THE ALBA COUNTY (SUBREGION NUTS 3) AS AN EXAMPLE OF A SUCCESSFUL TRANSFORMATION- CASE STUDY REPORT

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1. Introduction

The report is devoted to assessment of current regional development in Alba county, as well as its specific responses to transformation, crisis and EU membership. This study has been conducted within the project GRINCOH, financed by VII EU Framework Research Programme. In view of preparing this report 12 in-depth interviews were carried out in 2013 with representatives of county and regional authorities, RDAs, chambers of commerce, higher education institutions, implementing authorities. Also, statistical socio-economic data were gathered and processed and strategic documents on development strategy, as well as various reports on evaluations of public policies have been studied.

1. 1. Location and history

Alba is a Romanian county located in Transylvania, its capital city being Alba-Iulia. The Apuseni Mountains are in its northwestern part, while the south is dominated by the northeastern side of the Parang Mountains. In the east of the county is located the Transylvanian plateau with deep but wide valleys. The main river is Mures.

The current capital city of the county has a long history. Apulensis (today Alba-Iulia) was capital of Roman Dacia and the seat of a Roman legion - Gemina. In 1600, during the short great union of the three Romanian Principalities (Transylvania, Moldavia and Walachia) under Michael the Brave, Alba-Iulia became the first capital of the Romanian unified Countries. Much later the final union between Transylvania and Romania was voted in Alba-Iulia, on the 1st of December 1918, by a Great National Assembly.

1.2. Basic socio-economic characteristics

Alba county has a population of 327,224 (1.74 % of Romania's total population) and population density of 52 persons per km², compared to the national average of 79.9 in 2010. Urban population accounted for 58.8% in 2010, overtaking the national average. Alba's population is mainly Romanian - 89.9%, but it has an important Hungarian community of 4.8%, as well as Roma (Gypsies) - 4.7%, while Germans are accounting for 0.2%. Its capital city is Alba-Iulia with a population of 58,861. In the past 20 years, the county's population decreased by 12.3%, one of the most severe rates of decline in the country, and by 2050, according to demographic forecasts, Alba could lose another 36% of the current population. An important cause of the population decline in Alba county is the low birth rate: 8.8 $\%_0$ in 2010, well below the national average of 9.9 $\%_0$. The age group structure reveals a pronounced aging process, the share of elderly increasing from 10.8% in 1990 to 15.3% in 2010, while the forecast for 2050 is 35.4%.

The mountains account for about 59% of county's total area of 6,242 km² and are rich in mineral resources such as metals (gold, silver, copper), salt and construction materials (marble, granite, etc). The well-known Roșia Montană gold mines hold well-preserved Roman galleries. The main industries in the county are: food, textile, wood, mechanical components, paper and packaging materials and chemical industry.

1.3. Administrative and governance context

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

The Regional Development Law No. 315/2004 (*Legea dezvoltarii regionale*), which updated Regional Development Law No.151/1998, mentions eight development regions – corresponding to the NUTS 2 level, and 41 counties („judete”) plus Bucharest municipality – corresponding to the NUTS 3 level. The development regions serve as the framework for conceiving, implementing and evaluating regional development policy as well as collecting statistical data corresponding to the NUTS 2 level. They have no judicial personality and are not administrative units; consequently, they cannot administer EU Funds themselves. Instead, the counties are administrative units, with judicial personality and their own budget. At local level, there are 320 urban centres (of which 103 are municipalities) and 2,860 communes, and these are also administrative units. Later on, especially for the statistical needs of the Eurostat, four macroregions have been established, each of them comprising two NUTS 2 regions.

The functioning of the administrative and governance system al county and locality level is stipulated by the Local Public Administration Law No. 215/2001 (*Legea administratiei publice locale*), updated by Government Decision No.4/2013. According to this law at both county and locality level there are deliberative, decision authorities represented by the county/locality council and executive authorities, represented by the president of the county council an the locality mayor. The local public administration is organised and works observing the principles of decentralisation, local autonomy (administrative and financial), public services deconcentration, the eligibility of local public administration authorities and citizens consultation for solving local issues of special interest.

Other institutions supporting regional and local development are the providers of public services and public utility services of local or county interest (public institutions, self-administration authorities, commercial companies), intercommunity development associations, public or private providers of social services, public utility associations, foundations and federations, operators of community services of local or county public utility.

2. Trajectories of economic development and structural change, social cohesion

2.1. How the economic performance of the region can be assessed?

The GDP/capita in Alba County reached in 2011 6388 euro, slightly above the national average, but only 46.2% of the European average. Nevertheless, this ratio increased more than 2 times in 10 years due to the high rate of economic growth recorded in Alba.

Table 1. GDP/capita* in Alba county against Romania and EU averages

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

* at PPP

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

Since 2009 the economic performance of the county, as measured by GDP, worsened in the context of economic crisis (Figure 1). Nevertheless, the county is in a better position than the Center Region to which it belongs, and its performance is close to the national average.

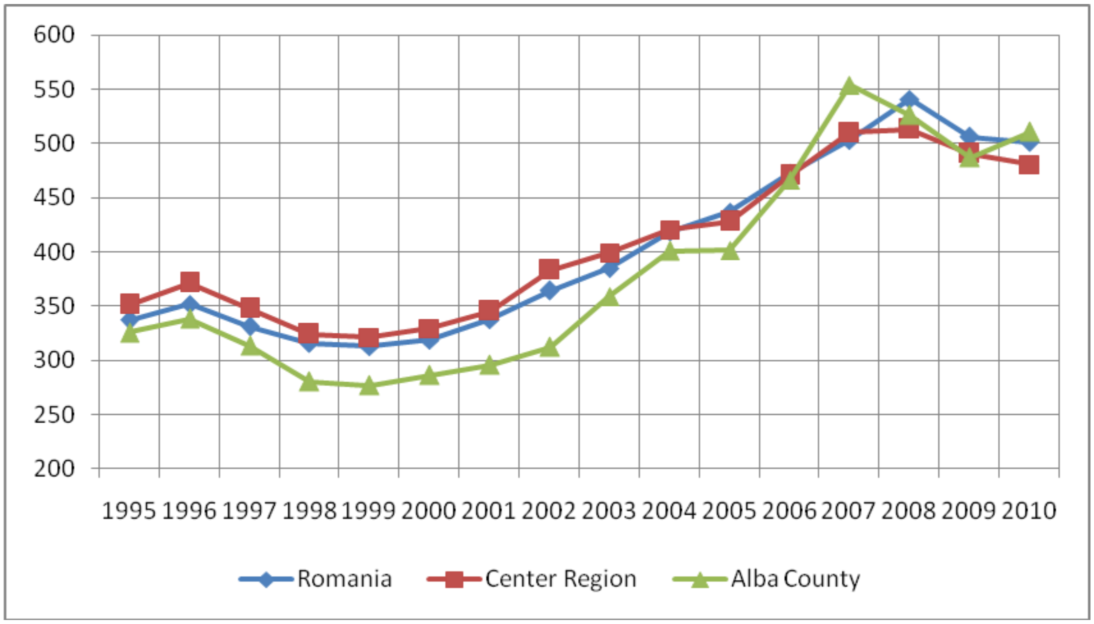

Fig. 1. GDP/capita evolution over 1995-2010
Source: own elaboration based on NIS data.

