

## RESHAPING LOCALITIES IN ROMANIA: THE LOCAL ECONOMIC DEVELOPMENT STRATEGY OF THE MUNICIPALITY OF GHERLA

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**ABSTRACT** - There is empirical proof that some localities consistently grow faster than others and these differences in economic growth rates cannot be explained only with respect to one local factor. However, economists have given surprisingly little attention to the question of the sources of variation in local growth rates, especially to the ones related to strategic planning. Moreover, in many cases, regional strategies have failed to address local development patterns. Previous scientific contributions on good government issues show a strong correlation between the per capita income growth and various measures of local strategic planning. The aim of this paper is to integrate different approaches on local economic development, by elaborating a local strategy for the Municipality of Gherla, in North-West Romania. The analysis of the economic pre-conditions is based on a collection of micro-data, while the planning outputs are the result of a participative process, including a survey among citizens and workshops with local business and public bodies. The study concludes that when focusing on local economic development, strategic planning should be a task of local participative process that considers not only the regional and national priorities but also the local specificities. Moreover, the study gives recommendations for continuing the process of local strategic planning.

**Keywords:** strategic planning, local development strategy, economic development theory

### INTRODUCTION

There is a very rich economic literature throughout the 20th century that supports the idea that there are large and persistent differences in economic growth rates among localities in the same country or even region. This literature is based on official statistical micro-data on the main macroeconomic indicators (GDP per capita, income per capita, employment rate, migration balance, productivity, etc.) and on different empirical studies. Some of these studies are focusing on employment growth rates across various settlements (Blanchard and Katz, 1992, pp. 51-54), while others document the persistence of economic growth disparities based on net migration balance (Barro and Sala-I-Martin, 1991, pp. 162-182). However, these empirical studies based only on economic factors failed to reflect all the sources of variation in local growth rates. Moreover, one question arises: how does strategic planning affect the economic growth?

Bennett and Krebs (1991, pp. 88-112) argue that *Local Economic Development (LED) concerns an extensive scale of several factors, which support and fortify local economies` growth and development*. According to them, LED also concerns those actions that are taken in a particular city to support the development of local businesses, in terms of competitiveness, market extension, that is supposed to sustain the development of the city as a whole. According to the World Bank (2011), *Local Economic Development is about local people working together to achieve sustainable economic*

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*growth that brings economic benefits and quality of life improvements for all in the community (city).* Strategic actions targeting local economic development are great opportunities for local governments, private sector, NGOs and local community to work together in order to improve the local economy. It focuses on enhancing competitiveness, increasing sustainable growth and ensuring this growth is inclusive.

The top priorities for local governments have always been the creation of new jobs, increasing the local tax base and the diversification of local economies (Bartik, 1991, pp. 224-236; 2003, pp. 119-127; Blakely and Bradshaw, 2002, pp. 57-77; Lynch, 2004, pp. 120-129). Furthermore, Eisinger (1988, pp. 181-261) separates economic development policies into supply-side strategies and demand-side inducements.

Supply-side strategies are mostly based on location theories - firms choose locations where they can minimize costs. Therefore, traditional supply-side economic development policies usually involve business incentives aimed at reducing costs for private firms, such as taxes and land (Blakely and Bradshaw, 2002, pp. 57-77; Bradshaw and Blakely, 1999, pp. 229-244; Eisinger, 1988; Koven and Lyons, 2006, p. 88; Olberding, 2002, pp. 261-263). Demand-side economic development policies, on the other hand, focus on how to expand market share and demand for products produced by local firms. These kind of economic development strategies include establishing microenterprise programs, business incubators or improving local quality of life (Bradshaw and Blakely, 1999, pp. 229-244; Eisinger, 1988, pp. 181-261; Florida, 2002, pp. 107-111; Koven and Lyons, 2006, pp. 102-116; Warner and Liu, 2006, pp. 97-103).

Researchers have identified three waves of economic development strategies: business attraction, business retention, and broader community economic development strategies (Blakely and Bradshaw, 2002, pp. 57-77; Bradshaw and Blakely, 1999, pp. 229-244; Koven and Lyons, 2006, pp. 119-127; Olberding, 2002, pp. 261-263). Business attraction strategies, known as first-wave economic development strategies, are characterized by programs or activities designed to target and attract specific firms to relocate to or expand in local communities. First-wave policies include business incentives such as subsidized loans, tax exemptions, or even direct payments to firms (Bradshaw and Blakely, 1999, pp. 229-244; Koven and Lyons, 2006, pp. 129-134; Olberding, 2002, pp. 260-263).

