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Effectiveness of the Disadvantaged Area Policy. Brief Assessment. Case Study: Borşa – Vişeu Disadvantaged Area

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A B S T R A C T

Disadvantaged area (DA) policy can be considered a model of strategy for regional development, namely a strategy based on demand. It aims to capitalise on the internal resources a region has by granting external economic incentives. The objective is to make the region more attractive to investors. The main issue of such a strategy is represented by finding a way to keep the investors in the region after the termination of the DA status and the termination of financial facilities. This is the context in which the present study intends to do a brief assessment of the effectiveness the DA policy in Borşa-Vişeu DA had. This assessment is done three years after the termination of the DA status. Three indicators have been analysed: *the number of economic agents* that continued to be active in the region after the termination of the DA status; *the number of employees* and *the turnover*. Once Borşa-Vişeu DA terminated its status, this brought about a decrease in the economic dynamics of the two towns. This was particularly obvious in the decrease of the number of economic agents active after 2009 and in the decrease of employees. Nevertheless, the turnover of the SMSE increased continuously after 2006. Even though we do not consider that this policy failed in this particular mining area – Borşa-Vişeu – we cannot conclude that there was a real diversification of the economic activities, as the companies that remained active in the area are representing only several economic sectors and sub-sectors (Manufacture of wood, Transportation, and Tourism).

1. INTRODUCTION

Romania has experienced a transition period towards a market economy after 1990. This brought about significant changes in the economic geography of the country. Manufacturing suffered serious mutations, as many of its branches experienced a process of restructuring; some enterprises have been closed down, others changed their business objects, others were privatised. Some works changed their economic activity, thus adapting to the new demands of the market economy; the mono-industrial centres, in particular, had to reduce drastically their manufacturing activities. Some of the regions that had been mostly affected by these changes were the mining areas, their economic activity was much reduced and eventually stopped because of the high production costs and of the reduced productivity work had. This characterised also the mono-industrial towns, usually small ones, where the majority of the population was working in only one manufacture-related economic activity, and the works had not been vigorous enough and could not survive the new context of competition [1]. The process of industrial restructuring brought along new issues such as: economic decline within mining areas, intensification of social and environmental issues, increase in poverty [2]. Because of these economic changes and also because of the lack of a coherent regional development policy, the differences in development among various regions of the country grew more and more.

Therefore, drawing up and implementing a real regional policy in Romania became a necessity. Once Romania started its accession process into the EU, the existence of a regional policy became a condition. The first step on this road was represented by the setting up of the eight regions of development, as territorial units that correspond to NUTS II.

Another measure taken in order to reduce regional development disparities was to delineate areas that had serious economic and social issues, determined mainly by the restructuring that affected manufacturing. These needed specific measures that could ensure their rehabilitation. These areas have been called *disadvantaged areas* (DA) and the DA policy became a distinct component of the regional policy in Romania, during 1998-2010 [3]. The way in which the DAs were to function in territory was defined by the Emergency Ordinance no. 24/1998, which was later changed by the Emergency Ordinance no. 75/2000. The Emergency Ordinance no. 24/1998 defined the DAs, at that time, as 'geographical areas which are confined in territory and have one of the following characteristics: (a) they have mono-industrial productive entities in which more that 50% of employed population works; (b) they are mining areas within which over 25% of the population was made redundant because of collective layoffs; (c) they are areas in which collective layoffs have been done following a liquidation, restructuring or privatisation process; this affected more than 25% of the employees that lived in the area; (d) they are areas in which the unemployment rate is 30% higher than the national average; (e) they are isolated areas, with no communication means and poorly developed infrastructure' [4, article 1, paragraph 1].

The 38 disadvantages areas had been set up: 25 of them were mining areas, the rest (13) were towns or groups of towns with specific manufacturing specialisation [1]. Disadvantaged areas were set up for periods between three and ten years.

The DA policy was implemented during 1999-2010 and its objective was to attract investors into these areas by granting them fiscal and financial facilities, in order to ensure an economic recovery of these industrial areas which had been seriously affected by issues of economic restructuring and unemployment. These facilities were to be granted to those companies that activated in the area and had obtained investor certificates.

The negotiations with the EU, upon the 'Competition' chapter and the state policy alignment with the EU ones led to a decrease and finally an elimination of the fiscal and financial facilities for investors in the DAs. The DA policy ended in 2010. This was the year when the DA policy ceased and an alternative concept was introduced for the former DAs, namely that of Assisted Areas (AA). There were no more facilities for these AAs, but they benefited from financing programs for the projects involving medium and long-term complex investments which would have solved the issues the settlements had to cope with.

