fragile economic structure.

*Traditionally underdeveloped areas* have a high rate of structural unemployment and a high share of employment in agriculture, an infant mortality rate higher than the national average, and a significant trend of emigration, due to lack of jobs. This is compounded by inadequate basic infrastructure and low levels of foreign direct investment per capita as compared to the national average. Examples: areas in Botosani and Vaslui (in the North – East Region), Giurgiu and Teleorman (South-Muntenia Region), Dolj and Olt (South - West Oltenia Region), Maramures, Bistrita Nasaud (North - West Region).

*Areas in industrial decline* are areas where the transition has led to a considerable reduction of the number of jobs, particularly in manufacturing and mining. However, compared with traditionally underdeveloped areas, they have a satisfactory situation of infrastructure and a relatively favorable business environment for the functioning of market mechanisms. It is, however, necessary to pay special attention to the social problems generated by industrial restructuring. Examples: areas in Botosani and Suceava (North – East Region) Braila and Buzau (South - East Region), Giurgiu, Teleorman, Calarasi (South Muntenia Region), Hunedoara (West Region), Maramures and Cluj (North - West Region), Brasov (Center Region).

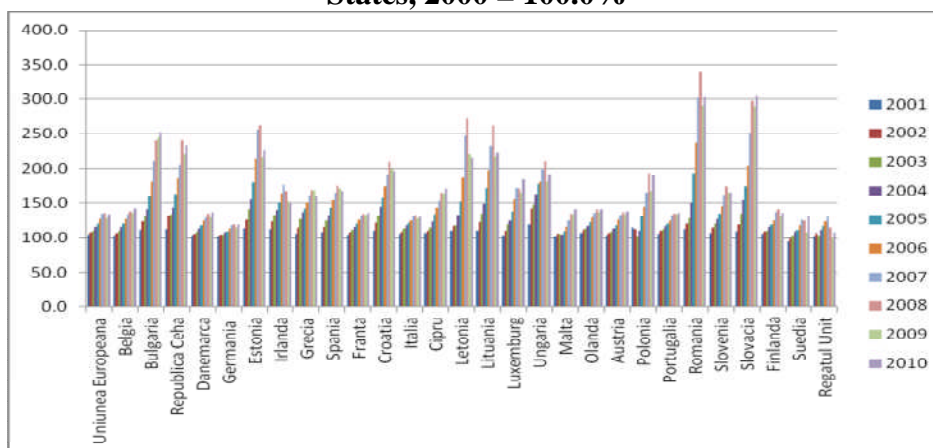
*Structurally fragile areas* are characterized by dependence of employed population on a single branch/sub-branch of heavy industry or even one large company generating losses in the economy. Intensified restructuring, withdrawal of state subsidies make that in the next period these areas turn into areas in industrial decline. Examples: areas in Neamt (North – East Region), Galati and Braila (South – East Region), Prahova, Calarasi,

Teleorman, Dâmbovița (South Muntenia Region), Gorj (South - West Oltenia Region), Hunedoara (West Region), Satu Mare (North – West Region).

To analyze the sectoral structure of the regions of Romania we the *gross value added* (total and by main economic sectors) in the period 2000-2010 (data from Eurostat). The analysis of sectoral economic structure of Romania's regions as compared to the EU countries highlights the following issues:

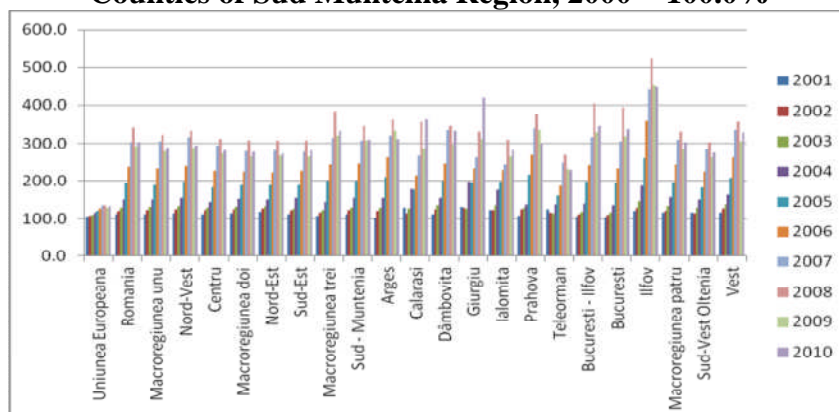
- Romania has the highest overall increase in *total gross value added* in the period 2000-2010, but strongly hindered by the economic crisis since 2008 (Figure 2). Other new EU member states had similar developments, but in some cases (Bulgaria, the Czech Republic, Slovakia, Cyprus, Croatia, Poland), the impact of crisis was lower or insignificant and the return to pre-crisis levels was faster, at least until the end of 2010.