The second-wave (business retention) policies give more attention to business retention and expansion policies that recognize the identity of a region and promote the retention of firms through investments in infrastructure and marketing support that promote the competitiveness of local business clusters (Christopherson and Clark, 2007, pp. 111-121; Porter, 2000, pp. 160-181). Second-wave economic development policy highlights entrepreneurship, industrial clusters, and public-private partnerships, encouraging agglomeration economies (Piore and Sabel, 1984, pp. 90-131; Porter, 2000, pp. 227-234; Sabel, 1992, pp. 230-246).

Third-wave economic development policy focuses more broadly on community-level economic development strategies and public investment to improve quality of life and social justice and empower local communities (Burnier, 1998, pp. 14-24; Shuman, 1998, pp. 114-135; Warner, 2001, pp. 24-27). Small business, microenterprise, and community economic development strategies attempt to focus economic development in neighbourhoods with high poverty and lower economic development prospects (Bennett and Giloth, 2008, pp. 130-137; Clavel, Pitt, and Yin, 1997, pp. 444-458; Gunn and Gunn, 1991, pp. 925-931; Servon, 1997, pp. 174-180). These strategies have become more common over time (Bennett and Giloth, 2008, pp. 144-149; Florida, 2002, pp. 116-119; Koven and Lyons, 2006, pp. 88-90). Economic developers are also calling for more attention to local service sectors and their potential contributions to economic growth (Kay, Pratt, and Warner, 2007, pp. 432-442).

By using a wide range of micro-data, collected from both statistical databases, field research, surveys among local population, workshops and brainstorming sessions with local business and public bodies – that have been conducted by the two authors during a period of almost one year, the study aims at exploiting the linkages between local economic patterns and strategic planning, in order to shape policies targeting the sustainable economic development for the municipality of Gherla, integrating the above mentioned theoretical approaches on economic development policies. It is

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important to stress here that this research work has been the first planning exercise for the local authorities, considering the fact that the municipality of Gherla had no local development strategy or another similar strategic paper at the beginning of the study. By using a wide range of controls, such as the dynamics and the structure of the local GDP and employment, the local budget expenditures, natural resources, public services, etc., the paper is able to sketch a clearer image of the needed correlation between local economic status-quo and strategic development decisions.

The paper proceeds as follows: Section 1 presents the current status of the major local economic indicators and patterns of economic growth, as a starting point in shaping local economic development priorities. This section also documents the results of the survey among population, but also of the stakeholder's panels. Section 2 comprises the SWOT analyses of the local economy, arising from the outputs of Section 1 and the development strategy. Finally, Section 3 contains the conclusions and some recommendations for ensuring the proper implementation of the strategy.

## 1. LOCAL ECONOMY STATUS-QUO AND GROWTH PATTERNS. STUDY CASE: MUNICIPALITY OF GHERLA

### 1.1. The economic profile of Gherla. Main findings.

The Municipality of Gherla has a relative diversified economy, dominated by the tertiary sector (services), followed by the industry – however with a reduced share in the recent local economy – and also by agricultural activities, favoured by the important agricultural resources of the Someş Valley. In average there is one company per 31 capita, the ratio being lower than the county's average of 39, but higher than the national ratio of 1/25. From the total of 679 companies, 14 companies are in the agricultural, 95 in the industrial domain, 126 companies are functioning in the building trade and other 400 companies in services (more than a half in commerce). Over 95% of the city's companies are of small dimensions (under 50 employees), the majority being micro-enterprises, family-type businesses, with up to 9 employees. Compared to 2008, the number of firms declined by 7%, due to the large number of bankruptcies and suspensions of activity.

**Table 1. Turnover per capita in the cities of Cluj County, in 2009**

City	Total turnover (thousand lei) in 2009	Population (1st of July 2009)	Turnover/capita (thousand lei)
CLUJ-NAPOCA	27216107	306009	88,9
DEJ	1282653	38357	33,4
TURDA	1593767	57340	27,8
CAMPIA TURZII	726412	26386	27,5
<b>GHERLA</b>	<b>473495</b>	<b>22066</b>	<b>21,5</b>
HUEDIN	186617	9707	19,2
URBAN	31479051	459865	68,5
RURAL	4062725	230434	17,6
<b>CLUJ COUNTY</b>	<b>35541776</b>	<b>690299</b>	<b>51,5</b>

Source: own processing after Regional Directorate of Statistics Cluj, Cluj County Statistical Yearbook, 2011

In 2009, companies in Gherla registered a turnover of 473,495 thousand lei, the equivalent of 21.5 thousand lei per capita, with 58% less than the county average. The situation can be explained by the concentration of economic activity in the city of Cluj-Napoca, but with this value Gherla is still the second smallest city in the urban townships in the county's ranking. In total, the contribution of Gherla to the economy of the county is only 1.3%, being more significant only for the industry (2.1%).