Labor productivity in Alba county has been slightly below national average on the long run and reached close to it in 2007 and 2010, following a long period of growth that mirrored the national productivity dynamics (Figure 2).

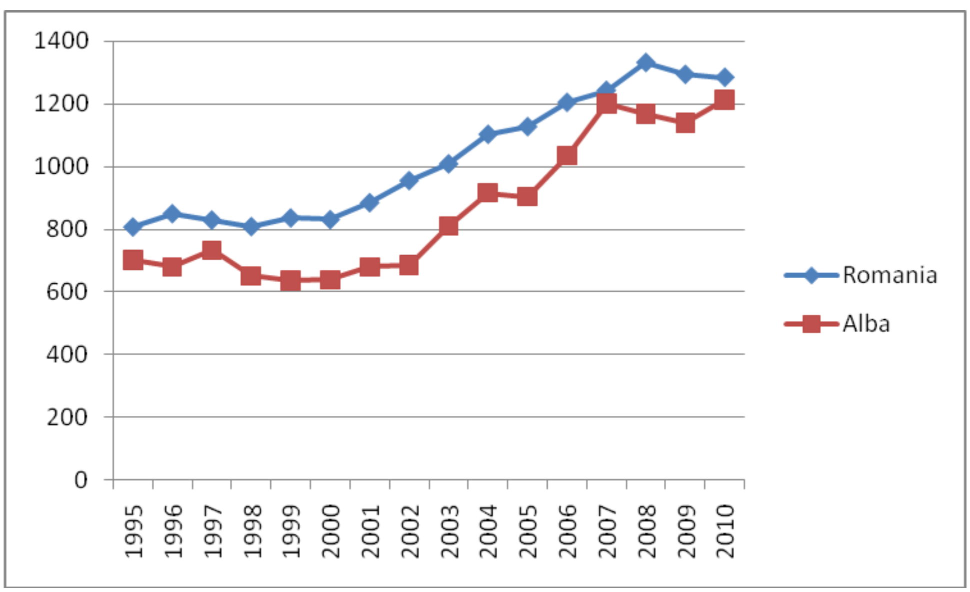

Fig. 2. Labor productivity in Alba county against national average (constant 1995 lei)
Source: own elaboration based on NIS data.

Analyzed strictly in terms of financial indicators, the highest levels of labor productivity in 2008 were recorded in trade and in the production and distribution of electricity, thermal energy, gas and water. In contrast, low levels of productivity were in education, hotels and restaurants, and health.

2.2. Are there any significant remaining of former socialistic system?

Post socialistic transformation processes can be considered completed in the Alba county around 2000, when the transition to market economy broadly ended. What remained of the former socialistic system essentially lies in the field of mentality towards entrepreneurship, suspicion towards foreign entrepreneurs, attitude towards work, relationships between citizens and state, between citizens and public administration, the different ways of treating public and private property, etc.

2.3. What is a direction of structural changes in the region?

Between 1990 and 2000 the county went through a difficult period of economic decline marked by a slow transfer of ownership and difficult restructuring of inefficient economic activities, the loss of traditional markets in Eastern Europe, the deteriorating of macroeconomic equilibrium and galloping inflation. From 2001 the economic climate has improved, the economy resumed its growth and the period 2006 to 2008 consolidated the economic growth. The economic and financial crisis that began in the second half of 2008 had a significant negative impact on GDP and employment.

The structure of Gross Value Added in Alba county (Table 2) shows the predominance of the services and industry (46.8% and 36.5% of the total, respectively) in 2008. The share of agriculture declined from 23.1% to only 9.2% of GDP over 1998-2008, while the construction sector rose from 5.2% to 7.5%. Industry had a steep increase in the 1990s and reached a peak in 2000, followed by a slow decline. It still has a dominant position in Alba's economy.

Table 2. Structure of GVA (%)

Sector	**1998**	**2000**	**2005**	**2008**
Agriculture	23.1	15.0	13.0	9.2
Industry	22.7	38.1	35.3	36.5
Construcţion	5.2	3.8	5.0	7.5
Services	49.0	43.1	46.7	46.8

Source: own calculations based on NIS data

From the point of view of employment, the main sectors in Alba's economy are agriculture and manufacturing, although they have been steadily declining on the long run. The mining and quarrying industry is downsizing as well (Figure 3).

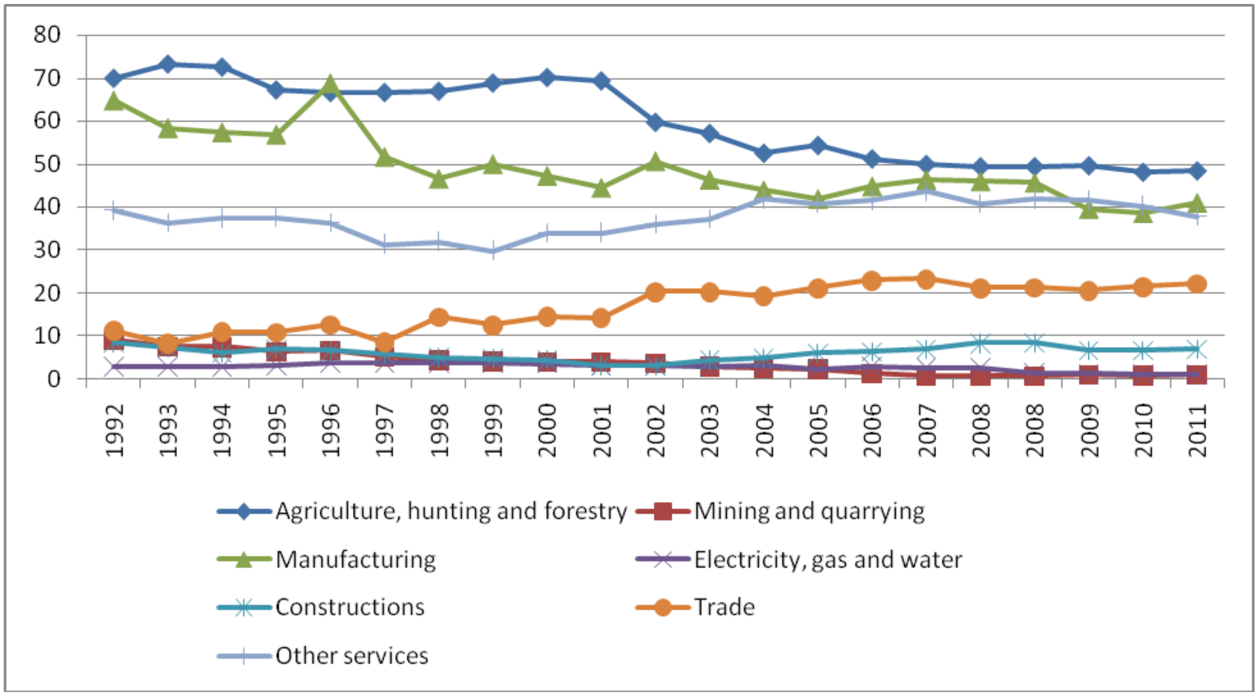

Fig. 3. Employment by sector (thou persons)
Source: own elaboration based on NIS data.

