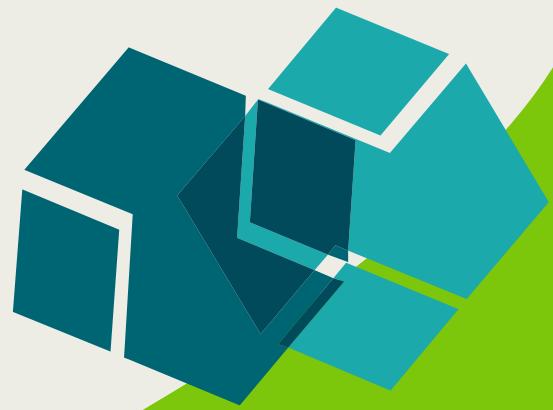




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Fostering Cohesion in Central and Eastern Europe



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The Suceava County (Subregion Nuts3) as an Example of a Border Region - Case Study Report

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1. Introduction

This report is devoted to assessment of current regional development in Suceava county, as well as the investigation of its responses to transformation, crisis and EU membership. The study has been conducted within the project GRINCOH, financed by VII EU Framework Research Programme. In view of preparing this report 20 in-depth interviews were carried out in 2013 with representatives of city office, national and regional authorities, RDAs, chambers of commerce, business associations, higher education institutions, and implementing authorities. Also, statistical socio-economic data were gathered and processed and strategic documents on development strategy, as well as various reports on evaluations of public policies have been studied.

1.1. Location and history

Suceava is a county of 8,555 km², situated at the North Eastern Border of Romania, in the Bukovina region. Its capital is Suceava city, which was the capital of the principality of Moldavia from 1388 to 1565. The city was the capital of the lands of Stephen the Great, one of the main rulers in Romanian history, who died in Suceava in 1504. During the rule of Alexandru Lapusneanu, the capital was moved to Iasi (1565). Michael the Brave captured the Suceava city in 1600 during the in an attempt to unite the principalities of Wallachia, Moldavia and Transylvania, but he was defeated the same year and Suceava city failed to become the capital again.

The western side of the county consists of mountains from the Eastern Carpathians group. The main river crossing the county is Siret. The county's elevation decreases toward the east, with the lowest height in the Siret valley.

1.2. Basic socio-economic characteristic

The population of Suceava county has been constantly diminishing since 1992, due to both negative natural increase and out-migration triggered by industry decline and poverty. Its population reached 614,451 persons (about 3.3% of Romanian population) in 2011, while the population density was 71.8 inhabitants per square kilometre, compared to the national average of 79.9. Suceava's population is mainly Romanian - 96.3%, the minorities accounting for only 3.7%, as follows: Roma (Gypsies) - 1.9%, Ukrainians - 0.9%, Polish - 0.3%, Lippovans - 0.3%, Germans - 0.16%, Ruthenians, Hungarians, and others - 0.2%.

The economy of the county is characterized by low GDP per capita: 3685 Euro per inhabitant in 2012, representing 95% of the North-East Region average, 83% of Romania and less than 16% of EU28. The growth in GDP per capita was about 16% lower than national average over the last 15 years prior to economic crisis. Suceava is an inefficient agricultural county, weakly industrialized, with an underdeveloped market service. The industry is currently recovering from the crisis, recording 20% growth in manufacturing in December 2012 against December 2011 and 32,2% increase in the manufacturing turnover during the same interval.

The employment structure in 2011 was as follows: 35% services, 19% industry and construction and 46% agriculture (against 29% national average). The unemployment rate has risen from 4.9 in 2011 to 5.7% in 2012, being significantly higher for men compared to women (6.5% and 4.8% respectively). Education and human capital are below the national average, despite some institutes of higher education with a long tradition, such as University "Stephan the Great".

Like most Romanian counties, Suceava experienced high increase in economic and social inequality following the transition to market economy and the negative effects of social polarization. Suceava is included in the North-East region, the second poorest region in the EU with a level of GDP per capita about 29% of EU average in 2008.

1.3. Administrative and governance context

In accordance with Romania's territorial organisation, Suceava county is a NUTS 3 territorial unit. It incorporates 98 communes (with 379 villages) and 16 urban centres, of which 5 are municipalities. Suceava county is included in the North-East region, as NUTS 2 region. The North-East region belongs to the Macroregion 2 as NUTS 1 region.

The Regional Development Law No. 315/2004 (*Legea dezvoltării regionale*), which updated Regional Development Law No.151/1998, mentions eight development regions – corresponding to the NUTS 2 level, and 41 counties („judete”) plus Bucharest municipality – corresponding to the NUTS 3 level. The development regions serve as the framework for conceiving, implementing and evaluating regional development policy as well as collecting statistical data corresponding to the NUTS 2 level. They have no judicial personality and are not administrative units; consequently, they cannot administer EU Funds themselves. Instead, the counties are administrative units, with judicial personality and their own budget. At local level, there are 320 urban centres (of which 103 are municipalities) and 2,860 communes, and these are also administrative units. Later on, especially for the statistical needs of the Eurostat, four macroregions have been established, each of them comprising two NUTS 2 regions.

The functioning of the administrative and governance system at county and locality level is stipulated by the Local Public Administration Law No. 215/2001 (*Legea administrației publice locale*), updated by Government Decision No.4/2013. According to this law at both county and locality level there are deliberative, decision authorities represented by the county/locality council and executive authorities, represented by the president of the county council and the locality mayor. The local public administration is organised and works observing the principles of decentralisation, local autonomy (administrative and financial), public services deconcentration, the eligibility of local public administration authorities and citizens consultation for solving local issues of special interest.

Other institutions supporting regional and local development are the providers of public services and public utility services of local or county interest (public institutions, self-administration authorities, commercial companies), intercommunity development associations, public or private providers of social services, public utility associations, foundations and federations, operators of community services of local or county public utility.

2. Trajectories of economic development and structural change, social cohesion

(Objective – a) to analyse development trajectory and structural changes in different sub-periods of transformation) b) to analysis different aspects of social cohesion in the region

2.1. How the economic performance of the region can be assessed?

Suceava is an agricultural county, weakly industrialized, with underdeveloped market services. Its border location is one of the factors that have been hindering economic growth in the past.