The DAs, as they were defined by Emergency Ordinance no. 24/1998 and which functioned as such between 1999 and 2010 should not be confused with those DAs defined in agricultural terms. These were 'areas where agricultural production is reduced in quantity and/or quality due to natural conditions and it is important to maintain an environmental balance between agricultural practices and natural conditions' [6, p. 284]. These areas received financial support in order to compensate the differences in the natural conditions present in other areas, to stop the depopulation process and to maintain their tourism potential. They were defined in the Council Regulation no. CE 1257/1999 as 'less-favoured areas', namely areas where agricultural activity was more difficult than in other areas because of natural drawbacks as unfavourable climate conditions, low productivity of the soil or steep slopes in mountainous areas [7].

One direction of the regional development policy was to nominate areas or regions which experience extensive industrial decline as development areas which were eligible for state financial support. This type of policy was present also in other countries within Central and Eastern Europe, countries that had experienced economic transition. In Bulgaria for example, nine such regions had been delineated as regions suffering from industrial decline. In the Czech Republic, two regions were 'undergoing structural change'. There were eight districts, within these two regions, that were 'undergoing difficult structural change' [8]. During 1996-1998, 14 special economic zones had been set up in Poland, for a period of 20 years, in order to generate economic development in certain regions by making them more attractive to new investors [9].

The issue of the DAs in Romania was dealt with in many specialized studies that aimed to do a general description of the DAs, an analysis on what it meant for an area to have this status, during its existence, or an evaluation of the consequences this status had, after its termination. Some of the authors interested in the subject were: Popescu, Caludia Rodica (2003), Benedek, J. (2004), Cocean, P., Cocean R. (2004), Cândea, Melinda, Simon, Tamara, Cimpoeru, Irina, Simion, G. (2004), Ilovan, Oana-Ramona (2005, 2006), Cândea, Melindea, Bran, Florina, Cimpoeru, Irina (2006), Mureşan, Gabriela-Alina, Rogojan, Raluca – Mihaela (2011), Mureşan, Gabriela-Alina, Timiş, Gabriela (2012).

Borşa-Vişeu Disadvantaged Area was one of the 38 disadvantages areas in Romania. It was declared in 1999, under Government Resolution no. 204 issued on the 25th of March. The Resolution stated that Borşa-Vişeu mining area, from Maramureş county, was represented by Borşa and Vişeu towns, as territorial-administrative units and totalised 86,718 hectares (article 2). The mining area was declared a disadvantaged area for a period of 10 years (article 3) [10].

The criteria under which Borşa-Vişeu mining area was declared a disadvantaged area were those stated by the Emergency Ordinance no. 24 of 1998, (b) and (e) paragraphs, about the regime of the disadvantaged areas, namely that these were mining areas where workforce was made redundant, through collective layoffs, as the policy of manufacturing restructuring was implemented; they lacked communication means and their infrastructure was poorly developed.

During the existence of the disadvantaged area, the economy of the two towns was somewhat reinvigorated, as some investors have been attracted in the area. Once the facilities stopped, starting with 2003 and at the termination of the DA status, there followed a decrease in the interest investors had for this region.

The present study aims to analyse the way in which the two towns, part of the DA, dealt with the economic challenges that followed after the termination of the DA status, which determined the termination of activity and bankruptcy in the case of some of the investors.

2. THEORY AND METHODOLOGY

Disadvantaged areas policy can be considered a model for a strategy of regional development, namely a strategy based on demand. This aims to capitalise on the internal resources a region has by granting external economic incentives. The objective is to make the region more attractive for potential investors and to set up new markets for the existing activities [11, p. 261]. The major issue that arises from such a strategy is represented by the integration, locally and regionally, of the economic agents that have been attracted to the region, namely keeping them in the region after the termination of the DA status and of the financial facilities. The real success of such a strategy must be on long term and means regional integration of businesses. The Romanian experience shows that this policy did not have the anticipated effect, as the economic recovery of the DAs was blocked by the weak local integration of the new companies and by the lack of integrated economic networks in these areas [11, p. 262].

This is the context in which the present study intends to do a brief assessment of the effectiveness of the DA policy by considering a case study, namely the Borşa-Vişeu DA. We chose this area as it included two towns that suffered economically following the restructuring of mining and of manufacture-related activities, during 1997-1999. We started from a previous analysis [12], in which we took an inventory of all the companies in 2009 that invested during the existence of the DA, the number of new jobs, and the investments made. In the present study, we indicate the way in which those economic agents having investor certificates continued to be active also after the termination of the DA status, namely the way in which the new businesses succeeded in being integrated, at the local and the regional level. This analysis allows us to make an assessment of the effectiveness of the DA policy, four years after its implementation ended.

