

GENERAL DATA REGARDING THE SUSTAINABLE DEVELOPMENT OF THE SOUTH-WEST OLTENIA REGION

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Abstract: This study will analyze the potential development and problems facing South-West Oltenia. There is conclusive evidence that the imbalances at the level of counties and regions create a huge gap which can slow down the pace of economic growth. Opportunities for businesses highlight the importance of SMEs in generating jobs. Another aspect is the research and development sector where investments are needed for developing and fostering entrepreneurial mindsets. Further on, this study reflects the importance of tourism, which, aligned to national objectives, helps the region's sustainable economic development.

Keywords: economic potential, economic development, development region, small and medium-sized enterprises (SMEs), tourism.

Due to favorable relief, Oltenia became known as one of the main agricultural regions of Romania prior to the communist period. After 1944, villages were subjected to forced collectivization, followed by a period in which the region underwent an intense process of industrialization and urbanization, according to socialist economic development strategic plans, which led to major changes to traditional forms of social organization. After the fall of communism, the fledgeling democracy brought a series of changes to the region's economy. The change was gradual, with major consequences for a population too little informed. Thus, privatization and restructuring determined especially young people to migrate in search of new jobs. Increasing job opportunities does not necessarily guarantee an improvement of living standards because some forms of development are related to seasonal services or very low wage jobs. Economic prosperity, health and social welfare are key factors in assessing the level of socio-economic development. This assessment can help avoid regional inequities, and to encourage positive effects associated with the development of a community.

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1. THE ECONOMIC CONTEXT OF THE DEVELOPMENT OF SOUTH-WEST OLTENIA

Oltenia region is in the South-East of Romania, between the Carpathians to the North-West, the Danube River to the South and East Olt River is the landmark that marks the border with Muntenia. Oltenia region consists of 5 counties Dolj, Olt, Valcea, Gorj and Mehedinți.

In the interbellic period, the region included Romanați county, with the town of Caracal as capital. Later on, Romanați was included in Olt county, belonging to Muntenia region. After the administrative-territorial reform of 1950, Olt will become part of the Oltenia region.

With an area of approximately 29,212 km² and 2,212,539 inhabitants on the 1st of July 2015, representing 10.42% of Romania's total population, the region consists of 11 cities, 29 towns, 408 communes and 2070 villages¹.

Table no. 1

Territorial organization and the number of inhabitants on December 31st 2015

Counties	Area (km ²)	Towns	Cities	Communes	Villages	Population in 2015
Dolj	7.414	4	3	104	378	701.461
Olt	5.498	6	2	104	377	452.095
Vâlcea	5.764,77	9	2	78	560	403.958
Gorj	5.602	7	2	61	411	367.262
Mehedinți	4.933	3	2	61	344	287.763

Source: *Regional Statistics Directions*

In order to determine the economic potential of the region a realistic assessment of all available resources and the factors promoting the development of both urban and rural areas is required. Supporting economic and social development of rural areas is a goal of the European Union, in terms of medium to long term development policies. It is necessary to pay special attention to rural areas not only because they represent 80% of the country but also because there are also the most resources. In general, the rural regions are characterized by small and medium sized settlements, with a small number inhabitants who work in agriculture, forestry, livestock and fisheries. Infrastructure and local services in rural areas are key factors in increasing the attractiveness and sustainability of these areas.

There are a number of established criteria used to assess the potential of each area²:

¹ Dolj County Department of Statistics, Monthly Statistical Bulletin of the development region of South-West Oltenia, operational data, November 2015, p. 21.

- *endogenous potential* consists of: the number of inhabitants, agricultural and forest area, number of animals and cultural heritage;
- *Economic activities* determined by: number of businesses, number of employees, number of tourist facilities and the degree of occupation;
- *Natural facilities*: relief, climate, soil fertility, rivers;
- *Services* analyzed by level of accommodation and supply in recreational areas, the percentage of homes connected to water, gas and sewage, means of transportation, existence of medical care.

The human capital is the most important factor in the development of a region, but also a beneficiary of the development results. Age groups can be used to determine which population category directly supports economic development. Also, the level of education reflects both the capability to find a job more easily and maintain a competitiveness potential, in terms of socio-economic development. In the last two decades, the rural population has experienced a demographic imbalance, caused by the aging of the population combined with declining birth rates due to the natural phenomena of displacement and migration, but also due to the transformation of villages into towns. After the 90s, the lack of employment prospects lead some city residents to return to the rural areas. Taking advantage of the land law in 1991, many became owners of land plots. Rural areas were characterized by an increase in the number of people who practiced agriculture as a means of sustenance, due to the loss of jobs generated by the economic downturn in Romania during 1990-1992 and 1996-1999, but they can not be classified as farmers or as small entrepreneurs³.