Suceava county is included in the North-East Region, the less developed region in Romania (GDP/capita is 0.675 of the national average, while in Bucharest-Ilfov is 2.063). According to the level of GDP per capita, Suceava County is ranking 3 in the North-East Region, after the counties of Iasi and Bacau. In the last five years the gross domestic product of Suceava County has seen a different evolution of GDP than North-East Region. Although in 2007 real GDP growth at the county level was double (10.7%) than the percentage growth at regional level (5.4%), in 2008, in the context of the economic crisis, GDP dropped sharply, registering a negative growth (-3.9%), well below the regional average (3.6%). In 2009, the gap was widening even more, GDP at county level reaching a percentage reduction of 5%, while at the regional level was increasing by 9.1%.

Table 1. GDP in Suceava county compared to North-East region

	2007	2008	2009	2010	2011	2012	2013*	2014**
North-East region								
GDP/cap (euro)	3.698	4.011	3.303	3.358	3.555	3.942	4.365	4.826
GDP growth (%)	5.4	3.6	9.1	-3.5	1.3	3.6	4.3	4.5
Suceava county								
GDP/cap (euro)	3.763	3.774	3.242	3.292	3.488	3.867	4.272	4.710
GDP growth (%)	10.7	-3.9	-5	-3.2	1.6	3.9	4.4	4.5

*estimated

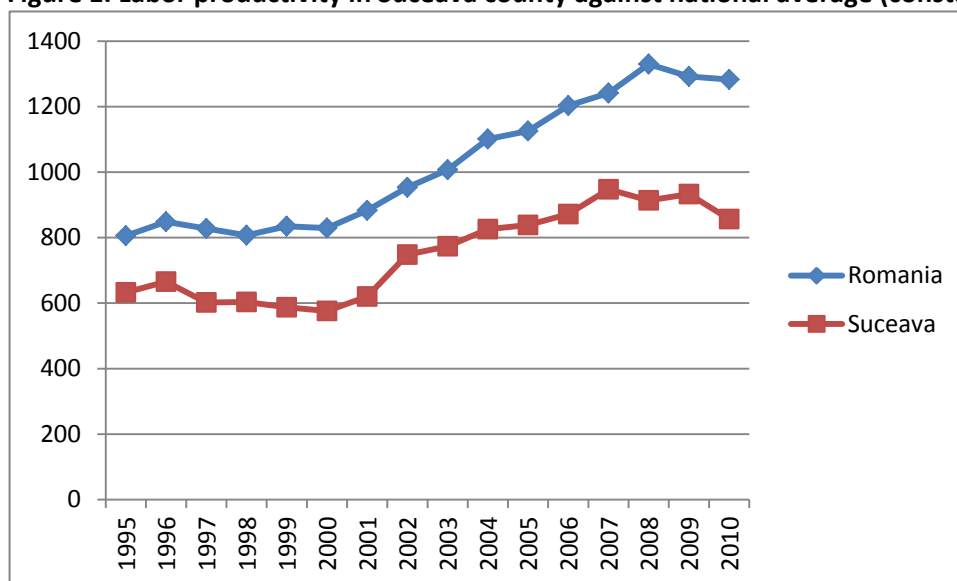
**prognosis

Source: National Commission for Forecast

The total GDP of the county increased modestly over 1995-2010 (by about 13.5%) compared to national average of +40%, while the population only slightly decreased. Even if there are many workers temporarily acting abroad, the stable population (which is considered for the calculation of the GDP/capita) only slightly decreased, by less than 2%, compared to 4.5% at national level.

Economic efficiency of the Suceava county, as reflected by labor productivity, has been constantly situated well below national average (Figure 1).

Figure 1. Labor productivity in Suceava county against national average (constant 1995 lei)



Source: own elaboration based on NIS data.

In accordance with this poor labour productivity, net average earnings per employee represented 0.926 of regional average in 2009, placing the county on second lowest position in the region, while compared to the national average the ratio was 0.820.

2.2. Are there any significant remaining of former socialistic system?

The main remaining of the old social and economic system is the lack of public, institutional and entrepreneurial initiative, as well as the persistence of social stereotypes. The required social and economic changes were carried out in part, but many shortcomings exist especially in psychosocial forms. The leveling of the Romanian society during the communist regime discouraged any individual initiative. Therefore, one major problem arising in the context of the transition to market economy is related to social perception and acceptance of changes regarding the increased level of responsibility and its relationship with income. During the communist regime, Suceava was heavily industrialized, but industry strongly declined during transition to market economy.

The transformation process to market economy has not been fully effective or efficient, e.g. large holdings of former agricultural production cooperatives are left in decay. Those locations could become attractive investments given that appropriate tax incentives are applied.

2.3. What is a direction of structural changes in the region?

Following the privatization of state property and the emergence of private-owned enterprises, the private sector increased gradually. Greater flexibility of private entrepreneurs has led to the development of economic activities in the service sector. For instance the passenger and freight transportation is now served mainly by private road transport companies, both to national and international destinations. Trade has also developed and many new hypermarkets and shopping malls have been built in recent years, especially prior to the crisis. Positive post-transition transformation is visible in the sector of wood exploitation, improvement of local production in the food industry, development of trade and tourism, as well as emergence of many new SMEs.

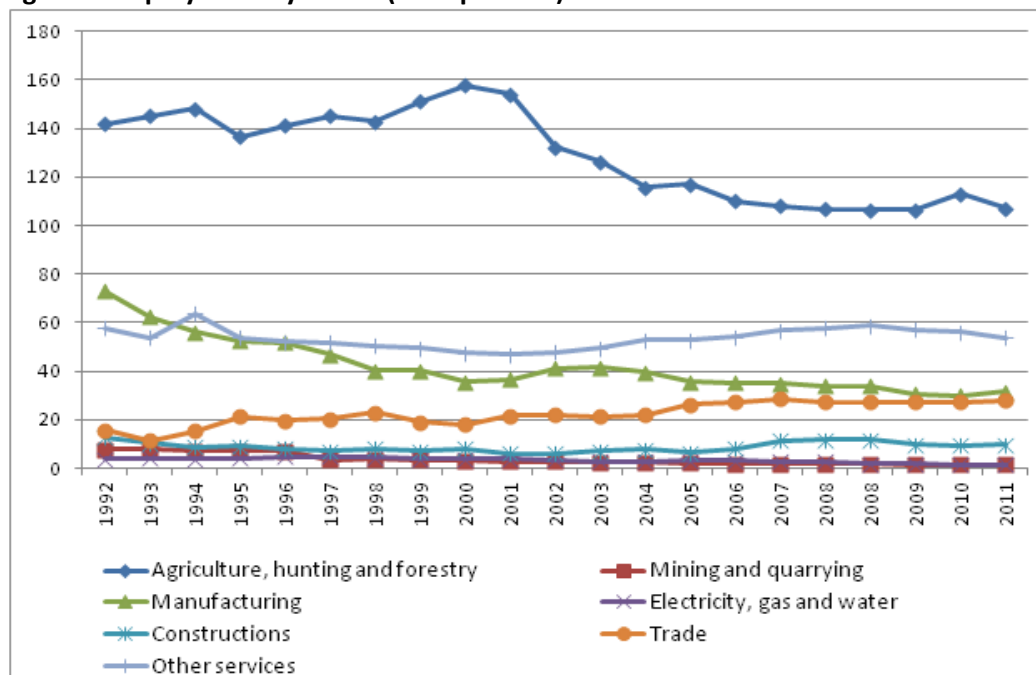
Both agriculture and manufacturing, the dominant sectors in the county's employment, have been declining on the long-run, while trade and other services are on the rise (Figure 2).