In specialized scientific literature, the policy of regional development is generally assessed through an analysis on regional disparities. The latter are emphasised through social, demographical and economic indicators. The following are some of the indicators used to evaluate regional development policy: GDP/inhabitant; economically active population and employed population, unemployment, investments, especially direct foreign ones, as well as some indicators about the SMEs, namely the total number of active companies, their density (in relation to 1,000 inhabitants), number of employees, turnover and productivity [13], [14].

The policy of the disadvantaged areas and its impact on the economic development of these areas was analysed during the existence of the DA status (1999-2002) or at its termination (2009). Several indicators have been used in these analyses for the companies that invested in the DA area. In a study on Rodna disadvantaged area (Bistriţa-Năsăud county), Oana-Ramona Ilovan (2005) used the following indicators in order to evaluate the impact of the DA status: the number of economic agents based on the issued investor certificates and the type of legal entity each represented; the number of companies considering their business object; the number of companies in relation to the number of employees (micro-enterprises, small enterprises, medium-size enterprises, large enterprises); issued share capital in lei; foreign capital out of the issued share capital; new jobs; investments [15]. Oana-Ramona Ilovan (2006) employed the same indicators when she made a general analysis upon all the DAs within the North-West Development Region (namely on the following DAs: Baia-Mare, Borşa-Vişeu and Rodna) [16]. Bianca Dumitrescu (2008) added a new indicator to the above-mentioned ones, namely the exports of the economic agents that had investor certificates for the DAs [2]. Gabriela-Alina Mureşan *et al.* (2011) focused instead on only four indicators, considered to be relevant for the evaluation of the impact the implementation of such a policy had. These were: *the number of economic agents in relation to their business object; the number of new jobs; investments and the amount of facilities granted to the companies that invested in the area* [17]. The first three indicators, along with the exports were also used by Melinda Cândea *et al.* [18]. In a study on the old industrial regions in Europe, the author listed three indicators used for the Special Economic Zones in Poland, namely: total investment outlays, number of permissions for starting economic activity, number of jobs generated in SEZ [19]. In a World Bank report on Special Economic Zones, the same indicators were mentioned there for Pomerania Special Zone: the total number of investor certificates granted to conduct business activities, the total amount of investments, the number of employees [20]. In another study (a comparison between the processes of industrial restructuring in Ostrava agglomeration and in Katowice conurbation, respectively [21]), the analysis based on the following indicators: unemployment rate, mining activity productivity and investments, along with the quality of infrastructure. In an attempt to identify the effectiveness of the Special Economic Zones[1] in India, Tantri T. Malini (2011) considered the following facts that influenced the effectiveness of such areas: the value of exports (which was assimilated to turnover as it was supposed that the whole output was export-oriented), the total of input (labour, capital goods and raw materials imports), the number of exporting units, and labour productivity. The indicators used to analyse ineffectiveness were: the size of the zone (ha), concentration of units, governmental investments and a dummy variable for policy changes [22].

The effectiveness of the DA policy in Borşa-Vişeu mining area was assessed by using three indicators: *the number of economic agents* that continued to be economically active in the region after the termination of the DA status (they were analysed in turn based on the economic sector); *the number of employees* and *turnover* in 2013 (for Borşa) and 2011 (for Vişeu de Sus), respectively. The lack of data on these indicators from the latter town made us restrict the detailed analysis only to Borşa. Nevertheless, Vişeu was present in the analysis through a case study. One of the companies that remained in the area, and continued to be active, even under economic crisis was analysed. In comparison with the studies quoted above, our analysis is limited only to the three indicators considered because of the lack of data related to other indicators. We have to point out that, four years after the termination of the DA status, there is no clear record on the companies which are active in the area. This makes difficult the attempt to make an accurate and complete evaluation of the effectiveness of this policy.

In order to analyse the companies on economic sectors, we considered the NACE classification of economic activities in Romania, the one from 1997 [23], then changed into NACE Rev 1 [24]. These two were operational when the companies registered. The classification of the companies with investor certificates was done at first on NACE sections, which we associated in this analysis with the main economic sectors (Manufacturing, Construction, Trade etc.). Later, we also took into consideration the sub-sections of Manufacturing[2] and even the divisions, groups and classes, which were taken as sub-branches of this economic sector.