**Figure 2. Evolution of Total Gross Value Added in Romania and the EU Member States, 2000 = 100.0%**

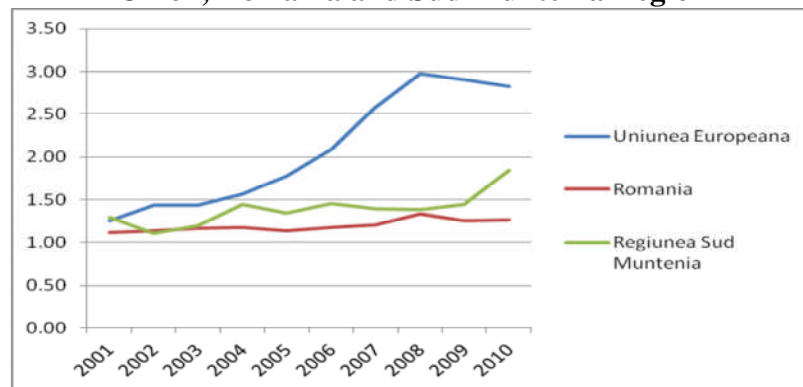


- In the Romanian regions, developments were similar in all the regions - significant overall growth, especially in 2005-2008, followed by a decrease in 2009 and the recovery or stagnation in 2010 (Figure 3). As regards the Sud Muntenia region, the overall growth was above the national average throughout the period under review, the highest increases were registered in Giurgiu, Calarasi, Arges counties and the lowest in the Teleorman County. Regarding the *inequality in overall growth rates* of total gross value added, one may see if in the EU there was a sharp increase in the 2000-2008 period, followed by a reduction, in Romania there was a large increase between 2006 and 2008 and in the Sud Muntenia Region in 2004-2007 and again in 2010 (Figure 4).

**Figure 3. Evolution of Total Gross Value Added in the Romanian Regions and Counties of Sud Muntenia Region, 2000 = 100.0%**

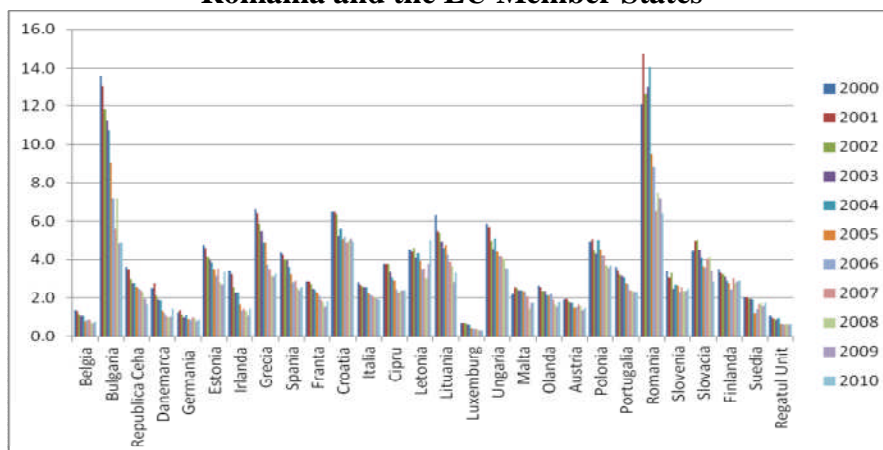


**Figure 4. Evolution of inequality rates of overall gross value added in the European Union, Romania and Sud Muntenia Region**



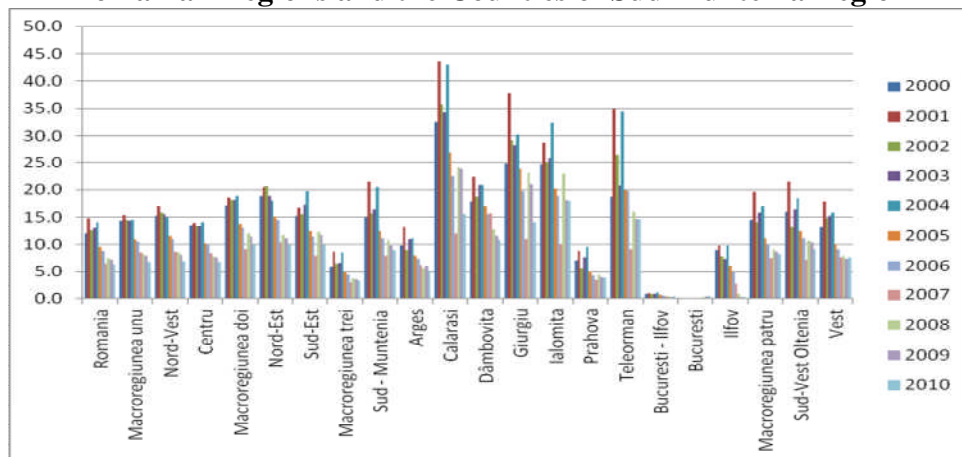
- The largest differences among the EU countries are observed regarding the *structure of gross value added by main sectors*. Thus, in terms of evolution of the share of *agriculture, forestry and fishery*<sup>1</sup> in total gross value added, the trend was pronouncedly downward in all the EU countries during 2000-2010, but the differences among the Member States were very high - from shares of 13-14 % in Romania and Bulgaria, and less than 1% in Luxembourg and the United Kingdom at the beginning of the interval, to still high shares, at over 6% in Romania and below 1% in Luxembourg, the UK and Germany at the end of period under review (Figure 5). Reducing the share of agriculture was also noticed in the Romanian regions, but with differences among them, ranging between around 10% in the Nord-Est, Sud-Est, Sud Muntenia and Sud-Vest Oltenia regions, and approx. 7% in the other regions, except for Bucuresti-Ilfov (predominantly urban region - Figure 6). Except for Prahova and, to a lesser extent, Arges, agriculture continues to hold a significant share in gross value added in some counties of the Sud Muntenia region, but very oscillating in the analyzed period; therefore, the high dependence of agricultural production on the favorable climate.