The most dynamic sectors in recent years were wood exploitation and processing, food industry, especially local livestock products, trade and services, and the financial sector. Tourism expanded and significant investments were made in guesthouses and hotels. Tourism has greatly developed in hill and mountain areas.

Tourism had a significant development in the last 3-4 years. Also, timber harvesting and livestock are promising expanding fields that can turn to good account favorable local conditions.

The large economic sectors participated in 2008 to gross value added of Suceava as follows: agriculture 14.40%, industry 21.00%, construction 7.90%, while trade and services contributed to 56.70%.

Figure 2. Employment by sector (thou persons)



Source: own elaboration based on NIS data.

Table 2. Gross value added by sector (%)

Sector	2007	2008
Agriculture	16.90%	14.40%
Industry	21.70%	21.00%
Construction	7.30%	7.90%
Trade and services	54.10%	56.70%
Total	100.00%	100.00%

Source: own elaboration based on NIS data.

Table 3. Employment structure in Suceava county against national average (%)

Sector	National average		Suceava county	
	1992	2011	1992	2011
Agriculture, hunting and forestry	32.915	29.191	45.425	46.068
Mining and quarrying	2.6009	0.7746	2.4952	0.6016
Manufacturing	27.397	17.871	23.353	13.537
Electricity, gas and water	1.5653	0.8487	1.2156	0.6016
Constructions	5.5383	7.3026	4.0307	4.1685
Trade	7.2088	13.829	5.0544	11.947
Other services	22.775	30.182	18.426	23.077
Total	100	100	100	100

Source: authors' computation based on NIS data.

Retail owns significant shares in both turnover and total number of employees, as a large part of the companies in this sector are located in the villages of the county (in some cases being nearly the only ones in locality). In 2009 wholesale and retail hold 46.99% of the total turnover of companies in the county and 29.75% of their total staff, while manufacturing holds 26% of total turnover and 28.79% of their total staff.

Employment in agriculture holds the highest and share in total and was stable at about 46%, well above the national average, for two decades (Table 3).

2.4. What external factors (EU membership, financial crisis) have had the most significant impact on regional development?

The impact of EU membership on regional development

European Union membership raised high expectations in Romania even before the actual accession time, in January 2007. The financial crisis that hit Romania in the last quarter of 2008 seems to have lasting effects on the economy, making difficult to estimate the economic benefits from accession to EU.

Some general advantages such as enlarged and diversified financial resources, accelerated reforms, increased openness of the economy combine with risks such as vulnerability to external shocks.

One of the most beneficial effects of EU membership should be increased foreign direct investments that should promote innovation and growth. but high-tech FDIs account for a very low percent of the total and did not bring the sought after technological advancement.

Another potential gain from EU membership should be the decrease in regional disparities, mainly due to structural and cohesion funds that should support a more rapid development of the poorer regions such as Suceava.

Reality shows that EU membership might have actually contributed to inequalities' deepening. as structural and cohesion funds have had a low absorption rate (about 21%) and only the developed regions that already had a high degree of expertise in accessing such funds could benefit from using them. Since they are highly concentrated in Bucharest-Ilfov region, FDIs may be another cause of increased post-accession regional disparities.

Suceava county might benefit in the future from its neighborhood with Ukraine that enables connection to Russia and the forthcoming Eurasian Union of Free Trade, which could be a possible main economic partner. Also Suceava might access the EU grant programs under the European territorial cross-border cooperation objective: Romania-Ukraine-Republic of Moldova.

The impact of financial crisis on regional development

The economic and financial crisis had uneven effects on regions, depending on their specific economic structure. In Suceava county mining and quarrying was the industry most severely hit by the crisis (table). The construction sector has been deeply affected as well. Most public and private investments (excluding those who have received EU funding) have been suspended. High reductions in turnover also occurred in trade and other services.

Effects of the crisis were felt most intensely during 2009 - 2010 when have taken place massive restructuring in industry and commerce, the collapse of the construction sector and the lack of liquidity in the banking sector was severe.

The activity of micro-, small and medium-sized business in trade and other services has dropped significantly due to lower purchasing power of the population and the banks' restrictions on loans for private firms' investment.

The population was also affected by decreased job security, growth in unemployment, lower incomes, etc.

Table 4. Turnover, Gross investments and employment by sector

Sector	Turnover (mn lei)		Gross investments (mn lei)		Employees	
	2008	2009	2008	2009	2008	2009
Mining and quarrying	111	50	72	15	1690	1338
Manufacturing	2681	2898	878	289	24156	19584
Electricity, gas and water	553	558	120	104	2471	2401
Construction	1578	1130	174	56	10476	8569
Trade	6490	5472	435	232	23934	21008
other services	1462	1351	616	173	16494	16781

Source: authors' computation based on NIS data.

The harsh austerity measures adopted by the Romanian Government (such as 25% reduction of wages in the public sector, increased VAT that brought about higher prices, etc) in the context of the economic crisis determined a severe drop in the purchasing power. The number of people at high risk of poverty consequently increased.

2.5. How the situation on regional labour market does affect social cohesion?

Following the diminishing of public property and the emergence of small private property during the transition period, many large enterprises, which absorbed most of workforce in Suceava county, disappeared. This has led to increased unemployment, and massive labour migration to European countries, mostly to Italy, UK, Spain. Also, the impoverishment of population, population aging and vulnerability resulted in a decline of domestic entrepreneurial interest.