On the opposite, trade and other services are on the rise. Employment in services outpaced manufacturing during 2009-2010. Although agriculture still owns the top position in Alba's employment, it creates less than 10% of the Gross Value Added because of very low labour productivity. Variations in construction employment followed closely the macroeconomic trends, growing strongly during the economic boom during 200-2008 and falling amid economic crisis and recession.

Table 3. Employment structure in Alba county against national average (%)

Sector	National average		Alba county	
	1992	2011	1992	2011
Agriculture, hunting and forestry	32.92	29.19	34.11	30.68
Mining and quarrying	2.60	0.77	4.39	0.57
Manufacturing	27.40	17.87	31.53	25.87
Electricity, gas and water	1.57	0.85	1.36	0.63
Constructions	5.54	7.30	4.09	4.36
Trade	7.21	13.83	5.46	14.04

Other services	22.78	30.18	19.05	23.85
Total	100	100	100	100

Source: authors' computation based on NIS data.

Compared to the structure of employment in the national economy, Alba county is more industrialised, and has lower employment in services (Table 3).

2.4. What external factors (EU membership, financial crisis) have had the most significant impact on regional development?

The impact of EU membership on regional development

Beneficial effects of European Union membership include enlarged and diversified financial resources, accelerated reforms, and larger openness of the economy. The respondents to the survey noticed an improvement of the transport infrastructure in the rural areas after accession, as well as a slight increase in foreign investment and reduction of agricultural holdings' debt. EU membership is perceived as a catalyst for modernization and a change in mentality also occurred. Among the adverse effects was mentioned the abolition of custom duties that reduced the protection for domestic producers.

Accession to EU also brought risks such as increased vulnerability to external shocks such as the recent economic crisis. Since the last quarter of 2008 the financial crisis hit Romania and given its lasting effects on the economy it is very difficult to estimate precisely the impact of EU accession. The general picture seems to indicate little if any positive effects, as the structural and cohesion funds have had a low absorption rate, and foreign direct investments did not promote innovation and growth throughout the country as they are highly concentrated in Bucharest-Ilfov region. Moreover FDIs did not bring the sought after technological advancement as they targeted mainly low-tech activities, such as trade.

The impact of financial crisis on regional development

The economic and financial crisis had uneven effects on regions, depending on their specific economic structure. The economy of Alba county was most severely hit by the crisis in construction sector and in mining and quarrying as well (table 4). Turnover declined strongly in many sectors. The gross investments have been also deeply affected in all sectors, except for electricity, gas and water. Many public and private investments (excluding those who have received EU funding) have been suspended. High reductions in the number of employees occurred in most sectors, but mining and quarrying significantly increased employment, despite lower turnover.

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

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

Table 4. Turnover, Gross investments and employment in Alba county by sector

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

Source: authors' computation based on NIS data.

The situation on regional labour market and social problems (poverty, inequalities, labour market exclusion)

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

From the employment perspective, the highest risk of poverty is among young people, persons with a low level of education, unemployed, Rroma, and employees in the shadow economy. The level of unemployment rate in Alba County was below the national average until 1997, and constantly placed over it thereafter (Table 5).

Table 5. Unemployment rate and workforce activity rate (%)

	Unemployment rate		Activity rate	
	National average	Alba county	National average	Alba county
1991	3	1	85.1	83.5
1992	8.2	5.7	86.7	87.3
1993	10.4	8.2	84.9	90.8
1994	10.9	8.1	84.9	87.7
1995	9.5	6.8	79	87.5

1996	6.6	4.5	75	84.9
1997	8.9	8.9	73.9	87.3
1998	10.4	12.7	73.7	78.4
1999	11.8	11.8	71.4	82.6
2000	10.5	12.9	72.1	82.3
2001	8.8	10.4	69	85.8
2002	8.4	10.8	68.1	78.8
2003	7.4	9.2	66.2	82.7
2004	6.3	10	64.2	77.8
2005	5.9	8.3	64.5	77.2
2006	5.2	7.1	64.7	74.7
2007	4	5.7	66	75.8
2008	4.4	7.1	66.6	76.3
2009	7.8	12.5	65.7	75.3
2010	7	10	64.1	75.4
2011	5.2	7.7	62.8	71.3

Source: authors' computation based on NIS data.

Unemployment rate reached a peak of 12.9% in 2000 in the context of economic downturn that accompanied the transition to the market economy. Sustained economic growth in the 2000s, combined to massive external migration of the workforce reduced the unemployment rate to a minimum of 5.7% in 2007, followed by increase due to economic crisis. The activity rate reached a maximum of 90.8% in 1993 and steadily declined afterwards, but remained constantly well above the national (Table 5).

2.5. How the situation on regional labour market does affect social cohesion?

The main problems on the regional labor market are the declining rates of activity and employment. The unemployment rate is higher than national average, and intra-regional disparities in terms of employment have increased in the last years. Unemployment is larger among young people (25-30 years) and among older population (55-62 years).

The interviewed persons in Alba county consider that the activity and employment rates in this county and in Centre region in general are still low, especially in rural areas. Even if the unemployment rate follows a downturn trend as a result of a slow recovery, it is still above the national average by 1 percentage point. However, the overall economic context makes the unemployment rate remain pretty high, the majority of the firms being not interested in new investments.

The value of the Human Development Indicator was 0.822 in 2008 in Alba County, higher than the level of this indicator for the Central Region, and very close to the national average (0.821).

2.6. How the accessibility of different public services (health care, child care, education and training, labour market and social) can be assessed?

Based on the EU requirements derived from the territorial cohesion objectives, the public services and services of general interest reflect the the obligation of public authorities to provide them at certain standards in terms of quality, availability, accessibility and affordability, an important issue in this respect being the minimum level of these services for individuals and enterprises. This requirement has determined lower regional disparities for the corresponding indicators compared to those in terms of GDP per capita. For example, the GDP per capita (PPP) of the Centre region represented in 2010 45% of the EU average, compared to 47% for the national average, whereas the number of hospital beds per 1000 inhabitants in the Centre region was 6.2, compared to 6 for the national average. However, Alba county recorded 5.5 hospital beds per 1000 inhabitants, below the region's average.

As regards the number of people per physician, the gap (relative distance) between Centre region and the whole Romania was 1.027, lower than the GDP per capita gap, of 1.04. But again, Alba recorded for this indicator 575.8 people per physician compared to 417.4 for the whole region. The number of localities with public sewage installations in Alba county is 19 (out of 78), which is the lowest number in the region. It is also the last but one in terms of total simple length of public sewage pipes – 474 km, compared to 949 in Mures county, 778 in Sibiu county and 751 in Brasov county (which are quite similar to Alba in terms of total surface). The situation is better with regard to drinking water supply network: 59 localities of Alba county benefit from such a network, ranking second in the whole Centre region. It also has the biggest length of town streets in the region, namely 1039, compared to 4188 for the Centre region, which includes 6 counties.

