

## **GENERAL FRAMEWORK OF REGIONAL DEVELOPMENT IN ROMANIA**

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**Abstract.** Being created at the European Union suggestion in order to reduce the differences between territorial development, the development regions in Romania are statistical units type NUTS II. Even though they have more than 10 years since they have been created, we can observe a developmental hypertrophy in the Bucuresti-Ilfov region, which order the most diversified infrastructure and the highest and qualified demographic potential. In opposition to this, the East and South peripheric regions, with a state management type of industrial heritage, are still under developed, the territorial discrepancies of development are continuously growing, proving in our case that this new type of regionalism is inefficient.

**Rezumat.** Cadrul general de dezvoltare regională în România. Fiind create la sugestia Uniunii Europene, în scopul de a reduce diferențele în cadrul dezvoltării teritoriale, regiunile de dezvoltare din România sunt unități statistice de tip NUTS II. Chiar dacă au mai mult de 10 ani de când acestea au fost create, putem observa o hipertrofie de dezvoltare în regiunea Bucuresti-Ilfov, care dispune de cea mai diversificată infrastructură și de cel mai mare și calificat potențial demografic. În opoziție cu aceasta, regiunile de Est și de Sud-periferice, cu un tip de gestionare a patrimoniului industrial de stat, sunt încă subdezvoltate, discrepanțele teritoriale de dezvoltare sunt în continuă creștere, dovedind astfel, în cazul nostru, faptul că acest nou tip de regionare este ineficient.

**Keywords:** *regions of development, teritorial discrepancies, GDP, Romania*

**Cuvinte cheie:** *regiuni de dezvoltare, discrepanțe teritoriale, PIB, România*

### **1. INTRODUCTION**

In order to obtain a harmonic politics of territorial development compared to those in the European Union and financial support for the territorial profile development, Romania created 8 development regions.

By creating the development regions the following objectives were laid down in the article 2 from the 154/1998 Law, as follows:

- reducing the lack of balance between the regions by stimulating the well-balanced development by recovering the delay in development from the disadvantaged areas;
- preparing the institutional frame correspondent to the aderation criteria to EU and the access to the structural funds;
- at regional level, correlating the government sectorial politics by stimulating the initiatives and capitalizing the local and regional resources in order to

- obtain a sustainable socio-economic development of regions;
- stimulating the interregional cooperation nationally, internationally and over the borders, the attendance of the regions to the european organizations, economic, regional and institutional development promoters.

According to the EU requirements and regulations, the national level of funds allotment refers to a too large surface and a great number of inhabitants thus creating the risk of centralized and preferential conveyance of funds for regional development. On the



Fig. 1. The Regions of Development in Romania.

1 North-East; 2 South-East; 3 South-Muntenia; 4 South-West; 5 North-West; 7 Center; 8 Bucuresti-Ilfov

(after Green Carta, The Regional Development Politics, Bucharest, Romanian Government, 1997).

other hand, the lowest administrative rank, the county (the superior rank being the national one) is considered too small (in the number of inhabitants as well) in order to convincingly respond to the need of financial support so the EU recommendation was for us to create territorial units with a minimum of 2 millions inhabitants.

The regions created according to the 154/1998 Law, later modified through the 143/2003 Law, are not administrative units. They are formed by groups of counties in the territorial contiguity, being, in most cases, very heterogeneous, under every aspect (the natural frame, demographic, traditions, level of development, infrastructure). In Romania, the developmental regions work as statistical entities.

According to the EU classifications, the developmental regions in Romania are included in the NUTS II level (Nomenclature des Unités Territoriale Stratégiques) (to NUTS I it corresponds the national territory, and to the NUTS III, the counties).

Each development region has minimum 2 millions inhabitants, exception being the West Region eith 1.959. 985 inhabitants.

Table 1. Romania. The Regions of Development . Cantitative characteristics

The Name of the Region	The constitutive counties	The region's surface (km <sup>2</sup> )	The number of inhabitants	The rate of urban population (%)
The North-East Region	Suceava, Botoşani, Neamţ, Iaşi, Bacău, Vaslui	36.850	3.685.393	40,6
The South-East Region	Vrancea, Galaţi, Buzău, Brăila, Tulcea, Constanţa	35.762	2.852.480	54,6
The South Region	Ialomiţa, Călăraşi, Giurgiu, Teleorman, Prahova, Dâmboviţa, Argeş	34.453	3.380.516	39,7
The South-West Region	Olt, Dolj, Vâlcea, Gorj, Mehedinţi	29.212	2.332.194	43,8
The West Region	Caraş-Severin, Timiş, Arad, Hunedoara	32.034	1.959.985	60,9
The North-West Region	Cluj, Bistriţa-Năsăud, Maramureş, Sălaj, Satu Mare, Bihor	34.159	2.744.008	51,1
The Center Region	Alba, Braşov, Covasna, Harghita, Mureş, Sibiu	34.100	2.521.745	58,3
The Bucuresti-Ilfov Region	Bucureşti	1.821	2.221.860	87,9
<b>România</b>		<b>238.391</b>	<b>21.598.181</b>	<b>52,7</b>

Source: Statistical Romanian Yearbook, 2002.