**Figure 5. Share of Agriculture, Forestry and Fishing in Gross Value Added in Romania and the EU Member States**



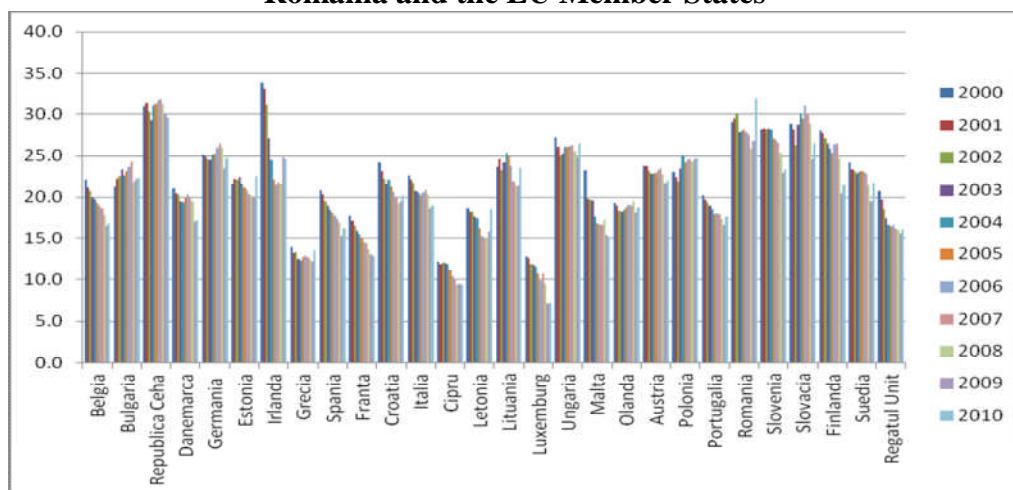
<sup>1</sup> Due to data availability, but also in the attempt to provide a more complete picture at EU and regional levels, for some countries/regions mixed data series were used, with an interval pertaining to sectors according to NACE Rev.1 sector classification, and another interval with data for sectors as according to NACE Rev. 2 classification, as follows: Belgium – 2000-2002, and 2003-2010, respectively, Bulgaria, 2000-2005 and 2006-2010, Germany, 2000-2007 and 2008-2010, Greece, 2000-2004 and 2005-2010, Spain, 2000-2007 and 2008-2010, France, 2000-2006 and 2007-2010, Netherlands, 2000-2006 and 2007-2010 and Romania, 2000-2007 and 2008-2010.

**Figure 6. Share of Agriculture, Forestry and Fishing in Gross Value Added in the Romanian Regions and the Counties of Sud Muntenia Region**



