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Conference Paper

Bucharest metropolitan area and its external hinterland: spread or backwash effects?

54th Congress of the European Regional Science Association: "Regional development & globalisation: Best practices", 26-29 August 2014, St. Petersburg, Russia

Provided in Cooperation with:

European Regional Science Association (ERSA)

Suggested Citation: Grosu, Raluca Mariana; Constantin, Daniela-Luminita; Goschin, Zizi; Ailenei, Dorel; Alpogi, Cristina (2014) : Bucharest metropolitan area and its external hinterland: spread or backwash effects?, 54th Congress of the European Regional Science Association: "Regional development & globalisation: Best practices", 26-29 August 2014, St. Petersburg, Russia, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at:

<https://hdl.handle.net/10419/124297>

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54th CONGRESS OF EUROPEAN REGIONAL SCIENCE ASSOCIATION
August 26-29, 2014
SANKT PETERSBURG, RUSSIA

**BUCHAREST METROPOLITAN AREA AND ITS EXTERNAL HINTERLAND:
SPREAD OR BACKWASH EFFECTS?**

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Quotation not allowed

Abstract

Even if it has not a legal status yet, the Bucharest Metropolitan Area (BMA) project is in an advanced preparation phase, already producing effects in the real economy. Conventionally, BMA imbeds the entire Ilfov county (which surrounds it and form together the Bucharest-Ilfov region (NUTS 2)) as well as localities from other four counties of the South - Muntenia region (also NUTS 2). As Bucharest-Ilfov region appears as an enclave within South-Muntenia region, in a broader view it is considered that BMA influences all seven surrounding counties belonging to the South-Muntenia region. This region as a whole (apart from the localities of the four counties that are to be incorporated in the metropolitan area) plus Bucharest MA are viewed as the Bucharest metropolitan region, in other words the South-Muntenia region is the BMA external hinterland. In technical terms, the metropolitan area is a zone of direct city impact in which the relationships are strong and permanent (functional urban area, internal hinterland zone) whereas the metropolitan region is a zone in which the relationships are weaker, but the area is under the core city influence (macroregion, external hinterland zone). One of the main debates around BMA and metropolitan region refers to the effects of the BMA on its external hinterland, South-Muntenia region, by far less developed: are they / will they be spread or rather backwash effects? Our paper addresses this question focusing on a series of issues such as: examples of

links between BMA and surrounding region, examples of positive and negative influences of the metropolis on its surrounding region, changes in regional settlement system and its drivers, changes in regional production system and main drivers, labour commuting patterns and drivers, policies with significant impact on metropolis – region relationship, how external interventions address the needs of the metropolitan area and its external hinterland, to what extent the metropolitan area can contribute to the external hinterland regeneration, etc. The paper is the result of the research undertaken within the GRINCOH FP7 project.

Keywords: metropolitan area, hinterland, spread effects, backwash effects, Bucharest-Ilfov, South-Muntenia region

JEL Classification: R11, R23

Introduction

The Bucharest-Ilfov NUTS 2 region is composed of the municipality of Bucharest which is the capital of Romania and the surrounding Ilfov county. This has a surface of 1821 sq km (13.1% out of it is represented by the surface of Bucharest and 86.9% by the surface of the Ilfov county), being the smallest among the regions in Romania. On the 1st of July 2011, it had 2,253,827 inhabitants, the ones living in Bucharest representing 85.2%. It is the most urbanised region in Romania, the share of urban population in Bucharest-Ilfov region's total population being of 91.6%, mainly because of the very large number of people residing in Bucharest. (Constantin, 2013)

Considering a series of economic, social, territorial, etc. opportunities and necessities, in 2003, the proposal referring to the creation of the Bucharest metropolitan area (BMA) was launched. The BMA is expected to have a total area of approximately 1800 sq km and a stable population of 2.4 million people, by embedding in it the entire Ilfov county and localities from other four counties (1 from Ialomita county, 5 from Dambovită county, 5 from Calarasi county, and 16 from Giurgiu county) (ADR Sud-Muntenia, 2013). However, the implementation of the BMA project has not started yet.

In what concerns the Ilfov county, even if this is conventionally included in the metropolitan area, there are also some poor localities which are not functionally integrated with Bucharest, as the eight towns and some wealthy communes. From a very over-simple view point, the BMA is represented by Bucharest (NUTS 3) and the Ilfov county (NUTS 3), namely the Bucharest-Ilfov region (NUTS 2), as presented in Figure 1. In the same context,

the metropolitan region is represented by the Bucharest-Ilfov region plus the South-Muntenia region (also NUTS2).