## 2. METHODOLOGY

In this case there have been applied the well-known research methods, subordinate goal, like the analytical method, the statistical method, the mapping and the shapping methods.

The Analysis consists of selecting and describing a set of „measurements” indicators for the regional competitiveness, capable of showing the region's situation from the metric point of view (surface, number of inhabitants), but also from the calitative point of view (GDP/inhabitant, share of population with higher education, etc ).

Through specialized maps there have been emphasized the regional disparities at singular and compound indicators.

From these models, we have chosen the one applied by the Applied Economy Group (2007), taking out of it only the „hard” type indicators selected from the structural indicators reccomended by the Lisbon Agenda.

According to the Lisbon Agenda, three main groups of structural indicators can be seen:

**A. Economic indicators (EI)** (the general economic environment and the economic reforms);

**B.** The Socio-demographic indicators (SI) (employment and social cohesion);

**C.** Research-innovation indicators (TI) (aids).

From the economic group of indicators (A) there have been analysis upon the following: GDP/inhabitant, the GDP growth rate, the labor productivity (GDP/occupied population), the net exports, direct foreing investments, the number of companies/1000 inhabitants and the net income/inhabitant (p.112);

The social indicators (B) taken are: the employment rate of labor, average life index (% of national average) and rate of employed population with higher education level.

The Innovation Research indicators (C) (aids) used are: costs of research (development) (% of GDP), employment in quaternary sector (% of total) and the number of patents registered (%of total requests).

The Regional competitiveness indicator (IC) represents the weighted average of the three main groups of indicators, the model Applied Economics Group (2007).

*Table 2. Compound indicators of regional competitiveness*

Category and name of the indicator	Share
<b>A. Economic indicators (EI)</b>	<b>30 %</b>
A1 – Labor productivity (GDP/occupied person)	30
A2 – GDP growth rate	10
A3 – Net Exports	10
A4 – Direct foreign investments	10
A5 – Number of SMEs (small and medium)	10
A6 – Net income per capita (RON)	30
<b>B. Socio-Demographic indicators (SI)</b>	<b>40 %</b>
B1 – Unemployment rate	30
B2 – Employment rate	30
B3 – Index of average duration of life (years)	20
B4 – The rate of employed population with higher education level in total employment	20
<b>C – Research-innovation indicators(tehnology) (TI)</b>	<b>30 %</b>
C1 – Research and development expenditure ( % of GDP)	40
C2 – Population employed in R& D (Research and development sector)	30
C3 – Number of patents registered in the total amount	30

Source: GEA, 2007

Following the GEA model we present the formula which calculates the compound value of variables used for the economic indicator.

$$EI = (30 A1 + 10A2 + 10A3 + 10A4 + 10A5 + 30A6) / 100$$

The compound value of the socio-demographic compound is shown by the formula:

$$SI = (30B1 + 30B2 + 20B3 + 20B4) / 100$$

The compound indicator is being calculated after the formula:

$$TI = (40C1 + 30C2 + 30C3) / 100$$

The index of regional competitiveness (IC) is a result from the weighted average of the economic indicator (EI), of the socio-demographic relief (SI) and that of innovation-research (aids) (TI)

$$[CI = (40*EI + 30*SI + 30*TI)/100]$$

In the GEA model the economic model holds the highest percentage (40%), the other two having equal values (30%).

### 3. THE ANALYSIS OF COMPETITIVENESS FACTORS

#### 3.1. A1. The gross domestic product/inhabitant (GDP)

In recent years Romania has registered an outstanding growth of the GDP (between 2002 and 2006, the GDP volume has doubled, rating an annual growth of over 6 % in 4 years, at real levels).

The GDP structure given on resource categories shows that the highest contribution to the GDP is the industry (over 25%), the most important place being occupied by the manufacturing industry. The next after the industry are the real estate transactions (over 13%), the service activities performed toward the enterprises and on the third place we find the trade.

*Tabel 3. The evolution of GDP/inhabitant/region (lei)*

The Years	2002	2003	2004	2005	2006	Euros (2006)
Country total	6.974,9	9.084,0	11413.5	13.362,8	15.967,6	4000
North East Region	5.057,4	6.521,5	7872.0	8.907,6	10.295,8	2574
South-East Region	6.288,8	8.018,6	10470,2	11.541,7	13.569,8	3392
South Muntenia Region	5.613,3	7.294,9	9407,2	11.068,5	13.374,6	3344
South-West-Oltenia Region	5.415,3	7.547,0	9367,2	10.371,1	12.463,2	3116
West Region	7.629,5	10.182,8	13020.1	15.064,7	18.570,1	4687
North-West Region	6.690,7	8,639,7	10901.2	12.538,6	14,946,6	3736
Center Region	7.332,0	9.425,5	11458.8	13.097,6	15.920,2	3980
Bucureşti-Ilfov Region	14.149,1	18.276,5	22908.7	29.572,6	35.012,1	8753

Source: NIS, 2008, Statistics on sustainable development

The GDP/inhabitant provides data about the region's economic performance reflected on an inhabitant. Highlight regional differences are important, the highest values being recorded, naturally in Bucharest-Ilfov Region. Western region follows. The third group is the center and the North Western Region, and the fourth group is the country's southern and eastern regions (Euro-parity is 4/1, the average current during the last year-2009).