During the transition to market economy, there was a steady rise in self-employed workers, especially in agriculture, where they account for almost a half of the workforce, and in firm owners, especially in trade and other services. Employment in private sector also grew constantly, while the public sector's share dropped to less than 50%.

From the employment perspective, the highest risk of poverty is among young people, persons with a low level of education, unemployed, Roma, and employees in the shadow economy. The level of unemployment rate in Suceava county was constantly placed over the national average, except for a few years (Table 5).

Unemployment rate reached a peak of 13,7% in 1998 the context of economic downturn that accompanied the transition to the market economy. Sustained economic growth in the 2000s, combined to massive external migration of the workforce reduced the unemployment rate to a minimum of 3.7% in 2008. Therefore unemployment rate may not be a suited indicator for the current workforce situation. The step decline in the activity rate – from 92,7% in 1992 to 54,5 in 2011- reveals the scale of the problems on the local labour market.

Table 5. Unemployment rate and workforce activity rate (%)

	Unemployment rate		Activity rate	
	National average	Suceava	National average	Suceava
1991	3	4.3	85.1	90.8
1992	8.2	10.4	86.7	92.7
1993	10.4	12.2	84.9	89.3
1994	10.9	13.5	84.9	91.7
1995	9.5	11.9	79	80.7
1996	6.6	11.1	75	79.1
1997	8.9	12.4	73.9	78.5
1998	10.4	13.7	73.7	77.8
1999	11.8	13.5	71.4	77.5
2000	10.5	12.2	72.1	75.8
2001	8.8	8.6	69	70.4
2002	8.4	10.3	68.1	68.5
2003	7.4	8.1	66.2	64.7
2004	6.3	7.8	64.2	62.2
2005	5.9	6	64.5	60.7
2006	5.2	4.7	64.7	58.6
2007	4	3.7	66	59
2008	4.4	4.3	66.6	58.8
2009	7.8	7.9	65.7	58.5
2010	7	7.3	64.1	58
2011	5.2	4.9	62.8	54.5

Source: authors' computation based on NIS data.

In addition, a series of labour market issues affecting the social cohesion have been mentioned by the interviewed persons in Suceava county, such as: the considerable amplitude of labour out-migration, in many cases of the highly qualified, labour demand based on low qualification and low wage jobs, high share of illegally paid jobs, higher unemployment rate for the youth, little possibilities of professional reconversion for the older workers employed in declining industries, etc.

2.6. How the accessibility of different public services (health care, child care, education and training, labour market and social) can be assessed?

Based on the EU requirements derived from the territorial cohesion objectives, the public services and services of general interest reflect the the obligation of public authorities to provide them at certain standards in terms of quality, availability, accessibility and affordability, an important issue in this respect being the minimum level of these services for individuals and enterprises. An ESPON project related research² in which the North-East region of Romania represented one of the case studies in this respect pointed out that the disparities of the corresponding indicators between North-East region and national average was significantly lower than those in terms of GDP per capita. For example, the relative distance in terms of hospital beds per 100 thousand inhabitants between North-East region and the national average was only 1.29:1, lower than the relative distance between the national average and the North-East region in terms of GDP per capita, which was 1.63:1 in 2011. Also, the gap between North-East region and the whole Romania in terms of the number of people per physician ration was 1.39:1, again lower than the GDP per capita gap. However, Suceava county was below the region's average for these indicators, confirming that the

²Indicators and Perspectives for Services of General Interest in Territorial Cohesion and Development (SeGI) – ESPON project 094/2011, http://www.espon.eu/main/Menu_Projects/Menu_AppliedResearch/SeGI.html

accessibility features are associated with its territorial characteristics, namely border, rural, intermediate unit (ESPON typology of NUTS 3 regions).

As far as the interviewees' perception on the accessibility of different social services in Suceava county is concerned, the picture is quite diverse, depending on the envisaged service (childcare, longterm care of the elderly, health care, labour market, activating social services). For example, the public access to childcare services is considered quite good, whereas the access to the elderly care is viewed as very difficult: there are not enough elderly houses with medical assistance, the places in hospitals are insufficient. Also, a big share of the poor or rural population do not benefit from medical assistance or other social services. Overall, even if there are many categories of vulnerable persons who may require social services and there are clear regulations and administrative staff in charge with each case evaluation, the financial allocations are far below the needs.

2.7. What are the sources and scale of social problems (poverty, inequalities, labour market exclusion)?

Effects of the crisis were felt most intensely during 2009 – 2010, when have taken place massive restructuring in economy and economic activity declined. The population was consequently affected by decreased job security, growth in unemployment, lower incomes, etc.

There is a continuing trend of regional economic polarization. Most economic activities, especially those with a high gross value added, are concentrated in and around large cities, while many small urban areas (especially former mining towns or mono-industrial cities) and many villages have a precarious economic situation that is deteriorating.

The interviewees mentioned a series of sources of social exclusion. The most important one is poverty, especially for a significant part of rural population, Roma minority and the elderly with very low pensions. They also highlighted the inequalities expressed by the lower level of income compared to the national average and the difficult access to labour market for the youth, aged and Roma workers.

3. Development factors

Although Suceava county has some of the richest natural resources and considerable potential of economic development the lack of capital for small producers, insufficient support for innovation and entrepreneurship, reduced competitiveness, poor infrastructure, etc. inhibit its development process on the long run.

3.1. What factors have played key role in development of the region in recent years?

The main factors that supported the development process of Suceava county in recent years were the exogenous ones such as export, FDIs (especially in trade and the woodworking industry), European grants and other funding. Endogenous factors such as innovation and entrepreneurship played a smaller part in the development. Other factors having a positive impact on economic growth were the reorganization of the activities of large companies in the food industry to adapt to the market economy, the sustainable development of large firms in the construction and installation sector, the emergence of many new SMEs in the food industry as well as in tourism and also the direct investments in small business based on remittances sent by Romanians working abroad.

Manufacturing and agriculture had the largest contributions to the Gross Value Added in Suceava in recent years. The large agricultural area (40.8% of the total area of the county), which is 96.4% private and the high share of agriculture and forestry in the employed population of the county (45.42%) supported the development of agricultural activities.