Figure 1. Bucharest-Ilfov – region's map

Source: Bucharest-Ilfov RDA

Based on the results of the research undertaken within the GRINCOH FP 7 project, the present paper addresses a series of issues referring to examples of links between BMA and surrounding region, examples of positive and negative influences of the metropolis on its surrounding region, changes in regional settlement system and its drivers, changes in regional production system and main drivers, labour commuting patterns and drivers, policies with significant impact on metropolis – region relationship, how external interventions address the needs of the metropolitan area and its external hinterland, to what extent the metropolitan area can contribute to the external hinterland regeneration, etc.

1. Strengths and weaknesses of the metropolis and the region

Among the most important factors that have spurred the development of the metropolitan area during recent times, the following can be addressed:

- country's accession to NATO military alliance, which has opened new opportunities for technology transfer from developed countries and encouraged foreign investors to come in Romania;

- accession to the EU, which has boosted the modernization of public institutions and economic and reinforced FDI flows;

- its status of European capital, which increased visibility of metropolitan area on the map of Europe, but also increased the demands from population and businesses;

- development of infrastructure, sewage system, water supply network, etc., including through access to European funds;

- cultural factors: the development of cultural institutions and the education system (especially the upper level, where progress has been made on reducing the gap on number of students per thousand population, compared to the European average); increased collaboration between scientific research institutes of the metropolitan area and the developed EU countries, namely the participation in research projects of the programs FP-6 and FP-7;

- development of entrepreneurial culture and leadership; etc.

In this sense, the main *strengths* of the metropolitan area are related to:

- ***Location***

- its geographical position in the heart of Macroregion 3, at the crossroad of main roadways in southern Romania;

- it is the main rail, air and road hub in Romania; since it is situated at a distance of approx. 70 km from the Danube River, a connecting channel could be built, thus becoming a naval hub as well, allowing the economy to further diversify;

- its capital status implies that here are located the main institutions of central public administration (Government, Parliament, Central Bank, headquarters of political parties, NGOs, etc.) and also the headquarters of subsidiaries of many transnational companies;

- the spatial distribution of towns in Ilfov County favors mutual interactions due to reduced distances, generating positive spillover effects.

- ***Economy***

- large variety of economic activities: industry, agriculture, construction, trade, services, so that all main economic activities are conducted here; the service sector is more developed

than in other regions of the country (accounting for over 65% of GVA according to NIS); the region attracts over 60% of FDI, has a well developed banking sector and a significant proportion of its GDP is given by the "creative industries";

- facilities provided for the citizens and investors such as relatively small taxes in the settlements around the capital, large availability of utilities such as water, gas, sewerage, etc.

- ***Culture-Education-Research***

- there is a wide variety of cultural institutions and cultural landmarks (theaters, museums, monuments, etc.) and cultural life is effervescent;

- around the capital there are important historical sites which generate tourism attractiveness: Mogoșoaia Palace, the Ruins of Royal Court, assembly of the former Court of Constantin Cantacuzino, Cernica Monastery (where the tomb of Vlad Tepes is located), the bridge across the Neajlov river at Calugareni, and others; touristic dowry of suburban area of the city includes a series of lakes and forests (the remaining part of Vlăsiei Forests) with significant landscape value;

- the existence of elite universities and a fairly large number of research institutes.

- ***Infrastructure of social services***

- easy access to public and private health services and cutting edge treatments compared to other regions of the country.

On the other hand, the main ***weaknesses*** of the metropolitan area refer to:

- underdeveloped road infrastructure, traffic congestion, overcrowding in the capital city;
- decreasing employment opportunities, especially for young graduates;
- poor appearance of some buildings in Bucharest and its surroundings, which are not suitable for an European capital;
- lack of investments in the image of the city and in the comfort of its citizens;
- lack of water, sewage, gas in some districts of the capital and lack of social housing;
- transport is a main problem, due to outdated infrastructure, some areas being disadvantaged in terms of access to public transport;
- pollution from intensive economic activities, transport system congestions, inadequate waste storage;

- lack of vision / strategy for consistent development;
- lack of cohesion policies in the Bucharest-Ilfov Region (differences between the metropolitan area and city);
- at the regional level: the great disparity of development between localities in Ilfov County (county's development is deficient in the south) and Bucharest Municipality; etc.