2.1. Consequences of the implementation of DA policy in Borşa-Vişeu mining area

The economy of the two towns was dominated by Mining and quarrying activities, in Borşa and by the Manufacture of wood, in Vişeu, until 1990. After this year, as it started a programme of industrial restructuring and mine closing, the amount of manufacture-related production reduced greatly, major layoffs took place and unemployment increased dramatically. Mining and quarrying was the most affected sector, while the Manufacture of wood and its sub-branches succeeded in adjusting, capitalising on local raw material and workforce, and even in having very good results also in exporting their products [25].

The aim of the declaration of Borşa-Vişeu DA was to attract investors in the area, which would lead to an increase in jobs and an economic recovery of the two towns. The consequences of the implementation of the DA policy in Borşa-Vişeu mining area were analysed in a study by Gabriela-Alina Mureşan *et al.* (2012) where the objective was to assess in which way this policy had an impact on the development of the two towns. The study showed that, due to the fiscal facilities granted to investors, a high number of investors were attracted here (159 economic agents), which activated in 14 economic branches and sub-branches. This determined a diversification of the economic activities in the two towns, which had been previously dominated by mining and the manufacture of wood [12]. Almost 3,000 new jobs were set up, a good number considering the layoffs in mining (2,200 people made unemployed during 1991-2001). The immediate consequence of the declaration of DA was a decrease in the unemployment rate. This registered a reduction from 47.8% (Borşa) and 61.24% (Vişeu de Sus), respectively, values that characterised the first part of the DA, to 7.17%, and 19%, respectively after just several months (on October 31, 1999) [12, p. 101]. We lack other data, but we can infer that this trend characterised the entire period of existence of the DA. Out of the 159 *economic agents* that were active in Borşa, 88 (55% of the total number) were active in *Manufacturing* (30 companies, accounting for approximately 34%), *Transportation* (22 companies, 25%) and *Agriculture and forestry* (14 agents, 16%). In the following sectors was the smallest number of investors with investor certificates: *Human health and social work activities* and *Other service activities*[3], each with only three companies (3.4%).

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[1] As in the case of the Disadvantaged Areas, Special Economic Zones are also part of the model of regional strategy based on demand. In such models, entrepreneurial development is supported by external financial incentives and legislation [9].

[2] Section E, in conformity with CAEN 1997, and D, under CAEN Rev.1, 2005.

[3] Other services activities *included NACE section named* Real estate activities, rental and leasing activities, business support activities *(real estate activities, rental and leasing of machines and equipment,*

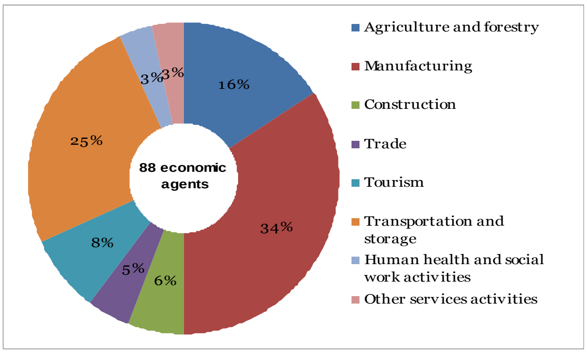


Fig. 1. Economic agents according to their business sector in Borşa (2006).

The most active sub-sector within Manufacturing was the *Manufacture of wood* (15 economic agents), namely half of all companies working in Manufacturing. It was followed by the *Manufacture of food products*, with six companies (20%) and the *Manufacture of furniture*, with three economic agents (10%).

The *new jobs* totalised 871 out of 2,826. It was clear that Borşa registered a lower attraction for workforce (only 30% out of the total number of new jobs) in comparison with Vişeu de Sus, during the existence of the DA.

3. RESULTS AND DISCUSSIONS

The present analysis was focused, at least in the case of the first indicator, on the year 2013 (for Borşa) in comparison with the period when the area had the status of DA (1999-2009).

The aim of the analysis was to conclude how many economic agents that invested during the status of DA were still in business once this status terminated. In practice, the investments made in the DA were greatly reduced starting with 2003 and were almost completely absent in 2006, along with the reduction and later with the shut-off of the financial facilities given to investors. This was the reason why the context specific for 2013 was compared directly with the situation in 2006.

The results of our study revealed the present economic dynamics of the two towns. We want to emphasize that these results are probably distorted by the effects determined by the economic and financial crisis affecting the whole country and also European and international economies.

Surely, if this crisis did not show up, the numbers would have been different. Nevertheless, we think that the results of our research allow us to draw a conclusion on the effectiveness of the DA policy, even though this is applied only to our case study. The conclusions of the study will be presented in the last part of the article.

information service activities, accounting, advertising, architectural and engineering activities, photographic, secretarial activities).