It is important to note that the agricultural area of South-West Oltenia represents 12% of Romania's farming land, and in 2011, of the total population employed in the economy, about 40% worked in agriculture⁴, meaning that a large part of the active population was in the rural areas.

In 1991 it the lowest unemployment rate at national level was recorded, according to Money magazine, who compares unemployment rates in all counties and development regions of the country.

South-West Oltenia in 1991 had about 40,700 unemployed: Gorj, with 1.2% had the lowest unemployment rate compared to other counties where that was between 3.4% and 4.5% (Dolj)⁵. The statistics from September 2015 mention a number of 69,200 unemployed persons, of which 40 325 men and 28 875 women,

² Studiu privind stabilirea potențialului socio-economic al zonelor rurale, The Academy of Economic Studies, Bucharest, p. 12, available at <http://www.madr.ro/docs/dezvoltare-rurala/programare>

³ Flavius Mihalache, Alin Croitoru, *Mediul rural românesc: evoluții și involuții. Schimbare socială și antreprenoriat*, Bucharest, Expert Publishing, 2011, p.52.

⁴ Planul de Dezvoltare Regională Sud-Vest Oltenia 2014-2020, p. 453, available at <http://www.adroltenia.ro/planul-de-dezvoltare-regionala-2014-2020/>

⁵ Anul în care România a avut cei mai puțini șomeri după Revoluție, in newspaper „Money.ro”, available at <http://www.money.ro/anul-in-care-romania-a-avut-cei-mai-putini-someri-dupa-revolutie/>

the largest share of the unemployed being held by Dolj County (35.6%), followed by Olt (19.3%), Mehedinți (16.2%), Gorj (15.6%) and Valcea (13.3%).⁶

The increase of the urban socio-economic potential requires continuous investments in human capital and development projects, and in the support of vital economic areas. Economic development means the ability of human activity to generate and maintain the growth of the gross domestic product. GDP is the standard measure which reflects improving living conditions. After a decline in living standards in the '90s, since 2001, the results are becoming visible economic reforms and GDP growths each year. Compared to the EU average, South-West Oltenia region with a GDP per capita below 75% fall into the category of less developed regions,⁷ existing data show that it contributes the least to the GDP national. Analysing CPC regional, state that within ten years has achieved an increase of approximately 520.76% and a trend upward, as shown in the following table. At the district level, in the period 2000-2013, the smallest share registers Mehedinți county, while Dolj, most to the formation of regional GDP is maintained in the leading position.

Table no. 2

Gross domestic product in counties in the South-West Oltenia Million leis, current prices

	2000	2010	2011	2012	2013	2014	2015
South West							
Oltenia Region	7182,60	42368,6	44583,5	46275,2	48013,1	50837,4	53981,5
Dolj	2059,7	13609,3	14307,3	14850,1	15636,4	17581,6	18668,9
Olt	1403,4	7166,4	7262,0	7773,1	8064,0	8910,8	9493,6
Vâlcea	1391,7	7510,6	8292,5	8538,9	8812,8	9008,1	9554,6
Gorj	1533,2	9758,2	10242,1	10491,9	10846,3	10439,8	11116,6
Mehedinți	794,6	4324,1	4479,6	4621,2	4653,6	4897,2	5147,8

Table made from data from the Statistical Yearbook, estimates based on statistical data, National Accounts, 2014; National Prognosis Commission, the main economic and social projection in territorial until 2018, p. 6.

In the process of European integration, the role of regions is important for achieving a sustainable development. Romania is divided into eight regions, considered secondary echelon of the state, the more developed the Bucharest-Ilfov region, as illustrated below, while the South-West Oltenia is the opposite.

⁶ Statistics Institute, Dolj County Department of Statistics, Monthly Statistical Bulletin of the development region of South-West Oltenia, November 2015, p. 25.