Referring to the regional hinterland, in recent years, its development was due to a series of factors, among which:

- investments in agriculture, the region having the highest agricultural potential of the 8 regions of Romania, in the engineering industry - the company Dacia-Renault in Arges County, the oil industry in Prahova County, wood industry in the north of the region, food industry - the region ranked first in the country in the production of meat, eggs, fruit (apples, melons), etc..
- developing of organic farming and traditional products;
- mountain tourism (in the region there are three parks and several mountain resorts in Prahova and Arges Counties), spas and agro - tourism;
- investments in urban regeneration - investments to rehabilitate degraded urban space being made mostly from European structural funds;
- investments in intra- and extra-county communication networks, particularly road infrastructure such as Ploiesti Bucharest highway A3, Pitesti ring connected to Bucharest-Pitesti highway A1;
- development of association forms, such as Intercommunity Development Associations (IDA) with 59 new associations established in the year 2012, Local Action Groups (LAGs) - 18 new groups in 2012, forms of association and partnerships between cities, twinning arrangements, partnerships, collaboration, cooperation, etc.;
- functional specialization - the northern part of the region is characterized by a high degree of industrialization (Prahova holds first position in industrial production) while the south has agricultural specialization, with large agricultural areas;
- spillover effects arising from proximity to the metropolis, as Bucharest-Ilfov region has great potential for regional influence, namely good cooperation between the two regions in the hinterland.

In this sense, the main *strengths* of the regional hinterland are the following:

- ***Location***

- includes the capital of the country, which provides opportunities for education, culture, employment, leisure opportunities, etc.;
- proximity to Bulgaria: a good part of the national border is in southern South - Muntenia; the main rail link is between Giurgiu and Ruse, other crossings being at Calarasi and Silistra;
- the region is adjacent the Danube through four of its seven counties (Ialomita, Calarasi, Giurgiu and Teleorman);
- geographical and landscape diversity: sea, mountains, the river Danube;
- easy access to various roadways, national and European; the hinterland has an extensive railway network, access to the sea, highways, five river ports, roads that connect the capital and other areas; there is also good accessibility between the two component regions;

- ***Economy***

- the economic profile is quite varied: industrial engineering, extraction and processing of oil, natural gas exploitation, agriculture, fisheries and tourism, etc.;
- in the north of the South - Muntenia Region (Arges and Prahova Counties) the density of active enterprises is one of the highest in the country (19 active enterprises per 1,000 inhabitants);
- the hinterland has one of the most valuable agricultural potential of the country, being the largest producer of grain, and holding top positions at other agricultural products as well;
- the South Muntenia region provides sufficient food (fruits, vegetables, grains) for the metropolitan area;
- ability to attract high investments and create jobs, both in agriculture and in food processing;
- numerous European projects implemented in the region;
- proximity to the metropolitan area may result in stronger economic development and higher living standards in the rest of the region.

- ***Culture-Education-Research***

- the education infrastructure is fairly developed in the metropolitan region, with universities in the north (Ploiesti, Pitesti and Targoviste). In addition, proximity to metropolis provides increased access to higher education;
- opportunities for more diverse cultural and artistic activities, both in cities of the South - Muntenia and in the metropolis;
- presence of major research institutions (oil and gas, motor vehicles) in the region and the opportunity to cooperate with the network of research institutes in the capital.

On the other hand, the main *weaknesses* of the regional hinterland refer to:

- preponderantly rural population, that correlates with large agricultural areas;
- low level of urbanization, especially in the southern hinterland;
- reduced investments in the South Region, compared to the metropolitan area Bucharest-Ilfov;
- the poverty rate in the South Region is among the highest in the whole country (especially in rural areas) due to lower revenues in the agricultural sector.
- lack of investment in irrigation system, which could triple agricultural production since regional hinterland is near the Danube River, at a distance of approximately 50 -100 km from the area affected by drought;
- lack of sewerage water in rural households, in percentage of approx. 80%;
- low capitalization on potential advantages of the Danube area in terms of tourism, economy, river infrastructure and fishing;
- GDP is much lower in South-Muntenia Region compared to Bucharest-Ilfov;
- infrastructure is less developed in South-Muntenia Region;
- the health system in South-Muntenia Region is underdeveloped;
- lower entrepreneurial culture in South-Muntenia Region.