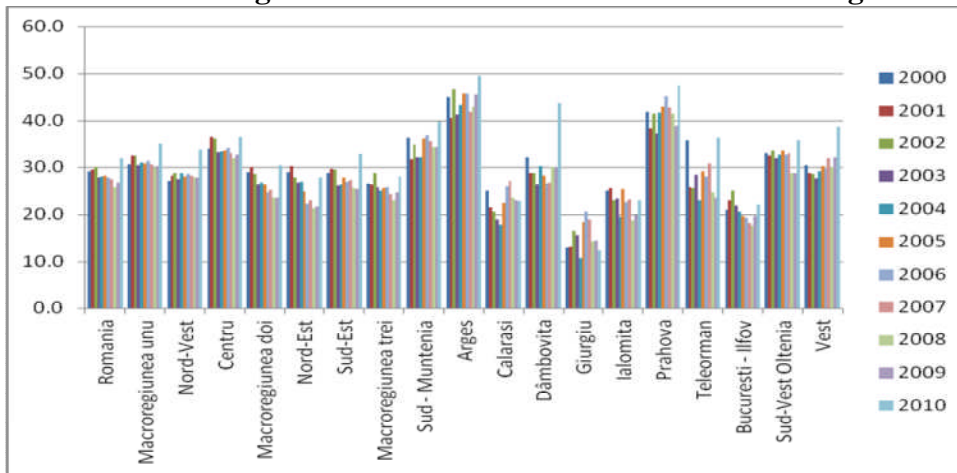
- Large differences among the EU countries are also noticed as regards the share of *industry* (excluding construction): decreasing trend in many of the major economies of the EU (UK, France, Spain, Italy, Sweden), and maintaining or even strengthening a significant position in the economy both in some developed economies (Germany and Austria) and in most of the New Member States (Figure 7). Industry also plays an important role in the economies of the developing regions of Romania, registering close to 30 % shares in gross value added (even above 35% in Sud Muntenia and Centru regions) and growing towards the end of the period under review, except for the Bucuresti- Ilfov region, where the shares rest around 20% (Figure 8). Industry also plays a leading role in the economies of some counties of the Sud Muntenia region (Arges - over 45% of total gross value added, Prahova - around 40%, Dâmbovița - around 30%).

**Figure 7. Share of Industry (Except for Constructions) in Gross Value Added in Romania and the EU Member States**



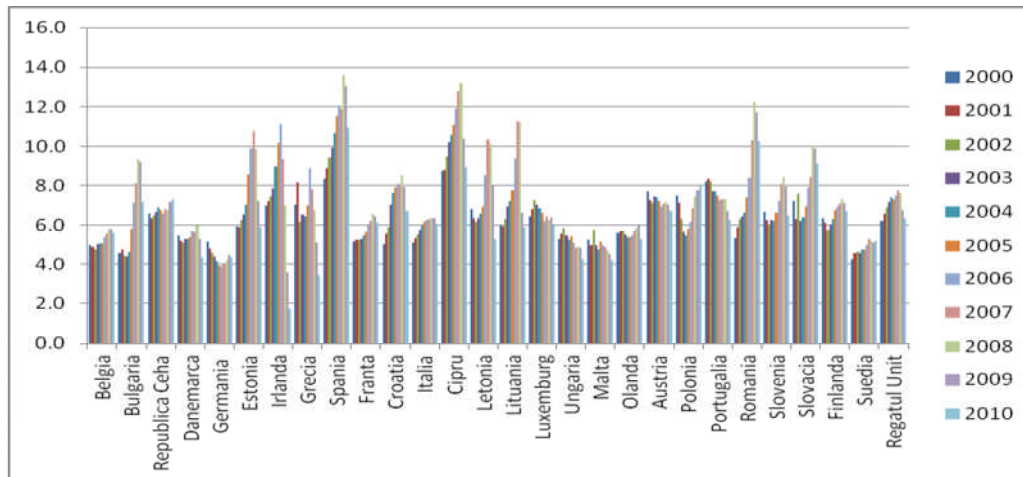


**Figure 8. Share of Industry (Except for Constructions) in Gross Value Added in the Romanian Regions and the Counties of Sud Muntenia Region**

