

4 Sud Vest (South-West) Region

Demo-geographic characteristics

The South-West region, with a surface of 29,212 km² comprises 5 counties: Dolj, Olt, Valcea, Mehedinți and Gorj and correspond, mainly to the old historic region of Oltenia. It is neighbouring with Bulgaria, Serbia and with South Muntenia, Centre and West regions.

In 2004 South West Oltenia Region had a population of 2,317,636 (which represented 10.69% of the total population of Romania) with a density under the national average (79.3 inhab/km², compared to 90.9 inhab/km²). The rural-urban structure of the population is 52.8% versus 47.2% (for Romania 45.1% versus 54.9%), the most rural counties being Olt (59.6%), Valcea (55%) and Gorj (53.3%).

The region relief has a relatively balanced distribution, including mountains, plains, hills and plateaus. In the north side of Oltenia, the relief has mountains and hills (the Carpathians and sub – Carpathians area), with predominating forests and grasslands. The plain area is specialised mainly in cultivation of cereals. The hydrologic network, formed mainly by the Danube River, Olt and Jiu rivers, provides the region with the main energetic role of Romania (71.57% of the total hydroelectric production).

The localities network comprise 40 towns, 11 of them being municipalities and 408 communes that comprise 2066 villages. The most important towns are Craiova (300,843 inhab), Rm. Valcea (111,980 inhab), Drobeta Turnu Severin (109,941 inhab), Targu- Jiu (96,320 inhab) and Slatina (81,342 inhab). As it concerns the small towns (under 20,000 inhab), many of them do not have an adequate structure and development: Vânju Mare, Dăbuleni, Scornicești etc.

Employment and migration

The employment rate registers a low value compared with the country average – 36.6 %. At county level, the highest employment rate is in Valcea County (39.1%) and the lowest in Olt County (34.7%).

The labour market reflects the national trends. The employed population is distributed on the economic sectors as follows: agriculture and forestry (42.1%), industry (26.9%) and services (31%). The counties' analysis revealed higher rates of the employed population in agriculture in Olt (49.5%) and Mehedinți counties (48.4%), the service sector being more developed in Valcea (34.3%) and Dolj counties (33%).

The closure of some inefficient enterprises and mining exploitation increased the number of unemployed people, generating socio-economic problems in the respective areas. Also, the lack of jobs in the urban area and the increasing costs for the house maintenance determined that a high share of the unemployed population to be directed towards the rural area, where a low quality agriculture is being practiced.

The regional unemployment rate is of 7.5%, higher than the national average (6.3%). The northern counties Mehedinti (10.2%), Gorj (8%), Olt (7.7%) and Valcea (7.6%) have an employment rate higher than the national average, while Dolj county (5.8%) records an employment rate inferior to the regional average and even to the national one.

The lack of adequate jobs also determined the massive migration of the population for unqualified work abroad. Thus, if during the '90 people used to leave, especially, to Serbia, after the crisis from Iugoslavia, the privileged destinations became Italy and Spain. Comparing with other regions, South-West Oltenia has a low level of the external migration, but this phenomenon will intensify if the economic growth delays and the pauperisation phenomenon increase.

Regional economy

In 2003, South–West Region had a GDP of 2,049.8 euro/inhab (84.68% of the national average), to which the service sector contributed with 48.23%, the industry with 33.75% and the agriculture with 11.62%.

The low level of direct foreign investments causes the low development level of the region as the region attracted only 405 mil. Euros (a 2,69% out of total investments by the end of 2004). That places it on the 7th position among the country regions and regional investments are mostly concentrated on some important businesses (ALRO and ALPROM Slatina, LAFARGE Tg. Jiu etc). This is where the uncertainty regarding the big privatisations (Electroputere, Daewoo, Rm. Valcea Plant) emerges.