⁷ Regional Statistics Department of Olt County, Information on the place of Olt county in the South-West Oltenia Region, based on territorial indicators, avialebel at <http://www.prefecturaolt.ro/comunicate/2014/comisii/collegiu/12drs.pdf>

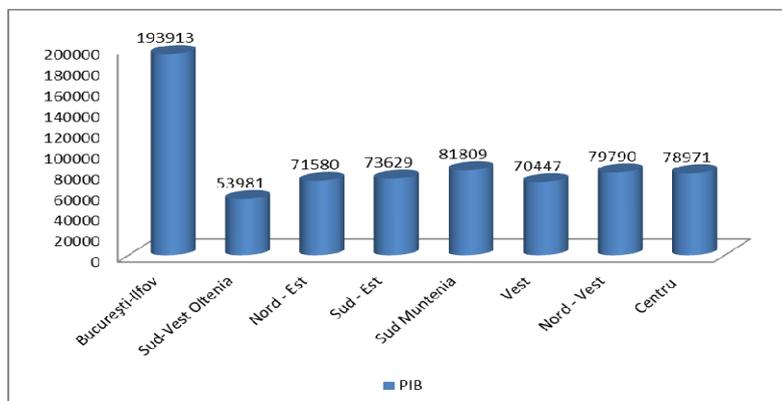


Fig. 1. Value of GDP in 2015 per region

Million leis, current prices

Source: *National Commission for Prognosis, The evolution of the main economic – social indicators*, pp. 6-7.

The problems facing regions are those related to infrastructure, growth and dominance to the detriment of rural towns, but also migration, which led to the emergence of sparsely populated areas and economic gaps.

2. DYNAMICS OF ECONOMIC DEVELOPMENT OF SOUTH-WEST OLTENIA BY ACTIVITY SECTORS

As with any highly developed economy, the service sector is the largest, followed by the industrial sector, while agriculture, forestry and fisheries represent a lower percentage. Although in the past the region's economy was based on two important sectors, agriculture (Dolj and Olt) and industry based on the exploitation of existing natural resources (Valcea, Gorj and Mehedinti), this potential has not been appreciated enough by policymakers when developing the reforms towards a new market economy, which makes them responsible of the situation of the region⁸. The profile of the region can be characterized by contributions from different sectors to create PIB. Nowadays, the economic structure of South-West Oltenia is based upon these industries:

- **Trade and services** is the sector with the largest share, where during 2000-2010 was an increase of 670.15% with an upward trend in the coming years, up to an annual average of 8%.

⁸ Regional Statistics Department of Olt County, South-West Oltenia Region Information to the Olt Prefecture p. 13.

- **Industrial sector** had a relatively good growth, evolution in the 2000-2010 period being 401.62%
- The **construction sector** developed positively, albeit with a drop during the financial crisis of 2010, then returning to the growth rates recorded in previous years.
- **Agriculture, forestry and fisheries** have fluctuated, influenced by climatic and meteorological conditions.

Table no. 3

The gross domestic product by resource category

	Million, current prices				
	2000	2009	2010	2011	2012
<i>Trade and services</i>	2754,5	17322,7	21210,7	22881,6	24760,9
<i>Industry</i>	2469,8	10334,3	12385,3	13300,8	14539,2
<i>Agriculture, forestry and fishing</i>	1039,5	3766,7	3503,9	3735,9	4003,4
<i>Constructions</i>	413,1	4584,6	5720,6	6339,2	7034,0

Source: National Statistics Institute and the National Commission for Prognosis

Overall, the contribution of economic activities to achieve regional GDP has remained constant, but analyzing the regional dynamics by activities, we find that industry has the highest share in the development of the South-West Oltenia, and the largest imbalance we encounter in agriculture, forestry and fishing.

Table no. 4

VAB/GDP regional dynamic by economic activities in the South-West Oltenia

	2008	2009	2010
Extractive industry; manufacturing industry; production and supply of electricity, gas, steam and air conditioning; water supply; sewerage, waste management and remediation activities	25,54%	25,87%	31,97%
Agriculture, forestry and fishing	9,6%	9,43%	8,08%
Constructions	10,89%	11,47%	10,33%
Wholesale and retail trade; repair of motor vehicles and motorcycles; transport and storage; hotels and restaurants	17,57%	16,93%	11,81%
Information and communications	0,94%	1,05%	0,99%
Financial and insurance intermediations	1,14%	1,10%	0,93%
Real estate transactions	6,63%	6,62%	7,79%
Professional, scientific and technical services; activities of administrative services and support services	2,54%	2,71%	2,84%
Public administration and defense; social security insurance; education; health and social assistance	12,86%	13,43%	12,77%

Source: Data from the National Institute of Statistics, Statistical Yearbook

In order to get an economic growth, similar to developed countries, we must have an efficient and competitive economy based on innovation and knowledge. Although there is a lot of talk about the National Strategy for Research and Development and Innovation, however, this sector is severely underfunded. The most recent data from the National Statistics Institute, Section Indicators, shows that the South-West Oltenia in 2012 had only 0.09% of GDP for R & D expenses, being the smallest among the regions and decreasing compared to previous years. So in terms of sustainable development, it is necessary to find optimal solutions to harness the potential of the region and stimulate economic growth to increase competitiveness, reduce unemployment and eliminate macroeconomic imbalances.

