

Sustainable Development of South-West Oltenia Region in the Current Economic Crisis

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Abstract. *The present article advances the concept of sustainable development at the regional level. A brief review of the literature on sustainable development, be it from primary or secondary sources, reveals that there is a relatively small number of studies in this area at the national level. Therefore, we considered it appropriate to carry out an analysis regarding macroeconomic indicators in one of the development regions of our country, namely South-West Oltenia. Sustainable development involves a combination of economic, social, political and environmental policies to ensure effective management of the planet. Nevertheless, all these must be accomplished taking into consideration the implications of the current economic crisis.*

Keywords: sustainable development; regional development; gross domestic product; economic development; economic crisis.

JEL Code: O11.

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1. Introduction

Nowadays, mankind is the direct result of evolution in which, during time, has been accumulated the residues of long-term models of existence that went through, and which, taken together form a barrier to progress, expected and deserved by the current generations. Overcoming it is inconceivable without the rapid and profound progress of knowledge and its promotion in society, especially in economy (Bari, 2005, p.121).

2. Conceptual framework of sustainable development

In the current circumstances, more than ever we need an economic theory based on studying full contemporary realities, and unconventional in order to conform the needs of our nation, to help out from the present difficult economic situation, theory free from prejudice and ruled only by truth. It tells us where to go for the good of the world, the nation, of all citizens and even of each region.

Each region has to fight to achieve a qualitative and sustainable economic growth which should have a significant impact on the eradication of poverty, in other words, the main concern of the state, transition's target, should be the humanization of society development, this being path to success in this difficult time of economic crisis.

To continue with, sustainable development is a process of change in which exploitation of resources, directing investments, the orientation of technological development and change institution are all in harmony and enhance both current potential and the future one, in order to meet the needs and aspirations of humanity.

Based on this definition, sustainable development can be considered as a process consisting of three systems:

- Ecological system (exploitation of resources);
- Economic system (investment and technology development);
- Socio-cultural system (institutional changes).

Therefore, it can be presumed that this system of sustainable development is accepted as a general guide for economic development. However, translating this concept into operational policies produces many complications due to differences between regions and theoretical interpretations (Dobrescu, Albu, 2005, p. 57).

It should be pinpointed that these features take into consideration a systemic approach of the sustainable development starting from the utility functions specific to each system and the general theory of systems indicating that the system is more than the mere sum of sub-components. However, it is

considered that the model of sustainable development is still poorly defined, both theoretically (there are many definitions) and practical (given that no country and no region has failed to solve a series of key issues such as unemployment, inflation, education and health, poverty, etc.). Applying these indicators to states in general, it can be easily observed that the degree of development in countries in transition to sustainable development is different.

According to an overview on the existing definitions given by the literature on this topic, there can be selected the following ones:

- continuous economic growth (not zero growth or negative developments);
- socio-economic development in accordance to the requirements of ecological balance (so not just preserving the environment, but a continuous improvement of its quality);
- improvement on living standards for all people and not only for an elite (ensuring access to culture, science, health, education, etc.);
- ensuring the necessary framework for the creation of jobs, having as main purpose, besides economic growth, social inequalities and poverty elimination;
- equal opportunities of development between generation;
- demographic growth in accordance with the possibilities of society and nature, in order to ensure proper working and living conditions, corresponding to general development;
- management of resources, especially non-renewable ones;
- ensuring gender equality among nations, ethnic groups and nations, irrespective of political and religious options, gender, etc. – Participation not only theoretical but also practical – of all nations through international decisions.

3. Economic development of the South-West Oltenia Region

From this theoretical basis, we analyzed the possibilities and prospects of current and future economic development of South-West Oltenia Region, which can influence, positively or negatively, its sustainable development.

The gross domestic product (GDP) is the most accurate indicator characterizing the development of a region over a period of time.

In order to observe the economic situation in South-West Oltenia Region an analysis of GDP on different categories was necessary. These categories are represented by share of industry, agriculture, construction and services in GDP. The time span for analysis is from 2005–2012. The period reflects the situation of regional development in the region during the period preceding the crisis, and during her deployment.

Table 1

Structure of GDP by sector in South-West Oltenia

– % of GDP –

	2005	2006	2007	2008	2009	2010	2011	2012
Industry	29,9	29,2	29,6	29,9	26,8	26,2	26,1	26,3
Agriculture	11,1	10,0	6,8	7,6	7,5	7,4	7,3	7,2
Construction	7,0	8,0	6,2	10,9	11,7	12,1	12,4	12,7
Services	41,2	42,4	43,8	42,7	44,3	44,8	44,9	44,7
Total taxes	10,7	10,5	10,5	9,8	9,7	9,5	9,3	9,1

Source: Table was made by the authors based on data from the Institute of Statistics and Forecast Center forecasts made.

