

# SUSTAINABILITY OF THE TERRITORIAL ECONOMY AND THE IMPACT OF EUROPEAN PROJECTS IN SMALL TOWNS IN ROMANIA: A CASE STUDY OF BALCEȘTI, VÂLCEA (ROMANIA)

*Camelia Teodorescu<sup>1</sup>, Ana-Irina Lequeux-Dinca<sup>1</sup>, Diana Ionescu Anculete, Stefania Elena Calinoiu<sup>3</sup>, Florian Alin Butoi<sup>1</sup>*

*<sup>1</sup>Faculty of Geography, University of Bucharest, Romania*

*<sup>2</sup>Faculty of Educational Sciences, Social Sciences and Psychology, University of Science and Technology Politehnica of Bucharest, Pitești University Center, Romania*

*<sup>3</sup>Faculty of Letters, University of Bucharest, Department of Communication Sciences, 5 Edgar Quinet Str., Bucharest, Romania*

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## **Abstract.**

Small towns in Romania face significant challenges in achieving sustainable territorial economies due to limited local resources, demographic decline, and economic restructuring. This article investigates the sustainability of the territorial economy in Balcești, Vâlcea, with a focus on the role of European Union-funded projects in supporting local development. The research methodology combines historical and statistical data analysis, field observations, and evaluation of the outcomes of EU-funded initiatives on the local economy, infrastructure, and social development. Findings indicate that European projects have contributed to improving public services, enhancing local infrastructure, and stimulating economic activities, while also promoting governance practices aligned with sustainable development principles. Nevertheless, structural challenges such as population decline, limited industrial diversification, and resource constraints persist. The study emphasizes that integrating European funding strategically can act as a catalyst for sustainable development, fostering local resilience, economic diversification, and social cohesion in small Romanian towns. The article concludes that EU-supported initiatives are instrumental in enhancing the sustainability of territorial economies, but their long-term impact requires complementary local strategies and community engagement.

**Key words:** Community engagement, Urban Regeneration, Public authority, Economic Resilience

## **Introduction**

Small towns in Romania face major challenges in their economic and social development, such as depopulation, limited access to investment, and underdeveloped infrastructure (Ianoș, 2016). In this context, European funds are becoming a crucial tool for stimulating sustainable territorial development.

The town of Bălcești, with a population of approximately 8,000 in Vâlcea County, is representative of small towns seeking to leverage European resources for modernization and economic development. This study analyzes the impact of European projects on the sustainability of the territorial economy in Bălcești, from economic, social, and environmental perspectives, integrating quantitative and qualitative data. Studies in territorial economics show that small towns can become development hubs through investments in infrastructure and economic clustering (Porter, 1998). The EU's cohesion policy recommends "place-based" investments tailored to local conditions, and in Romania, small towns such as Bălcești have often been marginalized without the support of European funds (Benedek, 2014; World Commission). The effectiveness of investments depends on local institutional capacity (Rodríguez-Pose, 2015; Zelenáková, 2017). Studies on small towns show that the involvement of local actors, infrastructure, and integrated strategies are essential for sustainability (European Commission, 2020).

## **Material and methods**

The study employs a mixed-methods approach, with a case study conducted in Bălcești, Vâlcea (Creswell, 2014; Yin, 2018). The steps followed in conducting the study included:

The first step was data collection and processing. This included the number of businesses, demographic data - particularly the employed population - and other data regarding local budget revenue, infrastructure, and European and environmental projects. The data was provided by the local administration of the city of Bălcești.

A second important step in conducting the study was the interviews. These were semi-structured and involved members of the local community, starting with the mayor, public officials, and beneficiaries (local residents).

The study followed a descriptive and correlational analysis. This allowed for the following types of analyses:

- Econometric Difference-in-Differences (DID) analysis for the impact of European projects (Angrist, 2009);
- GIS analysis for the distribution of investments in Bălcești (Brandsma, 2014);
- Thematic analysis of the interviews to assess the perceptions of local stakeholders.

## **Results**

### ***Trends in local socioeconomic indicators***

An analysis of the data for Bălcești shows that the European projects implemented between 2015 and 2025 have had a positive impact on the local economy. In particular:

- a. The number of local firms has increased by approximately 18% over the past five years, particularly in the construction, services, and small-scale industrial production sectors, indicating a diversification of economic activities (Benedek, 2014).
- b. The employment rate has stabilized at approximately 95% of the registered working-age population, compared to the previous level of approximately 90%, thereby countering the declining trends observed in other small towns in the county.
- c. Local budget revenues increased by about 12% following the implementation of major projects, reflecting both the attraction of European funds and the growth of local economic activity.

These results confirm that European funding has stimulated local economic activity and contributed to reducing dependence on national budget transfers.

### **Impact on Infrastructure and Public Services**

The town of Bălcești has undergone significant infrastructure upgrades thanks to European projects, including:

- The rehabilitation and modernization of local roads, with a total length of approximately 15 km of upgraded streets;
- The expansion and modernization of the water and sewerage network, which increased household connection rates from 78% to 95%;
- Modernization of public institutions, including schools, kindergartens, and the city hall, with the implementation of energy-efficiency solutions.

These investments have increased the city's appeal to residents and investors and have helped narrow the gaps with other cities in the county.