Because of the global economic crisis the city's turnover dropped by over 20% in 2009 compared to 2008, mostly in: information and communications (-81.4%), transport (-72.6%), financial service activities (-39.7%), construction (-29.9%), industry (-15.7%) and trade (-15%). The only domain which recorded increase was agriculture (82.6%). The number of employees in companies

with activities in Gherla fell by 17.9% over the same period, especially in the IT industry, where 700 people were laid off (-23.5% of total).

**Table 2.** *Contribution of cities to the gross turnover in Cluj County, in 2009*

City	% of total on county level				
	Agriculture	Industry	Construction	Services	TOTAL
CLUJ-NAPOCA	31.5	73.1	65.2	82.2	76.6
DEJ	2.2	7.5	1.2	1.8	3.6
TURDA	2.9	6.0	4.1	3.6	4.5
CAMPIA TURZII	2.3	3.6	1.2	1.3	2.0
<b>GHERLA</b>	<b>1.0</b>	<b>2.1</b>	<b>1.0</b>	<b>0.9</b>	<b>1.3</b>
HUEDIN	0.0	0.4	0.4	0.6	0.5

Source: own processing after Regional Directorate of Statistics Cluj, Cluj County Statistical Yearbook, 2011

**Natural resources** are represented by agricultural lands (2,585 hectares, i.e. 71% of the administrative area of the city), woodland (about -10% of surface), and bicarbonate-rich mineral waters and construction materials (clay, sand, gravel).

**Agriculture** – Gherla has a fund of 2,585 hectares of agricultural land, with 167 hectares less compared to 1990 due to the removal of fallow lands in the outskirts of the city and their introduction into the built-up area, whose surface has increased by 198 hectares during the period under consideration. About 40% of the arable land is cultivated with cereals (wheat, rye and corn), vegetables and potatoes. Meadows and grasslands cover about 60% of the total agricultural area of the city, which is stimulated by the animal breeding. If before 1989 livestock were concentrated in economic units, today, over 80% of livestock are found in households. As regards livestock, they dropped by 20-60% after 1990, depending on the species, especially cattle, due to the dissolution of the city's state farms. In 2009, 14 companies were functioning in the agricultural domain, with a total of 26 employees and a turnover of just 1.92 million lei (0.4% of local GDP). In the city there is also a forest range, which manages the city's and its neighbouring settlements' wild stock and woodlands on over 6,100 hectares.

**Industry** - Gherla is a city with strong industrial character, as seen in Table 2. If at county level, the share of industry in total economy is about 33%, at the local level, the percentage is over 52%, surpassed only by two other industrial cities in the county – Dej and Câmpia Turzii. On the other hand, the 95 industrial companies had 2,329 employees in 2009 (52.2% of total employees in the local economy).

**Table 3.** *The structure of local urban economies of Cluj County on turnover, in 2009*

City	% total turnover				
	Agriculture	Industry	Construction	Services	TOTAL
CLUJ-NAPOCA	0.2	32.0	11.7	56.1	100
DEJ	0.3	69.4	4.6	25.7	100
TURDA	0.3	44.8	12.5	42.3	100
CAMPIA TURZII	0.6	58.6	8.3	32.4	100
GHERLA	0.4	52.5	10.4	36.7	100
HUEDIN	0.0	27.9	11.0	61.1	100
<b>CLUJ COUNTY</b>	<b>0.5</b>	<b>33.5</b>	<b>13.8</b>	<b>52.2</b>	<b>100</b>

Source: own processing after Regional Directorate of Statistics Cluj, Cluj County Statistical Yearbook, 2011

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The main industrial products manufactured in the city are: furniture and wood products, milling and bakery products, meat and meat products, ceramic products for construction, carpentry of wood and plastic products, textile and leather garments.

In the case of local industry a major dependence on the wood processing industry can be observed, which covers more than half the city's industrial production and 60% of the workforce employed in industry, on local level. In 2009, compared to the previous year, the industrial production of the city fell by 15.7% , while the number of employees in industry by 23.5%, which led to an increase in labour productivity. Industries which recorded the most serious declines in 2009 are: the means of transport - auto parts (100%), carpentry, plastic (-69.7%), wood and wood products (-43.1%), furniture (-15.4%), while increases were recorded in construction materials (239.5) and non-metallic mineral products - glassware (108.5%).