The economic restructuring process caused the migration from urban to rural environment of a big number of aged unemployed populations, where they practice subsistence agriculture. The high share of rural population and the wide area of rural lands, mainly in the south side of the region, make the agriculture the predominant sector in the regional economy. Thus, the increasing number of the employed persons in agriculture and the division of the agrarian fields as a result of the property reform, as well as the use of less advanced technologies, led to an important decrease of work productivity in this sector as the value of results in real terms remained in general the same, while the labour force hired.

The structure and distribution of economic activities at the regional level is determined by the natural resources, the accumulated tradition in manufacturing area, the technological facilities, investments, as well as the price system and the proper functioning of the market mechanism.

The mining sector (coal, energetic and oil) represents another important component of the region' economy. In Gorj county can be found the most numerous enterprises with extractive profile. The spectacular increase of the energy price causes an activity improvement within the area.

After 1990, in the framework of a relative slow and late economic restructuring process, the state primary stock joint enterprises became uncompetitive. Their staff over dimensioning made the restructuring process difficult, having no capacity to absorb the dismissed labour force, especially in the areas almost entirely dependent of an industrial sector.

From an economic and social point of view, the most affected mining area is Gorj, where the dependency of mining is still significant. The coal extracting activities are in decline, the mining restructuring beginning only since 1997.

Olt County was also one of the counties where the process of industrial restructuring led, consequently to lay-offs. But, as opposite to Gorj County, the Olt County has high agricultural profile, a high share of industrial employees focusing on agricultural activities.

The negative evolution of the mono-industrial centres (Baş, Tg. Cărbuneşti, Rovinari Motru, etc.) could not be compensated by the productive activity in several recently privatized sectors. It should be mentioned the low mobility of work force because of the lack of affordable houses.

The wood industry in the mountain and sub-Carpathians areas recorded during the last years strong recoil caused by the reduction of export capacity, as a consequence of the dollar depreciation. Mainly, this is still characterized by a limited value added production, promoted on some less severe markets (the north African countries)

The small and medium enterprises network is poorly structured (there were no clusters formed) and has a large volatility because of the lack of coherent business plans, of the capital support and of the appropriate management.

The business structure in the South West Region is made up of two operational industrial parks, located in Dolj (Craiova) and in Gorj (Sadu) counties, a Greenfield industrial park at Corabia, and also of 5 business incubators. The research infrastructure in the region is represented by 26 institutes and research centers, out of which 13 in the agricultural and forestry field. Craiova is the only medical university center from Romania does not have research institutions/ centers.

Infrastructure

Transport

South – West region has a relatively well developed transport infrastructure, the region being crossed by 3 European roads: E70, E79 and E81 and by 2 of 3 Pan – European corridors, namely: *the IVth corridor Berlin/ Nurenberg- Praga- Budapesta –Constanța– Istanbul -Salonic and the Danube River corridor VII*)

South – West region has a road network of 10,480 km (13,19% from the national total), out of which 2043 km are national roads (13% from the national total roads) and 8,437

km county and communal roads (13.24% from the national total). Olt and Gorj counties have a relatively well-developed road infrastructure, Olt County ranking 1st in Romania concerning the number and rate of the modernized km on county and communal roads (873 km representing 13.11% from the public county roads total). Regarding the public roads density per 100 square km, the region is placed above the national average (35.9 km/100 km²), the highest densities being registered within Gorj county (39.3 km/100km²), Mehedinți and Vâlcea counties, the last two with 37.6 km/100km².

The density of railways per 1000 km² has the lowest value in the country (34.3 km/1000km²); the most important railway cross point is Craiova, linking with the main localities of the region and country.

Particularly, the plain area – alongside the Danube, from Drobeta Turnu Severin to Calafat and from Calafat to Corabia, and the hill area between Târgu Cărbunești and Ocnele Mari do not benefit from railway networks. Moreover, there is no direct railway connection from Râmnicu Vâlcea to Pitești and București, the route started at the beginning of the 80's not being finished.

A major disadvantage is represented by the fact that there are no railway cross border points from Drobeta Turnu Severin towards Yugoslavia and from Calafat and Corabia towards Bulgaria, the commercial and people flows between the region and the neighbour countries being cumbered.

