



**IBIMA**  
Publishing  
*mobile*

***Journal of Eastern Europe Research in Business &  
Economics***

*Vol. 2013 (2013), Article ID 888187, 40 minipages.*

*DOI:10.5171/2013.888187*

*www.ibimapublishing.com*

Copyright © 2013 Silviu Beciu, Maria Bobeică and Raluca Georgiana Lădaru. Distributed under Creative Commons CC-BY 3.0

*Research Article*

# **Regional Development Trends in the North-East Region of Romania**

**Authors**

**Silviu Beciu and Maria Bobeică**

University of Agricultural Sciences and Veterinary Medicine, Bucharest,  
Romania

**Raluca Georgiana Lădaru**

The Bucharest University of Economic Studies, Romania

Received 7 October 2012; Accepted 22 October 2012; Published 31  
May 2013

**Cite this Article as:** Silviu Beciu, Maria Bobeică and Raluca Georgiana Lădaru (2013), "Regional Development Trends in the North-East Region of Romania," Journal of Eastern Europe Research in Business & Economics, Vol. 2013 (2013), Article ID 888187, DOI: 10.5171/2013.888187

## **Abstract**

The EU regional policy has been an ongoing concern of both the Member States and the candidate countries for accession. Its economic, social and territorial cohesion principles have been developed to sustain the stability and development of European integration. The Romania has established in 1998 its own regions of development, opening the gate to the implementation of regional development policies. Six regions of Romania, exactly the whole country, excepting the Bucharest Ilfov Region and West Region of development, are ranked among the 20 poorest EU regions, located in four countries of Central and Eastern Europe - Bulgaria, Romania, Poland and Hungary, which joined the EU in the last two enlargements. For Romania, reducing territorial disparities and achieving a balance between economic

and social development levels of its regions is therefore a matter of utmost importance. This aspect has to be considered related with the new European Union's multi-faceted approach, which seems to replace its traditional mechanisms based on regional redistribution policies and programs. This paper analyses the existing situation at the regional level in Romania, with particular reference to one of its poorest regions, which require the highest socio-economic development support: the North East Region.

**Keywords:** regional development, Romania, policy.

## Introduction

Brid Quinn [1] consider that The EU`s regional policy has muted from a redistributive mechanism to a multi-faceted policy. In the context of the vision 2020, the challenge is to ensure that all Union European`s regions benefit from the new opportunities offered through the cohesion policy and that no region is left behind [2] Raluca Florentina Crețu [3] said:” In the context of current developments, the concept and model of sustainable development, started as 40 years ago, are still fewer followers. They are disputed, discussed, critiqued, and often simply forgotten (if not deliberately ignored) the current socio-economic analysis. The results in terms of balancing continued growth and solving economic, social and ecological have convinced all these years”

Some region didn't reach yet sufficient level of capacity to access and compete successfully in European framework programmes, proved by the low degree of absorption of current regional funding. Phillipe Martin [4] affirmed in 1997 "from a budgetary point of view it is difficult to envisage that the new entrants will be able to benefit from transfers in the same proportions as the present beneficiaries". This affirmation can be considered as actual as in the moment that it has been written on paper. Extrapolating the idea, we can say that the poorest regions are the most disadvantaged in accessing the European funds, especially because the gap in areas that incorporate a high level of knowledge. Also we could consider the distribution of EU funds between existing national regions: should these found given priority and in significant values to the poorest regions in order to reduce the gap, or we should grant the regions powerful



economically that can generate higher income in the economy? Of the 27.52 million euro EU grant funds allocated to Romania for the period 2007-2013, have been accessed an amount almost equal to Romania's contribution to the EU budget of 7.9 billion Euros for the same period. The program ROP - REGIO was designed to reduce economic and social development disparities between the more developed regions and less developed in Romania, and is for certain the main financial instrument that has established as target accession of structural funds worth 4 billion euro by 2013 on the basis of calls for proposals. The program was approved by the European Commission in July 2007, is started launch calls for proposals in 2007- 2008 and it was intensified through signing of grant contracts and accelerate payments to beneficiaries in 2009. The main feature of 2010 was the completion of the first projects investment financed by ROP.