3.1. Number of economic agents

Out of the 159 economic agents that invested during the DA status of the area, 98 of them have continued their economic activity in 2013, representing approximately 40% less than in the previous period. 61 of these activated in Borşa and 37 in Vişeu de Sus. During the existence of the DA, the investing companies in Borşa accounted for 55% of the total number of economic agents with investor certificates. After the termination of this status, the majority of the economic agents continued to activate in the same town, accounting for 62% of the total number, which meant a significant decrease in the economic activity, in Vişeu (see fig. 2).

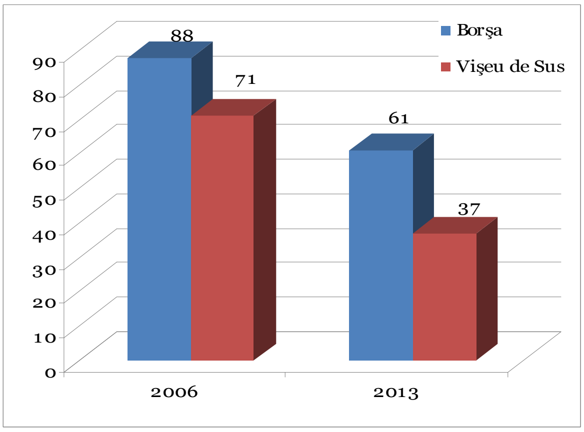


Fig. 2. Economic agents in Borşa and Vişeu de Sus, in 2006 and 2013, respectively.

There were 88 economic agents that invested in *Borşa* during 1999-2009. 61 of these remained active in 2013, 30% less when compared with the previous period. There were 71 economic agents investing in Vişeu de Sus during 1999-2009 and only 37 of them were still active. This meant that almost half of them (48%) reduced their activity since the termination of the DA status.

Considering the size of the companies in relation to the number of employees, most of them (42, about 69%) were part of the category of micro-enterprises, with less than 10 employees. Eighteen companies had between 10 and 49 employees and only one was part of the category of 50-249 employees.

We considered the analysis of companies on economic sectors and sub-sectors interesting and necessary as this structure emphasises the orientation of investments (during the existence of the DA and afterwards), the degree of attractiveness economic sectors had and the economic activities that dominated these areas [26].

An analysis according to their business sector revealed that most of the companies which continued their economic activity activated in *Manufacturing*, with a total of 23 companies (approximately 38% of the total number of companies in Borşa, four percentage points more than during the DA status), then followed by *Transportation*, with 15 economic agents (approximately 25%, amount similar to that registered during 1999-2009) and by *Agriculture and forestry,* with nine companies that invested in the area, which represented only 14.7%. We can conclude that the main economic sectors that remained active after the termination of the DA status are the same as those during the DA status. Furthermore, even though Manufacturing registered a decrease in absolute values (for example considering the number of SMEs), its contribution to the whole scheme of economic activities increased due to the significant decrease that characterised other economic activities. *Manufacturing* and *Transportation* registered the lowest decrease in the number of economic agents, active after the termination of DA status, with a value of less than 25%, in the case of Manufacturing, and with a little more than 30%, for Transportation. *Tourism* was the only economic sector in which the number of active economic agents remained unchanged. There were seven companies active in this sector, their contribution to the total increased from 8% (during 1999-2009) to 11.5%, in 2013. Once the status of DA ended, the other economic sectors within which companies registered for their investor certificate proved to be less attractive and effective on the market. It was the case of *Construction*, *Trade* and *Other service activities* (with just two active companies each in 2013) and *Human health and social work activities* (one company).

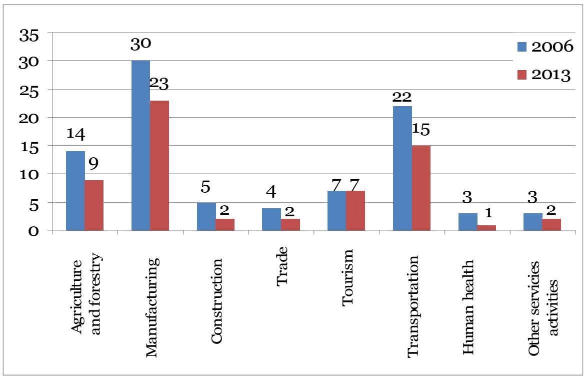


Fig. 3. Economic agents according to their business sector in Borşa (2006 and 2013).