We see a gap in the socio-economic area of the country, the western party (macro region 1) is much more developed in relation to the east of the country (macro region 2) lagging behind. Than the national average, by 15976.6 USD/capita (2006) (about 4000 Euro), counties in east and south of the country are below this value. This east-west duality is not a unique situation in our country, the characteristic and Central European countries (eg Ungaria: Északkelet Magyarország – Nzugat Dunántúl), Slovakia (Eastern Slovakia- Bratislava Region), Austria (Burgenland – Oder Österreich) each characterized by this duality space in terms of level of development.

On the category of resources, the highest growth in GDP structure has been construction, real estate and financial intermediation sectors that rely on investment.



Fig. 2 GDP/regions

Source: Romanian Statistical Yearbook-2008

### 3.2. A2. The growth rate of GDP

This indicator presents the specific form of dynamic economic region

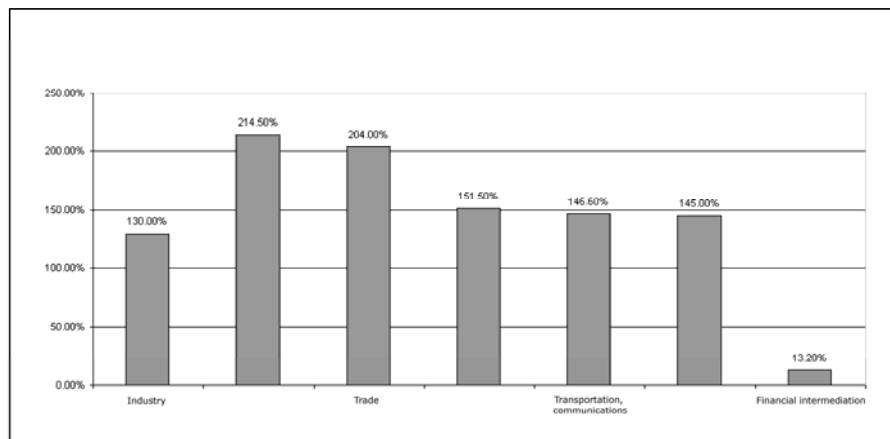


Fig. 3. Evolution of GDP, by types of resource

In the up-coming years will witness explosive growth in the services and their share in national GDP and regional levels.

Table 4. GDP growth rate (%) at national and regional level (changes percentage over the previous year)

Rate in %								
The years	2000	2001	2002	2003	2004	2005	2006	2007
Total	2,1	5,7	5,1	5,2	8,5	4,2	6,0	6,2
North-East	-2,5	8,3	5,2	6,7	5,7	2,2	5,8	6,1
South-East	-2,7	3,2	5,3	5,0	10,3	2,6	5,9	5,9
South	-3,3	6,2	6,3	6,5	10,6	3,7	6,0	6,0
South-West	-1,0	1,9	0,5	11,3	9,1	2,6	6,1	5,8
West	-9,1	8,5	6,2	9,6	8,5	5,6	5,8	5,7
North-West	0,9	4,7	6,8	8,0	6,3	2,6	5,4	5,9
Center	2,7	3,1	7,4	4,7	8,4	3,8	5,7	5,9
Bucharest-Ilfov	23,4	8,1	3,4	-1,9	8,7	7,3	6,6	7,1

Source: NIS, 2008

In the evolution of the value of GDP percentage, the highest annual increase was recorded in 2004, in actually after the first economic boom in foreign investment on privatizations. After 2005, all regions experienced a growth exceeding 6% in 2007 (national average). The highest increase was recorded in the capital and the Ilfov county, which began in 2003 after the decline of an upward trend with values exceeding 7% per year.

Bucharest-Ilfov region was only one since 2004 has increased each year above the national average.

In 2007, the growth was 7.1 % compared to 6.2% the national average, and at its economic advance in 2008 to slow to 6.8% and Romania to be 6.3%.

Both in 2007 and in 2008 (estimated), the West region will occupy the last place ranking, with increases of 5.7% and 5.9%.

In 2006, the region's economy grew by 5.8%, after the 2003 and 2004 advanced by 2.6% and respectively 8.5%. Tempered growth is due to a situation of stability, high investment and development projects are fewer, they belong in other parts of the country. Most projects are in an advanced phase, the comparative advantages (cheaper land, lower-cost human resources) are not very expressive, as these facilities can be found elsewhere in emerging economies.