The border location of the Suceava county influences its economic development on the long run owing especially to economic interactions with Ukraine. Following Romania's accession to EU, traditional economic relations Eastern partners (including Ukraine) weakened, leading to the loss of significant business opportunities. Institutions such as the Chamber of Commerce and Industry Suceava and the Bilateral Chamber of Commerce Romania - Ukraine took measures to counter this trend and prompted the participation of business representatives in exhibitions, fairs and other economic events in the border area in order to promote their products and services. Business meetings of Ukrainian companies with Romanian partners are frequently taking place under the umbrella of Bilateral Chamber of Commerce Romania – Ukraine, Chamber of Commerce and Industry Suceava, the Chamber of Commerce and Industry of Rivne Region, and the Ukrainian Embassy in Romania. The areas of interest include light industry, food, agriculture, construction, transport, etc.

Regional Office for Cross Border Cooperation Suceava is part of JOINT OPERATIONAL PROGRAMME ENPI-CBC 2007-2013 ROMANIA - UKRAINE – MOLDOVA. The programme is funded by the European Union and provides the framework for the implementation of cross border activities in the context of the European Neighborhood Policy with the aim to promote sustainable economic and social development in the border areas and to offer the partner countries the opportunity to participate in various EU activities. The Managing Authority of the Joint Operational Programme "Romania - Ukraine - Republic of Moldova 2007-2013" has already contracted several large scale projects, such as Prevention and flood protection in Siret and Prut river basins, through the implementation of a modern monitoring system with automatic stations - EAST AVERT. Suceava and Cernauti have been twin cities since 1999, both of them belonging to the Upper Prut Euroregion.

Since the accession to the EU and the adoption of more severe customs regulations, the traffic of small amounts of goods carried by individuals across the border decreased at the expense of many local small-scale businesses. However, the classical bazaars can be found in both Suceava and Cernauti, with goods of regional sources, from Turkey to Poland, from Caucaz region to Central Europe. There is also an important interest of the Ukrainians in shopping in Suceava (at Carrefour, Metro, Kaufland, Real, Iulius Mall) as well as a tourist interest in spending weekends in Suceava tourist destinations.

An academic partnership between Cernauti University "Yuri Fedorovici" and Suceava University "Stefan cel Mare" has been established as well.

3.2. What are the main obstacles that hinder the development process in the region?

Some of the most important obstacles for the development process in Suceava county are the following: difficult access to finance for small producers (such as farmers) and SMEs, lack of long term vision for the development of the county, insufficient support for innovation and entrepreneurship, complex procedures for accessing European funds and delays in reimbursement payments, frequent legislation changes; perpetuation of de-industrialization process; lack of

investment in the environment: waste collection and recycling, renewable energy; inadequate use of agricultural land and the large share of subsistence farming; lack of tax incentive for new investment; lack of own funds for investment and expensive credit; unequal stiff competition from foreign private companies entering any market where they find opportunity; reduced innovation and competitiveness in competition with foreign investors; an education system that fails to mobilize students to training performance and lack of vocational secondary education, poor infrastructure, etc.

3a External context of development: foreign trade and FDI

3.3.a Whether the regional economy is export oriented and how this is related to overall productivity and innovativeness?

The export growth resumed in Suceava county following the peak of the economic crisis (Table 6). Wood products are the main export goods, accounting for over half of total annual export.

Table6 . Total export of Suceava county and main components

	Export (thou euro)		
	2011	2012	2013*
Total	261362	334223	408744
Wood products	102818	163859	233994
Machinery and electrical equipment	42518	38203	45972
Paper and paper articles	7322	25861	25780
Textile and textile products	29527	27848	22578
Vehicles and transport equipment	21471	18482	21474
Plastics, rubber and plastic articles	7718	15819	10204
Agricultural goods	5037	5223	5690
Footwear	10815	6722	5522
Common metals and articles	8098	2032	1834
Optical tools and equipment	1013	1099	820
Mineral Products	4673	969	174

**estimated*

Source: authors' computation based on NIS data.

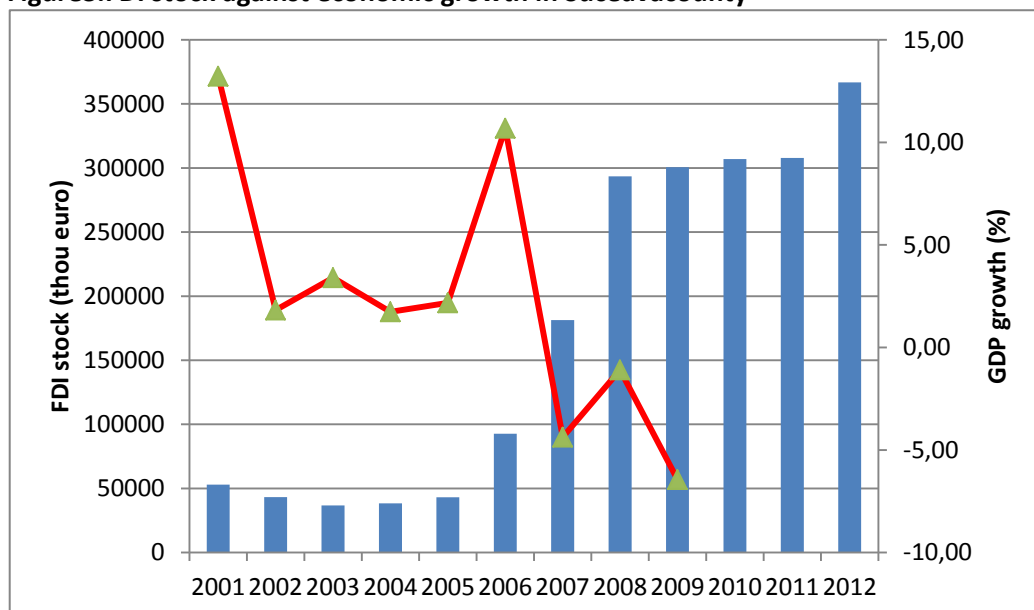
Although export is increasing, productivity and innovativeness need to improve, as the intensity of exports in North-East region is the lowest in the country.

The trade balance with Ukraine is negative. Ukraine exports to Romania wood (which is processed in Suceava factories (Egger, Schweighofer, and also Romanian firms), various food and other consumption goods. In turn, Suceava exports to Ukraine partially processed wood.

3.3.b Is the region attractive for FDIs and what was the impact of these investments on regional economy?

Statistics indicate that the attractiveness for FDIs strongly increased in Suceava since Romania's accession to EU (Figure 3). Lack of domestic capital and economic globalization have made FDI the most accessible and appropriate source of funding to accelerate the development process and a means to sustain economic growth. However, increase in FDI stock is only partly correlated to economic growth in Suceava county (Figure 3).