The density of railways per 1000 sq km is 36.8 in Alba county, whereas the same indicator reaches 39.1 for centre region and 45.2 for the entire Romania. One of the main explanations for the overall gap between Alba county and Centre region average points to the landform of this county, with an important share of mountains and montain localities, which have, in general, a lower accessibility to services of general interest.

According to the 2002-2006 regional typology Alba is included in the service/industrial group. As regards the interviewees' perception on the accessibility of different social services in Alba county an improvement of the public access to these services is noticed. However, discrepancies are pointed out between urban and rural areas and between social categories. The child care services are considered by some respondents unsatisfying, the access of the aged population to health services and elderly care – almost impossible while the job offer on the labour market is much lower than the demand.

2.7. What are the sources and scale of social problems (poverty, inequalities, labour market exclusion)?

Poverty and inequalities increased during the transition to the market economy and during the sustained economic growth period 2000-2008 as well. The economic crisis added to these disparities. There is some economic and social polarization in the county. Economic activity is concentrated around cities and social services have a higher quality there. Rural agricultural areas provide lower living conditions for their inhabitants. Access to health services is restricted for the rural population. Still, there are not large discrepancies between different regions or areas of the county from economic and social point of view. The difficult situation of the Apuseni Mountains is mainly due to natural geographical conditions. The general trend in the long term is to mitigate the economic and social differences compared to the general population.

The interviewees mentioned a series of sources of social exclusion. The most important one is poverty, especially for a significant part of rural population, Rroma minority and the elderly with very low pensions. They also highlighted the inequalities expressed by the lower level of income compared to the national average and the difficult access to labour market for the youth, aged and Rroma workers. Access to education and training is also difficult for Roma population.

3. Development factors

3.1. What factors have played key role in development of the region in recent years?

The development of the Alba county was positively influenced by the large natural resources and the existence of cheap labor. Other positive factors were foreign investments, increased exports, the programmes financed from European funds, as well as partial improvement of transport infrastructure.

3.2. What are the main obstacles that hinder the development process in the region?

The business infrastructure of Alba county is underdeveloped and poorly exploited. Connection with the European market is still relatively low, and there is little participation of local companies in international economic cooperation networks.

Most rural settlements depend on low-tech agriculture, with modest productivity, and the farms are small and economically unsustainable. City infrastructure, education and health are poor in small towns and rural areas of the region.

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

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

3a. External context of development: trade and FDI (external interventions see part 5)

3.3. Whether the regional economy is export oriented and how this is related to overall productivity and innovativeness?

Exports of goods play an important role in the economic development of Alba County. Exports of Alba county increased nearly 2.3 times between 2001 and 2007, falling slightly in 2009 to EUR 486 million (Table 6). Data for 2010 indicate record high exports of almost 700 000 euros. Share in national exports remained at 1.7-1.8%, which indicates that Alba has followed the trend of national exports.

Table 6. Exports of Alba County, selected years

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

Source: own calculations based on NIS data

Export/ capita of Alba County increased over 3 times between 2001 and 2010. The main goods exported in recent years were products of wood (43% of total), footwear, furniture, textiles, machinery and equipment, chemicals (Table 7). Agricultural products and raw materials exports have negligible weights in the county's exports (below 2%).

Table 7 . Main components of Alba's exports

	Export (thou euro)		
	2011	2012	2013*
Wood products	425442	449133	534457.5
Machinery and electrical equipment	120625	116655	125353.5
Tradable goods	35969	36994	52219.5
Footwear	68694	50238	51679.5
Textile and textile products	62310	56352	50214
Plastics, rubber and plastic articles	29559	35315	38742
Articles of stone, plaster, cement, ceramics, glass and other similar materials	28878	31778	37728
Paper and paper articles	29968	27324	31713
Common metals and articles	20822	21117	23128.5
Livestock and animal products	15932	16485	19537.5
Raw leather, leather, fur and articles thereof	13291	17099	17440.5
Vehicles and transport equipment	4920	8341	15499.5
Food, beverages and tobacco	7457	9615	14103
Chemicals	11411	11377	13462.5

*estimated

Source: authors' computation based on NIS data.

3.3. Is the region attractive for FDIs and what was the impact of these investments on regional economy?

The value of foreign direct investment in Center Region (that includes Alba county) reached up to € 605 million in 2008 alone, FDI stock summing at the end of the same year EUR 4.146 billion (8.5% of total FDI in Romania). Centre Region ranks 2nd position after the Bucharest-Ilfov region in terms of total foreign investment. The most important investments were directed towards industrial activities such as wood processing industry, food industry, building materials, machinery. In Alba county the level of FDI stock reached a peak of EUR 320 million in 2010 (Figure 4) despite the financial crisis.

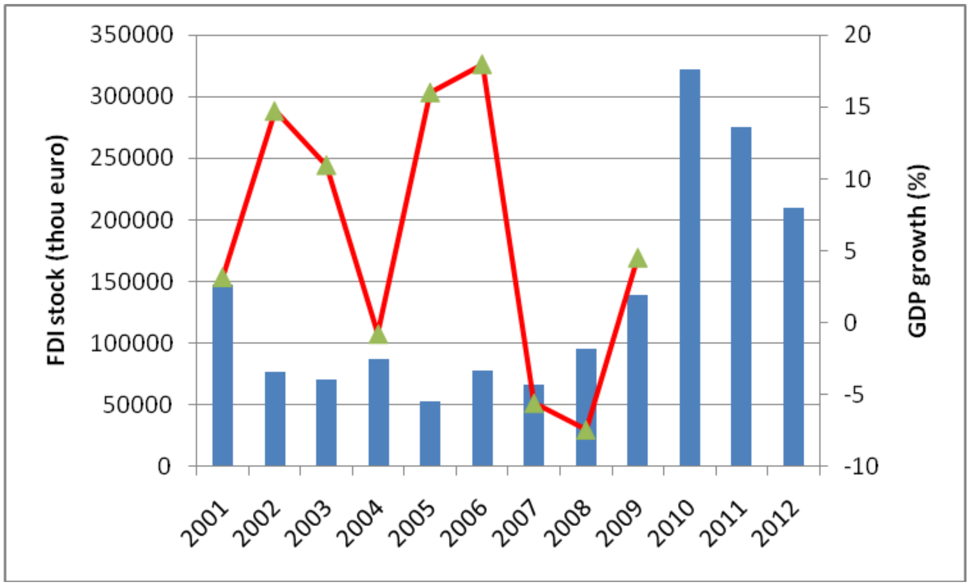

Fig.4. FDI stock against economic growth in Alba county

Source: own elaboration based on NIS data and Chamber of Commerce data.

Note: Foreign direct investment stock as of year-end is resulting from the initial stock plus the net FDI flows and the revaluation gains/losses arising from the exchange rate or asset price developments as well as from the accounting restatement of some initial stocks.