Due to the great number of companies from the DA that focussed on activities specific to various sub-branches of Manufacturing and especially to the wide variety of economic activities that were part of this sector, the analysis was extended on the sub-branches of Manufacturing. Thus, if during the DA period, most of the economic agents were active in the *Manufacture of wood* (*Manufacture of wood and wood products* - NACE Rev. 1), namely 15, this sub-branch remained the most important also in 2013, with 11 economic agents, almost half of the companies that worked in *Manufacturing* (47.8%). The list continued with the *Manufacture of food products* (5 companies – 21.7%) and then the *Manufacture of textiles*, the *Manufacture of chemicals and chemical products* and the *Manufacture of basic metals*, each with two active companies. This number remained unchanged for the three economic sub-branches during and after the DA. The last sub-branch that continued its activity was the *Manufacture of furniture*, even if only one company (out of three) continued its activity after 2009.

When the two in-detail analyses were synthesised, we concluded that *Transportation* and the *Manufacture of wood* remained the most attractive economic activities in Borşa, after the termination of the DA status, along with *Agriculture and forestry* and *Tourism*. They registered the least reduction in the number of active companies after 2009 (Tourism was in the top with 0%) and they continued to hold the greatest number of economic agents. If we consider the fact that the economic agents active in *Agriculture and forestry* were in their majority representing Forestry (80%), namely activities close to the Manufacture of wood and that many of these companies had the Manufacture of wood as secondary business object, we could conclude that activities related to wood exploit and manufacture (along with the manufacture of wood products) were the main attractors for investors. This was due to the natural environment in the area (with plenty of raw material for these economic activities) and to the manufacture tradition that developed over the time. We could also conclude that other economic activities, in full development after the 1990, remained active. It was the case of Transportation and Tourism, supported by an intense internal and international migration. Construction and Trade knew less economic activity after the termination of the DA status.

One of the reasons for the decrease in the number of economic agents that remained active after the termination of the DA status was the termination of the fiscal facilities for investing companies during the existence of the DA, which translated in a decrease in the interest investors had in the area. At the same time, some of the companies terminated their business because of the decrease in the number of employees, as the period 2000-2010 was characterised by massive emigration. Other reasons were: a business sector that did not fit the demands of the market in that area, which led to the bankruptcy of some companies; a decrease in the demand some products had on the market; competition. These were intensified also by the effects of the economic crisis, which affected Romania in 2008, and by the lack of training programmes for the unemployed who would have been potential employees.

3.2. Number of employees

As there was a decrease in the number of economic agents that remained active at the termination of the DA status, there followed a decrease also in the total number of employees, if these indicators are compared to those from the 1999-2009 period. During this period of the DA status, 2,826 new workplaces were established, 871 of them in Borşa (approximately 30% of the total number), within those SMEs that had an investor certificate. In 2013, the number of employees working in the active companies in Borşa was 660. This decrease in the number of workplaces, with 25%, should not be consider alarming, as almost half of the companies that continued their activity (49.1%) employed people and thus increased the number of employees. There were cases of companies that increased the number of their employees with 50% or even with over 100%.

If we consider the distribution on economic activities, we notice that the greatest number of employees was registered in the same economic sectors in which the most numerous workplaces had been set up: *Manufacturing*, with 229 employees, 155 less when compared with the previous period (a decrease with approximately 40%); *Tourism*, counting 195 employees, 115 more, when compared with the 1999-2009 period, and *Transportation*, where the number of employees decreased with almost 20%, from 153 to 124. The increase in the number of employees in Tourism should not take us by surprise considering the fact that none of the economic agents that invested in this sector stopped their economic activity at the termination of the DA status. Their economic activity was significant in the area we analysed, due to the natural potential the two towns and their surroundings had.

When we considered only the Manufacturing sector, the first place as number of employees was occupied by the *Manufacture of wood*, with a total of 205 employees. Even if this branch registered a decrease in the number of employees, with approximately 44%, when compared with the 1999-2006 period, it remained on the first place. It had the highest number of employees, both within Manufacturing as an economic sector and when we considered all the others economic activities in the area. The most significant decrease in the number of employees, about 70%, was registered by the *Manufacture of furniture*, as out of the three companies that activated within the area, only one remained active after the termination of the DA status.

3.3. Turnover

One of the indicators we used in order to show the economic development of the SMEs after the termination of the DA status was *turnover*. This indicator represented the total amount of income resulting from the trade activities a company had, namely the selling of goods and products during a determined period of time. As we lack exact data for all the companies in Borşa, which remained economically active also after the termination of the DA status, we chose to work on a case study, namely the evolution of turnover for one of the most important economic agents in Borşa. SC Alcotim Vasalcomit SRL had an investor certificate during the period the DA had this status and it has been active economically to this day (see table 1, fig. 4).