Figure3.FDI stock against economic growth in Suceavacounty



Source: own elaboration based on NIS data.

At the end of 2009, in Suceava County were active 654 economic entities with foreign participation, the largest (in number and registered capital) coming from Italy, which holds 187 economic agents, followed by Germany with 57. The number of new companies with foreign capital in Suceava county, the number dropped from 118 in 2008 to 66 in 2009, to reach 41 in 2010. However, the amount of subscribed capital increased by approximately 5 times, and profits doubled in 2009 compared to 2008. Following the peak of the economic crisis, the propensity for investment has decreased and the amount of subscribed capital has considerably reduced in 2010. The economic sector most sought after by foreign investors is trade, on places 2 and 3 being the construction and manufacturing, respectively. The most important foreign investors are Austrian, interested in wood processing industry, biomass, chemical industry (glue).

The relatively poor attractiveness of the region for both foreign and domestic investments is caused by factors such as underdeveloped transport infrastructure, labour force decline due to large emigration and population ageing, low level of innovation of industry and a high share of employment in inefficient agriculture.

3b. Endogenous growth factors: innovation and entrepreneurship

3.4. How innovative is regional economy and how this is related to educational and training system and its scientific base?

Technology transfer and innovation infrastructure is still poorly consolidated and exploited in Suceava, given that the structures created have not yet had a significant impact on the regional economy. There are many research units, i.e. units of research and development, higher education institutions, and also a growing number of centers of research and excellence at universities. However, Suceava contributed to the total expenditure of research and development of the North East region in 2010 with only 9.20% (compared to a maximum of 77.38% in Iasi county), downsizing its share compared to 2008 (11%).

The number of employees in R & D activities has been falling in last years, both in the North East region and in the county of Suceava. Low wages, inappropriate material resources, poor performance and better opportunities for research in other countries have gradually led to a decrease in the number of employees in research and development, and to an increase in the average age of highly qualified staff. Consequently, those aged over 40 years represent currently about 60% of all researchers. Research and development activities continue to take place, for the most part, in the public sector (over 60%).

The economy of Suceava county is marked by reduced innovation and efficiency in competition with foreign companies. The education system fails to mobilize students to training performance. The decrease in teaching personnel during the last three years took place in the context of resizing the school network and trying to reorganize it on the principles of efficiency. The main decrease is occurred in rural areas.

The development of technology transfer and innovation infrastructure is an important objective of local policy in the field of R&D, aiming to provide a favorable environment for fostering partnerships between businesses and research organizations, stimulating demand and own research and development activities of economic agents, especially in the areas of advanced technologies, as well as increasing the number of innovative companies in advanced technological areas by supporting their establishment and development.

3.5. How important is the sector of SMEs in the regional economy and what are the main linkages of firms?

In Suceava County SMEs are an important sector with a key role in economic terms. They are a source of entrepreneurial skills, innovation and job creation. However, they are often confronted with market imperfections. SMEs often have difficulties in obtaining capital or credit, especially in the start-up phase.

Table 7. The number of private entrepreneurs and independent workers in Suceava county

	Family enterprises	Independent workers
1993	2330	2084
1994	2366	2107
1995	3890	4347
1996	5095	4385
1997	5386	4492
1998	7228	5156
1999	7932	6477
2000	7858	7134
2001	7802	7420
2002	8172	6005
2003	8494	6004
2004	8685	6005
2005	4749	4514
2006	3788	5828
2007	3765	6008
2008	2453	5657
2009	2401	6262
2010	1274	6218
2011	1276	7213

Source: NIS data.

Their limited resources may also to reduce the access to new technologies or innovation. The SMEs located in Suceava are organized into a federation and are constantly looking for solutions to increase competitiveness and create a business supportive environment. After reaching a peak in 2004, the number of private entrepreneurs in Suceava county dropped steeply, while the independent workers expanded continuously (Table 7).

The number of active enterprises in Suceava county declined by 14.45% in the context of the economic crisis, the small enterprises being the most affected (-16.78%). Statistical data also reveals that the number of large enterprises has been strongly declining during 2007 - 2011 in Suceava county (Table 8).

Table 8. Number of active enterprises in Suceava county

Size class (no of employees)	2007	2008	2009	2010	2011
Total		11230	11118	10242	9607
0-9	10.365	10014	10002	9122	8334
10-49	1.040	1029	981	986	1116
50-249	153	162	120	120	146
250 and over	28	25	15	14	11

Source: NIS data.

The number of SMEs in Suceava county took an upward trend until 2008, but in 2009 in the context of economic crisis, 102 SMEs have disappeared from Suceava's economy. The highest number of active SMEs is in Wholesale and Retail (although their number is down compared to 2008) followed by manufacturing, construction, transportation and warehousing and tourism. It is also noteworthy that the number of SMEs active in the Agriculture, forestry and fishing has increased in 2009 despite the crisis. There is an increasing trend for the SMEs having ICT as object of activity, the number of local units registering a spectacular growth of 139.73% during 2001-2004.

In Suceava county there are not industrial parks yet. There is an economic centre named "Bucovina" near the "Stefan cel Mare" airport. The establishment of an industrial park as well as of an agricultural one in Suceava are envisaged. Also, the national strategy for infrastructure development refers to the development of an intermodal transport centre in Suceava.

3.6. Are there any clusters within the region and if yes – what are their main specialisations?

The Bucovina Tourism Association, founded in 2002, created in 2008 a partnership to develop type cluster activities. The "Regional Tourism Cluster" invited as members economic agents in tourism, universities and other relevant institutions for tourism development. The objectives of the association are: elaboration of a strategy to promote tourism in Bucovina, developing a database of the sights in Bucovina, attracting programs that enhance accessibility of tourists in Bucovina, organizing workshops, seminars, conferences, etc., promoting cooperation with central and local administration, publishing promotional materials, organizing training and qualification of tourism personnel, participation in research and development projects with national and international partners.

The Chamber of Commerce and Industry and the Federation of Employers for SMEs in Suceava participated in establishing in 2013 the first ICT cluster in the North East region, "Regional Innovation Cluster EURONEST ICT Hub", located in Iasi. It is the second cluster in scale and relevance in

Romania. The new cluster has as main objectives the promotion and support of ICT sector in the region, strengthening the process of interaction between companies, academic community and public institutions, increasing technological competitiveness in communications and transfer of information and support of entrepreneurship and SMEs in the area. The North East region is on the first place in Romania in the field of ICT, having a high potential in the development of this sector. Therefore, the cluster complements the existing favorable circumstances and aims to develop a public-private collaboration that will bring economic and social benefits.