**Table 4.** *Contribution of main branches to the industrial production of Gherla and Cluj County, in 2009*

Branch of industry	% of turnover, on county level	% of industry's turnover on municipal level
<b>TOTAL INDUSTRY, of which:</b>	<b>2.1</b>	<b>100.0</b>
Products of extractive industry	0.1	0.2
Products of food industry	2.5	11.4
Textile products	13.3	2.3
Clothing	1.7	2.5
Leather and footwear industry	1.6	0.9
Wood and wood products	5.9	2.6
Rubber and plastic products	6.0	4.5
Other products of non-metallic minerals	3.1	9.9
Metallic construction	0.8	2.7
Machinery and equipments	1.1	1.2
Furniture	37.4	61.5
Electrical energy, gas, steam and air condition	2.2	9.1

Source: own processing after Regional Directorate of Statistics Cluj, Cluj County Statistical Yearbook, 2011

**Constructions:** a well-represented sector in the city, with 126 companies that have a contribution of 10.4% to the local economy and a total of 687 employees (15.4% of total). The enterprises are predominantly in the field of timber and carpentry work, construction and special usage. The construction sector was deeply affected by the economic crisis that began in 2008, so that, in 2009, it recorded a 30% reduction in turnover, but the number of employees decreased by 5%.

**Tertiary sector:** although its share in local economy is just 36.5%, which is specific to industrial cities, it employs 1,417 people (31.8% of total employees in the economy), plus the 990 people employed in public services (administration, civil defence, education, healthcare, culture, etc.). Cumulatively, the service sector (commercial and public) is the largest employer in the city, with over 2,400 employees (44% of total). In addition, the service sector records a total of over 400 companies, mostly in commerce (240), financial intermediation (67), transport (48), and hotels and restaurants (42). Commerce represents around 82% of the turnover of the tertiary sector and its activity dropped significantly (by 15%) in 2009, although, in recent years, three large supermarkets appeared in the city, the fourth being under construction. In 2009, 921 persons (20.6% of total employees in the local economy) worked in commerce. Transportation companies (taxies and transportation of goods by road) have a 9.2% share of service sector and over 100 employees. The 42 companies in the hospitality service industry make a turnover of only 2 million, tourism being less developed in the city.

In terms of public services, the Gherla Penitentiary should be mentioned, with more than 900 inmates and 400 employees in 2009.

**Labour market:** The General Census of Population and Housing of 18 March 2002 revealed that only 6.9% of the city's residents have higher education degree, below the level in the other cities of the county (17.5% in Cluj-Napoca, 9.2% in Dej and 7.5% in Turda). Similarly, just 4.8% of the residents graduated post-secondary or vocational schools, being below the average value of the other cities in the county. Therefore, 85% of the total population had only primary or secondary school degree in 2002, specific to a predominantly industrial city profile. Implicitly, the demand for staff with higher education degree is also low.

**Table 5.** *The active population of the cities of Cluj County, the major groups of occupations, according to the census of 18.03.2002*

	CLUJ- NAPOCA	CAMPIA TURZII	DEJ	GHERLA	TURDA	HUEDIN
Members of the legislative body: executive, senior management of the public administration, senior official of management and socio-economic and political units	7.4	2.6	4.2	<b>3.3</b>	4	5
Experts with intellectual and scientific occupation	19.1	9.1	10.9	<b>7.9</b>	9.8	9.2
Technicians and associate professionals	13.8	14.5	13.4	<b>13.1</b>	13.1	15
Administrative officials	6	3.6	7	<b>4.4</b>	4.4	4.5
Operative workers in services, trade and similar	11.7	10.9	17.5	<b>13.1</b>	13.9	14.2
Farmers and workers trained in agriculture, forestry and fisheries	0.6	2.4	2.2	<b>0.7</b>	1.6	4.5
Craftsmen and skilled workers	22.9	27.9	23.6	<b>34.8</b>	27.1	21.4
Equipment and machine operators and assembly of machines, equipment and other products	10	17.9	10.8	<b>11.7</b>	10.5	8.5
Elementary occupations	8.4	11.1	10.5	<b>11.1</b>	15.7	17.7

Source: National Institute of Statistics - Final results of the 18.03.2002 Census

The table above shows that the active population of Gherla city has a special occupational profile, compared to the other cities of Cluj County. Thus, Gherla records a small number of specialists with intellectual and scientific jobs, farm-workers, administrative officials and senior staff, while the proportion of craftsmen is by far the highest in the county. These statistics confirm the profile of the local economy based on light industry with low added value and involves mainly manual work (wood, glass, footwear and food). However, there is a large stock of skilled labour in arts and crafts, creating the foundation for development of the local business environment by attracting foreign investment dealing with the layoff, but also developing small local businesses in areas of handicraft (glass, wood and metal crafts, household items, small furniture, etc.).

