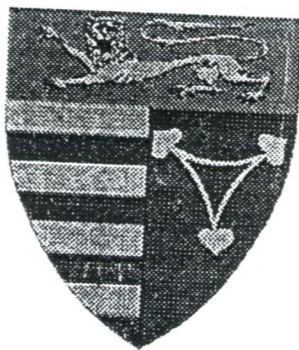


**NOTES ON ECONOMIC DEVELOPMENT
STRATEGY
IN
SIBIU COUNTY ROMANIA**

CHARLES J. BLANKENSHIP

OCTOBER 1999



Introduction

Starting in December 1998 I served as a volunteer economic development consultant to Sibiu County Romania in cooperation with the United States Agency for International Development and the International City/County Management Association.

I worked as part of a team from Grand Traverse County, Michigan. Other team members advised on public participation, county budgeting and tourist information center development.

Consulting on the organization of a county development agency and economic development strategy occurred during my visits to Romania in December 1998, May 1999 and October 1999 and visits from a Romanian delegation to the U.S. in April and August 1999.

Economic Development in Sibiu County Romania: Strategy

**by
Charles J. Blankenship**

Seminar

On October 15, 1999 representatives from counties and local governments from throughout southern Transylvania attended a seminar in Sibiu Romania entitled, "Developing an Economic Development Strategy for Sibiu County."

They were there to learn about Sibiu County's success in establishing both Romanian's first local economic development organization and comprehensive economic development strategy.

The accomplishments were the result of a ten month partnership between Sibiu County and Grand Traverse County, Michigan, with the support of the U.S. Agency for International Development and coordination by the International City/County Management Association.

As I spoke to the seminar participants I could clearly see the interest of these local government leaders in learning about the principles of economic development strategy, needed to guide their jurisdictions in this period of transition from a centrally controlled socialist system to a free enterprise economy with local responsibility for development.

In hosting the seminar the Sibiu County Council and Sibiu Development Agency displayed a gesture of cooperation toward their neighbors that revealed an acceptance of a recommendation from their American advisor - to foster regional cooperation to enhance the chances for successful economic development.

Sibiu Economy

Sibiu County (Judetul Sibiu) is situated in the center of Romania in the southern part of Transylvania. The county occupies a part of the Transylvania Highland at a historically strategic pass of the Carpathian Mountains. The county's 445,000 people represent 2 percent of Romania's population. Inhabitants reside in two cities, seven towns, and 53 communes (or townships) with 171 villages. The city of Sibiu is the largest city and county seat with a population of 170,000.

The economy of the county is more industrialized than Romania as a whole. Thirty-seven percent of the workforce there is employed in processing industries, compared to 24 percent for Romania. Hotel and restaurant employment, with a 3 percent share, also exceeds the national average of 1 percent. Employment in trade and services, at about 9 percent, also is similarly higher than national aggregate figures.

The county's agriculture employment at 21 percent of the workforce indicates a more developed urban economy than that of the nation in general; 34 percent of the national workforce is engaged in agriculture. However, both national and county unemployment rates are comparable.

Sibiu County, like the rest of Romania since the 1989 revolution, is in transition from a planned communist economy to a free enterprise economy with more local responsibility and public participation.

A major transfer of responsibility for regional and local economic development was enacted in 1998 by parliament with the passage of Law No. 151 on Regional Development in Romania. Law No. 151 provides for the establishment of multi-county development regions in Romania. Sibiu County has organized with the counties of Alba, Mures, Harghita, Covasna, and Brasov to form a six-county development region.

Strategic Plan

The introduction to Sibiu County's strategic plan states:

"The main goal and strategic objectives of the Strategic Plan were identified following numerous discussions and in the light of the conclusions reached in the analysis of the county's and area's competitive potential. Changes in its geopolitical, social and economic situation have forced Sibiu County to confront its need to develop new functions and means of existence. The county has to find its own place on the map of the country economy and modern society; and it has to do so without being instructed by central government in Bucharest and without being able to count on the support of the latter. This explains why creation of the Strategic Plan has become a truly important project, involving and uniting tens of specialists and institutions."