Following this development, the stage of ROP at the beginning of 2011 was as follows: 7564 project applications totalling 11.27 billion Euros, of which ERDF contribution represents Euros 7.17 billion; 1300 approved funding requests totalling 3.18 billion Euros, of which ERDF contribution represents 2.08 billion Euros; 1086 grant agreement amounting to 3.07 billion Euros, of which ERDF contribution represents 2.00 billion Euros [4]; National Rural Development Programme (RDP), coordinated by the Ministry of Agriculture and Rural Development (MARD) has the greatest degree of access to European funds, but is to be mentioned here that over 57% of the population lives in rural areas. This paper aims to point out the relevant aspects of regional development in Romania and is focused mainly on the North East region, because of the gap that this region has to recover it in relation to other regions nationally and within the

EU. Were used for the formulation of more objective viewpoints, conducted field surveys in the North East region of development by a research team.

## **Material and Methods**

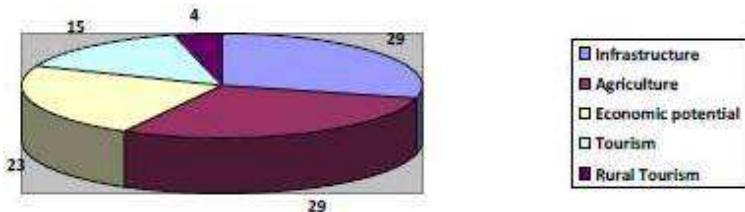
The paper is based on field research data collected from surveys conducted at the local authorities from 100 rural localities situated in the all six counties of the North East Region of development. Based on this survey, have been developed SWOT analyses, related with social, economical, political, technical-scientific and environmental dimension of the region rural areas.

## **Results and Discussions**

Once started the process of accession to the European Union, Romania has demarcated in 1998 its own regions of development, so the regional development policies can be implemented. We will start the discussions starting from the main role of the regions of development, of allocating European Union funds for regional development. In Romania were created eight regions of development but only two are economically competitive and can be considered key drivers of economic growth: Bucharest Ilfov Region and West Region. In the opposite situation is the North East region, which is among the poorest regions in the EU, despite efforts to attract European funds through various developing programs. In regions like this, there is high demand for applying policies designed to combat poverty.

Although for each region was developed, and there is in place a strategy of regional development are not yet developed simple and effective monitoring mechanisms and are not involve all the stakeholders involved at regional level, in an open and constructive manner. For a better understanding of the existing situation within a region, and in order to identify the impact of cohesion policy, we conducted a bottom-up analysis, starting with representatives stakeholders involved in communes, within the region that records the greater economic disparities: the North East region of development. Like a SWOT analysis, the questionnaire prepared and sampled tried to identify the strengths and weaknesses of the region, and also to identify the opportunities and threats perceived by decision makers from the representative communes.

In the first question of the questionnaire we tried to identify the advantages of the North East Region:



**Fig .1. The Most Important Advantages of the North Eastern Region**

Source: Authors (Beciu Silviu, Bobeică Maria, Lădaru Raluca)

In the first places were situated agriculture and infrastructure, which are considered to be the main advantages of the North - East. In the communes of the region were seen visible improvements especially because accessing European funds that have managed to increase the level of development. Following the national centralization of data, the number of projects funded through POSCCE, POS Transport, POS Environment, POSDRU, PODCA, PNDR, POAT, POP, POR 2007-2013, SEE INTERREG IVC, RO-UA-MD in the North East region is of 6764, of which 6019 are projects funded through PNDR, most of the beneficiaries being registered sole traders. At regional level 132 POR projects were finalised, the rest of 267 being still in progress, which means 33% percentage of implementation. The North East area still has plenty of work to do in order to complete the infrastructure development projects.

**Table.1 Projects Data Facts in the North East Region**

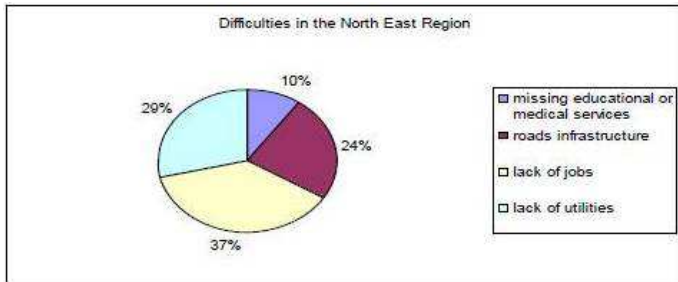
No.	County	Unfinished projects	Completed projects	% of implementation
1	Bacau	52	20	28%
2	Botosani	22	9	29%
3	Iasi	76	29	28%
4	Neamt	53	32	38%
5	Suceava	43	34	44%
6	Vaslui	21	8	28%

Source: Dates provided by ADR North East, Romania



Up until 08.09.2012, 621.080.000 EUR worth of funds was contracted with the declared purpose of improving the development degree in the North East area. At the moment, Romania has 37.620.000 EUR available as funds for regional development. The most popular measure for regional development in this area is measure no. 3 from the 4<sup>th</sup> Axis of Development: Supporting the development of small businesses. The main objectives of this measure is to help both the very small enterprises and services companies which tend to use the potential offered by the local environment where they are settled. Moreover, these new legal entities are encouraged to use new generation equipments ant technologies in order to increase the competitiveness of the unit.