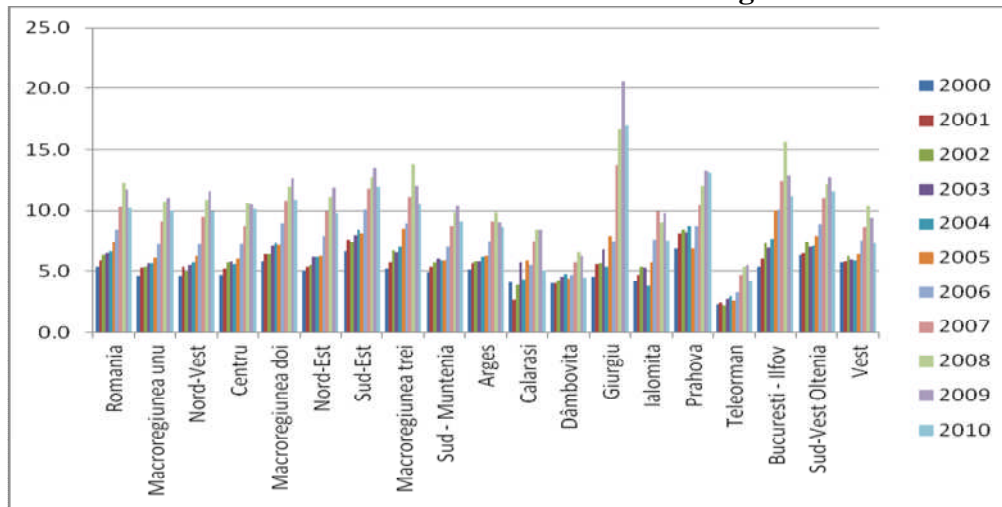


- The share of *construction sector* in total gross value added registered an increasing trend over the period 2000-2010 in most EU Member States; the most significant increases were reported in Spain, Cyprus, Romania, Bulgaria, Slovenia, Lithuania, Estonia, Ireland), where gained momentum both housing construction and tourist structures and the infrastructure (Figure 9). The same trend was also recorded in the developing regions of Romania; the most significant increases in the share of constructions in total gross value added were recorded between 2000 and 2009 by the Bucuresti-Ilfov, Sud-Est and Sud-Vest Oltenia regions (Figure 10). Significant differences are noted in the case of the Sud Muntenia region, where constructions record significant shares in Giurgiu (over 15% of gross value added) and Prahova (over 10%) counties.

**Figure 9. Share of Constructions in Gross Value Added in Romania and the EU Member States**

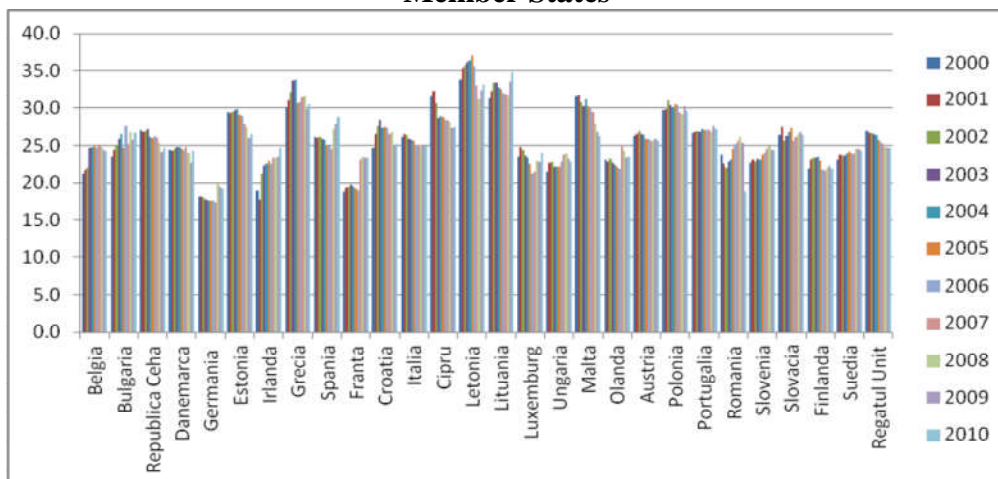


**Figure 10. Share of Constructions in Gross Value Added in the Romanian Regions and the Counties of Sud Muntenia Region**

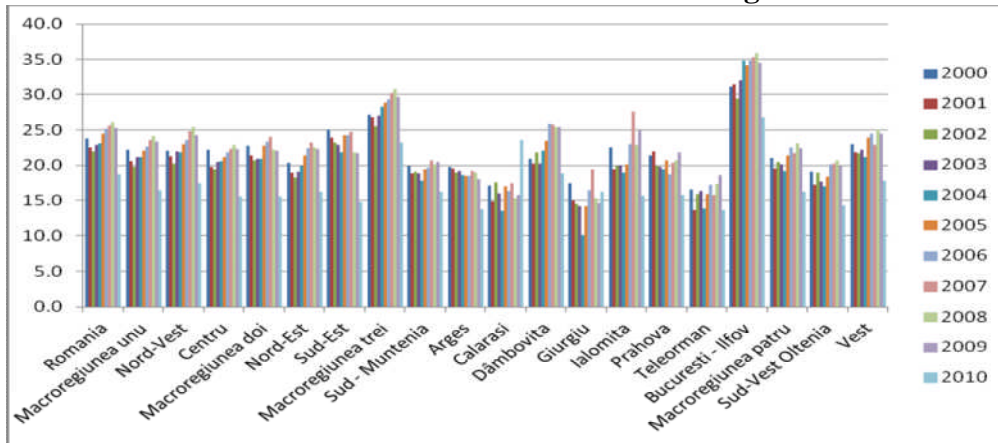


- For *services*, the differences between the EU member states and the regions of Romania are again significant. Thus the share of *trade, transport, accommodation and catering services and information and communications* in total value added has not recorded large variations between 2000-2008 in the EU countries, but increased towards the end of interval in countries such as Germany, Spain, France, Lithuania, Romania, Sweden, Slovenia, while decreasing in the United Kingdom, the Czech Republic, Estonia, Greece, Cyprus, Austria and Finland, the highest levels being recorded in Lithuania, Latvia and Poland (Figure 11). As regards the Romanian regions, there is a decrease in the share of this sector in 2010 in all regions, and relatively similar levels in most regions, except for Bucuresti-Ilfov (Figure 12). In the Sud Muntenia region, the lowest share of this sector in gross value added was registered in the following counties: Calarasi, Giurgiu and Teleorman, and the higher in Dâmbovița, Prahova and Ialomita.