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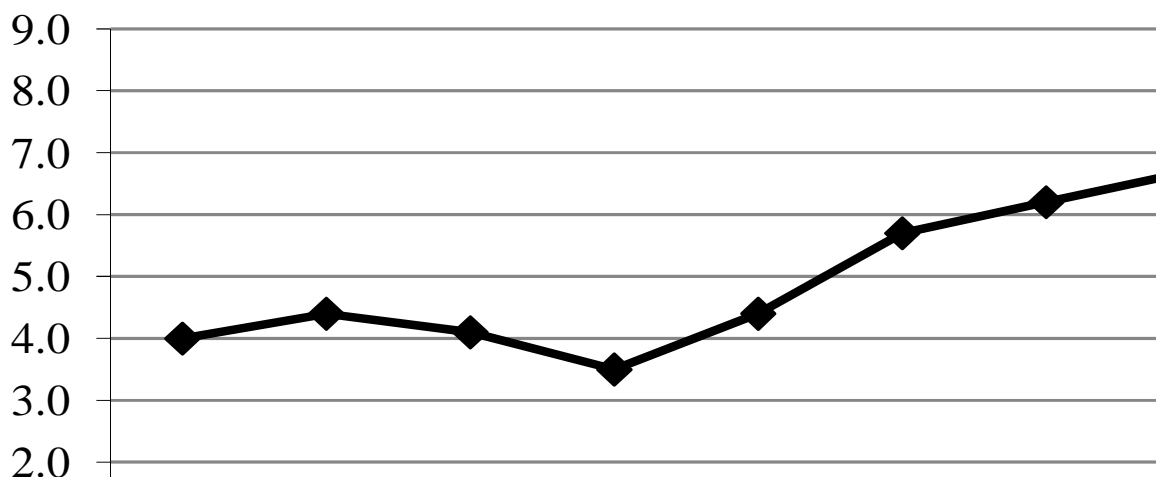
**Table 6.** *Commuting on urban level in Cluj County, according to the General Census of Population and Housing of 18.03.2002*

	To other urban settlement in the county	To other rural settlement in the county	To urban settlements out of the county	To rural settlements out of the county	To another country
CLUJ-NAPOCA	1.6	1.4	0.9	0.1	1.3
CAMPIA TURZII	7.8	2.8	0.4	0.0	2.5
DEJ	3.7	2.4	2.0	0.7	1.5
GHERLA	<b>10.2</b>	<b>5.1</b>	<b>0.4</b>	<b>0.0</b>	<b>1.3</b>
TURDA	10.7	1.4	0.7	0.0	2.1
HUEDIN	6.0	6.0	2.0	0.2	1.7

Source: National Institute of Statistics - Final results of 18.03.2002 Census

It can be seen from Table 6 that in 2002 over 20% of local labour worked in other settlements, registering the largest percentage of commuting in the county. Half of commuters chose other cities (Cluj-Napoca, Dej) or other territorial-administrative units of the county. On the other hand, long-distance migration (to other counties or even countries) is the lowest in the county. Given its location (short distance from Cluj Metropolitan Area), the enhancement of the commuting phenomenon towards the industrial areas of Cluj-Napoca and the Someş Valley (Jucu, Dej, etc.) is remarkable.

**Unemployment:** Latest statistics (30.09.2010) provided by the County Agency for Employment (AJOFM) Cluj indicate a number of 891 unemployed in the city of Gherla, which corresponds to an unemployment rate of 5.9%, in accordance to the working age population (18-62 years). Compared to the same month in 2009, the unemployment rate fell slightly by 0.4%. Moreover, the number of unemployed decreased continuously between February and September 2010, from 1,204 to 891 people.