The Western, North-Western and Center regions had a more advantaged position, closer to western markets and less dependant on primary sector, benefiting more from the direct foreign investments.

The lowest growth in 2005 were recorded in North-East by 2.2 %, South-East, South-West and North West by 2.6%.

In 2006 and 2007, GDP growth rate was also sensitive to the regions (see Table 4). The more developed regions become more and more developed, this result and the growth of GDP, so that the gap between regions does not appear to decrease, but on the contrary is in a continuous growing.

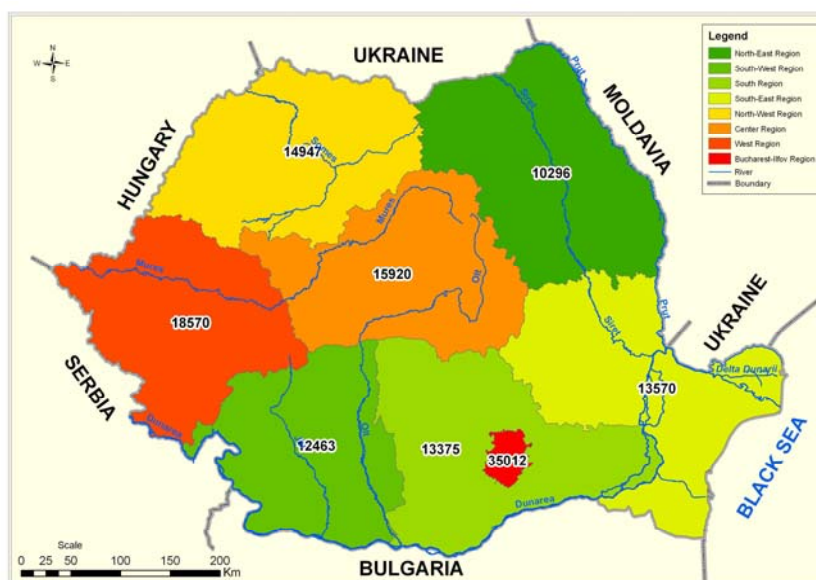


Fig.4 . The GDP/inhabitan

Source: Romanian Statistical Yearbook-2007

### 3.3. GDP/inhabitant. Comparisons

It highlights the sensitive possibilities for comparison, the gap in the regional development. In 2005, the GDP indicator per capita expressed in purchasing power based on 271 regions in EU-27, comprises a scale of values that ranged an average of 24% in the North Eastern region, at 303% on average for Inner London area of British capital. These data are provided by the European Statistical System Eurostat, the Statistical Office of the European Communities. According to these data, a region of 6 is GDP per capita at 125% of the EU average for the EU27.

The highest values were obtained by the Inner London region (303 % of average), the Grand Duchy of Luxembourg (264%) and the Brussels region (241%). Among the 42 regions exceeding the 125% of GDP in Eu-27 average are 8 regions in Germany, 5 each from the Netherlands and United Kingdom, 4 from Italy and Austria, 3 from Belgium and Spain, 2 from Finland, one region of the Czech Republic, Denmark, Ireland, Greece, France, Slovakia, Sweden and Luxembourg.

The lowest level of GDP per capita are 15 regions in Bulgaria, Poland and Romania. The lowest values are for the North-Eastern region of Romania (24% of EU average), and Yuzhen Severozapaden Tsentralen in Bulgaria (both 27%).

The comparative data, although applied to only 30 regions (out of 271) located at each end, it clearly highlights the spatial disparity in the level of West-East development, which is characteristic throughout the Community.

The first 15 positions are occupied mostly by the regions that include major European capitals (Ile de France, Brussels, Vienna, Prague, Stockholm) or regions with large urban centers and industrial traditions (growth poles) and complex economic profile, as would Darmstadt, Utrecht, Munchen, Hamburg etc.



Table 5. GDP / inhabitant in 30 european regions (share of the EU average-%)

Regions with the highest GDP			Regions with the lowest GDP		
1	Inner London	303	1	North-East	24
2	Luxembourg	264	2	Saverozapaden	27
3	Bruxelles – Cap.	241	3	Yuzhen Tsentralen	27
4	Hamburg	202	4	Severen Tsentralen	28
5	Wien	178	5	South-West Oltenia	28
6	Île de France	173	6	South Muntenia	29
7	Stockholm	172	7	Severoiztochen	31
8	Bekshire, Buckinghamshire&Oxfordshire	168	8	South – East	31
9	Oderbayern	166	9	Yugoiztochen	33
10	Groningen	164	10	North – West	34
11	Hovedstaden	161	11	Lubelskie	35
12	Praha	160	12	Podkarpackie	35
13	Utrecht	158	13	Center	36
14	Southern&Eastern	158	14	Podlaskie	38
15	Darmstadt	158	15	Swietokrzyskie	38

Source: Eurostat, 2006

Last 15 sites are regions of Eastern Europe and some parts of Central Europe, but none of the regions they belong to the capitals of these countries (Bucharest, Sofia).