**Figure 11. Share of Trade, Transport, Accommodation and Catering Services, and Information and Communications in Gross Value Added in Romania and the EU Member States**

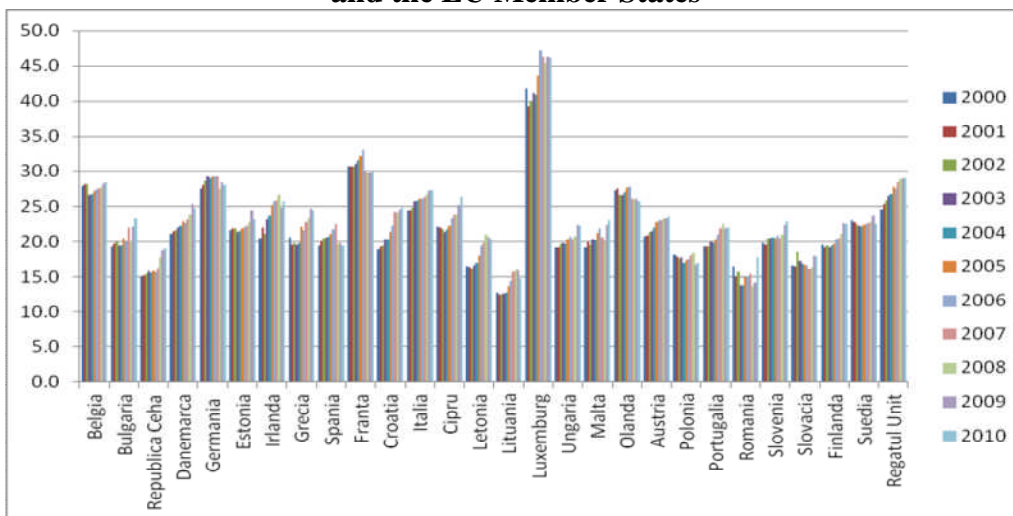


**Figure 12. Share of Trade, Transport, Accommodation and Catering Services, and Information and Communications in Gross Value Added in the Romanian Regions and the Counties of Sud Muntenia Region**

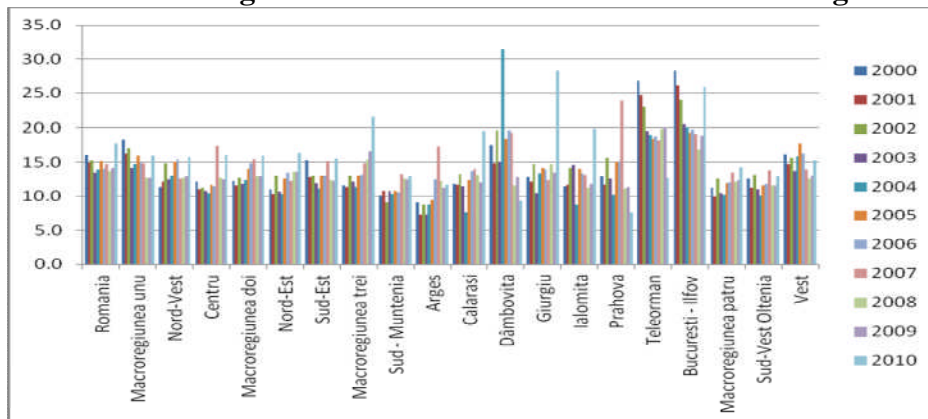


- With very few exceptions, the share of *financial and insurance activities, real estate, professional, scientific and technical services to companies* in total gross value added increased in the EU countries, especially towards the end of 2000-2010 interval, but the differences among countries remained large (Figure 13). Romania, along with Lithuania and the Czech Republic recorded some of the lowest shares of the sector (about 15%), although sharply rising in 2010. In all regions of Romania, high oscillations of this sector's share in total gross value added were noticed, and an increasing trend in 2010, but also level differences, ranging from 13% in Sud Muntenia and Sud-Vest Oltenia regions and 26% in the Bucuresti-Ilfov Region in 2010 (Figure 14). In the Sud Muntenia Region, the differences in share levels are larger, ranging from below 10% in the counties of Prahova and Dâmbovița (and marked downward trend towards the end of the analyzed period) and over 20% in Ialomița, Calarasi and, especially, Giurgiu counties (and increasing trend towards the end of the interval).