There are a series of correlations between the strengths and weaknesses of the metropolitan area and metropolitan region in the following areas:

Advantages of concentration-location

The metropolitan area has the advantage of location in the heart of Macroregion 3, being at the junction of the main roads crossing southern Romania and connecting it to other

regions, i.e. pan-European transport corridors. Additionally, Bucharest municipality is the main railway and air transport hub of the country. Thus, the strength of location of the metropolitan area is related to the weakness of metropolitan region who is disadvantaged in terms of rail and air connections, namely in that it has no airport.

The strength of the metropolis is also given by the opportunities for access to higher education, which represents a pole attraction for the young and maintains youth labor shortages, as well as high qualification shortages in the metropolitan region. In addition, the high level of performance of universities in Bucharest weakens the attraction of universities in the metropolitan region (Ploiesti, Pitesti and Targoviste).

Another strength of the metropolitan area is the very good coverage of food needs (fruits, vegetables, grains, etc.). The gain is especially for the capital, as the food producers are poorly paid, their work is under-valued, and the route of products from producer to distributor is uncertain, due to a lot of intermediaries. Therefore, the strength of the metropolis is largely correlated with lower income in the metropolitan region and hence lower living standards.

Gravitational effects

The high intensity of "regional gravitational field" in the metropolitan area creates a driving effect manifested by superior economic development; bigger employment; location of more subsidiaries of large foreign corporations, etc. Basically the strengths of metropolis weaken the metropolitan region. There is little competition between the two, as Bucharest Municipality is more powerful and this inhibits competition.

The metropolis attracts commuters within a radius of about 100 km and there is permanent migration from all Muntenia, therefore the strength of abundant and good quality labor resources correlates with the weak point of diminishing labor resources and accelerated aging of the population in the metropolitan region.

Another negative gravitational effect is the migration of revenues from metropolitan region to metropolitan area due to higher fructification advantages and population migration.

Disparities of development

The strengths of the metropolis (infrastructure, education level, young population, etc.) are important factors that support the development and implicitly the disparities. Furthermore, these strengths allow the metropolitan area to excessively polarize settlements

in the South – Muntenia Region, i.e. spatial segregation and the emergence of disadvantaged groups. Thus, these strengths support increased development disparities, being directly related to weaknesses that generate deficits for the development of the metropolitan region.

Increase of economic disparities was also determined by the negative impact of the financial crisis that was felt more powerful the metropolitan region (impact of the recent financial crisis has put the emphasis on the metropolitan region because, compared to the metropolitan area, it also includes poor areas).

Also, statistical data indicate significant and persistent differences between the metropolitan area and regional hinterland from both economic and social perspective, as reflected in table 1.

Table 1. Social and economic indicators in South– Muntenia Region against Bucharest-Ilfov Region

	Year	South– Muntenia Region	Bucharest- Ilfov region	Absolute difference (col. 3-col.2)	Ratio (col. 3/ col.2)
0	1	2	3	4	5
Emigrants per 10,000 inhabitants	2006	2.002	1.099	-0.902	0.549
	2011	3.413	27.092	23.678	7.937
Natural population increase per 1,000 inhabitants	2006	-3.6	-1.3	2.300	0.361
	2011	-4.5	-0.9	3.600	0.200
The rate of poverty risk or social exclusion (%)	2007	50.3	35.1	-15.200	0.698
	2011	43.1	28.4	-14.700	0.659
The relative poverty rate (%)	2007	26.6	7.3	-19.300	0.274
	2001	21.6	3.4	-18.200	0.157
Unemployment rate (%)	2007	6.4	2.2	-4.200	0.344
	2001	6.5	2	-4.500	0.308
GDP/capita (RON/inhabitant)	2008	13,374	35,012	21,638	2.618
	2011	21,551	65,757	44,207	3.051

Source: processed by GRINCOH-UESB team based on National Institute of Statistics data. The support of Dr. Bogdan Ileanu, team member is gratefully acknowledged.

3. Relationship between the metropolis and the region

There are a series of links between the metropolis and its surrounding region such as major road and rail networks or as potential future axis, the navigable channel Bucharest – Danube along the Arges river. The metropolis has a positive influence on its surrounding region, mainly considering the educational and health services provided by the capital. However, there are also examples of a negative impact, such as the strong attraction of the capital and

its MA over human resources and investments, which leaves the southern part of the MR in a stage of underdevelopment, preserving a rural / agricultural character.