4. Governance and local/regional development policies

4.1. What was the outcome of the regional development strategy implementation?

The entire regional development policy in Romania gravitates around the EU Cohesion Policy. Not only the policy statements but also the financial allocations are established in correlation with the co-funding levels resulted from the requirements regarding the implementation of the Structural Instruments.

The Regional Operational Programme includes indicative financial allocations by NUTS 2 region that give priority to less-developed regions: the mechanism envisages financial allocations in inverse proportion to the regional GDP per capita and adjusted by population density (see Table 9). Thus, the less-developed regions benefit from higher funding allocations, the North-East region being ranked first in this respect: it not only has the lowest GDP per capita, but also records a population density of 99.7 inhabitants per sq km, higher than the national average, of 90.9. At the same time, the allocations are consistent with the regional strategies agreed by local authorities.

Table 9. Basic indicators for the Romanian NUTS 2 regions and the Regional Operational Programme funding by region

NUTS 2 Region	GDP per capita in 2004, PPS	Population in 2004	ERDF for ROP	
	% of EU27 average	% of Romania's total population	€ million	%
North-East	24	17.2	724.09	16.32
South-East	31	13.2	587.88	13.25
South Muntenia	28	15.4	631.36	14.23
South-West Oltenia	28	10.7	621.60	14.01
West	39	8.9	458.77	10.34
North-West	33	12.7	536.41	12.09
Centre	34	11.7	483.62	10.90
Bucharest-Ilfov	68	10.2	393.10	8.86

Source: Author's calculations based on Eurostat and www.inforegio.ro.

One Priority Axis of the ROP concentrates on urban growth poles. Two categories of urban poles have been agreed, namely 'national growth poles' (*polinationali de crestere*) and 'urban development poles' (*poli de dezvoltare urbana*). The former are awarded 50 percent of the Priority's allocation and the latter, subsequently established, 20 percent. Suceava municipality, which is the capital of Suceava county, is included in the urban development poles category. These poles are viewed as 'binders' between the national growth poles and the small and medium-sized towns, in order to alleviate and prevent imbalanced development tendencies within their regions. They are also intended to contribute to a reduction of the concentration of population and labour force in the large cities and to create spatial structures able to support territorially balanced economic

development. The selection criteria focused on economic development potential, R&D and innovation capacity, adequate business infrastructure, accessibility, public services offered, and administrative association capacity.

As far as the ROP implementation is concerned, the domestic data on financial absorption shows considerable variation across the NUTS 2 regions (see Table 10).

Table 10. Financing contracts and payments by region within the ROP – 18 October 2013

Region	Population (million people)	Financing contracts	Payments to beneficiaries	
		(€ million)	Value (€ million)	Share of eligible value (%)
North-West	2.7	463.89	191.86	45.30%
Centre	2.63	417.54	187.82	49.20%
North-East	3.8	632.67	315.00	55.02%
South-East	2.8	458.53	217.18	46.80%
South-Muntenia	3.45	571.71	207.26	41.60%
Bucharest-Ilfov	2.2	301.92	83.43	26.90%
South-West	2.4	536.04	247.82	50.50%
West	1.9	422.95	166.33	46.00%

Source: Authors' processing based on <http://www.inforegio.ro>

One can notice that the North-East region has recorded the highest absorption rate, indicating a promising response to the prospects in terms of support to urban development, regional and local transport infrastructure, social infrastructure, regional and local business environment, tourism promotion and development, as priority axes of the ROP. An important role in the good results of the North-East region with regard to the EU Funds absorption rate has been played by the North-East Regional Development Agency, which is the Intermediate Body for the ROP implementation. The number of projects in Suceava county represent around 20 per cent of the total number of projects implemented or ongoing in the North-East Region.

Table 11. Projects implemented or ongoing

	Number of projects	% county	% region	% Romania
Suceava – capital city	34	32.7	6.6	1.0
Suceava county	104		20.23	3.0
North-East Region	514			14.6
Romania	3524			

Source: own processing

The top 10 projects (in terms of value) implemented or ongoing in Suceava county are presented in Table 12. One can notice that many of them envisage the improvement of regional and local transport infrastructure, which can create synergic effects between this axis and the other axes of the ROP via increasing accessibility.

Table 12. Top 10 projects in Suceava county (based on the project value)

Rank	Project	Key area of intervention	Beneficiary	County	Total value	ERDF
1	Reabilitare Strazi, Pod Si Pasaj, Modernizare Parcuri Si Creare Statii Modulare De Transport Public In Comun In Municipiul Suceava Street, bridge and passage rehabilitation, modernization of parks and creating modular stations for public transport in Suceava municipality	1.1 Integrated urban development plans	Suceava Municipality	Suceava	66,511,712	44,692,798
2	Rehabilitation of the Suceava fortress and its protection area	5.1 Restoration and sustainable valorization of cultural heritage and setting up/ modernization of related infrastructure	Suceava, Stefan Cel Mare No.36 Str.	Suceava	52,598,065	35,589,078
3	Modernization of the county road 174, VATRA DORNEI - SARU DORNEI - PANACI, KM- 0+000 - 22+000	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/rehabilitation of ring roads	Suceava County Council	Saru Dornei, Panaci, Vatra Dornei	38,720,078	28,187,286
4	Rehabilitation of the central area of Suceava city by creating underground passages, rehabilitating pedestrian ways and street	1.1 Integrated urban development plans	Suceava Municipality	Suceava	37,807,346	24,460,915
5	Modernization of the county road 178, Ilisesti - Ciprian Porumbescu, KM 36 + 150 - 44 + 000, Suceava county	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/rehabilitation of ring roads	Suceava County	Ilisesti, Ciprian Porumbescu	34,431,586	23,912,321
6	Modernization of the county road 175B (reconsidered from DIN DC 90 A , based on H-G- NR- 540/2000), KM 0+000 - 15+800, POJORATA - RARAU	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/rehabilitation of ring roads	Suceava County Council	Pojorata	31,180,788	22,687,218
7	Modernization of the county road 209D, DARMANESTI - CALAFINDESTI - SIRET, KM 21+500-48+340, SUCEAVA county	2.1 Rehabilitation and modernization of the county roads and urban streets network- including construction/rehabilitation of ring roads	Suceava County Council	Gramesti, Darmanesti, Serbauti, Calafindesti	26,597,694	19,344,688
8	Restoration and conservation of the cultural heritage and modernization of the related infrastructure at Dragomirna Monastery, Suceava County	5.1 Restoration and sustainable valorization of cultural heritage and setting up/ modernization of related infrastructure	Dragomirna Monastery, Mitocu Dragomirnei, Suceava County	Mitocu Dragomirnei	25,722,330	17,819,133
9	Modernization of the urban public areas in the districts Stadion, Centru and Bodea - Campulung Moldovenesc, Suceava County	1.1 Integrated urban development plans	Campulung Moldovenesc Municipality	Campulung Moldovenesc	24,974,629	15,731,133
10	Modernization of the county road	2.1 Rehabilitation and modernization of the county	Suceava, Stefan Cel	Gura Humorului, Suceava	20,982,340	14,572,159