3. THE ROLE OF SMES IN THE REGION'S DEVELOPMENT

In almost all countries, small and medium enterprises represent the highest percentage of all companies, and hence have a major influence on achieving both gross domestic product, but also reduce unemployment through job offers. SMEs are a strong competitor for large companies because they reduce their ability to control the market. Compared to large enterprises, their small size allows them to be more innovative and flexible in contact with the market, to adapt more easily to consumer demands and claims. By producing products and services at lower cost, they become a factor of balance at a micro and macro level. The important factor which helps to increase SMEs is government spending. Thus, low inflation, a stable exchange rate, access to credit for investment, training and education offers the certainty of a low-risk business environment. One of the great problems of the South-West Oltenia, is the lack of a highway, which is a disadvantage in attracting foreign investment.

From the data provided by the central bank⁹, at the end of 2014, the **value of foreign direct investment** in South-West Oltenia was 1,954 million euros, which represents a share of 3.3% of all regions. In this chapter, the Bucharest-Ilfov region is the most attractive with 35,665 million euros and a share of 59.2%. Values remain almost constant over the last five years, even though Romania has been hit by the financial crisis. Currently, complex heightened energy Oltenia, a company that belongs to the state, is the largest in our region and Alro Slatina, with a turnover of 2 billion lei in 2013, is the largest private company, as shown in the BNR report cited the online publication profit.ro¹⁰. Among the largest employers of Oltenia we mention: Romanian Post (32.124 employees), the CFR SA – National

⁹ National Bank of Romania, Foreign direct investments in Romania, available at <http://www.bnr.ro/PublicationDocuments.aspx?icid=9403>

¹⁰ „Oltenii nu știu să facă afaceri profitabile”, available at <http://www.profit.ro/stiri/economie>.

Railway. (23,839 employees)¹¹ and Ford Romania with nearly 2,700 workers of the 4,000 that started the production of cars at its plant in Craiova¹².

SMEs, as stipulated in Law no. 346/2004, art. 4 are classified into three categories:

- ❖ **Midsized businesses** that have fewer than 250 employees and a turnover of up to 50 million annually or holding assets of up to 43 million euro;
- ❖ **Small businesses** have between 10 and 49 employees and annual turnover or total assets may be up to 10 million euros.
- ❖ **Micro units achieved** a net annual turnover or assets have totaled up to 2 million euros and a maximum of 9 employees.

From the information of the National Statistics Institute in 2012 in the South-West Oltenia, there were 35,264 SMEs from 437,042 economically active throughout the country and report the National Office of Trade Edition 2013 indicate a 10% share registration of new agents businesses of all regions, with resulting low attractiveness for the area. The following year, when the economy began to recover in the entire country there was a significant increase, which results from the database Regional Statistics Department of Olt County, which mentions 36,535 SMEs active in the South-West Oltenia and a total of 309,437 employees.

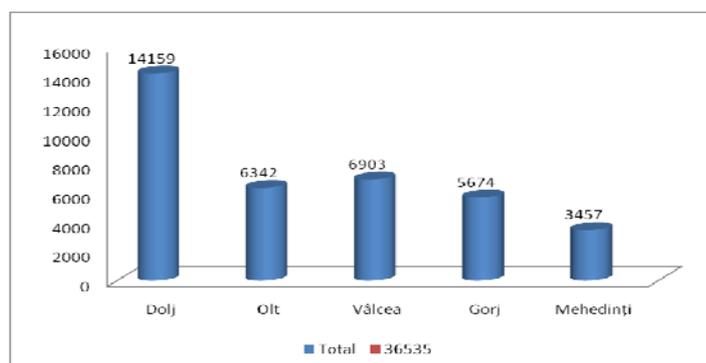


Fig. 2. The distribution number of IMMs in the South West Oltenia region in 2013

Source: Graph realized based on the estimated data presented by the County Directions of Statistics

The most attractive area is Dolj county with 14,159 units, followed by Valcea, Olt, Gorj, Mehedinți. Sectors most preferred by operators are trade, which