### 3.4. A3. Exports and trade deficit

Regarding the indicator of export, it expresses the degree of integration (openness) of the economy in global economic processes, ie how and to what extent the region is involved in international trade. Not to ignore any sorts of products and services in international markets and is the value added to them. It is not whether the products intended for export are low value raw materials or processed at high levels. The added value is given by the applied technologies and labor invested for a product or service, including scientific innovation distribution and marketing activities.

Table 6. The value of exports to national and regional level-in million Euros (FOB) (FOB value is the cost of the product exported to the frontier of the exporting country, including its value, and all costs to the point of loading).

Year	2003	2004	2005	2006	2007
Total economy	15.614	18.935	22.255	25.850	29.549
North-East	1.310	1.540,9	1.840,7	2.050	2.320
South-East	2.252	2.697,9	3.163,2	3.590	4.050
South Munt.	1.300	1.718	2.722,2	3.000	3.320
South-West	845	1.124,7	1.393,2	1.550	1.750
West	2.842	3.217,4	3.487,1	4.000	4.700

North-West	1.877	2.134,7	2.499,8	2.835	3.210
Center	1.810	2.111,2	2.420,2	2.825	3.250
Buc. Ilfov	3.378	4.389,8	4.728,6	5.650	6.550

Source: Romanian Statistical Yearbook , 2007.

The largest share of exports to the monetary value is a manufacturing (machinery, vehicles, various electronic devices, textiles and chemicals, food), but is significant and the margin of agricultural products, particularly basic materials for food industry.

The structure of Romanian exports (2007), products from agriculture had the lowest proportion (638 million euros), while manufacturing is one that has the highest export value (28,707 million euros). Within the manufacturing, the greatest contribution one has metallurgy, machinery and electrical equipment, construction machinery and equipment, textiles and textiles products and road transport, the last place being occupied by the energy sector (144 million Euro).

We find that Romania has a healthy industrial export structure, the highest weights being recorded for the branches in which the goods have a relatively high gross value added (machinery, equipment, electric appliances, road transport). The issue of international trade is the trade deficit because imports have a higher weight in the balance of international trade than exports.

Regarding the trend in imports between 2000 and 2007, the share of imports increased, with higher exports, both regionally and nationally. Bucharest-Ilfov region has 22% of export and import almost 40%, contributing over 70% of Romania's trade deficit.

The ranking is second in the Western region is characterized by the fact that industries that produce the most export (European Community markets), this indicating a high degree of economic openness to the region.

It is noteworthy the South-East region, in third place which means that the Romanian exports Galati and Constanta counties have a serious weight. The highest weight has metallurgy and shipping services.

It is almost incomprehensible fourth position of the south Muntenia with a very low value exceeds the Central region, Arges, Prahova, the most important industrial areas of Romania.

The most advantageous situation in the trade balance recorded a Western region actually has a positive balance of trade. Similarly the situation in the South-Western exports exceed imports, but trade volume of these operations is very low. The situation is almost balanced in the South-East, where exports from the metallurgy industry creates a more favorable situation.

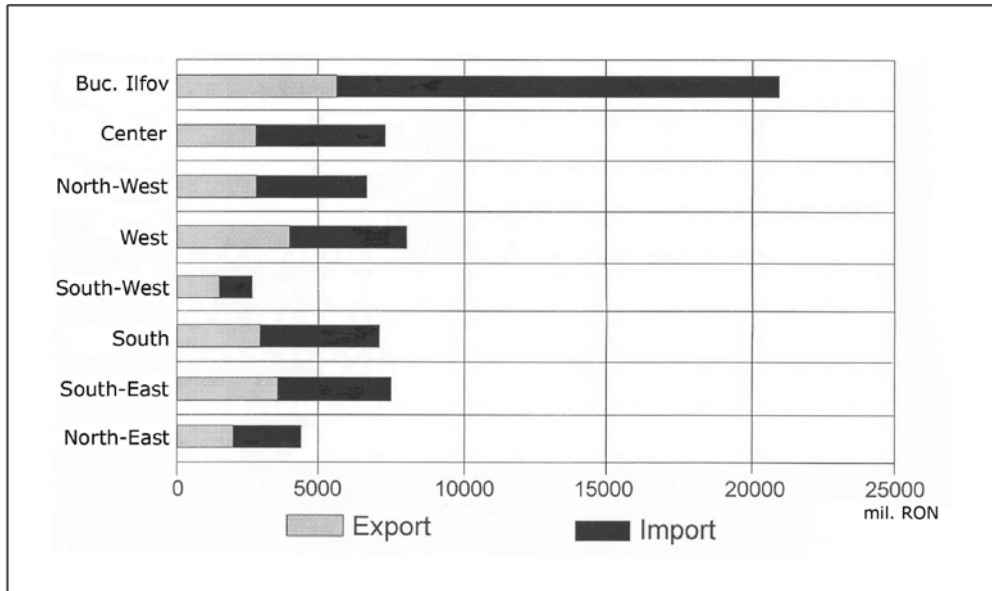


Fig. 5 The Trade deficit in 2006, by region.