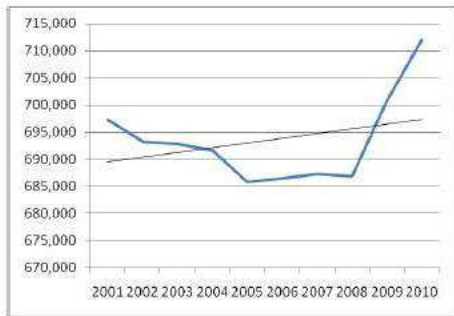
Listed as a difficulty encountered at regional level, lack of jobs is top ranked (72 out of 100 interviewed mayors identified this as a significantly high difficulty). Lack of hiring opportunities directly affects the welfare of the local population and it's the main cause of youth exodus to the big cities in search for a well-paid job. In the rural areas of the North East region, according to International Labour Office, 1,1% of the total population is registered as unemployed, and almost 50% as inactive. Actually, actively employed individual represents only approximately 49% of the total population from the North East region. The highest number of unemployed individual is between 15-34 years old.



**Fig.2. The Most Important Difficulties in the North East Region**

Source: Authors (Beciu Silviu, Bobeică Maria, Lădaru Raluca) own calculation

When asked: "Could you identify a few threats/risks that could endanger your collective in the following years?" the received answers were: the stressed ageing of the local population (33%), the increasing level of poverty due to lack of investment in the private sector(24%), the youths' exodus to the cities (23%) and lack of jobs (20%). Over the last few years, not only at a regional level, but also national and European levels the stressed ageing of population was registered. The European Commission's report "2012 Ageing Report" released in May 2012, certifies the fact that ageing is a concerning phenomenon which is rapidly growing and highly affects the European Union's economy. "Given the forecasts regarding the fertility rate dynamics, life expectancy and migration rates, the age structure of the EU is expected to dramatically change in the next decades. The average number of European citizens will be higher than 50 years ago, but also older.



**Fig.3. Evolution of over 60 Years Old Population between 2001 and 2010**

Source: INSE Romania, 2012

Regarding the participation rate of the employed population in the main economic activities, the biggest share is found in agriculture, forestry and fishery (41,5%) and meanwhile in services is employed 36,1%. Also in industry and constructions the share of employed population is 22,4%. In the GDP structure, services account for 50.0% of GDP, agriculture region has the largest contribution to this area comparative with the other regions (9.2% of regional GDP), and industry and construction is 29.2%. According to the Employment Balance issued by the Romanian National Institute of Statistics at the beginning of the year 2011, the workforce in the North East area was represented by 2385.3 thousand people, of which only 50.6% are employed.

Unemployment registered on the 31<sup>st</sup> of December 2011 was of 5.6% (unemployed civilians officially registered). The percent of

hired population is close to the national average, most of the workers activating in agriculture (42.7%), especially in Botosani (52,9%) and Vaslui county (51,2%). Nevertheless, in services and industry, the rate of employment is lower than the national average (23,5%), Botosani (15.1%) and Suceava (16.8%) having the lowest employment in industry and Vaslui (30.0%) in services. Also, these counties are confronted with a slow rate of development of the industrial and agricultural technologies and also with a high level of low-skilled population.

Among the total population, the number of graduates of high education institutions and post-graduate studies had a constant evolution but unfortunately the number of graduates from vocational schools and apprenticeship (forms of education that provide a qualification at the end of the cycle) dropped radically

in the last few years. Such phenomenon combined with the lack of interest manifested by the young generation with respect to the classical fields of work led to shortage of potential candidates qualified in different areas. We must specify though that overall in the last 12 years the number of university graduates has slightly increased.

Besides the questions focused on local perceptions of the advantages, disadvantages, opportunities and threats at regional level a series of questions with a specific target were also asked, referring to punctual elements of the economic reality that could interfere with development plans designed for the region.