The above table emphasizes that in South-West Oltenia Region the largest share of GDP can be found at services, between 41% and 45%. The strong tendency of tertialization of the region's economy determined the growth of some branches of the services faster than other activities. Population predilection toward specialization on a certain branch is determined by the multiple possibilities of career prospects and important gain opportunities.

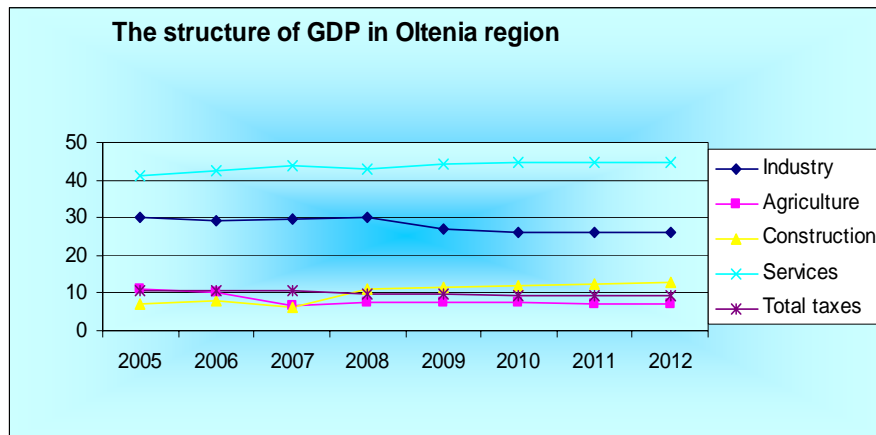
In the region, trade and transport have the largest share of total services, while financial intermediaries occupy the lowest position in this ranking. Health and social services had an oscillating evolution.

In contemporary economy, the services are considered a very important branch of the national economy because, in addition to material needs of the population, ensure the continuation or completion of these needs, contribute to recreation and spending free time, thus maintaining a biological balance essential for a physical and mental health status at the population level, competing at the same time to the development of particular activities, with positive consequences in terms of employment of labor.

On the second place is industry with a relative weight of 26% of GDP. In this area, there is a downward trend, since the region experienced economic transition and industrial restructuring in difficult terms. These processes encountered more resistance in this region than in other parts of the country, being somewhat delayed due to social and political tensions. Moreover, there have been affected the mining industry and some state-owned enterprises. The economic structure, mentioned above, is reflected in the regional GDP distribution between different economic sectors.

Roughly speaking, taking into consideration the issues presented above, from a socio-economic perspective, there are disparities in the Oltenia region. All the five counties which form this region face a difficult period from this point of view. On one hand, the industrialized counties from the North, Gorj and Valcea are strongly affected by the industrial reorganization, which led to a

high level of unemployment, on the other hand, the agricultural area from South, including Dolj, Olt and Mehedinti, is severe affected by the low level of productivity, deepening the poverty along these under-developed regions.



Source: Graph was made by the authors based on data from the Institute of Statistics and forecasts made by the Centre for Prognosis.

Figure 1. *Structure of GDP in South-West Oltenia Region*

Evolution shows a decrease in the share in GDP of agriculture and industry in favor of services, like community development. Although justified through natural potential and economic traditions from the South-West Oltenia, this structure of GDP on economic sectors is not compatible with a modern and developed region, the main cause being the differences in productivity between the economic sectors.

For example, GDP has serious limitations on the ability to reflect the region's real income and the level of its economic and social development.

First, the rigor of this indicator is affected by the fact that in its calculation are not included domestic activities of family members, activities which tend to increase and to represent a high pounder in this equation.

Secondly, there are not taken into account most of the costs (efforts) to protect the environment, namely those expenses incurred to remove the negative effects of pollution.

In the third, GDP does not reflect those activities that do not generate commercial transactions. Demonetization, naturalization of some activities, reflux of exchange economy have the effect of reducing "artificial" production of a country's freight, in the context of the region, creating a significant distance between the actual production from one country and one captured by GDP.

Fourth, the underground economy is not included in the national accounting records.

But even if GDP would benefit from a rigorous calculation (so even if there were any of the limits of computation shown above), it should not be a sufficient indicator consistent with the realities of contemporary economy and society.

Following the evolution of sectorial employment in the region, there is a tendency of decrease in the employment rate in agriculture sector, in favor of services. This trend is likely to continue in the near future, as the regional economic structure modernizes, entailing increases in productivity. However, on medium and long term, economic restructuring and productivity growth will stimulate economic activity and employment.

But, unfortunately, GDP does not measure the welfare of a nation, but just the added value produced in economy annually. This represents the gross added value incorporated in final goods and services.

To continue with, there is analyzed the gross added value by sector in the South-West Oltenia.