**Figure 13. Share of Financial and Insurance Activities, Real Estate, Professional, Scientific and Technical Services to Companies in Gross Value Added in Romania and the EU Member States**

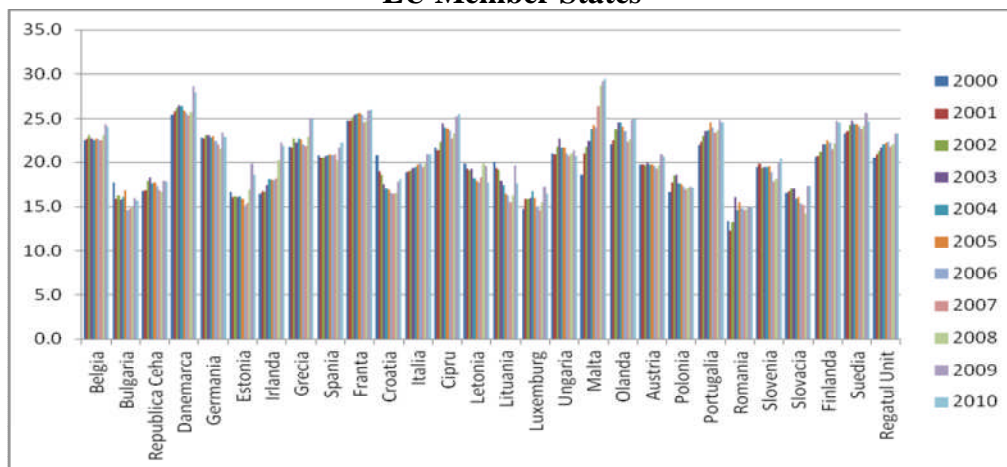


**Figure 14. Share of Financial and Insurance Activities, Real Estate, Professional, Scientific and Technical Services to Companies in Gross Value Added in the Romanian Regions and the Counties of Sud Muntenia Region**

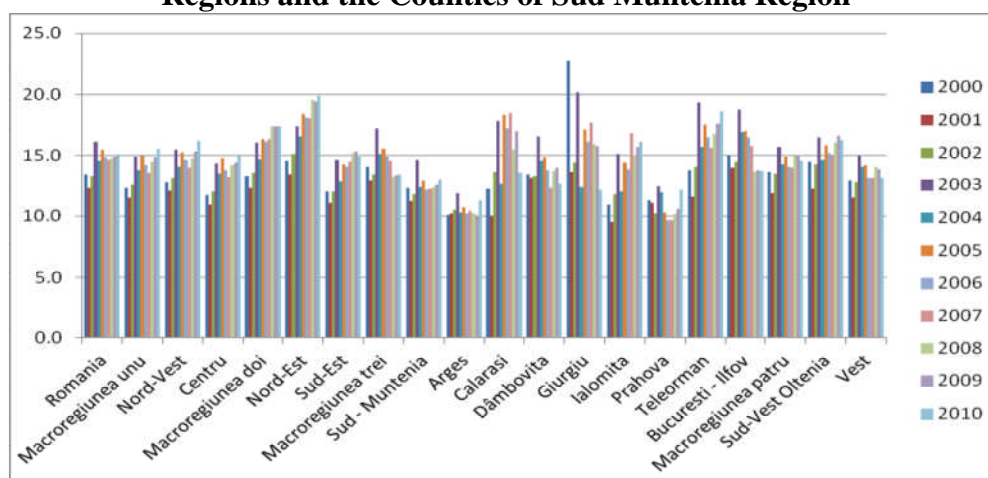


- Finally, notable differences between the EU countries reveal as regards the share of *public administration and defense, social security, education, health and social services, arts, performances and recreation, repair of household goods and other services to households* in total gross value added (Figure 15), with growing trend in the period under review. Romania, Bulgaria, the Czech Republic, Slovakia, and Luxembourg recorded the lowest shares of this sector (15-18%), while Denmark, Malta, Finland, Sweden, Portugal, Cyprus and the Netherlands the highest rates (about 25 % or more). In Romania, except for the Bucuresti-Ilfov region, generally it was recorded a trend to increase the share of this sector in regional gross value added, but with quite significant annual fluctuations, the highest shares being recorded in the Nord-Est Region (almost 20%) and the lowest in the Sud Muntenia Region (13% - Figure 16). Similar developments and big differences can be noticed within the Sud Muntenia Region - the lowest level of the share of this sector in gross value added were registered in Arges and Prahova counties and the highest in Calarasi, Giurgiu and Teleorman.