The trend of economic growth in Alba county was weakly related to FDI stock over 2001-2009 (Figure 4), as foreign investments account for a relatively small part of total investments.

However, as mentioned before, 2010 marked a peak in terms of FDI stock, with good consolidation chances for FDI in Alba county. Thus, it hosts the most important Austrian investments in Centre region: the Holzindustrie Schweighofer and Kronospan wood processing firms in Sebes have employed more than 2000 people in the latest years, recruited from Alba county. Also, Daimler AG, the German company which also owns Mercedes-Benz announced in 2013 the expanding of its Sebes unit (part of Star Transmission subsidiary), which is the biggest investment announced in the car components industry in the latest years. So far, Star Transmission has two production units, in Sebes and Cugir, with approx. 400 employees each. The firm intends to reach 1200 employees up to 2016. The Dutch firm Bosch Rexroth has also invested in car components industry and expanded its investments in Blaj. There are also important Romanian investors activating in Alba county such as Jidvei, Albalact, Transavia or Romaqua Group – Sebes Division.

3b. Endogenous growth factors: innovation and entrepreneurship

3.4. How innovative is regional economy and how this is related to educational and training system and its scientific base?

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

Improved access to information and the dynamics of urbanization in recent years triggered an increase in the development of most cities in the county. Creation and modernization of business support infrastructure aimed at developing industrial parks, business incubators, industrial and scientific clusters, technological and logistic platforms, centers for research and transfer of technology, etc. These structures are designed to support business development in areas affected by industrial restructuring, but also economic activities in other areas with development potential in the county, providing favorable conditions for productive SME development, which will contribute to economic development and job creation in both underdeveloped and rising areas.

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

In Alba there are two higher education institutions (of which the most important is the state university "1 December 1918") that comprise a number of 9 faculties and a teaching staff of 190 people. The main areas of training are: trade, tourism and business, business administration, finance, banking, accounting, marketing, informatics, land measurements and surveying, applied electronics, environmental engineering, law. In Alba County there are specialized companies that provide professional training and also an educational network which runs programs aimed at providing adult education opportunities among those seeking professional reconversion or acquiring new skills. The university "1 December 1918" in Alba Iulia is conducting through its research centers many studies for the benefit of SMEs and the business environment: consultancy for decision making, applied research, survey design and analyses in areas such as: land measurements, geodesy, geology, sociology, economics, spatial development, environmental engineering, etc. There are also several research institutes in Alba county, such as the Research and Development Station for Viticulture and Vinification Blaj, the Center for Refractory Research, Design and Production (CCPPR) in Alba Iulia and the Institute of Systemic Archaeology Alba Iulia.

3.5. How important is the sector of SMEs in the regional economy and what are the main linkages of firms?

At the end of 2008, there were 8270 active companies in Alba County, 88% of them being micro enterprises, 9.6% small, 1.9% in the medium-sized, while only 33 firms (0.4 % of the total) were large enterprises. Companies whose main activity is trade are prevailing (nearly 35% of the total), followed by manufacturing (17.5%) and those in the real estate and business services (13.7%). 26 of the 33 large firms with over 250 employees activate in manufacturing. At the end of 2010, the active companies in

Alba County were downsized to 7398, as follows: 88,2% micro enterprises, 9.8% small, 1.6% medium-sized, and only 28 firms (0.4 % of the total) large. Except for the production and distribution of electricity, water and gas, the proportion of small and micro enterprises is above 90% of the companies at branch level. Examples of successful SMEs can be indicated in food and drinks industry (Supremia, Prefera Foods, Transeuro, Apidava, Alpin 57 Lux, Domeniile Boieru, Mercado, Biomilk, Binal Mob, Dacia Plant), wood processing and furniture industry (Savini Due, ATERO, Schosswender Mobel SRL , CIATTI HT Sebes , Mobila Aiud ,Transilvania Production), textile and footwear (Kosmos TRE GalwaySport, Lenjerie Werk 83, Rodex Fashion, Fair Play, Rekord, Kozara), machinery (Nova Modul, Nova Grup, Dupex, TEA), building raw materials (Prebet, Elis Pavaje, Florea Grup, Monolit Prod), metallurgy (Alba Aluminiu), commerce (Dacia, Tobimar, Lin& Ema), agriculture (DN Agrar, Mecsol Galda, Pomicola Boz, Bioterra, Stazoo, Triticum Sebes), construction (Pomponio Group, Newamport Company, Tobimar, Compact Construct, Instalatorul, Alba Instalatii), transport (Giro, Oprean, Livio Dario), etc.

The SME sector is absorbing the most important segment of the workforce and is actually a driver for the local economy, therefore creating incentives for investors in specific locations is a strategic priority. A good business environment and the creation of real opportunities for SMEs will increase the overall economy of the county and strengthen the competitiveness on the European market. In order to achieve this objective, support is aimed for the creation and development of economic zones around the localities, creation and development of business incubators, industrial parks, research and technology transfer centers, improved access to information infrastructure and business networks, support to the development of commercial and financial centers and improved logistic capabilities. The goal is to create at least five economic development poles in the county, each one having a business center with the appropriate infrastructure. Each economic pole will integrate a socio-economic development zone which comprises infrastructure, education - including specialized vocational education- and a health infrastructure.

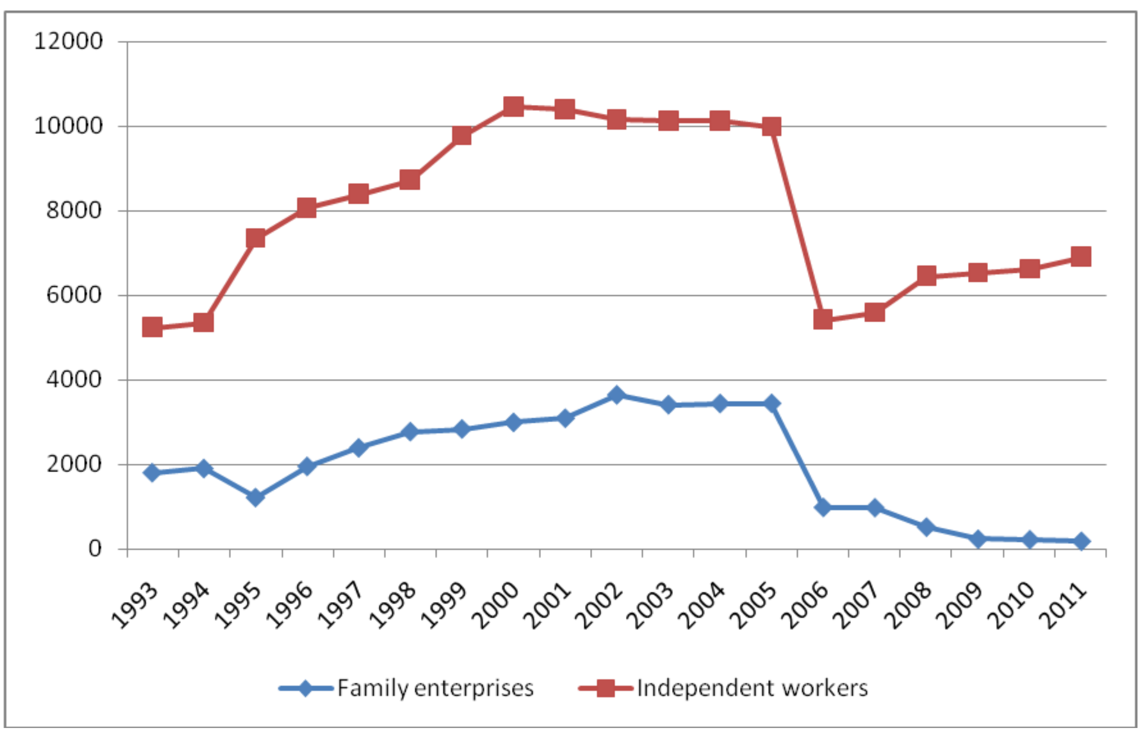

Figure 5. The number of private entrepreneurs in Alba county
Source: own processing based on NIS data.