3.1. Changes in regional settlement system and its drivers

In the last 10-15 years a series of big communes have got the status of town – both in Bucharest-Ilfov region (7) and South-Muntenia region (5). In addition, one town from South-Muntenia has got the status of municipality. Nevertheless, the urbanization degree decreased: from 92.43% in 2006 to 91.6% in 2011 in Bucharest-Ilfov and from 41.8% to 41.4% in South-Muntenia. The reasons are, however, different in the case of the two regions. For example, wealthy or even middle class people from Bucharest tended to move outside the city. In general, in search of a more quiet life, they build houses in rural localities or even in towns near Bucharest. This way, Bucharest's population decreased from 1,931,236 in 2006 to 1,919,352 in 2011, while the population of the eight towns of the Ilfov county increased from 120,902 in 2006 to 144,883 in 2011. (Constantin, 2013) As a result, the share of Bucharest population in Bucharest-Ilfov county population decreased from 87% to 85.2% in the same period. In the South-Muntenia region the decrease in the urbanization degree can be rather explained by the economic decline which determined a migration to Bucharest or external labour migration on the one hand and an urban-rural migration of the other hand. At the same time a significant number of rural localities are confronted with the population ageing and there are also more and more abandoned villages.

In the whole South-Muntenia region there are only two urban poles which can effectively counter-balance the major attraction exerted by Bucharest. Thus South-Muntenia counts 16 municipalities and other 32 small towns for all its seven counties (NUTS 3), but only two municipalities – Ploiesti, the capital of Prahova county, and Pitesti, the capital of Dambovita county, have been envisaged by the Priority Axis of the Regional Operational Programme which concentrates on urban growth poles. There are two categories of urban poles: ‘national growth poles’ and ‘urban development poles’. 50 percent of the Priority’s allocation are directed towards the first ones, while the second ones receive 20 percent. In general, these are developed in order to prevent and to alleviate imbalanced development tendencies within regions, to contribute to a decrease in the agglomeration of population and, implicitly, of labour force in large cities, and to create and sustain spatial structures able to promote territorially balanced economic development. Ploiesti is included in the ‘national

growth poles' category and has already got a status of metropolitan area while Pitesti belongs to 'urban development poles' category. They are located in the Northern part of the South Muntenia region and exert both spread and backwash effects, the latter especially in relation to poor, agricultural areas.

3.2. Changes in regional production system and its drivers

In terms of production system, the metropolitan area is dominated by Bucharest-Ilfov in the services sector, the structure of the Gross Value Added by the main activity being very close to the EU profile and very different from other Romanian NUTS 2 regions or even from the national economy. In this context, services have a dominant share of 66% (the most important being telecommunications, financial agency, education, R&D, transportation and storage, tourism and cultural services, real estate transactions, renting and service activities provided to business firms, and trade), industry has 22.1% (industries that became very developed during the last periods refer to knowledge-intensive, creative activities, such as ICT components, software, computer components assembly, electronics, mecatronics, mould design and production, etc.), constructions 11.22%, while agriculture less than 1%. (Constantin, 2013)

A series of transformations of the urban structure from sectoral specialisation to functional specialisation occurred, some explanations being found in the changes in the organisation of firms concerning the decrease of remote management costs, combined with the need for a new urban balance and with the requirements for reducing traffic jams, pollution (Duranton and Puga, 2005). Step by step, Bucharest is passing from specialising by sector to specialising by function, keeping the headquarters and business services within the city, and the plants located outside Bucharest, in the surrounding towns or even in smaller cities in the neighbouring counties in the South-Muntenia region. (Constantin, 2012)

Bucharest-Ilfov represents a very auspicious environment for investment and business development, a lot of FDI being attracted in the region; according to the National Bank of Romania and National Institute of Statistics (2013), in 2012, 60.6% out of the FDI stock in Romania was held by Bucharest-Ilfov, while the South-Muntenia region had a share of only 7.2%. Even though, this is in the middle of a top of the eight regions in Romania in terms of FDI attraction, highlighting the influence of Bucharest proximity on the attraction of FDI by its hinterland, respectively the South-Muntenia region.

3.3. The labour commuting pattern at regional level and its drivers

Because it is the capital of the country, it concentrates most of the investments and has an adequate physical infrastructure required for business development, the metropolitan area, and especially the Bucharest Municipality attract skilled labour from all over the country, both thru migration and commuting. The more expensive life in the capital, high rents and other disadvantages of urban agglomeration determine a part of the workforce to prefer commuting instead of moving permanently.