Table 1. The evolution of turnover for SC Alcotim Vasalcomit SRL, during 2003-2013.

Year	Turnover (RON)
2003	2,589,000
2005	2,202,565
2007	1,098,000
2009	1,500,400
2011	2,100,000
2013	2,106,564

Source: Local Council, Borşa town, Department for Trade Assessment

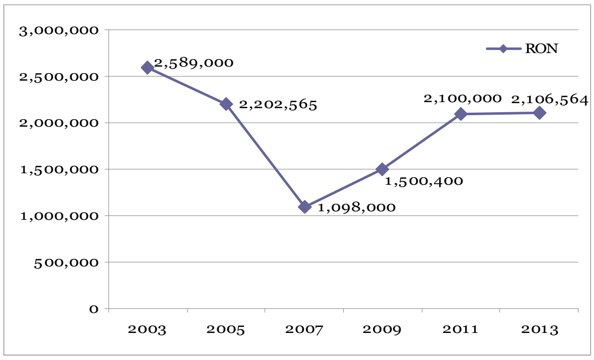


Fig. 4. The evolution of turnover for SC Alcotim Vasalcomit SRL.

The turnover had a downward evolution during 2003-2007 because that was a period when the facilities for investing companies were greatly reduced and finally stopped, even though the area had still the status of DA. Under these circumstances, many economic agents reduced their economic activity. In 2007, the company experienced a revival of its economic activity, the turnover being higher when compared to previous years. This increase could also be explained through the diversification process the company had, as it dealt in the trade of coniferous wood products, but also in tourism activities and national and international transportation (with coaches).

3.4. Number of employees and turnover in Vişeu de Sus

The data for the number of employees working in the active companies and those for the turnover were not available in the case of the second town part of the DA, Vişeu de Sus. Therefore, we chose to analyze the economic context in Vişeu de Sus through a case study. We took as an example a company that was representative for the town and which succeeded in keeping the production up also after the termination of the DA status, namely SC Meduman SA. In the beginning, the company was a branch of Terapia-Ranbaxy from Cluj-Napoca. It was set up as a company in 1991 and it was privatised in 1999. It produced animal and human drugs.

Starting from 1999 and until 2011, the number of employees decreased almost continuously, because of the relatively low wages, which made many employees of the company to look for jobs abroad.

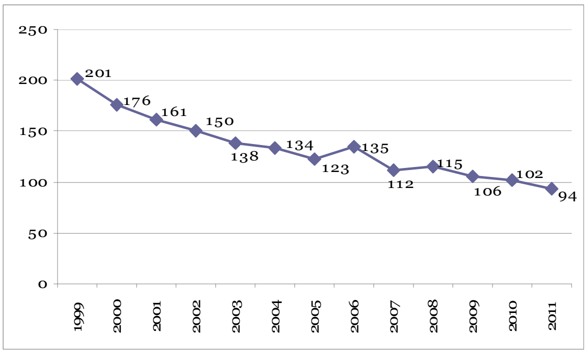
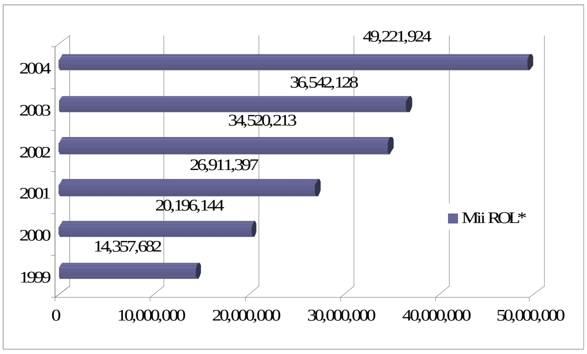


Fig. 5. Evolution of the number of employees at SC Meduman SA, during 1999-2011 (*source: data from SC Meduman SA and processed*).

Nevertheless, the turnover, which represented better the economic development of the company in our opinion, registered an almost continuous increase. 2006 was characterised by a decrease in turnover.



*Old Romanian leu (ROL) (10,000 ROL = 1 RON).

Fig. 6. Evolution of the turnover for SC Meduman SA, during 1999-2004 (*source: data from www.finante.ro and processed*).

This could be linked to the termination of the facilities offered to the companies in the DA. Another reduction in turnover was registered also starting with 2009, probably because of the economic and financial crisis in Romania.