The strategy recognizes that economic prosperity will depend on county and regional self sufficiency and not dependence on the national government as prior to the 1989 revolution.

Development of the strategy was based on public input and participation and followed a SWOT analysis on the county economy:

SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Economic and social development need consciousness, as base of citizen life quality • Strong support and involvement of local and national authorities in programs for economic and social development • West European partners support • Legal support • Private economic sector emerge trend and cultural identity in European context. • Important cultural, tourist and economic potential. • Strong and flexible education system. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Lack of experience in relationship with international institution. • Insufficient consciousness of improvement need of quality managerial action in economy and administration. • Competitiveness lack for many local economic sectors. • High unemployment rate. • Communication network less developed • Loss of some traditional markets • Lack of a unitary perspective vision • Lack of communication and coordination.
<p>Opportunities</p> <ul style="list-style-type: none"> • Private sector development • International financial assistance • Existence of general city planning and limitation of development areas. • Development of public private partnership spirit. • Existence of a working structure that support the economic and social county development (Sibiu Development Agency) 	<p>Threads</p> <ul style="list-style-type: none"> • Frequent changes in legislation • High Tax rate • Inefficient banking sector • Bureaucracy • Degradation of historic and cultural asset • Young generation non-involvement in community problems • Civilian society is dishearten and blase.

Quality of Life

The primary mission of the strategic plan is "the sustained improvement of the quality of life of all categories of Sibiu County citizens."

The Romanian notion of quality of life is a holistic one which implies having a good job and a good salary, guaranteed and good quality medical care and social welfare, good housing, public safety, political stability, educational opportunities, culture and entertainment, and quality of environment.

The goal of improvement of the quality of life is based on an effective, mobile and diversified economy in which constant increases in labor productivity are accompanied by expansion of markets and creation of new products and services, thus ensuring a high level of employment.

The strategic plan's tactics to improve quality of life are;

- Increase in income and employment levels as a result of economic growth
- Improvement of general living conditions as a result of increases in efficiency of expenditure of resources in the community exchequer.

Strategic Objectives

Four strategic objectives are established in the Sibiu strategic plan:

1. Establishment of a favorable business climate
2. Integration in the world economy
3. Improvement of the urban environment
4. Establishment of a favorable social environment.

The means of achieving the first strategic objective of establishing a favorable business climate are:

- Elimination of administrative constraints in business
- Establishment of an effective competitive environment

- Reduction of the tax burden.
- Development of the real-estate market
- Reform of city-planning at communities level
- Development of labor market; improvement of labor mobility; provision of conditions for retraining and skills upgrading.
- Stimulating private investment within business; reorientation of financial resources towards business investments

Sibiu County recognizes that the objective of integration into the world economy is essential for sustainable economic growth.

Oriented towards an open economy, the county has several groups of industries that define its position in Romanian and international business. The development of these industries is a strategic objective of the Strategic Plan.

Currently, key economic sectors are:

- industries serving transport and trade (the airport, railways, motor transport, customs, repair services, wholesale trade);
- food industries;
- textile industries;
- metal processing industries;
- agriculture;
- sectors serving the cultural and tourism industries (culture, hotels, services);
- science, education;

Within the objective of expanding manufacturing industries there are three tasks:

- to promote the expansion of demand for products of the county's enterprises;
- to promote cooperation within the region as a means of cost reduction;
- to improve technical and technological levels in manufacturing.

Five specific goals are identified to achieve improvement of the urban environment:

1. Revival of Sibiu's historical center.

The historical center is in itself one of the city's natural advantages in competition with other regions. An internationally renowned architectural masterpiece, it can attract millions of tourists to Sibiu and is responsible for the image of the city that the world knows best.

2. Solving the main problems of the urban centers.

Socialism has left Sibiu with deteriorating buildings, high levels of environmental pollution, transportation congestion and inadequate and deteriorating infrastructure.