Source: based on data from the Statistical Yearbook of Romania, 2008.

### 3.5. A 4. Foreign direct investment in Romania (FDI)

„The Foreign direct investment means a lasting investment relationship between a resident entity and a non-resident entity and usually involve the exercise by the investor to influence the management of the company has invested” (Report BNR, 2007)

Are considered foreign investment, paid-up capital, loans between investors and the firm has invested, reinvested profits respectively.

Types of FDI are:

- greenfield (greenfield investment);
- mergers and acquisitions (acquisition of all or part of an undertaking by a foreign investor);
- development companies (increase FDI holdings in an enterprise resident).

In 2007 there was a level of 7250 million (net inflows) of which 31% ownership, 18% and 51% net income reinvested net credit received by foreign investors in the group (group of companies, fund allocation to parent company to subsidiary).

FDI at the end of the final balance was 42770 million. Opposite the year 2006, the FDI has increased from 34512 billion euros up to 42770 million, a rate of 19.4%.

If we look at the stock on the main economic activity, we found that the most attractive economic industry is manufacturing (32.9 %), in its metallurgy, food beverage and tobacco (5.2%), petroleum processing, product chemicals, etc. On second place are the financial intermediation and insurance, telecommunications activities, services rendered to enterprises.

Table 7. Foreign direct investment in Romania on December 31, 2007 (distribution of the main economic activities-million Euros)

Area	Value	% of total ISD
Total investment	42.770	100
Industry	17.409	40,7
Electricity, gas and water	1.292	3
Financial intermediation	9.961	23,3
Comerce	5.970	14,0
Construction, real state	3.329	7,8
Post and Telecommunications	2.784	6,5
Business services	1.940	4,5
Transportation, hotels and restaurants	799	1,8
Other activities	578	1,4

Source: Report NBR, 2008

Investments in tourism are relatively low, as a reflection of roads and poor rail and a poor management. Although industry is a branch with a lower weighting in the EU economy, Romania has still a considerable share of this industry, an industry with significant export participation. Foreign investments have a major role in both economic growth and for exports. Most companies with foreign capital are focused on domestic markets (intra-European) and the CIS. Firms with foreign capital contributes to export the country with 70.8% and in terms of imports, their contribution in 2007 was 59.2 % of total imports, thus having a positive impact on Romania's trade balance (ratio NBR, 2008).

Distribution of investments by country of origin shows a dominance on the Romanian markets for firms in the Community, of all foreign companies that invested in Romania.

For the most part, foreign direct investment from EU countries or from countries throughout Europe, the first of Austria (food industry, banking and insurance, building materials, sanitation and waste management, etc...), And Netherlands (food, beer, commercial), Germany (trade, transport), France (construction materials, telecommunications), Greece (banking), etc.

For these reasons, we confirm the importance of Romania's EU accession, as investors in the EU is strongly facilitated to enter the Romanian market.

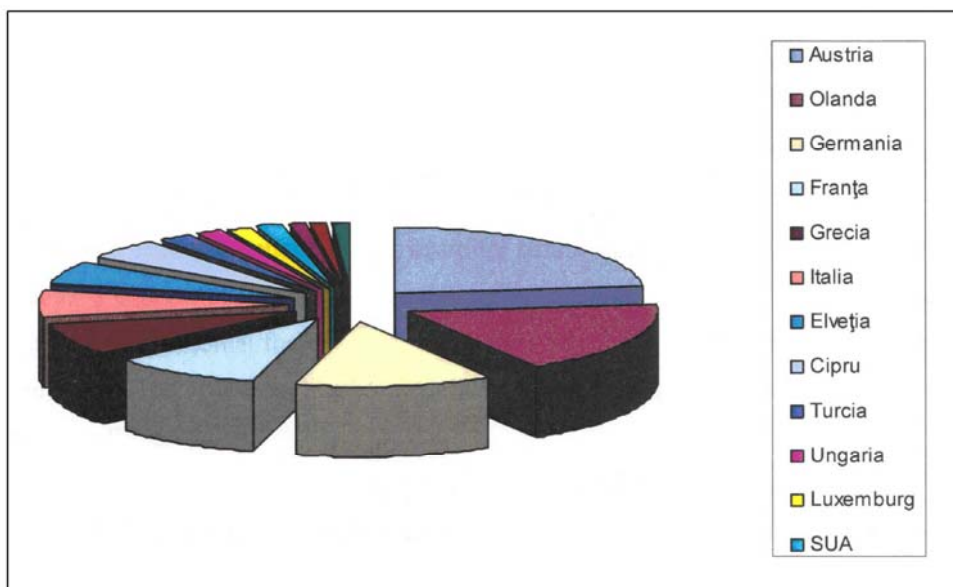


Fig. 6 Foreign investment by country of origin

Source: Annual report of NBR 2007, 2008.