Craiova airport, which could represent a real push for the economic development and could contribute to the activity development, is used only periodically.

The traffic on the navigable routes is almost exclusively realized on the Danube. The European roads ensure efficient links with the 5 ports within the region: Drobeta Turnu - Severin, Orșova, Calafat, Bechet and Corabia, this ones being poorly equipped with expensive transshipment and insufficiently managed.

Apart from the areas with economic development due to certain special conditions (Danube Pass, Oltenia's Sub-Carpathians and the middle Olt Valley), the infrastructure in urban and rural localities is totally insufficient.

A high number of localities, which recently became cities, do not have the specific infrastructure that could justify the statute of urban locality while in others the advanced depreciation affects the quality of the services provided to the citizens.

Regarding the utilities infrastructure, the region has a weak endowment with drinkable water installations (16.5% of the total localities connected to a delivery drinkable water system, compared to the national level of 21%) and sewerage (2.8% from total localities compared to the national level 4.4%). The analysis by counties reveals a low utility endowment in Dolj County (only 3.6% of the localities were connected to the drinkable water network and 2.1% to the sewerage network).

The lack of investments for the modernization of public sewerage and drinkable water networks affects the quality of the water provided with consequences on the population health. Also, the precarious conditions of the network for the waste water collection causes a high degree of water flows pollution, and the insufficient number of burdens has negative influences on the environment. At present, there are only two wastewater purification plants in construction at Craiova and Calafat.

In 2004, only 71 localities were connected to the natural gas network in the entire region. Also, Mehedinti is the only county in Romania with no locality connected to the natural gas network.

Out of the total length of 2340 km of city streets registered in 2003 in South West Oltenia a percentage of 63.9% were modernised. In Dolj, Gorj and Mehedinti counties, the modernisation of city streets was achieved in proportion of over 60% of the total, percentage over the national average – 59.7% of modernised streets.

Environment

The main problems that affect the environment in Oltenia counties regard mainly the soil erosion and the danger of desertification within Dolj and Olt counties, the soil quality due to mining activities within Gorj and Mehedinti counties and chemical substances in Valcea, the air quality in Olt county and the danger of land slide in Valcea County.

The precarious conditions of the wastewater collecting network generate a high level of pollution of the water flows, and the insufficient number of waste deposits have negative influences on the environment.

Concerning water management:

- The length of regional sewerage network is 1,352 km (8.14% from the length of national sewerage network), Oltenia region being the last from this point of view
- Dolj is one of the counties with the smallest number of localities connected at the sewerage network
- In other region counties there are not wastewater treatment plant, the wastewater being evacuated directly in Olt, Jiu or Danube rivers.

Regarding the waste management:

- In 1999 there were recorded the biggest industrial waste quantities in Valcea and Mehedinti counties
- The decantation dust from the Govora Soda Factory causes the dangerous waste that affect the biggest surface of Romania (168 ha). On the fifth place is situated the area affected by the decantation dust of the Doljchim Craiova (15.8 ha)

As regards the biodiversity, according to the Ministry of Water and Environment Protection, at county level there was recorded a high level of damages within the forest areas, respectively: Dolj (64.8% of the trees) – the most affected in Romania, Mehedinti (39.1%), Gorj (36.4%) – on forth and fifth place among the country' counties. Thus, three

of the Oltenia's Counties are on the first places in the country as counties with high level of forest degradation (places 1, 4 and 5).

Education

The transition effects, visible mostly at economic level, marked also the educational system. The quality of education and of the educational reform is affected by the insufficient infrastructure and the weak endowment of the existing one, by the staff motivation (low wages) and by the scarce financial situation of the population.

The pre-university education infrastructure from the regional level (796 schools, 155 high schools in 2004) is in an advanced degradation stage, having as scarce endowment.