¹¹ Planul de dezvoltare regională Sud-Vest Oltenia 2014, p. 283, available at <http://www.adroltenia.ro/wp-content/uploads/2014/07/PDR-SV-Oltenia-2014-2020-1.pdf>

¹² Bogdan Alecu, *Ford România reduce numărul angajaților disponibilizați de la uzina din Craiova*, in „Ziarul Financiar”, available at <http://www.zf.ro/zf-news/ford-romania-reduce-numarul-angajatilor-disponibilizati-de-la-uzina-de-la-craiova-13942153>

recorded the highest turnover and agriculture to the detriment of industry where there is a decrease. The services sector provides most jobs. Although the scale of micro-enterprises had a lower turnover than the two upper classes, yet they have managed to achieve a high level of profit, ie 41.4% of total SMEs. There was a profit drop of 10% to small and medium enterprises due to the impact of the financial crisis two years ago.

Bucharest-Ilfov region has the most employees (23%) compared with other national weights that are between the lowest value of 6.7% and 13.9% in the Oltenia region in the North-Vestocupanta second place in the hierarchy¹³. Although regions in terms of generating jobs SMEs are considered an average percentage compared to the European Union, though they showed their efficiency by 54% contribution to gross value added of Romania, while the average member states was 60%. One of the factors underlying regional disparities is labor migration. Inefficiency and indifference of policymakers to support young graduates of secondary and higher education intensified the phenomenon of migration in search of work both in other parts of the country, but especially abroad which created an imbalance nationally, raising the share of elderly age. Moreover, if during the communist period witnessing a phenomenon forced migration from the rural to urban, from a firm yet balanced Financials, where we could talk about the middle class, rushing interest of big privatizations, especially of many enterprises profitable and even strategic importance for the state, reversed migration once in reverse fast due to large layoffs and retirements.

4. THE MAIN BUSINESS SUPPORT STRUCTURES

Support in solving the problems facing the business comes from the European Commission considers it necessary to introduce new legislative initiatives in the area of taxation, but also to develop concrete measures to boost investment in order to achieve EU objectives, in sustainable development and reducing șomajului. Planul,, Entrepreneurship action 2020', approved in January 2013, boosting support entrepreneurs by facilitating access to finance because they may be artisans prosperity through their innovative skills and capabilities to create companies and jobs work. EU funding of SMEs and increasing competition encourages innovative ideas.

Research, development and innovation by highlighting the results can create jobs and prosperity, and to achieve those objectives need to be included in these projects people qualified and dedicated study. Although it is European funding, our country invests less in research even in economic growth. Even if there are training programs and disciplines in education system to develop entrepreneurial skills,

¹³ Raportul Fundației Post-Privatizare privind sectorul IMM din România, 2013, pp. 65-80.

however many of these skills should not remain at the stage of theory, research and development requires investment. Since the last report of the Sectoral Operational Programme Human Resources Development (HRD) gives several projects, last completed in December 2011 included 620 approved projects, 94 556 employees, 12 640 people in leading positions in companies, 2,402 managers, 10,856 entrepreneurs and 36,990 potential initiators of a business¹⁴.

South-West Oltenia no shortage of R & D units, while they work and private firms such as Popeci Craiova, Craiova Softronic or Artego SA Targu Jiu. We list some of the most popular state-run units such as:

- ✓ *Dolj County*: National Institute of Research Development and Tests for Electrical Engineering (ICMET) Craiova, Research Station – Craiova Fruit Growing Development, Agricultural Research Station Șimnic Center for Research and Development on crop sands Dăbuleni;
- ✓ *Vâlcea County*: National Institute for Cryogenic and Isotopic Technologies, The Research and Development winemaking Drăgășani;
- ✓ *Gorj County*: Fruit-growing Research Station Tg. Jiu Fruit Growing Research Station Strejesti;
- ✓ *Olt County*: Agricultural Research and Development Station Teleorman;
- ✓ *Gorj County*: Horticulture Research and Development Station Targu-Jiu.

So far, reports of the Member States of the EU, show that around 25% of the Structural Funds, representing 86 billion euros have been invested in research and innovation. Romania is in last place ranking with a share of 0.38% of GDP, being surpassed by Greece, Bulgaria and Poland¹⁵. Although there are European funds for this activity, many SMEs use their own resources to finance investment in research and development.