Table 8. Distribution of foreign direct investment (FDI) by region (million Euros)

Name area	Value FDI	% of total FDI
Romania	42.770	100
North-East	672	1,6
South-East	2.448	5,7
South-Muntenia	2.949	6,9
South-West	1.379	3,2
West	2.365	5,5
North-West	1.907	4,5
Center	3.541	8,3
Bucharest-Ilfov	27.516	64,3

Source: Annual report al NBR , 2008 ( National Bank of Romania)

The most important recipient of FDI is Region Bucharest-Ilfov, where a huge concentration of foreign capital generates economic growth well above the average

country, a very low unemployment, that a labor shortage. The largest amounts invested appear in manufacturing, retail trade and services firms.

In 2006, after the Bucharest-Ilfov second place was the Central region with over 8.3%, South-Muntenia the third place with a share of 7% of total investment.

### 3.6) A5. The Number of small and medium enterprise with foreign capital

Registration of foreign-owned firms shows a steady growth from 1991 to today, their territorial distribution is uneven.

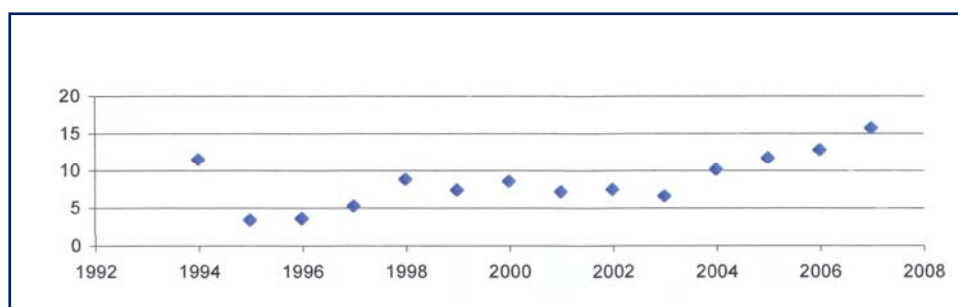


Fig. 7 Registration of companies with foreign participation 1991-2007.

Source: NIS, Monthly Statistical Bulletin, December 2007

The most numerous foreign companies were registered after 2004, reaching 2007 to 15270. Most companies registered in 2008 were in Bucharest Municipality (281 by November 2008), in Timis county 54, 52 Bihor, Cluj 45, Ilfov 44, Arad 31, Constanta 31, 22 brasov, Prahova, Sibiu 22 and 19.

There has been more than 10 companies with foreign capital or foreign capital participation in the counties of Mures, Harghita, Iasi, Arges, Dambovita. Regarding the amount of capital invested, it has fared even more dramatic after 2004, when the total issued capital with foreign participation has exceeded 2 billion euros and in 2008 it reached 3 billion.

In 2007 and until the third semester of 2008, with the highest levels of foreign participation in equity of companies were registered in Bucharest and the counties with large urban centers such as county Brasov, Cluj, Ilfov County, with values much lower, but above the average for the country being Timis, Sibiu, Arad.

The largest number of companies is registered in the capital city and Ilfov County, followed by NorthWest and central regions, the fewest companies being registered in South-Muntenia and South-West. There are some counties with a very small number of companies such as calarasi, Ialomita, Vaslui and Vrancea.

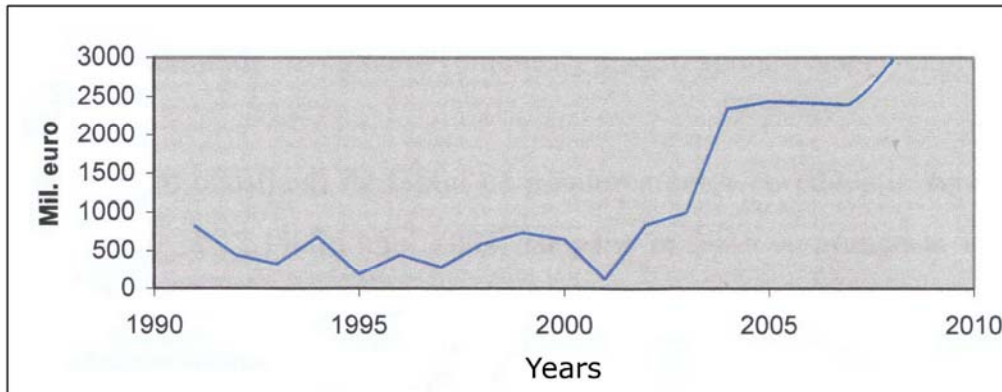


Fig. 8 Foreign participation in the subscribed capital in the period 1990-2008  
 Source: Monthly Statistical Bulletin , December 2008

### 3.7. The number of firms per 1000 inhabitants

A more transparent indicator is the number of firms per 1000 inhabitants, which has effectively entrepreneurial attitude towards the regional population.

