

## Transport sector in the administrative and socio - economic context of Romania

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**Abstract:** *In any modern economy, transport sector plays a key role. In order to reduce the disparities between levels of transport development of the various regions of Europe, European Union has focused on the creation of a sustainable transport systems for a connected Europe. Romania has already created the conditions for the improvement of its transport services and the modernization of transport infrastructure. According to the Sectoral Operational Programme Transport, Romania understood the need for the future development of the transport sector in order to increase its economic competitiveness.*

**Keywords:** transport, economy, European Union, Romania, competitiveness.

Located in the southeastern part of Europe, Romania is situated at the crossroads of the main communication axes: West-South-East and North-South-East. Romania is neighboring Ukraine in the North, Serbia and Hungary in the West, Bulgaria in the South, and Republic of Moldova in the East. In Europe, Romania is the seventh largest European Union (EU) Member State, a middle-sized country with a surface of 238,391 sq km and a population of 21.7 million. While its population is equivalent to 6.0 % of the EU-15 population and its territory is the equivalent

of 7.5% of the EU-15 territory, Romania only produces 1.4 % of EU's Gross Domestic Product (GDP). It means that the Romanian economy is lagging significantly behind many European economies. In 2005, the Romanian GDP per capita recorded in purchasing power standard was just 30 % of the EU-25 average.

The Romanian territorial-administrative structure comprises 41 counties, 266 towns and 2,686 communes. More than half of the towns are small ones, the majority of them having less than 20,000 inhabitants. Only 10%

of the towns have a population exceeding 100,000 inhabitants. The capital of the country is Bucharest.

In order to create a competitive, dynamic and prosperous country, the Romanian government has designed the National Strategic Reference Framework 2007-2013 (NSRF). NSRF has the following two key objectives:

- To reduce the social and economic development disparities between Romania and the EU Member States.
- To reduce the disparities with the EU by generating an additional 10 % increase in Romania's GDP by 2015.

Both of these objectives demonstrate the need for economic growth in Romania. Starting from the SWOT analysis of the present situation of the country (Table 1), economic growth requires the creation and development of a modern and competitive Romanian economy by:

- sustainable development;
- effective public and corporate governance;
- dynamic entrepreneurship;
- increasing productivity;
- continuous research and innovation;
- social inclusion;
- improving socio-economic regional development.

**Table 1 - A SWOT analysis for Romania**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Fiscal policy</li> <li>• Macroeconomic stability</li> <li>• Political stability</li> <li>• Annual GDP growth</li> <li>• Functioning market economy</li> <li>• Monetary policy</li> <li>• Geographical location in Europe</li> <li>• Natural resources</li> <li>• Industrial and technology parks</li> <li>• Tourism potential</li> <li>• Wage level</li> <li>• Information and communication technology (ICT) professionals</li> <li>• Quality of higher education</li> <li>• Labour force</li> <li>• Railways traffic safety</li> <li>• Domestic consumer market</li> <li>• Number of students entering higher education etc.</li> </ul>	<ul style="list-style-type: none"> <li>○ Corruption</li> <li>○ Black economy</li> <li>○ Structure of the economy</li> <li>○ National competitiveness</li> <li>○ Legal framework</li> <li>○ Regional disparities</li> <li>○ Inflation rate</li> <li>○ Demographic trend</li> <li>○ Administrative capacity</li> <li>○ Basic facilities (water, sewerage)</li> <li>○ Road traffic safety</li> <li>○ Energy usage</li> <li>○ Intermodality connections</li> <li>○ Environmental policy</li> <li>○ Productivity</li> <li>○ Entrepreneurial culture</li> <li>○ Access to business finance</li> <li>○ Ageing population</li> <li>○ ICT infrastructure</li> <li>○ Mobility of labour force</li> <li>○ High employment in agriculture etc.</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• EU policies</li> <li>• EU funds and projects</li> <li>• Globalization</li> <li>• World knowledge-based economy</li> <li>• Worldwide demand for ICT products and/or services</li> <li>• Global tourism expansion</li> <li>• EU labour market</li> <li>• EU consumer market</li> <li>• EU research and development activities</li> <li>• EU transport networks</li> <li>• Worldwide e-commerce</li> <li>• Strategic alliances</li> <li>• Outsourcing etc.</li> </ul>	<ul style="list-style-type: none"> <li>○ EU legislation</li> <li>○ World competition</li> <li>○ World economic crisis</li> <li>○ Competition within a Single Market</li> <li>○ Worldwide demand for ICT professionals</li> <li>○ Globalization</li> <li>○ Wars</li> <li>○ International terrorism</li> <li>○ Migration of highly skilled and educated people etc.</li> </ul>