The number of private entrepreneurs had a positive evolution in Alba county during the transition to the market economy, then remained stable until 2006 (Figure 5). While the family enterprises diminished in the context of economic crisis, the number of independent workers increased as the job shortage forced more unemployed to start their own business.

The Alba county's business experts mainly come from the big university centres like Clu, Timisoara, Bucharest. As regards the "1 Decembrie 1918" University of Alba Iulia, in the beginning it used to have a humanistic profile (law, history, etc.) and only in 1995 the Faculty of Sciences was created.

3.6. Are there any clusters within the region and if yes – what are their main specialisations?

The Alba County Council and the University "1 December 1918" in Alba Iulia have participated in 2013 as founding members in the formation of the Association of the National Innovative Cluster "Competitiveness Pole of Metal Processing Transylvania'' based in the industrial park Cugir. Its overall objective is to increase competitiveness of Romanian enterprises that are processing metals by promoting applied research, innovation and technology transfer in order to create new jobs in the area. There are also emerging clusters in the wood processing industry, biomass, electrical engineering, and food industry.

4. Governance and local/regional development policies

4.1. What was the outcome of the regional development strategy implementation?

The entire regional development policy in Romania gravitates around the EU Cohesion Policy. Not only the policy statements but also the financial allocations are established in correlation with the co-funding levels resulted from the requirements regarding the implementation of the Structural Instruments.
The Regional Operational Programme includes indicative financial allocations by NUTS 2 region that give priority to less-developed regions: the mechanism envisages financial allocations in inverse proportion to the regional GDP per capita and adjusted by population density (see Table 8). Thus, the less-developed regions benefit from higher funding allocations. In the case of Centre region, it ranks third in Romania in terms of GDP per capita while its population density is 74.0 inhabitants per sq km compared to 90.9 for the whole Romania. The calculations have indicated for this region the third lowest share in the allocations from ERDF. In absolute terms, these allocations represent 483.62 million euro. In all regions the allocations are consistent with the regional strategies agreed by local authorities.

Table 8: Basic indicators for the Romanian NUTS 2 regions and the Regional Operational Programme funding by region

NUTS 2 Region	GDP per capita in 2004, PPS	Population in 2004	ERDF for ROP	
	% of EU27 average	*% of Romania's total population*	*€ million*	*%*
North-East	24	17.2	724.09	16.32
South-East	31	13.2	587.88	13.25

South Muntenia	28	15.4	631.36	14.23
South-West Oltenia	28	10.7	621.60	14.01
West	39	8.9	458.77	10.34
North-West	33	12.7	536.41	12.09
Centre	34	11.7	483.62	10.90
Bucharest-Ilfov	68	10.2	393.10	8.86

Source: Author's calculations based on Eurostat and www.inforegio.ro.

One Priority Axis of the ROP concentrates on urban growth poles. Two categories of urban poles have been agreed, namely 'national growth poles' (*poli nationali de crestere*) and 'urban development poles' (*poli de dezvoltare urbana*). The former are awarded 50 percent of the Priority's allocation and the latter, subsequently established, 20 percent . Alba county has neither national growth poles not urban development poles that determined, together with the other mentioned reasons, lower allocations from the ROP.

As far as the ROP implementation is concerned, the domestic data on financial absorption shows considerable variation across the NUTS 2 regions (see Table 9).

Table 9: Financing contracts and payments by region within the ROP – 18 October 2013

Region	Population (million people)	Financing contracts	Payments to beneficiaries	
		(€ million)	*Value (€ million)*	*Share of eligible value (%)*
North-West	2.7	463.89	191.86	45.30%
Centre	2.63	417.54	187.82	49.20%
North-East	3.8	632.67	315.00	55.02%
South-East	2.8	458.53	217.18	46.80%
South-Muntenia	3.45	571.71	207.26	41.60%
Bucharest-Ilfov	2.2	301.92	83.43	26.90%
South-West	2.4	536.04	247.82	50.50%
West	1.9	422.95	166.33	46.00%

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

One can notice that the Centre region has recorded the second highest absorption rate, indicating a promising response to the prospects in terms of support to urban development, regional and local transport infrastructure, social infrastructure, regional and local business environment, tourism promotion and development, as priority axes of the ROP. An important role in the good results of the Centre region with regard to the EU Funds absorption rate has been played by the Centre Regional Development Agency (with the headquarters in alba Iulia, the capila of Alba county), which is the Intermediate Body for the ROP implementation.

The number of projects in Alba county represent about 14 per cent of the total number of projects implemented or ongoing in the North-East Region (Table 10).

Table 10. Projects implemented or ongoing

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

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

The top 10 projects (in terms of value) implemented or ongoing in the Centre region and Alba county are presented in Table 11 and Table 12. One can notice that two of the most important projects of the whole Centre region belong to Alba county, both of them regarding the rehabilitation of the historical city centre of Alba-Iulia, of an exceptional importance for the whole Romania. In Alba county many of the top 10 projects also envisage the improvement of regional and local transport infrastructure, which can create synergic effects between this axis and the other axes of the ROP via increasing accessibility.

Table 11. Top 10 projects in the Centre region (based on the project value)

Rank	**Project**	**Key area of intervention**	**Beneficiary**	**County**	**Total value**	**ERDF**
1	Applied Research and Development Center "Transilvania Motorland"	1.1 Integrated urban development plans	UAT Brasov municipality, UAT Tarlungeni commune	Brasov	88.914.974	28.657.163
2	Rehabilitation of the County Emergency Hospital "Dr. Fogolyan Kristof" –St. Gheorghe	3.1 Rehabilitation, modernization and equipping of the health services' infrastructure	Covasna County Council	Covasna	87.223.949	59.729.436
3	Sibiu Business Center	4.1 Development of sustainable business support structures of regional and local importance	Transcar International Ltd, Sibiu	Sibiu	84.999.440	40.516.850
4	Brasov Municipality bypass road-Phase 1	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/rehabilitation of ring roads	Brasov City Hall	Brasov	81.761.973	19.638.799
5	Rehabilitation of the Alba Iulia Historical Center, Vauban fortification: access roads, exterior lighting and urban furniture. Inner Zone	1.1 Integrated urban development plans	Alba Iulia Municipality	Alba	76.087.836	47.982.082
6	Business center, technological transfer and business incubator	1.1 Integrated urban development plans	Brasov Municipality	Brasov	70.898.442	20.985.590