3. Formation of zones of dynamic urban development.

Special incentives will be used to create development in particularly depressed areas.

4. Development of the inner and suburban transport network

The last few years have seen a large reduction in the services provided by Sibiu County's public-transport system, including sizable cuts in the extent of routes covered. At the same time, there has been a sharp increase in the number of private cars, in volume of truck traffic, and congestion of streets and thoroughfares. A balance must be found between private and public transport; the throughput capacity of the county's streets and roads needs to be increased; and there must be an improvement in parking facilities. To this end there must be improvements to procedure for road construction, maintenance and use; the county's transport network requires reconstruction and development; and the new road-maintenance facilities must be built.

5. Improvement of quality of environment

Environmental improvement requires solutions to the problems of utilization and recycling of waste - which implies reconstruction of enterprises recycling toxic and domestic waste, introduction of certain specific regulatory measures and development of a system of collection, transport, recycling and utilization of waste.

Creation of a stable social environment and prevention of social conflict is the fifth objective of the Strategic Plan.

A "stable social environment" is defined as an environment that ensures equal social opportunities and prevents the arising of sources of social conflict. It is an environment that provides conditions in which different groups of the county population can live and develop; conditions which produce an overall improvement in the quality of life, e.g. longer life expectancy for citizens, lower rates of illness, lower infant death rates, satisfaction with life and confidence in the future, lower suicide rates etc.

Enhanced stability of the social environment is to result from:

- the right to a job for all those capable of working;
- creation of equal opportunities for group with special status or special needs;
- social protection for the socially disadvantaged;
- health care for all citizens;
- special priority given to measures to protect children and the family.

Expected Results

Expected results of implementation of the Strategic Plan are as follows:

For the first strategic objective - establishment of a favorable business climate:

- significant change of the business climate by eliminating any kind of constraints
- existence of a profitable, efficient and competitive environment
- existence of the communities' development plans
- labor market development:
 - the creation of at least 22,500 new jobs, of which 9,000 will be in manufacturing
 - unemployment rate no bigger than 6%
- an increase in budget revenues of not less than 20% in real terms (as a result of economic growth and better collection of taxes); improvement in the effectiveness of expenditure of county and local resources (as a result of reformation of public services, the introduction of targeted social aid, and the development of a rational investment program).

For the second strategic objective - integration into the world economy:

- high technical and technological level, comparable with the western level
- developed regional and national market for the county's products
- considerable volume of exported products
- agriculture has regained its importance in the county's economy, by representing minimum 30% of it
- Sibiu becomes one of the most important tourist destinations in Romania
- information culture is a reality.

For the third strategic objective - improvement of the urban environment:

- the main problems of Sibiu community are solved
- county's transport network at European standard
- environment protection strategy has been successful

For the forth strategic objective - establishment of a favorable social environment:

- an increase in income of citizens of not less than 15%; an increase in life expectancy of 3 years;
- an increase in the average amount of living space per person (i.e. person's average share of the floor are of an apartment) to 20 square meters; a reduction in the number of communal apartments;
- improvement in the quality of housing and of housing-maintenance services;
- social security
- existence of social protection real and differentiated according to the needs
- efficient medical system
- there is a chance for everyone to get trained and to realize his/her potential

Conclusion

With a strategic plan and new development agency Sibiu is positioned to take control of its economic future.

Perhaps the most important feature in Sibiu today is the confidence and optimism that was lacking when the USAID sponsored exchange began in December 1998.

A year earlier there was sense of hopelessness and an unfounded reliance on eventual rescue from the west.

Experiencing only communism and a centrally controlled economy they had never before seen an economic development organization nor did they know what a economic strategy looked like.

After three trips to Romania and two visits by Romanians to the U.S. I watched their changes in attitude as they learned about economic strategy and organization and gained a better understanding of the free enterprise system.

Advising in Sibiu County has been a personally rewarding experience. I feel honored to have been allowed to play a small part in the historic economic revolution occurring within Romania.