According to NSRF, Romania intends to build environmental sustainability and equality of opportunity to fight social exclusion in the future period. Based on the Lisbon Strategy, the Romanian government decided upon some main directions of action such as:

- The increase of a long-term competitiveness. The ranking in international competitiveness comparisons has shown a low position of Romania in the last decade. In spite of the fact that Romania has remained a relatively large economy in the region, it has not been managed to increase its competitiveness position like other countries. Some of the main reasons were the difficult transition to a market economy and the delayed privatization and restructuring of the state-owned enterprises. This is why Romania aims to be-

come a dynamic entrepreneurial society. In this respect, Romania has to build a strong productive business base, to support business start-ups, to encourage innovation and small and medium enterprises (SME), and to stimulate growth, particularly through investment in higher added value products and services and tourism. The role of the state in the Romanian economy has dramatically decreased after 2000. Despite a worsening world economy, the average of annual GDP growth was 5.7 % between 2000 and 2005. The service sector has continuously increased its contribution to GDP growth, from 26.5 % in 1990 to 48.3 % in 2005, but the composition of GDP still shows the structural imbalances of the economy (Table 2).

**Table 2 - Structure of the Romanian GDP by sectors (%)**

	2000	2001	2002	2003	2004	2005
Gross added value, of which:						
Manufacturing	27.3	27.7	28.1	25.0	25.1	24.4
Agriculture	11.1	13.3	11.4	11.6	12.8	8.9

Construction	4.9	5.3	5.8	5.8	6.0	6.5
Services	46.3	44.5	45.3	46.4	45.2	48.3
Other components	10.4	9.2	9.4	11.2	10.9	11.9
GDP	100	100	100	100	100	100

Source: National Commission for Prognosis, 2006

For the next six years, it is estimated that there will be higher increase rates in the service and construction sectors (Table 3).

**Table 3 - The average increase rate of GDP per sectors (%)**

	Average Rate 2007-2013
Industry	4.1
Agriculture	2.9
Construction	10.2
Services	5.8

Source: National Commission for Prognosis, 2006

▪ The development and more efficient use of human capital. Romania understands that the entire world is living in a knowledge society. In this respect, Romania has to provide better education and training to its citizens, and to improve the health care services. The modernization of the education and training infrastructure is needed to raise the quality of the educational system. Since 1999, awareness of the Bologna Process has constantly increased during the last years within the Romanian higher education institutions. In order to become more competi-

tive, they have created and developed quality assurance departments and established quality assurance strategies. In the period 1989-2005, Romania experienced an unprecedented growth and transformation of its higher education system. The total number of the higher education institutions almost tripled from 44 in the academic year 1989/1990 to 112 in the academic year 2004/2005. There were 55 public and 67 private higher education institutions. The number of students enrolled increased very rapidly from over 150,000 in 1989 to more than 620,000 in 2004 (Table 4).

**Table 4 - The evolution of the number of students enrolled in Romanian higher education institutions for the academic year 2003-2004**

Public institutions	Private institution	Total
476,881	143,904	620,785

Source: CEPES, 2004

Each year, more than 5,000 students are graduating from the ICT specialities. Romania is among the ten countries of the world regarding the concentration of certified professionals in ICT. Awareness of the need for knowledge imposes Romania the creation of a knowledge-based society. The perspective for the development of a knowledge-based society in Romania will ensure:

- A strong and durable economic development.
- The increasing use of knowledge in society.
- The decrease of socio-economic discrepancies.
- A full integration into EU.
- The increase of the national competitiveness.

tiveness.

- The transformation of knowledge into capital.

▪ The promotion of a balanced territorial development. The Law no. 151/1998 authorized the creation and development of the following eight regions: North-East, South-East, South-Muntenia, South-West, West-Romania, North-West, Centre and Bucharest-Ilfov (Table 5). Without being administrative units and having legal personality, these regions represent the main objectives of a balanced Romanian development policy. The aims of the policy are to significantly decrease the socio-economic disparities between these regions and to promote a balanced economic growth within the country.