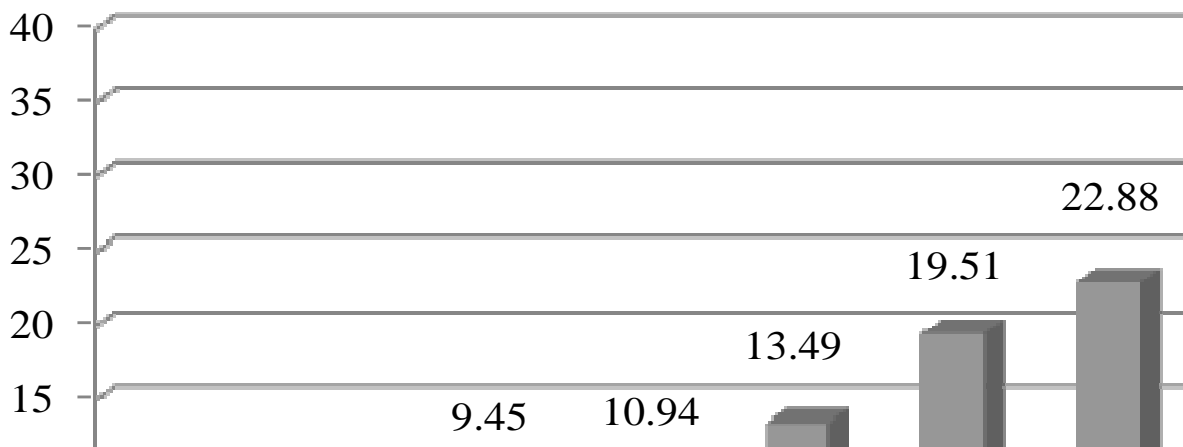


**Figure 1.** *Evolution of unemployment rate (% of the working age population) in Gherla, in 2008-2010*  
Source: County Agency for Employment Cluj

In 2010, there was an average of 5,982 retirees in Gherla, representing about 27% of the total population of the city. Given the total number of employees of about 5,500 people at the end of 2009, we can conclude that the actual ratio is 1.1 retirees for an employee.

**The local budget:** As seen in Figure 2, the total local municipal budget increased about five times over the period 2001-2010, despite the fact that 2010 marked the first decrease in earnings after

10 years of continuous growth. A more detailed analysis of the municipality's sources of income shows that, in 2010, the most important were taxes on goods and services - VAT (50.7%) and income tax, profit and capital gains tax (32.9%), while mileage taxes contributed only with 9.1% to the local budget. Compared to 2000, the highest increases were recorded by the taxes on goods and services (550%), shares deducted from income taxes (529%) and property taxes (410%). The highest increase among property taxes was recorded by the taxes on lands (436%) and buildings (326%). Another category showing significant increases is that of taxes on vehicles; it increased 10.6 times in the last 10 years. This can be explained by the increasing number of dwellings in the locality (from 7,908 to 8,397 during 2000-2009), as well as by the increasing number of cars, reaching the number of 5,000 vehicles (an average of one vehicle per 4 people).



**Figure 2.** Total income to local budget of Gherla, 2001-2010 (million lei)

Source: Mayor's Office, Gherla

As regards the amount of subventions, they increased six times between 2000 and 2010, the majority being from the state budget, funding health care and aiding victims of disasters. It can be observed the extremely low amounts of European funding attracted for local projects.

### 1.2. The consultative process

In order to complete the analysis and to develop and validate the SWOT-analysis, and also to define a vision for the development of Gherla for 2020 and to identify the main strategic lines for the period 2010-2020, two workshops were organized with relevant stakeholders at local level (representatives of the local government, companies and various local public services, etc.).

The main conclusions of the meetings were:

1. local companies have development projects in various stages (project ideas, technical studies, in the process of implementation), investment projects, but they face some difficulties related to urban infrastructure (accessibility, utilities, etc.), these projects being spatially scattered;
2. in the city, there are a number of brownfield sites, covering a significant area, representing old industrial sites (e.g. the former glass factory), which could be functionally converted, but with high costs for private owners;
3. in recent years, investments in tourism infrastructure and treatment facilities have been made, planning to extend these facilities from private funds; however, the number of tourists remains low due to the lack of an integrated offer for foreigners;
4. the business service sector (consulting, legal assistance, advertising, etc.) is poorly developed in the city, local entrepreneurs benefiting by the services of specialized companies in Cluj-Napoca;



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5. unlike neighbouring cities such as Cluj–Napoca and Dej, Gherla did not attract significant foreign investments because it does not have an industrial park or sufficient land to offer for investors;
6. the city's cultural heritage, especially the downtown and its unique history (Armenian city) are not sufficiently exploited for tourism.

At the same time, the representatives of the various specialized departments of the City Hall filled out questionnaires including questions about the SWOT analysis of the city, services provided by local government, completed and future municipal projects, development priorities for the next ten years. The results showed that in the past years significant investments were made in the field of transport infrastructure, public lighting, education and social services, waste management and environmental protection in general. However, the questioned persons revealed that the local government should be more involved in business development by providing infrastructure and services. The service sector, food and timber industry can be considered dynamic, while agriculture and engineering are seen in decline (as indicated by the current analysis, based on quantitative data). Respondents indicated that labour migration and ageing, together with the low foreign investments are threats to the city's development, while the city's strengths include its geographical position, lands available for investment at lower prices than in other cities, and available labour force.