One can witness a continuous decrease in the number of the school population, from 519,128 in the school year 1990/1991 to 461,816 in school year 2003/2004. In Dolj county there are the less school population registered (151,949, registered in the school year 2003/2004).

The higher education represents the only level that registered a continuous increase, from 10,525 in the year 1990/1991 to 18,682 in 1995/1996, and to 42,201 in 2003/2004, also a result of the foundation of private superior education institutions. The increase of the students' number was not followed by the extension of education facilities, having as result the overpopulated superior education institutions. At present the educational system comprises 11 Universities (state and private): 5 in Craiova, 2 in Ramnicu Valcea, 2 in Drobeta Turnu Severin, 1 in Targu Jiu, 1 in Slatina.

Health

The low quality of the hospital infrastructure, the weak endowment with high-tech equipments and technologies, the lack of skilled staff (especially within the rural area), as well as the low level of the sanitary personnel salaries are problems which must be tackled by the regional sanitary system. The high poverty level, the sanitary culture degree lagging behind, etc. cause a high rate of infantile, maternal, TBC mortalities, etc)

Social services

The social problems are important and diverse but the social infrastructure in the region is poorly developed. There only exist 44 children alternative services (25 family type institutions and 26 placement centres). At the end of 2004, there were 8677 children with disabilities, out of which, only 780 were benefiting from reintegration services. Three counties – Mehedinti, Olt and Valcea – do not have any residential care institutions.

Areas in difficulty

The massive industrial decline of the region transformed it into a disadvantaged area reason for why the whole region could be considered an “area in difficulty”.

The most affected area concerning economic dimension is the mining area of Gorj-Motru coal basin, where the mining dependancy ratio remains significantly high. The most

relevant mono-industrial centres with a negative evolution are Balș, Caracal, Tg. Cărbunești, Motru, Strehaia.

There are other areas in difficulty located within Mehedinti plateau, because of their high deficiency in accessibility.

There are also large areas where plenty of small villages have been declared urban centres, even they lack basic urban infrastructure and consequently a stable economic structure (e.g: most of them are located in the Eastern part of the Region: Scornicesti, Babeni, Balcesti, Berbesti etc).

Important touristic areas both treatment resorts such as Baile Govora, Calimanesti, Olanesti and spa resort declined during the last years although they have an outstanding potential of development, an important experience accumulated in the filed and traditions that worth to be further used.

Danubians harbours are in economic decline reason for why they do not foster economic trade between neighbouring countries.

Development potential

The construction of the 2 pan-european corridors (the road corridor IV and the Danube River corridor VII), which will cross the region, are expected to raise the regional accessibility and to stimulate investment attraction, contributing to a better mobility of the labour market. Least, but not the last, the project implementation will imply the use of the region' human resources.

Furthermore, in order to attract foreign investments, Romania set-up alongside the Danube – free areas with fiscal facilities, but none of these is located in Oltenia. After building the Calafat - Vidin bridge over the Danube, it is expected that Calafat to fulfill the necessary conditions to become a free area: a key point of the road, railway and also river international traffic.

The development of research facilities and capacity within the Universities Centres and the use of the research results within the SMEs sector could create conditions for the development of business environment.

The tourist potential is concentrated in 3 areas: Clisura Dunării - Poștile de Fier, Sub-Carpathians of Gorj and Valcea, with significant natural monuments (caves, gorges, canyons, reservations) and architectonics (Vodița, Cozia, Turnu, Arnota, Lainici, Dintr-un Lemn, Cornetu, Govora, Tismana, Horezu, Polovragi monasteries), thermal and healing founts (Olănești, Călimănești, Căciulata), healing salt mines (Băile Govora, Ocele Mari), and Olt Valley in the north side of Rm. Valcea. The Lotru Valley, where Voineasa resort could provide very good conditions for winter sports, hunting, fishing, climbing and camping, and Ranca resort for ski, offers a special opportunity for mountain tourism development.