7	Reconstruction and upgrading of the west side access to Cetatea Alba Carolina, Vauban fortification, Alba Iulia municipality	1.1 Integrated urban development plans	Alba Iulia Municipality	Alba	68.347.407	41.388.899
8	County Road 132 Rehabilitation	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/rehabilitation of ring roads	UAT Harghita County Council	Harghita	66.898.214	47.063.000
9	Brasov Business Development Center	4.1 Development of sustainable business support structures of regional and local importance	Footbart Ltd Brasov	Brasov	65.388.962	31.473.445
10	Modernization of urban streets in Targu Mures Municipality	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/rehabilitation of ring roads	Targu Mures Municipality	Mures	62.349.900	43.286.872

Source: own processing based on www.inforegio.ro

Table 12. Top 10 projects in Alba county (based on the project value)

Rank	Project	Key area of intervention	Beneficiary	County	Total value	ERDF
1	Rehabilitation of the Alba Iulia Historical Center, Vauban fortification: access roads, exterior lighting and urban furniture. Inner Zone	1.1 Integrated urban development plans	Alba Iulia Municipality	Alba Iulia	76.087.836	47.982.082
2	Reconstruction and upgrading of the west side access to Cetatea Alba Carolina, Vauban fortification, Alba Iulia municipality	1.1 Integrated urban development plans	Alba Iulia Municipality	Alba Iulia	68.347.407	41.388.899
3	Rehabilitation of the Historical Center, East Route, Southern, North Route, Vauban fortification - Alba Iulia - access roads, lighting and specific urban furniture	5.1 Restoration and sustainable valorization of cultural heritage and setting up/ modernization of related infrastructure	UAT Alba Iulia	Alba Iulia	47.533.653	28.372.600
4	Rehabilitation and modernization of the urban streets in Zlatna town and localities belonging to Alba county	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/rehabilitation of ring roads	Zlatna Town	Zlatna	41.750.697	29.055.142
5	Overhauling. Streets with technical-	1.1 Integrated urban development plans	Alba Iulia	Alba Iulia	34.556.292	23.322.784

	urban utilities in Alba Iulia		Municipality			
6	Modernization of the national road 1-E81 road, between km 382+400 and KM 385+160 - Alexandru Ioan Cuza Street, including the bridge over Ampoi River and the passage over CF Alba Iulia	1.1 Integrated urban development plans	Alba Iulia Municipality	Alba Iulia	30.375.822	19.399.627
7	Structural rehabilitation and overhauling at the National College Bethlen Gabor-AB II-m-A-000171-Aiud, Alba County	3.4 Rehabilitation, modernization, development and equipping of pre–university, university education and continuous vocational training infrastructure	CL Aiud	Aiud	29.656.225	20.363.985
8	Valorization of the economic and tourism potential of the Aiud valley through the rehabilitation of transport infrastructure - county road 107M	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/rehabilitation of ring roads	UAT Alba County	Livezile, Aiud	27.839.574	19.418.201
9	Rehabilitation and development of the general and tourist infrastructure in the touristic areal: Marginimea Sibiului – Valea Sebesului (Sibiu si Alba counties). The modernization of the tourist interest road DJ 106E, the section Jina - Şugatag/ Valea Sebeşului/ DN 67	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/rehabilitation of ring roads	UAT Sibiu County	Jina, Sugag	22.126.185	15.422.783
10	National road 74 modernization, between km 99+870 and km 103+175 Zlatnei and Calea Motilor streets, Alba Iulia municipality	1.1 Integrated urban development plans	Alba Iulia Municipality	Alba Iulia	21.712.037	14.410.273

Source: own processing based on www.inforegio.ro

The promoted projects also contribute to turning to good account the tourism potential of Alba county. Cultural tourism (not only Alba Iulia, with its historic and cultural patrimony coming from the Roman times up to the modern era, but also smaller towns such as Sebes, Aiud, Blaj and calnic (this one with a well preserved medieval fotress), mountain and winter tourism (Apuseni Natural Park, Scarisoara cave, Sureanu mountains, Arieseni winter resort) and rural tourism (Ariesul Mare Vally, Rimetea, etc.) have big development chances. This is confirmed by the major increase in the number of tourists hosted in the accommodation units of Alba county after the economic and financial crisis had passed (Table 13).

Table 13. Number of tourists accommodated in Alba county

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

Source: RDA - Centre Region

4.2. Has the existing governance model in the region been effective and efficient?

According to the Local Public Administration Law the county council elaborates its own forecasts, strategies and social-economic development programmes. Further on, these are integrated in the regional (NUTS 2) development strategy and corerlated with the ROP.

The interviewees have mentioned that the current development strategy of the Centre region has been the result of a consultative process, characterised by a large participation and has been updated several times. It combines the regional and sectoral priorities. However, it is not obligatory for the region's decision-makers, serving as an orientation for the targets included in the regional and sectoral programems. The interviewed experts consider the strategy implementation quite difficult, either for inadequacy reasons or for the lack of resources. They have underlined the important role of the institutional system. It is not entirely functional yet, a high improvement potential continuing to exist. A special place in this context is held by the need to intensify the cooperation between the regional actors.

The promotion of large-scale, inter-county projects at NUTS 2 level or even between NUTS 2 regions is still a very sensitive issue, considering that the NUTS 2 regions do not have legal powers in Romania (in other words, they are not administrative – territorial units), whereas the counties do have legal powers, but, at the same time, counties may have divergent political interests. At present, despite the large debates organised by the Romanian Government in relation to the regionalisation process, there is no consensus over the number or boundaries of any future NUTS 2 regions with genuine administrative authority.

4.3. What was the outcome of local/regional policies in different fields?

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

The local policies applied at Alba county level have mainly employed normative instruments such as decisions of the county council offering incentives or tax exemptions, which represented stimuli for economic agents (i.e. production and service firms) and positively influenced their activity.

As regards the local governance and local economic and social policies, the interviewees have characterised them as effective and efficient considering the economic growth dynamics and the continuous increase of foreign and domestic investments in Alba county.

It has been also mentioned that the county's social policies are based on both EU funds and local budget revenues in order to solve problems that the disabled, the elderly, the education and health sectors, etc. are confronted with.

5. External interventions: national policies and EU cohesion policy

5.1. Which type of policies (regional, sectoral, horizontal policies) have had the most significant impact on regional development in recent years?

Some experts of Alba county consider that regional and sectorial policies are equally important, but the impact of the regional policies is more significant. The regional development priorities have largely mirrored the local priorities, making it possible the access to the EU funds for a series of activities in mining, agriculture, agro-tourism sectors as well as for infrastructure development. The ROP 2007-2013 has recorded the most notable results in relation to urban development, social, health and education infrastructure, microenterprise sector and tourism.