### 1.3. Population surveys

A telephone survey of a sample of 1,343 adults residing in the city revealed the options of the citizens of Gherla regarding city development. Even if the questions did not refer directly to the business environment, it was clear that residents are dissatisfied with the job offer and salary level in Gherla. It was also revealed that local supply is still slightly diversified in public and private services (especially medical, cultural and recreational services), that is why citizens are forced to travel to Cluj-Napoca or Dej to purchase these services. Available labour force and tourism potential are, in the opinion of 45% of citizens, the major strengths of the city. On the other hand, from the population's point of view the major threats for economic development are the poorly developed entrepreneurial environment (30%), labour migration (21%), and poor infrastructure (15%).

## 2. THE SWOT ANALYSIS AND THE DEVELOPMENT STRATEGY

### 2.1. The SWOT Analysis of the local economy

After shaping the economic profile of the city of Gherla, the next step were to identify the most important strengths and opportunities of the community, the positive pre-conditions for the local economic development strategy. They are as follows:

**1. Strengths:** the large numbers of SMEs correlated to the number of citizens (high entrepreneurial rate); low unemployment rate compared with the national average; diversified natural resources (forests, farmlands, curative waters, etc.); the existence of a developed industrial base, with a significant share in the local economy.

**2. Opportunities:** the proximity of Cluj-Napoca Metropolitan Areas can help attracting new companies and foreign investments, as companies tend to relocate from this expensive agglomeration; the availability of external financial resources (EU and national loans) for the development of the entrepreneurial environment and business support structures, but also for training and long-life learning programs, according with real requirements of the local labour market;

On the other hand, the main weaknesses and threats must also be considered when shaping a medium and/or long-term local development strategy, especially when the global context is still difficult and competition among cities in attracting new businesses, people and tourists is higher than ever before. Based on the conclusions of the deep economic analysis of the local patterns and on the results of the panels, we have managed to draw the following negative pre-conditions for the local strategy:

**3. Weaknesses:** the small size of the local firms (mostly single-person companies or family businesses), with scarce resources for investments and innovation; the predominance of economic

activities with low added-value (furniture, light industry); ageing labour force, mostly qualified in fields that have no demand on the current labour market (for example in the glassware industry); the practice of subsistence agriculture, with low productivity; the disappearance of traditional industrial activities (glassware, production of matches, leather, building materials, etc.).

**4. Threats:** the migration of highly skilled workers to Cluj-Napoca and to other countries; the relocation of job economic activities (for example wood processing or clothing) to other countries (Asia, Moldavia, Ukraine), as a general vulnerability of the EU economies; the vulnerability of local dominant industries (furniture, building materials) in the global economic crises.

As indicated before, these four categories of pre-conditions were validated by the local stakeholders during the survey and the workshops, and served as base for the development of the Local Strategic Action Plan.

## **2.2. The development strategy**

Following the drafting and the validation of the SWOT-analysis, the conclusions of two work-groups on economic topics, as well as the results of questionnaires filled out by the members of the local government, entrepreneurs and the population, the following Strategic Action Plan (SAP) was outlined for the economic field:

### *SAP1: Increase the city's attractiveness to foreign investments*

Justification: The only major foreign investments in the city of Gherla are those made in wood processing industry, consisting in the acquisition of capital or assets of former state companies, without investing in new capacities – greenfield. During 2000-2008, unlike other neighbouring cities, such as Cluj-Napoca and Dej, or even some rural areas of the county (Jucu, Apahida), Gherla did not attract foreign investments in industry. The work-groups and the questionnaire survey revealed that one of the weaknesses of the city, which affects development and the income of the residents, is the lack of foreign investors. The local players indicated that one of the city's advantage is the availability of labour, but the analysis showed the need for retraining the local workforce, which is aging and inadequate to local market requirements.

### *SAP2: The superior recovery of the city's farmlands, by functional reorganization of brownfield sites*

Justification: In Gherla, like in other industrial cities, there is an extensive area of degraded lands, which are former industrial assets of the companies that have been restructured or closed since 1990. Currently, these assets are just partially used, a considerable area being preserved or out of crop. Since these areas are privately owned, the inducement of the local government is limited to the regulation of these urban areas. Ecological and functional reorganization of these old industrial sites is expensive and imply funding difficulties among the owners. On the other hand, the nationalization of these assets is difficult to implement both legally and financially. The work-groups indicated that reorganization of brownfield sites is essential for the development of the city.

### *SAP3: The support of local business by developing the underlying infrastructure and services for local entrepreneurs*

Justification: From the analysis it resulted that the rate of entrepreneurship is above the national average, which indicates that the population of the city is keen on developing their own businesses. However, most of the local firms are very small (up to 10 employees), without financial resources to invest, to buy specialized consulting services or to engage in research and development. On the other hand, the majority of young citizens choose to migrate to other cities or countries, very few of them remain in the city and set up a business. The work-groups involving local business stakeholders showed that many local companies have investment projects in the pipeline, set back for different

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reasons. The questionnaire filled out by the specialty services of the City Hall indicated interest for the implementation of IT solutions for e-government.