**Figure 15. Share of Public Administration and Defense, Social Security, Education, Health and Social Services, Arts, Performances and Recreation, Repair of Household Goods and Other Services to Households in Gross Value Added in Romania and the EU Member States**



**Figure 16. Share of Public Administration and Defense, Social Security, Education, Health and Social Services, Arts, Performances and Recreation, Repair of Household Goods and Other Services to Households in Gross Value Added in the Romanian Regions and the Counties of Sud Muntenia Region**



### Conclusions

For Romania, the cohesion policy is particularly important as most regions show significant differences as compared to the EU average and the national average. Bridging the gap between countries, and thus diminishing poverty is the greatest challenge of the European countries in the context of European social cohesion.

The best known method of assessing the inter- and intra-regional gaps is through the GDP per capita. For countries and regions in Europe, the *GDP per capita* expressed for each country and region considered for analysis in relation to the EU28 average revealed large gaps both between the regions of the 13 New Member States and from the other 15 EU countries, but also large interregional disparities within most EU countries, including within some highly developed countries.

In Romania, the *GDP per capita at standard purchasing power parity* and related to the EU28 average increased in the period 2000-2010 to 47.0%, with a tendency towards stagnation in 2008-2010, due to the global economic crisis. *The inter-regional inequality rate* increased between 2001 and 2008, of pre-accession and post-accession to the EU, and all the more developed regions were those that have benefited most from this process. It declined, however, during 2009-2010, suggesting that one of the effects of the economic crisis was, in a first stage, reducing the territorial development inequalities due to the higher impact of the crisis precisely in the most developed regions. At the same time, the *development disparity rates* among regions revealed mostly an upward trend after 2007, which indicates that the regions that had good economic performance prior to EU accession have strengthened their positions, while the regions which had the worst economic performance remained all confined on the level of slow economic development, at best.

*The economic structure* plays an important role in the development of sub-national inequalities, because it affects the income levels and their regional distribution. In the literature, but also in the practice of policy making, certain typological groups were highlighted, designed to reduce, on the basis of several socio-economic features, to only a few major categories the mosaic of regions within a country/EU. Their usefulness is evidenced by the role they have in policy making of appropriate regional policies, representative of these categories of regions.

The analysis of sectoral economic structure of Romania's regions as compared to the EU countries revealed, overall, a relative trend of sector "convergence" in 2000-2008,

broken by the economic crisis, which initiated a process of divergence and emphasis on national/regional specialization, amid persistence of large structural differences between the EU countries and between the regions of Romania. Issues most important to be noticed concern: reduction in the share of *agriculture* in the structure of national and regional gross value added, even if Romania still recorded the highest share of this sector among the EU countries, maintaining the position of *industry* as main growth factor in Romania, with positive effects in terms of competitive specialization of developed areas and the overall economic development of areas with lower development level, increasing the importance of the contribution of *services* to the creation of national and regional added value, but with large oscillations the period 2000-2010, which indicates the presence of unexploited potential, both in terms of absolute advantage and productivity growth.

Regarding the Sud Muntenia Region, it is worth noticing the pronounced specialization of its counties in *agriculture* (counties in Southern part of the region, plus Dâmbovița County), *industry* (Arges and Prahova), *constructions* (Giurgiu county, located close to Bucuresti-Ilfov, the most developed region of Romania, benefiting from the opportunity to attract businesses in sectors other than agriculture), while the *service* sector is somewhat less developed, although its importance is growing in all counties of the region.

#### **References:**

1. *Investing in Europe's Future - Fifth Report on Economic, Social and Territorial Cohesion*, European Union, 2010.
2. Chilian Mihaela-Nona, *Coeziunea economico-socială la nivel regional – Elemente de fundamentare a unor strategii naționale*, Editura Expert, Bucuresti, 2014 - Programul Operațional Sectorial pentru Dezvoltarea Resurselor Umane 2007 – 2013, Contract POSDRU/89/1.5/S/62988, Proiect “Cercetarea științifică economică, suport al bunăstării și dezvoltării umane în context European”, Institutul Național de Cercetări Economice “Costin C. Kirițescu”, București.
3. L.M. Lobao, G. Hooks, A.R. Tickamyer, Poverty and inequality across space: sociological reflections on the missing-middle subnational scale, *Cambridge Journal of Regions, Economy and Society* 2008, 1, 89–113.
4. Constantin Daniela Luminița, *Elemente fundamentale de economie regională*, ASE, București, 2004.
5. Ghizdeanu Ion, *Prognoză regională*, Editura Mustang, București, 2010, ISBN 978-606-8058-23-8,
6. Ghizdeanu Ion, *Macroeconomie aplicată*, Editura BREN, București, 2007, ISBN 978-973-648-677,
7. Jordan Marioara, Albu Lucian Liviu, Ghizdeanu Ion, Chilian Nona Mihaela, Diaconescu Tiberiu, *Development Gaps in the Sud Muntenia Region of Romania*, ERSA Congress 2013, Palermo, 27-31 august 2013.