5. DEVELOPMENT OF TOURISM IN THE SOUTH-WEST OLTENIA IN LINE WITH NATIONAL OBJECTIVES

Over time, tourism has become the economic sector with the fastest growing, one of the main sources of income countries developing, but also becomes a source of pollution and damage to the environment when not properly managed . Tourism generates jobs and opportunities comerciale.Potențialul tourism can be analyzed

¹⁴ *Ibidem*, p. 110.

¹⁵ Eurostat, Social Media, Statistical data of the National Statistics Institute, available at <http://ec.europa.eu/eurostatm>

based on the attractiveness of the area and quantify the benefit is determined by numărulvizitatorilor. În South-West Oltenia practice health tourism, sports tourism and hunting, agriculture and ecotourism , mountaineering offering an array of amenities such as hiking, camping, paragliding and alpine skiing.

Besides ecotourism, health tourism, National Tourism Agency is envisaged that the main objective spiritual and material heritage of the past by developing European cultural routes in Romania. Our country is among the first countries to have developed an ecotourism European standards and meets the South West in terms of services and destinations.

Oltenia offers many opportunities to attract tourists because it is a region of cosmic outstanding and rich natural heritage consisting of spectacular scenery, national parks and regional (eg National Park Cozia, Făgăraș Mountains and Parâng), nature reserves (eg Reserve the wild peonies from Plenița), biosphere reserves (eg the Danube Delta, Retezat) and protected areas (eg Iron Gates Natural Park, cave Polovragi, Muierii). Cultural heritage is made up of prestigious institutions and traditions that have survived that houses memorials, ancient remains. Săcelu resorts, Băile Govora, Băile Olănești, Călimănești-Căciulata or Voineasa considered pearls region are known and visited not only by tourists but Romanian and foreign. In terms of monasteries and places of worship, Oltenia is in second place after the religious heritage of Moldova. South-West Oltenia has a capacity corresponding tourism has evolved constantly.

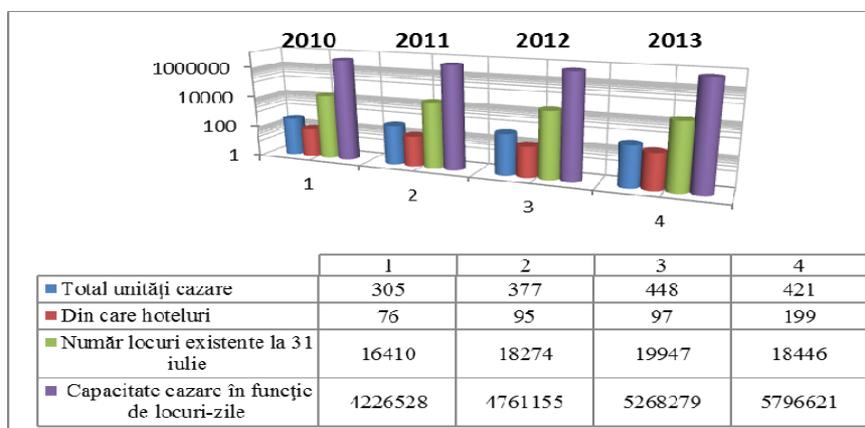


Fig. 3. Offer of tourist accommodation in 2010-2013.

Source: Graph realised from the data obtained from the National Institute of Statistics, Tempo-Online and publication „Turismul României”, Breviar statistic, 2014, p. 63.

On 31 July 2013, Oltenia had a structure composed of 421 tourist reception units, down from the previous year, but 38.03% more than in 2010. The structure

of reception generally consists of hotels, guesthouses tourism and agrotourism, villas, cottages, camping, camps for schoolchildren, etc. Although the number of accommodations are a growing compared with other parts of the country, Oltenia remains last in the standings regions. After the number of arrivals in accommodation establishments share with most tourists owns 53% Valcea, Olt but unless that is the last position, other counties varies between 13% and 15%. The number of tourists arriving in accommodation may be a relevant factor in the evolution development of the region. Foreign tourists have a special contribution to economic development, as compared to domestic ones who often are in transition, they have a longer stay. Compared with Valcea County attractive by health tourism, in terms of the percentage of foreign tourists arrive rule holds Dolj county, with its tourism business. Tourism requires investment to attract current and potential visitors, quality of services and infrastructure are key factors in maintaining a continuous flow of tourists.

South-West Oltenia has a sufficiently high potential, both human and natural to become a prosperous region. The region is experiencing a demographic decline caused by the migration of population and high unemployment in the urban areas. The need for a highway, practicing quality tourism, support and financing of entrepreneurship, encouraging the private business environment by offering tax facilities may be important factors that generate stability and a sustainable economic growth.