The relevance of analyzing the gross added value, resides from the fact that a positive evolution, ascending of this indicator, can lead just to the idea that value addition product encountered at regional level is a factor of sustainable development.

Table 2

The gross domestic product by industry

– million RON, current prices –

South - West Oltenia								
	2005	2006	2007	2008	2009	2010	2011	2012
GVA in Industry	7,144.8	8,335.9	10,130.5	12,168.0	11,869.0	12,385.3	13,300.8	14,539.2
GVA in agriculture	2,660	2,863.2	2,322.4	3,211.6	3,336.9	3,503.9	3,735.9	4,003.4
GVA in construction	1,686.3	2,280.3	3,156.8	4,590.8	5,179.6	5,720.6	6,339.2	7,034.0
GVA in services	9,863	12,110.8	14,970.9	17,978.1	19,645.1	21,210.7	22,881.6	24,760.9
Total GVA	21,354.1	25,590.2	30,580.6	37,948.5	40,030.5	42,820.5	46,257.6	50,337.4
PIB	23,920.5	28,589.2	34,168.0	42,064.9	44,329.3	47,340.9	51,003.1	55,383.1

Source: The table was made by the authors based on data from the Institute of Statistics and Forecast Center forecasts.

In developed economies, the production of high quality material and goods meet the new and diversified requirements. Individual and social needs, in continuum dynamics, determined the necessity of services development, faster than the diversification of goods. Mostly modern economy is producing and consuming services.

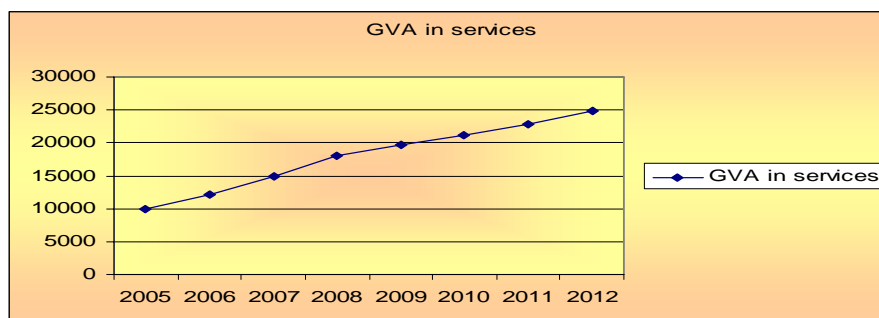
The dynamic of needs influenced the division of labor, considered by some experts, together with the dynamic of needs, another cause of the growing role of services sector in the economy (Badita, Cristache, James, 2005, p. 25).

On one hand, the division of labor develops collaborative relationships between suppliers of raw materials, producers of goods service providers, and on the other hand, deepens economic competition and struggles to gain a bigger market share.

In an economy based on services, there are produced complementary goods. Satisfying consumer's demand is based on both quality of services due to increased competition and the use of complementary goods. These phenomena are reflected on the growth the services have on the world's GDP. Developed market economies are characterized by a dominant and growing share of services in GDP, as a result of increased economic efficiency and sustainable exploitation of resources. In the South-West Oltenia, this tendency, confirmed around the world, is smaller, but present, observing a reduction of the secondary and primary sector for the services sector. Lately, in the South-West Otenia agriculture pounder in GDP dropped to approximately 7%, decrease which has been influenced by demographic phenomenas, labor migration and food imports. There has been also a decrease in the industry pounder in the creation of GDP. This decreasing took place due to economic inefficiency, which caused economic collapse in the industry. Under these circumstances, GDP percentage determined by services increased, representing at present moment almost 40%.

In this context, redefining the role and place of services in the current European market economy requires characterization of macroeconomic developments in this sector, independent and interdependent with other branches and sectors of activity.

Constant development of services of the economy in this era determines different specialists to intensify their efforts to define the concepts in this field, which is complex and dynamic (Badita, Cristache, James, 2005, p. 26).

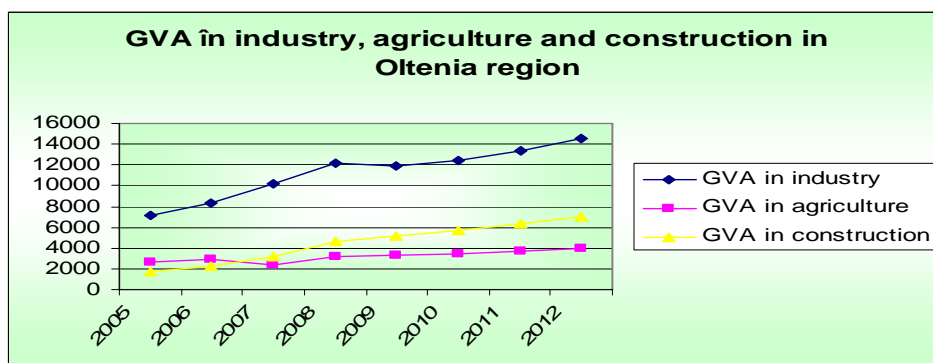


Source: Graph was made by the authors based on data from Table 2.