One of the classical methods which assess the effectiveness of an economic agent is based on the assessment of its work productivity. We noted that for SC Meduman SA work productivity (which represented the ratio between the turnover and the number of employees [11]) increased greatly during 1999-2011, from about 7,143 lei/employee, in 1999 to 67,105 lei/employee, in 2011 (see fig. 8).

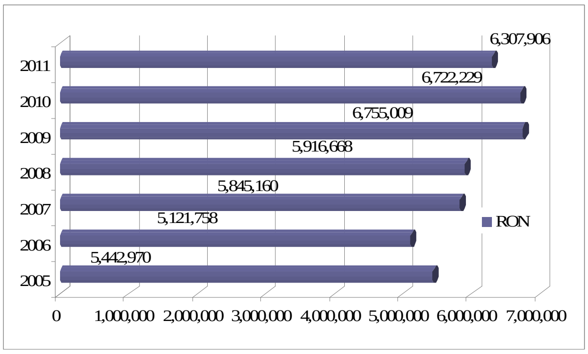


Fig. 7. Evolution of the turnover for SC Meduman SA, during 2005-2011 (*source: data from www.finante.ro and processed*).

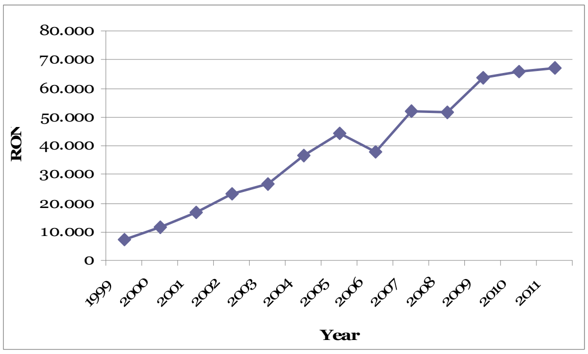


Fig. 8. Work productivity within SC Meduman SA between 1999 and 2011.

Some of the advantages the company had in its process of keeping its economic activity up also after the termination of the DA status were: a history in the manufacturing of animal and human drugs (the works had been active since 1923); investments made in modernising the manufacturing process; the company had a very effective laboratory for physical and chemical analyses. There were also downsides that could affect production and turnover in the future: the decrease in the number of employees and the difficulty in employing skilled staff; competition on the national market; the fact that the company was a small one (there were 94 employees in 2011), when compared with other economic agents in Romania that had the same economic specialization.

3. CONCLUSIONS

Once Borşa and Vişeu de Sus towns did not have the status of disadvantaged area anymore, there followed a decrease in the economic dynamics of the two towns. This situation was represented by a reduction in the number of economic agents that remained active after 2009.

The analysis of this indicator showed that just a part of the companies that invested during the existence of the DA remained in the region and continued their activity also after the end of this status. The decrease in the number of active economic agents was quite big (about 40%). When we analysed the companies according to their business sector we concluded that the companies that survived on the market were those that capitalised on the manufacture-related branches, traditional for the area (in particular the Manufacture of wood products and Tourism), and on those business sectors that registered a boom after 1990, for example Transportation.

The reasons for the termination of all economic activity in the case of some companies were many. There was also the supposition that there were some investors that only wanted to take advantage of the fiscal facilities granted during the existence of the DA and afterwards ceased their activity. In this way, they did not have a positive effect on the local and regional economic development.

The decrease in the number of SMEs was accompanied by a reduction in the number of employees. Nevertheless, as we showed above, this reduction was not a severe one, as almost half of the active companies increased their number of employees. Still, the turnover registered either a continuous increase (in the case of SC Alcotim Vasalcomit SRL in Borşa) or some fluctuations, after a constant increase during 2006-2009, a decrease followed during 2009-2011 (in the case of SC Meduman SA in Vişeu de Sus), as we indicated in our case studies.

These results allowed us to draw a conclusion on the effectiveness of the DA policy which was assessed based on the context displayed within Borşa-Vişeu DA, three years after it had had this status. The results proved that the local integration of the economic agents was relatively low (therefore also the effectiveness of the DA was low). Nevertheless, the companies that withstood the challenges determined by the termination of the DA status, of the facilities that came with this status, and by the present economic crisis, experienced an ascending curve of the turnover values. However, the following idea was true: this strategy of development (based on external incentives) was to be promoted more for the development of the regions with diversified economic activities and less for the mono-industrial ones [5]. The analysis in this study showed that the economic activities continued after the termination of the DA status only in the case of several sectors or manufacturing branches – those that were traditional for the area, determining a distinctive economic specialization of the two towns.

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