Table 5 - The eight regions of Romania

No.	Development Regions	Counties	Total Surface (sq km)
1.	North-East		36,850
		Bacău	6,621
		Botoșani	4,986
		Iași	5,476
		Neamț	5,896
		Suceava	8,553
		Vaslui	5,318
2.	South-East		35,762
		Brăila	4,766
		Buzău	6,103
		Constanța	7,071
		Galați	4,466
		Tulcea	8,499
		Vrancea	4,857

Source: Statistical Yearbook of Romania, 2002

No.	Development Regions	Counties	Total Surface (sq km)
3.	South-Muntenia		34,453
		Argeş	6,826
		Călăraşi	5,088
		Dâmboviţa	4,054
		Giurgiu	3,526
		Ialomiţa	4,453
		Prahova	4,716
		Teleorman	5,790
4.	South-West		29,212
		Dolj	7,414
		Gorj	5,602
		Mehedinţi	4,933
		Olt	5,498
		Vâlcea	5,765
5.	West-Romania		32,034
		Arad	7,754
		Caraş-Severin	8,520
		Hunedoara	7,063
		Timiş	8,697
6.	North-West		34,159
		Bihor	7,544
		Braşov	5,355
		Covasna	6,674
		Harghita	6,304
		Mureş	4,418
		Sibiu	3,864
7.	Centre		34,100
		Alba	6,242
		Braşov	5,363
		Covasna	3,710
		Harghita	6,639
		Mureş	6,714
		Sibiu	5,432
8.	Bucharest-Ilfov		1,821
		Ilfov	1,583
		Bucharest	238

Source: Statistical Yearbook of Romania, 2002

▪ The building of an effective administrative capacity. According to the public opinion barometers citizens' opinions on the public administration's performance are negative. The public administration is perceived to be weak and corrupted. There is no surprise that Romania is placed in the 83<sup>th</sup> position out of 159 countries regarding the perception of corruption in the world. One of the big problems facing the Romanian government is the lack of clarity on allocation of responsibilities and financial resources between the county and the local councils. Other problems are:

- The lack of political consensus over the goals of administrative decentralization.
- The ambiguous domestic budgeting system.
- The limited knowledge and competences in the strategic planning and management of the EU projects in public administration.
- The absence of resources and structures for local development planning.
- The lack of administrative capacity to manage the EU funds.

▪ The development of the basic infrastructure to European standards. Romania occupies a key location in Europe, but suffers from severe underdevelopment of its basic infrastructure. Romania's efforts will focus on improving energy efficiency in the entire chain (production, transportation, distribution and utilization). Also, investments in transport, road and rail networks will improve accessibility and inter-connectivity of the national, county and local roads, railways, airports, maritime and fluvial ports. For example, Romania has remained a country with one of the largest, most dense and frequently-used railway network in Europe,

but with a relatively outdated infrastructure. After the fall of the communist regime, railways transportation entered in massive decline and suffered huge losses. In 1998, the reorganization of the single state-owned railways company allowed private operators to hold 10 % of Romanian railway tracks. Thus, a national company (CFR SA) and other four commercial companies (Freight Company CFR-Marfa, Passengers Company, Railway Management Company and Assets Management Company) appeared from the old ex-communist railways company. This new organization has imposed new principles, such as: exploitation and maintenance activities of public railway infrastructure are separated from that of operation, the public and private railway patrimony is exploited on economic criteria, the access of different operators on the infrastructure is achieved in the terms of competition.

The transport sector plays a fundamental role in the development of a Romanian modern economy. Some of the recent trends in the Romanian transport sector are the following:

- Change from a state planned economy to a market driven transportation economy.
- Decline of many industries that made use of rail transport.
- Decreasing usage of public transport.
- Increasing private vehicle ownership.
- Under-investment in infrastructure.
- Low density of road and rail transport.

For example, road density in Romania is low compared to the EU-25 average (Table 6).

Table 6 - Comparison of road densities

Country	Km of road/100 sq km	Km of road/million population
Romania	33.3	3,624
EU-25	110.1	9,388
EU-15	110.6	9,421
Czech Republic	70.3	5,432
Hungary	145.7	13,366
Poland	117.0	9,879

Source: Eurostat Pocketbook: Energy, transport and environment indicators, 2005 edition

Also, the railway density is above the EU-15 and EU-25 average (Table 7).

Table 7 - Comparison of railway densities

Country	Km of railway/1,000 sq km	Km of railway/million population
Romania	46.1	504.7
EU-25	51.2	450.6
EU-15	48.1	409.3
Czech Republic	121.7	941.2
Hungary	82.5	752.5
Poland	65.2	551.6

Source: Eurostat Pocketbook: Energy, transport and environment indicators, 2005 edition

The Sectoral Operational Programme (SOPT) currently being implemented within Romania is based upon the White paper 'European transport policy for 2010: time to decide', which was adopted in 2001 and aims to improve transport quality and efficiency. The SOPT is the main instrument that elaborates upon the objectives of the NSRF, establishing priorities, goals and the allocation of funds for the development of the transport sector in Romania.

One of the key issues for the Romanian economy during 2007-2013 will be the development of transport infrastructure. It will lead to improvement of transport services offered to customers within Romania.

In sum, it is obvious that Romania is making huge efforts to modernize the transport sector. The future development of the transport sector will have significant impact on increasing the economic competitiveness of Romania.



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