Figure 2. Gross value added in services

The graphical representation pinpoints that in South-West Oltenia the gross added value in services records the highest value, being on an upward trend in the period analyzed.

The positive evolution, ascending of this indicator, from 9863 million in 2005 to 21,210.7 million lei in 2010, can only lead us to the idea that addition product value registered in the services region is a factor of sustainable development.



Source: Graph was made by the authors based on data from Table 2.

Figure 3. Composition of GVA by sector in the South West Oltenia

In the second place in the region is industry. In this sector, there is a sinuous evolution of this indicator in the South-West Oltenia region, which tends to increase from 2005 to 2008 and in 2009 decreased by 299 million. This decrease induces the adoption of decisions having as priority restructuring in industry, adding the development and specialization of existing sectors by creating a special environment for innovative activities, stimulating new industries with ecological preference and skill-level adjustment of training and retraining human resources, which have to meet the rigors of the market and consumer's requirements.

Another economic branch of the South-West Oltenia which had a sinuous evolution in the period analyzed is agriculture. This represents a "special case" in this region, because in 2007 agriculture was affected by drought, which caused a decrease in crop production; livestock production has increased in the first quarter, but during the year has decreased, this aspect being indirectly caused by drought, by diminishing the amount of forage available.

Thus, the agricultural sector reduces its contribution to national GDP by 540.8 million lei in 2007 in comparison with 2006, being substituted by the significant increase encountered in the construction sector.

Last year, agriculture and constructions rose by 21% and 26%, resulting in growth of 7.1% of the GDP, while the industry had an increase of only 1.3%, the lowest in the past eight years.

Agriculture is at the beginning of a long and difficult process of modernization and restructuring, designed to lead to more efficient and better exploitation of the important agricultural potential of the region. Climatic conditions, topography and soil affect the development in this sector. Cultivation of cereals have the most favorable natural conditions in this region.

Sinuous evolutions of this indicator in the region, but especially in the sectors of activity (production and services), should signal to the authorities the effects of economic crisis in these activity sectors.

Their application have as unique purpose elimination of the deficiencies and the introduction of sustainability based on “magic triangle” on economic growth, environmental protection, social cohesion, as a defining element on which all political and economic decisions are based on, regardless the level on which they are adopted.

Among the counties that make up the region, Dolj has the highest GDP, followed by Valcea, and the last is Mehedinți county.

Table 3

The gross domestic product

– million RON, current prices –

	2005	2006	2007	2008	2009	2010	2011	2012
South-West	23,920.5	28,589.2	34,168.0	42,064.9	44,329.3	47,340.9	51,003.1	55,383.1
Dolj	7,266.9	8,839.4	10,626.2	13,334.6	14,163.2	15,149.1	16,336.3	17,778.0
Gorj	5,120.1	5,984.1	7,045.4	8,518.1	8,865.9	9,449.3	10,156.2	11,010.2
Mehedinți	2,688.6	3,246.6	3,806.3	4,585.1	4,690.0	4,970.8	5,347.7	5,787.5
Olt	3,937.6	4,560.4	5,507.9	6,730.4	7,114.9	7,616.7	8,219.1	8,922.2
Vâlcea	4,907.3	5,958.7	7,182.1	8,896.7	9,495.3	10,155.1	10,943.7	11,885.2

Source: The table was made by the authors based on data from the Institute of Statistics and Forecast Center forecasts.

In the counties which constitutes this region, the highest economic and social contribution has the services sector, industry and last but not the least agriculture and constructions. In what concerns 2011 and 2012 is expected a GDP increase, but on the current socio-economic background there is unlikely that the expected growth to be met.

4. Conclusions

To overcome this crisis in the region it is needed the adoption of some decisions having as objectives the following:

- reducing the imbalances and the integration of public sector activities in order to arrive at an optimal level of development of the region;
- rehabilitation of infrastructure by identifying and taking advantage of existing potential not only in the region but also in every county in part;
- promoting comparative advantages, social programs established according to the specific region;
- restructuring industry, continuing with the development and specialization of existing branches by creating a innovative work environment;
- stimulating new industries with environmental preference;
- qualification-level re-adaptation of human resources, which must meet the rigors of the market however, user requirements.

Therefore, sustainable development combines sustained economic growth, preserve and improve human health, natural, social justice and ensuring democratic social ambience. In other words, sustainable economic development provides the consumer satisfaction without compromising or prejudicing those of future generations.

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