The drivers of this labour migration and commuting patterns is a combination of push and pull factors. The high concentration of economic activities and public institutions make the metropolitan area a labour polarizer centre because the business environment is best developed in the capital, which will attract, according to the principle of Lösch, localization of other economic activities and hence new entries for labour at the expense of the metropolitan region. Other strengths of the metropolitan area that become attractive for the workforce in the metropolitan region are the following: the unemployment rate is lower than in other regions of the country; there is a well-developed network of social services, therefore access to such services is on average higher than in other regions of the country; the educational system allows specialization in a wide variety of fields, which can respond to the establishment of new economic structures. On the opposite, there exist pull factors such as the underdeveloped health care system in South–Muntenia Region and the inferior entrepreneurship culture, compared to Bucharest-Ilfov Region. The consequence is the migration/commuting of highly skilled personnel to the capital due to higher opportunities for career development and an efficient education system that supports a more powerful entrepreneurial culture.

Concluding remarks

During the past periods, the metropolitan area and its regional hinterland faced a series of opportunities that contributed to their development. For example, the country's accession to NATO military alliance, or to the EU generated a series of advantages in terms of technology transfer from developed countries, foreign investments, modernization of public institutions, development of infrastructure, development of new business and entrepreneurial ventures, etc. The success recorded by Bucharest has the roots in its competitive economic structures (economic structure, functional specialization), in education and training system,

innovativeness, entrepreneurship, etc. – as endogenous factors. Thus, proper conditions for FDI attraction have been created, FDI acting in turn as an exogenous development factor.

Like in the metropolis, the development of regional hinterland was based on both exogenous and endogenous factors such as: increased foreign investments and multinational companies in the region, development of infrastructure, sewage system, water supply network, etc., including through access to European funds; political stability and strengthening of democratic institutions; the development of cultural institutions and the education system; increased collaboration between scientific research institutes of the metropolitan area and the developed EU; development of entrepreneurial culture and leadership, etc.

However, there are a lot of disparities between BMA and its external hinterland, a series of signs related to spread and backwash effects being manifested.

Statistical data indicate high and persistent disparities between the metropolitan area and regional hinterland from the perspective of economic performance. For example, GDP and GDP per capita are much lower in South-Muntenia Region compared to Bucharest-Ilfov due to reduced investments, low level of urbanization, especially in the southern hinterland, and small labor productivity. The South-Muntenia Region has large agricultural areas, the population is preponderantly rural and the poverty rate is among the highest in the whole country (especially in rural areas) due to lower revenues in the agricultural sector. As regards non agricultural activities, net investments and turnover are considerably lower in South-Muntenia Region, compared to Bucharest-Ilfov Region. The metropolis attracts commuters within a radius of about 100 km, permanent migration from all Muntenia, as well as candidates for higher education from all regional hinterland and even from the nearby the Southeast region. Better opportunities for access to higher education, create a strong attraction for the young and maintains youth labor shortages, as well as high qualification shortages in the metropolitan region. A large part of the students coming from hinterland end up working in the metropolis and establish their permanent residence here.

There are complex and strong economic and social links between regional hinterland and metropolis. Complementarity exists in terms of the process of economic development, but the relationship between regional hinterland and metropolis is very unbalanced, as the metropolis is more powerful and attracts population, labor resources, products and revenues. The strong "regional gravitational field" of the metropolitan area supports higher economic

development of metropolis to the expense of regional hinterland, which is weakened by this relationship.

As a final consideration, it can be assessed that both spread and backwash effects are manifested between BMA and its external hinterland, the latter ones being more pronounced. However, considering the actual policies implemented in the area, a series of considerable efforts are made in order to alleviate them and to better promote and develop the spread effects.

Acknowledgement

This paper draws on the research funded from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement “Growth-Innovation-Competitiveness: Fostering Cohesion in Central and Eastern Europe” (GRINCOH) no. 290657/29.03.2012. The research has been also co-funded by UEFISCDI Romania, “Capacitati” programme, contract no. 200/2012. The authors are indebted to the experts who accepted to be interviewed with regard to the research topic, especially to Dr. Gabriel Pascariu, Associate Professor at the University of Architecture and Urban Planning “Ion Mincu” of Bucharest and Ms Ana Cristina Adumitroaei, Expert at the Bucharest-Ilfov Regional Development Agency.

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