5.2. Does the structure of external intervention (national/EU) addresses regional needs?

To a large extent it is considered that the national and EU interventions via Cohesion Policy and Agricultural and Rural Development Policy have responded to the regional needs. Even if the results show a significant impact of these policies, the regional needs are expected to remain almost the same in the next programme period.

The quality of management has been assessed as acceptable or good for the institutions involved in the implementation process. The negative aspects envisage bureaucratic procedures, unclear and even interpretable national legislation, limited co-financing capacity, insufficient experienced staff, difficulties in applying public acquisitions legislation, frequent additional acts to financing contracts, etc. all of them inducing delays in implementation of the EU funded programmes.

5.3. Has the Cohesion Policy resulted more strongly in the improvement of economic potential or competitiveness, or has it rather affected social well-being?

Even if there is not a clear evaluation of the Cohesion Policy results, the improvement of economic potential or competitiveness and the social well-being are considered to have been addressed in a balanced manner.

The experts consider that the sectorial policies significantly contributed to increasing the county's competitiveness in wood processing, agriculture, car components and food industry.

As regards the possible synergies between the interventions supported through the ERDF and other financing sources there are both affirmative answers, indicating complementarities with other sources and negative assessments, pointing out that in various situations the expected interventions from other sources were delayed or insufficient.

6. Future prospects

6.1. What are the main opportunities and threats for the development of the region ?

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

The threats – associated with the weaknesses – mainly come from decreasing the investrors' interest in Alba county's economy because of bureaucracy and fiscal policy. Also, the still threatening financial crisis might endanger the co-financing capacity for the potential beneficiaries of the EU funded programmes.

6.2. How would you specify recommended future objectives (spheres) of national development policy?

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

6.3 Recommended future objectives (spheres) of the EU Cohesion policy?

The recommendations for future objectives of the EU Cohesion policy envisage the strengthening of territorial dimension of the cohesion policy in Romania and a special emphasis on the urban development for those cities confronted with economic restructuring related problems. The removal/prevention of any discrimination form between various categories of population, the integration of the disadvantaged persons in the active life, stabilising the labour force by offering attractive work opportunities to those thinking of emigration have been also mentioned as issues of reflection.

7. Conclusions

Following the change of politic regime at the end of 1989, Alba county went through a difficult period of economic decline marked by a slow transfer of ownership and difficult restructuring of inefficient economic activities, the loss of traditional markets in Eastern Europe, the deteriorating of macroeconomic equilibrium and galloping inflation. From 2001 the economic climate has improved, the economy resumed its growth and the period 2006 to 2008 consolidated the economic growth. The economic and financial crisis that began in the second half of 2008 had a significant negative impact on GDP and employment. Effects of the crisis were felt most intensely during 2009 – 2010, when have taken place massive restructuring in industry and commerce, the collapse of the construction sector and the lack of liquidity in the banking sector was severe. Especially the activity of micro-, small and medium-sized business in trade and other services has dropped significantly due to lower purchasing power of the population and the banks' restrictions on loans for private firms' investment.

Although the economic performance of the county, as measured by GDP, worsened in the context of economic crisis, the county is still in a better position that the Centre Region to which it belongs, and its GDP per capita is slightly above the national average. Labor productivity in Alba county has been slightly below national average on the long run but reached close to it after 2007, following a long period of growth that mirrored the national productivity dinamics. Although agriculture still owns the top position in Alba's employment, it creates less than 10% of the Gross Value Added because of very low labour productivity. The economy in Alba county is dominated by services and industry. The share of agriculture declined steadily. Although industry after a step increase in the 1990s slowly reduced its share in the value added, it still has a dominant position in Alba's economy. A major concern is the rehabilitation of old industrial sites that favor not only the environment, but are also advantageous for efficient new investments because they have an infrastructure that need to be improved and not completely renewed.

The development of the Alba county was positively influenced by the large natural resources and the existence of cheap labor. Other positive factors were foreign investments, increased exports, the programmes financed from European funds, as well as partial improvement of transport infrastructure. The trend of economic growth in Alba county was weakly related to FDI stock over 2001-2009, as foreign investments account for a relatively small part of total investments.

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

The local policies applied at Alba county level have mainly employed normative instruments such as decisions of the county council offering incentives or tax exemptions, which represented stimuli for economic agents (i.e. production and service firms) and positively influenced their activity.

The experts of Alba county consider that regional and sectorial policies are equally important, but the impact of the regional policies is more significant. The regional development priorities have largely mirrored the local priorities, making it possible the access to the EU funds for a series of activities in mining, agriculture, agro-tourism sectors as well as for infrastructure development. The ROP 2007-2013 has recorded the most notable results in relation to urban development, social, health and education infrastructure, microenterprise sector and tourism.

To a large extent it is considered that the national and EU interventions via Cohesion Policy and Agricultural and Rural Development Policy have responded to the regional needs. Even if the results show a significant impact of these policies, the regional needs are expected to remain almost the same in the next programme period.

The quality of management has been assessed as acceptable or good for the institutions involved in the implementation process. The negative aspects envisage bureaucratic procedures, unclear and even interpretable national legislation, limited co-financing capacity, insufficient experienced staff, difficulties in applying public acquisitions legislation, frequent additional acts to financing contracts, etc. all of them inducing delays in implementation of the EU funded programmes.

Even if there is not a clear evaluation of the Cohesion Policy results, the improvement of economic potential or competitiveness and the social well-being are considered to have been addressed in a balanced manner.

As regards the possible synergies between the interventions supported through the RDF and other financing sources there are both affirmative answers, indicating complementarities with other sources and negative assessments, pointing out that in various situations the expected interventions from other sources were delayed or insufficient.

The SME sector, that is currently absorbing the most important segment of the workforce represents a driver for the local economy, therefore creating incentives for investors in specific locations is a strategic priority. A good business environment and the creation of real opportunities for SMEs will increase the overall economy of the county and strengthen the competitiveness on the European market. In order to achieve this objective, support is aimed for the creation and development of economic zones around the localities, creation and development of business incubators, industrial parks, research and technology transfer centers, improved access to information infrastructure and business networks, support to the development of commercial and financial centers and improved logistic capabilities.

Development of the research - development - innovation sector is one of the factors that may increase the competitiveness in Alba County in the future. The need to strengthen the link between research and business environment draws the future development of the knowledge economy, speeding up technological transfer into productive activities. Improved access to information and the dynamics of urbanization in recent years triggered an increase in the development of most cities in the county. Creation and modernization of business support infrastructure aimed at developing industrial parks, business incubators, industrial and scientific clusters, technological and logistic platforms, centers for research and transfer of technology, etc. These structures are designed to support business development in areas affected by industrial restructuring, but also economic activities in other areas with development potential in the county, providing favorable conditions for productive SME development, which will contribute to economic development and job creation in both underdeveloped and rising areas.

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Annex 1. Institutions covered by in-depth interviews

- Alba County Council
- Alba Iulia City Hall
- Alba County Statistics Division

- Alba County Chamber of Commerce and Industry
- “1 December 1918” University of Alba Iulia
- Regional Development Agency - Centre Region
- Ministry of Regional Development and Public Administration
- National Institute of Statistics