*SAP4: Sustainable development of tourism through the natural and human heritage of the city*

Justification: Gherla city has a rich cultural heritage, a unique historical centre, built in Baroque style, which carries the marks of the biggest Armenian community in Romania. On the other hand, the city spa has significant potential, namely Băile Băița-Sărătura, which, despite the investment in accommodation and treatment facilities, is still unexploited. The analysis of the current situation reflected the fact that the number of tourists arriving in the city is very small and the share of foreign tourists is insignificant. At the meetings with the stakeholders of the local business community, leading operators in the tourism industry were also present, which drew attention to the need of conducting investments in infrastructure to facilitate tourism development. These firms indicated their intention to continue investments in spa and health tourism facilities.

**CONCLUSIONS AND RECOMMENDATIONS**

The analysis of the economic pre-conditions has indicated that there are huge disparities between cities that are situated in the same region (in this case, Cluj County – at NUTS 3 level). These gaps are visible when it comes to GDP per capita, entrepreneurship, economic structure, productivity or skilled labour availability. In this context, it is very likely for the regional economic development strategies to fail when addressing such heterogeneous characteristics, resulting in supporting only some cities (commonly, the biggest one). By analyzing the current situation of the local business environment, we have managed to identify its main patterns (see the SWOT analysis): the reliance on a low number of companies acting in a very few domains with low added-value, the decrease in traditional industries, the large share of very small enterprises and the low number of skilled labour force.

Considering these patterns of the local economy, we have managed to shape a local economic development strategy, including a list of priority projects. We have targeted these issues in the most direct way, having in mind the type of incentives that is proposed by each of three waves in Local Economic Development as follows:

<b>Methodological approach (LED wave)</b>	<b>Objectives in the Local Economic Development Strategy of Gherla</b>	<b>Projects in the Local Economic Development Strategy of Gherla</b>
First wave – business attraction	SAP 1 - Increase the city's attractiveness to foreign investments	1. The establishment of an industrial park  2. The creation of a webpage in order to promote the city as investment destination - <a href="http://www.investingherla.com">www.investingherla.com</a>
Second wave – business retention	SAP3: The support of local business by developing the underlying infrastructure and services for local entrepreneurs	1. The establishment of an Adult Training Campus  2. Organizing quarterly information seminars for SMEs on funding opportunities from Structural Funds  3. Securing by means of the General Urban Plan that public

		lands are available to local entrepreneurs for investments  4. Organizing the annual fair of producers in Gherla, together with the city's days
Third wave - broader community economic development strategies	SAP2: The superior recovery of the city's farmlands, by functional reorganization of brownfield sites  SAP4: Sustainable development of tourism through the natural and human heritage of the city	1. Functional reorganization of the assets of the former glass factory in the city of Gherla by establishing a Business Incubator  2. Implementation of e-government solutions for the local government of Gherla city  3. Restoring and introducing the historic centre in the historic circuit  4. The development of the touristic infrastructure in Băile Băița-Sărătura  5. Installation of traffic signs to the most important tourist attractions  6. Developing and implementing a tourism marketing strategy for the tourist area of Gherla (promotion measures - brochures, maps, and participation at national and international tourism fairs)  7. Include the Fizeș Valley into an integrated tourist circuit, by exploiting its natural potential (The Circuit of Lakes on the Fizeș Valley)

This result shows that there is no standard mix of local economic development policies and that different approaches on this topic are complementary and do not exclude each other. Our experience shows that only by ensuring a participative approach strategic planning can be successful at local level, as citizens, companies, NGOs and other actors tend to be reluctant to getting involved in carrying out tasks that are decided from the outside, including from the regional or the national level. On the other hand, under the budget shrinking caused by the world crises, most local authorities are

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paying more attention to ensure the transparency of public spending, as public pressure on the efficiency of these investments increases. In this context, authorities are obliged to pay more attention to the public agenda and to invest in those projects that have greater impact on citizens and businesses.

Another interesting conclusion is that the participative approach is more popular and successful in small and medium-sized cities, compared with metropolitan areas. These resulted in the high answer rate of the questionnaire-based research, respectively in the significant number of participants in the working groups that were organized during the research work.

On the other hand, companies seem to play a more significant role than we expected in the planning process at the local level. As public budgets are shrinking and the menace of relocating industrial activities to more cost effective locations is higher than ever, public authorities tend to spend more on different indirect incentives for local enterprises, such as access to infrastructure, flexibility in the urban regulations, etc.

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