Following the centralization of the questionnaires we have identified a number of specific conclusions for North East, such as:

- Access to information plays a vital role in the smooth implementation of development projects, especially by helping the initiators to choose the most effective course of action and also by facilitating a consistent estimation of the costs of innovation. Local authorities were actively involved in spreading information about European funding programs of economic activity. Thus, municipalities felt most a high involvement of County Councils, 33% of those surveyed have identified as the primary source of information about ROP 2007-2013. On second place are the prefectures and third agricultural departments in local administration. However, a

significant proportion is occupied also by alternative sources of information. An important contribution to informing the population on measures that can be accessed has the online environment where sites like <http://www.inforegionordest.ro>, <http://www.adrnordest.ro>, <http://www.mdrt.ro/> or <http://www.finantare.ro/> offer a wide range of information on the regional development programs

- If it were to maintain the current technological equipment of most SMEs, their risk of soon becoming uncompetitive is imminent. One solution is offered by technology transfer entities which, by the nature of their work, are enabling SMEs' access to research results, and the funding sources for the implementation of new technologies / innovations.

- Innovation within the unit (either public or private) has tangible effects, observable in the economic outcomes recorded, in the position they manage to impose or maintain on the market (market share, quality of products / services), the positive effects on the national economy (generating jobs, raise living standards, increased exports).
- The main advantages of the North Eastern villages are agriculture and infrastructure ( 29% of the answers each) high potential for economic development (23% of responses), tourism (15%) and rural tourism (4%). In Neamt County, rural tourism is not considered to highly benefit the area, and the main benefits are considered to be infrastructure and agriculture. Suceava county agriculture ranks first with 13 responses and the last place on par are

tourism and rural tourism with 9 replies. The biggest potential of Botosani County is agriculture (12 responses) and tourism and rural tourism receive no vote. According to the questionnaires analyzed, Iasi and Vaslui are the best in terms of infrastructure. The only county where rural tourism is considered an advantage is Suceava county, which already has well developed tourism programs (Easter in Bucovina for example);

- Lately in the North East began to unfold a series of positive events that spur economic activities in the area. The phenomena mentioned by respondents in the questionnaire were the increasing the number of households (43%), the increasing amounts invested in the private sector (34%) increase in the number of young people (23%). Neamt

registers according to the responses to the questionnaire, the largest growth in these phenomena than other counties in the region. In Suceava the increasing number of young people has been identified as a positive phenomenon.

- The most common difficulties encountered are the lack of jobs (37%) lack of provision of utilities (29%) poor state of roads (24%) and lack of educational services / medical (10%). Except Vaslui county where the greatest difficulties are the effect of lack of utilities, in the other 4 counties, the main issue is lack of jobs. Lack of medical and educational services are considered difficulties only in Neamt and Suceava.

- Asked to identify risks that could threaten the development of village, town officials mentioned the growing aging of population (72 of 216 responses) constant increase in poverty due to lack of investment in the private sector (51 responses out of 216), the exodus of young people to the big cities (49 responses from 216) and the lack of jobs (44 responses out of 216). In Neamt and Iasi the main risk identified is the lack of jobs, in Suceava exodus of young people (perception stressed also by cultural characteristics of the place) in Botosani is aging of population, and in Vaslui the lower standard of living and increasing poverty.
- The main directions of development towards the surveyed communities oriented in the last few years, are urban infrastructure (26%), the economic environment and SMEs

(24%), trade (20%), tourism (13%), social services (10%) and the environment (7%). In Neamt town officials give utmost importance to developing the economic environment while in Suceava, Botosani and Vaslui in the foreground is urban infrastructure;

- In the last 5 years, 73% of the communities where the questionnaire was applied, accessed funds to develop infrastructure projects. Of these, about 64% are completed.
- Knowledge on measures that can be accessed through the Regional Operational Programme is quite high, 73% of the mayors being up to speed with the actions they should take.

- In 72% of cases fundraising projects already exist for ROP 2007-2013 - most projects, according to data from NIS are accessed in Iasi (105 projects). Vaslui County is ranked last with only 29 projects;
- In some urban areas, existing economic and social problems widened as a result of the economic and financial crisis (rising unemployment as a result of massive layoffs, the collapse of real estate market affect the construction sector, reducing aggregate demand of the population, etc. ). Therefore there is a need for dedicated funding to support urban development axis of ROP 2007-2013;
- Also, there is a future interest towards other areas of intervention that contribute to increasing accessibility to / from the urban area, raising living standards through the



development of health infrastructure, social infrastructure, education, local business growth by supporting business structures and cultural-historical and natural tourism potential.