In the regions where the number of firms is low, in general we see also a weak economic performance. This logic is present in the Romanian Economy. The number of firms in EU countries is over 50 per 1000 inhabitants, and in our country the average is 22.18 (this value is close to 50 companies per 1000 inhabitants only in Bucharest-Ilfov region). Regional disparities are significant in this respect even between regions in the province, the highest being in North West and lowest in North East, which represents a difference of almost 10 companies per 100 inhabitants.

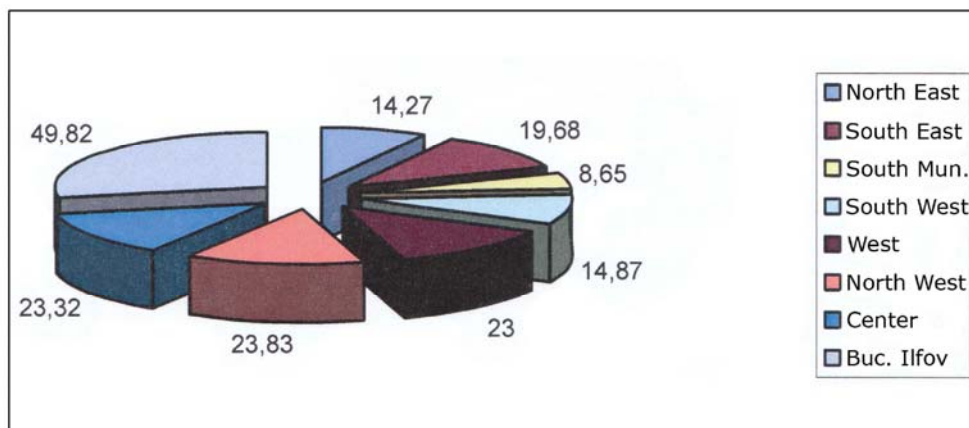


Fig. 9 The number of companies per 1000 inhabitants  
 Source: NIS, Romanian Statistical Yearbook, 2002-2006

### 3.7. A6. Net income/capital

#### 3.7.1 The cost and quality of labor

According to Eurostat, on July 1, 2005 the minimum wage in Romania is 86 euros, slightly higher than in Bulgaria (77 euros), but much more lower than the recently joined EU countries (Malta-565 Euros, The Czech Republic-239 Euros, Hungary-229 Euros, Poland-207 Euro, etc.). (SOP Competitiveness, 2005). The disadvantage is still present in the Romanian economy for at least 5 to 8 years.

Regarding labor costs by region, we find that it depends on the sectors that are dominant in the region. Thus, labor costs are lower in regions where the share of employment in agriculture is high. In regions where services are of major importance, labor costs are even higher.

In this respect, it is useful to consider how the indicator is net earnings in the last six years, broken down by region of development, its development and regional disparities.

*Table.9 Net income of the population by region (GDP)*

	2002	2003	2004	2005	2006	2007
North-East	431,1	432,1	542,2	655,9	732,6	812,3
South-East	372,5	477,3	582,7	704,9	787,4	873,1
South Muntenia	369,5	469,3	578,9	700,3	774,5	858,7
South-West	401,1	503,8	605,9	732,9	821,1	901,3
West	367,5	479,3	594,7	728,8	817,3	909,0
North-West	339,0	445,7	555,4	683,4	765,6	848,9
Center	344,4	444,6	548,7	671,1	749,7	822,9
Bucharest- Ilfov	475,9	593,0	736,2	902,3	1.001,8	1.091,4
National Average	378,9	484,0	598,6	731,0	817,0	902,0

Source: Romanian Statistical Yearbook, 2008

Regarding the net earnings of the population, we found a significant increase in the last six years. Although differences between mean values recorded within and between regions in the east of the country are not too high, however, are considerable. These differences were relatively stable in 2005-2006 (10%)

The net earnings indicator is closely correlated with the population share of different sectors of the economy. In regions with a high proportion of agricultural population, the value is lower.

The most significant difference is highlighted in the Bucharest-Ilfov region and in North East, but this difference is not relevant because the capital region is the largest urban agglomeration which concentrates all economic advanced sectors, concentrating a large number of firms over 63% of international foreign investment.



#### 4. CONCLUSIONS

The main conclusion that is generated is the fact that hypertrophy overloads Bucharest-Ilfov, deviating significantly from the other seven regions, both by population, the high degree of absorption or resources development. In addition to these a central role of redistribution of national income has the concentration of power in decision-making role in the economic faith of other regions.

The most competitive regions are in central and western country, with higher development level even between the two world wars.

They are also physically closer to the markets in Western Europe, quickly assimilating European spirit (tolerance, decentralization, competition, etc against a more expressive ethnic diversity compared to other regions).

Actually we can sum up the idea that there are two big developmental directions, one is the strong gap between the west part (macro region 1) and the east part (macro region 2) of Romania, and the second one the immense discrepancy between the capital sector Bucharest-Ilfov and the rest of the country as the capital sums up 63% of the total foreign investments made in the past decades.

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