Effects on environmental sustainability

European projects have had a visible impact on the city's environmental sustainability:

- The implementation of LED street lighting systems has reduced energy consumption by approximately 25%;
- The installation of solar panels on public buildings has enabled the generation of approximately 150 MWh of green energy annually;
- Projects to develop green spaces and bike lanes have contributed to improving quality of life and reducing urban pollution.

These results show that Bălcești has begun to integrate the principles of sustainable development into its urban infrastructure (Nestoriuc, 2024).

### **Econometric and spatial analysis**

The Difference-in-Differences (DID) econometric model applied to Bălcești indicates:

- Significant increases in economic indicators following project implementation: estimated local GDP +7% for the period 2015–2022;
- A positive impact on employment and on attracting private investment;
- A strong correlation between the volume of European funds and infrastructure modernization.

GIS analysis showed that investments were concentrated in the city center and larger residential neighborhoods, which generated a polarization effect in urban development, but also had a visible impact on the outskirts through the expansion of utility networks.

### **Residents' perceptions**

Semi-structured interviews with the mayor, public officials, and local beneficiaries reveal a generally positive perception of the projects:

- 85% of respondents believe the city looks more modern and attractive for investment;
  - 78% appreciate the improvements in infrastructure and public services;
  - Residents and local government employees also mention potential shortcomings or weaknesses, such as excessive bureaucracy, difficulties with co-financing, and limited administrative capacity.
- These observations highlight the importance not only of the volume of European funds but also of institutional capacity for implementation.

### **Discussion**

The results of the study on the evolution of local socioeconomic indicators in Bălcești point to a significant positive impact of the European projects implemented between 2015 and 2025. The 18% increase in the number of local firms and the diversification of economic activity, particularly in the construction, services, and small-scale industrial sectors, suggest that European funding has stimulated entrepreneurial initiative and contributed to the strengthening of the local economy (Benedek, 2014; ESPON, 2018). This trend is also supported by the stabilization of the employment rate at 95%, which contrasts with the negative trend observed in other small towns in the county, indicating a compensatory effect on unemployment and labor migration (Ianoș, 2016).

The 12% increase in local budget revenues following the implementation of major projects highlights the dual role of European funds: not only as a source of direct financing, but also as a stimulus for local economic activity and the attraction of private investment. These results confirm the findings in the literature regarding the capacity of structural funds to reduce the dependence of small localities on national budget transfers (Rodríguez-Pose, 2015; Teodorescu, 2017). Regarding infrastructure and public services, road modernization, the expansion of water and sewer networks, and the energy efficiency of public buildings have contributed to increasing the city's attractiveness for both residents and investors. GIS results show that investments were initially concentrated in the city center and larger residential neighborhoods, generating polarization effects, but also the expansion of infrastructure toward the periphery, which suggests a positive impact on territorial cohesion and equitable access to services.

The environmental impact is also notable: the implementation of LED street lighting and the installation of photovoltaic panels have reduced energy consumption and carbon emissions, while the development of green spaces and bike lanes has improved the quality of urban life. These results reflect a trend toward integrating sustainable development principles into local urban planning. The Difference-in-Differences econometric analysis confirms these observations, highlighting significant increases in local GDP (+7% between 2015 - 2022) and strong correlations between the volume of European funds and infrastructure modernization. This suggests that external funds, combined with effective local administration, can produce quantifiable and sustainable effects on the local economy. Finally, the perceptions of local stakeholders indicate a generally positive assessment of the projects, but also highlight significant challenges, such as high levels of bureaucracy, difficulties with co-financing, and limited administrative capacity. This underscores that the success of implementation depends not only on volume but also on the quality of management and the institutional resources available. Overall, the results demonstrate that European projects have had a significant effect on economic development, infrastructure, and the environment in Bălcești. At the same time, they confirm the literature, which argues that the impact of structural funds is maximized when accompanied by adequate local administrative capacity and integrated strategic planning.

### **Conclusion**

This study assessed the impact of projects funded by the European Union on the sustainability of the local economy in the city of Bălcești, Vâlcea County, using a mixed-methods approach that combines quantitative, qualitative, and spatial analysis. The results indicate that European investments have generated significant positive effects, albeit with certain limitations specific to small towns. The town of Bălcești is a positive example of a small town in Romania that has benefited from European funds, demonstrating that such investments can support economic, social, and environmental development. However, long-term sustainability depends on effective local management, community involvement, and strategic planning tailored to the local context. The study confirms that European funds are a powerful development tool, but their actual effectiveness depends on the quality of governance and local implementation capacity.

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## Souhrn

Město Bălcești v okrese Valcea v Rumunsku představuje pozitivní příklad malého města, které využívá evropské fondy k udržitelnému rozvoji. Evropské fondy podpořily hospodářský rozvoj, infrastrukturu a environmentální udržitelnost v Bălcești. V tomto případě závisí dlouhodobá udržitelnost na administrativní kapacitě a zapojení místní komunity. Je třeba se neustále zaměřovat na posilování místní správy, uplatňování integrovaných strategií, rozšiřování investic do okrajových částí a větší využívání partnerství veřejného a soukromého sektoru.

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## Contact:

PhD. Camelia TEODORESCU

E-mail: [camelia.teodorescu@geo.unibuc.ro](mailto:camelia.teodorescu@geo.unibuc.ro)

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