- In the light of evolution of unemployment rate for the period between the onset of the economic and financial crisis in the North-East (November 2008) and the end of 2011, it is found that there are two stages of evolution. The first stage, which runs until February / March 2010, is characterized by a rapid increase in unemployment, which spiked in the region up to a level of 9.3% (vs. 5.3% in 2008). The most affected counties were Vaslui (15.3%) and Neamt (9.9%). Peaks in other counties were located in the 8.1-8.7% range. The second stage covers the period between March to December 2011,

and is characterized by a relative stagnation in unemployment. Also, in some counties that previously compiled in areas with high unemployment, imbalances in local labour market were worsened (i.e.g. Vaslui).

- Due to note is also the fact that 62% of municipalities that have submitted projects under Priority Axis 1 of the 2007-2013 ROP, also developed projects on priority axes 2, 3 and 4 of the program. With respect to other operational programs, a significant percentage (42%) of local governments had submitted projects on a few other operational programs (environment, increase economic competitiveness, human resource development, development of administrative capacity), reflecting the existing concern for finding solutions to local needs, other than those financed through ROP.

Below we find a SWOT matrix which scores some positive and negative elements that characterize the North East region - elements that were identified after applying and centralization of the surveys:

## 2. SWOT Matrix for the North East Region

<p><b>Strengths:</b></p> <ul style="list-style-type: none"><li>- population concerned about the submission of projects and receiving the EU funds;</li><li>- high agricultural potential</li><li>- high touristic potential</li><li>- rich natural resources</li><li>- improvements of the local infrastructure in the past few years</li><li>- increasing share of young population in the total of population</li></ul>	<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"><li>- lack of co-financing funds;</li><li>- exodus of the young to more developed areas;</li><li>- lack of an European infrastructure</li><li>- aging of population</li><li>- growth of poverty levels</li></ul>
<p><b>Opportunities:</b></p> <ul style="list-style-type: none"><li>- possibilities to access European funds for development</li><li>- legal initiatives having the reduction of bureaucracy as main target</li><li>- projects to eradicate corruption</li></ul>	<p><b>Threats:</b></p> <ul style="list-style-type: none"><li>- political instability</li><li>- unstable business environment</li><li>- reticent investors</li><li>- high level of bureaucracy</li><li>- public authorities corruption</li></ul>

Source: Authors (Bobeică Maria, Beciu Silviu and Raluca Lădaru) conclusions

The survey aimed to directly identify which is the local perception of the elements of importance in raising funds for development. While some answers were surprising, others were folded on the reality reflected by regional statistics compiled by the Institute of Statistics. However, it is important to see the opinions of decision makers that are directly involved in developing local projects so that data collected to substantiate proposals for the development of future strategies.

Economic development process requires a fundamental continuous economic system recovery. This recovery is provided by existing initiatives, by encouraging the opening of new businesses, support for research and development in innovative sectors that provide permanent and effective solutions. Local communities must show a continuing concern in this regard

especially to encourage new entrepreneurs and attracting local investment. Considering that small and medium enterprises sector (which have the largest share in the national economy) is a dynamic sector, permanently influenced by local and external environment in continuous change, business sustainability depends fundamentally on information that aims to prevent the risks and threats but also support information and invitation to increase competitiveness, while respecting the principles of transparency, non-discrimination, sustainable development and sustainable exploitation of resources.

## **Acknowledgment**

The results are part of the Project “Research On Actual Size Evaluation And The Perspective Of Sustainable Rural

Development Through The Elaboration Of SWOT Analysis, As Method Of Strategic Planning For The North-East Region Of Romania”, under a financial scheme supported by Romanian National Council for Scientific Research in Higher Education: CNCSIS-UEFISCSU (Grant no 114/28.07.2010), Project manager: Silviu BECIU

## **References**

Quinn, B. (2011). “Towards a 3d Cohesion Policy: Can the EU’s Regional Policy Interventions Achieve the Intentions?,” 22-23 September 2011, Malataya

Crețu, R. F. (2012). 'Empirical Analysis of the Correlation of Elements and Sustainable Development of a Regional

Development Model,' *Fundația Academia Comercială din Satu Mare, Universitatea Academia Comercială, International /Conference "Dezvoltare Durabilă în Condiții de Instabilitate Economică," 22 – 23 Iunie 2012,"* Supplement of "Quality-access to success" Journal year Vol. 13, S3-2012.

Philippe Martin (1997). "Can Regional Policies Affect Growth and Geography in Europe?,"

Regional Issues (2010). 'EFSRI Working Group,' *Report 2010*

Romanian Government (2010). 'Ministry of Regional Development and Tourism, POR 2007-2013,' *Yearly Implementation Reporting*