SOUTH-WEST REGION							
Indicators to characterize the development level and the economic potential							
- 2004-							
INDICATORS	Region	Counties ¹					Romania
		DJ	GJ	MH	OT	VL	
I. Population, employment, unemployment							
I.1 Total population (absolute figures)	2,317,636	720,554	386,097	305,901	488,176	416,908	21,673,328
Urban population (%)	47.2	53.0	46.7	48.3	40.4	45.0	54.9
Rural population (%)	52.8	47.0	53.3	51.7	59.6	55.0	45.1
Migration sold	-1,238	-240	37	-333	-663	-39	-10,095
I. 2 Employment							
Active population in total population (%)	39.6	38.9	40.1	40.1	37.5	42.3	40.6
Employed population in total population (%)	36.6	36.6	36.9	36.0	34.7	39.1	38.0
Employed population by economic sectors:							
Agriculture (%)	42.1	44.2	29.7	48.4	49.5	37.4	32.0
Industry (%)	26.9	22.8	37.6	24.5	24.6	28.3	30.0
Services (%)	31.0	33.0	32.7	27.1	25.9	34.3	38.0
I.3 Unemployment							
Unemployment rate by December 31 st 2004 (%)	7.5	5.8	8.0	10.2	7.7	7.6	6.3
Feminine unemployment rate by December 31 st 2004 (%)	6.4	5.0	7.3	8.4	5.8	7.2	5.6
Percentage of unemployed not benefiting from indemnities by 31 December 2004 (%)	61.4	50.2	54.9	75.8	64.3	64.4	59.3
II. Economic development							
II. 1. GDP / inhabitant (2003) – euro	2,049.8	1,872.1	2,878.6	1,950.3	1,528.7	2,276.4	2,420.5
II. 2. Labour productivity (2003) - euro	3616.5						4,625.3
II. 3. Foreign Direct Investments	405						15,040
II. 4. Business structure (industrial, scientific and technological parks)	1				1		36
II. 5. SMEs							

¹ DJ (Dolj), GJ (Gorj), MH (Mehedinti), OT (Olt), VL (Valcea)

SMEs / 1000 inhabitants (No.)	14.1	20	14.2	11.8	10.8	15.2	19.35
Total SMEs (absolute figures)	32.595	11.870	5.481	3.603	5.293	6.348	418,499
Out of which : Manufacturing (%)	11.0	11.4	11.7	10.9	12.5	13.0	13.6
Constructions (%)	4.9	4.3	5.6	5.2	4.5	5.6	6.2
Services (%)	79.5	81	79.6	80.6	76.2	78.5	77.5
SMEs structures by size:							
Micro (%)	89.3	89.9	89.3	88.7	89.7	87.9	88.03
Small (%)	8.0	7.7	7.8	8.1	7.6	9.3	9.6
Medium (%)	2.8	2.0	2.0	2.4	2.0	2.1	2.4
Attractivity rate	21						
III. Infrastructure							
III. 1 Transport							
Public roads density (km/100 sqkm)	35.9	29.9	39.7	37.6	37.1	37.6	33.3
Modernised public roads in total public roads (%)	31.7	21.7	32.0	21.9	55.0	28.2	26.3
III. 2 Public utilities							
Localities with water supply network in total number of localities (%)	35.9	29.9	39.3	37.6	37.1	37.6	-
Localities with sewerage network in total localities (%)	32.1	22.0	32.0	21.9	55.6	29.3	-
III. 3 Education							
Number of school units	1,436	412	218	136	442	228	14,396
III. 4 Health							
Number of hospitals **)	41	13	8	6	6	8	425
III. 5 Social Services							
Number of institution providing social services	104	60	15	6	10	13	13747
III. 6 Tourism							
Accommodation units (no.)	189	17	24	13	11	124	3,900
Existing accommodation capacity (places)	13,936	1,068	1,170	916	724	10,058	275,941
Functioning accommodation capacity (places – days)	3,703,416	354,436	328,665	314,966	150,166	2,555,183	53,988,640