	177, POIANA MICULUI - SUCEVITA, KM 10 + 000 - 20 + 875, Suceava county	roads and urban streets network- including construction/rehabilitation of ring roads	Mare No.36 Str.			
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Source: own processing based on www.inforegio.ro

The European funding will continue to support tourism development, Suceava county being one of the most important tourist destinations at national level. There are important ongoing projects, for example the modernisation of Rarau and Campulung Moldovenesc ski slopes while others are in preparation phase (e.g. Safari Adventure Park Paltinoasa).

Also, besides the support offered by the ROP to regional and local transportation infrastructure, there are major projects funded via the SOP – Transportation which help at a better connectivity between Suceava and international destinations. For example, the National Road 2: Bucharest – Suceava – Siret – Ukraine, NR 17: Moldova – Transylvania – Hungary, NR 18: Suceava – Maramures – Hungary – West Ukraine, NR linking Suceava – Botosani - Republic of Moldova, etc. There is also a major project for the rehabilitation of the “Stefan cel Mare” international airport, which will be able to operate short and medium courier flights with Boeing 767 airplanes.

4.2. Has the existing governance model in the region been effective and efficient?

According to the Local Public Administration Law the county council elaborates its own forecasts, strategies and social-economic development programmes. Further on, these are integrated in the regional (NUTS 2) development strategy and correlated with the ROP.

The interviewees consider that the county’s development strategy is well-structured, but its implementation is a long-duration, difficult process as a result of poor financing, frequent political changes, insufficient collaboration between locality administrations and county administration for promoting larger projects, of county interest. They have also pointed to the major role that has to be played by the County Council and the Prefecture in the county development process, considering their decision, planning, coordination, evaluation, control competencies. The need of expanding the collaboration, cooperation between these institutions and the private environment, NGOs, civil society has been also emphasized, as well as the need of improving the collaboration between the county council and local public administration (locality level). Further on, the establishment of partnerships between Suceava county and NUTS 3 units from other countries has been considered an important step towards a sustainable, integrated social-economic development.

In a broader context, the regional (NUTS 2) development strategy has been given an 8 on a scale from 1 to 10 in terms of its content. The objectives will be gradually reached, the associated project portfolio covering a ten year period, in accordance with the establishes priorities and annual action plans. The evaluation indicators and annual reports are working instruments employed by the monitoring and evaluation group, which is acting within the County Council, being coordinated by the director of the Department of development, strategies and programmes.

The promotion of large-scale, inter-county projects at NUTS 2 level or even between NUTS 2 regions is still a very sensitive issue, considering that the NUTS 2 regions do not have legal powers in Romania (in other words, they are not administrative – territorial units), whereas the counties do have legal powers, but, at the same time, counties may have divergent political interests. At present, despite the large debates organised by the Romanian Government in relation to the regionalisation

process, there is no consensus over the number or boundaries of any future NUTS 2 regions with genuine administrative authority.

4.3. What was the outcome of local/regional policies in different fields?

The interviewees consider that the regional and local policies have had a significant impact in terms of increasing FDI attractiveness, export development, innovativeness, entrepreneurship, changes of economic structure, labour markets, human resource development, social cohesion. They revealed the influence of fiscal policy on FDI, entrepreneurship, labour markets, etc. and also the positive impact of local taxes level and legislative stability on the development of business environment. The local administration had a series of interventions like development aids, aids for firms in difficulty, assistance for pensioners and poor families. Suceava County Council ranks among the top county councils in Romania in terms of the projects initiated. These projects have mainly contributed to localities overall development, raising the living standards, tourism, agriculture and various industries development. The local chamber of commerce and industry has supported professional reconversion and training programmes, has initiated contacts between firms and opened the door for them to various opportunities. Public-private partnerships have been also encouraged.

5. External interventions: national policies and EU cohesion policy

5.1. Which type of policies (regional, sectoral, horizontal policies) have had the most significant impact on regional development in recent years?

Regional policies are perceived as long-term policies, whereas the sectoral ones are viewed as more focused, confined to some punctual objectives. There is not a clear opinion about the most significant impact: some respondents rank first the regional policies, others – the sectoral ones. The emphasis is rather on the complementarity between sectoral and regional policies, being considered that the former are supported by the latter. The importance of sectoral policy has been emphasized especially with regard to the SOP – Environment, which implements 10 big projects in six urban centres. While other 40 projects were implemented via the measure 322, which envisaged the road, water supply, sewage and social infrastructure in rural environment. In another register, there is a big concern about the increase in the urban-rural disparities: the interviewees acknowledge the coherent approach of the ERDF based interventions and those financed by other sources but there are still problems in complementarity terms. A stronger correlation especially between ERDF, EARDF and Cohesion Fund supported programmes and projects is recommended. ESF is also envisaged, as well as the support received from the World Bank. The impact of the horizontal policies is considered too, especially when it comes to the free movement of persons: the labour migration has created important sources of revenues for the home family members and even for local development (e.g. small businesses) via remittances.

5.2. Does the structure of external intervention (national/EU) addresses regional needs?

To a large extent it is considered that the national and EU interventions address the regional needs. The most relevant examples refer to industrial parks policy, environmental preservation, sustainable development of tourism in Bucovina area, farmer support policy, forestry and timber processing, etc. It was also mentioned the lower taxation policy applied in the second half of the 1990s in order to support the disadvantaged areas, Suceava county being a relevant case as a result of the non-ferrous

mining closing at that time. However, the policy did not conduct to the expected results as many firms in the disadvantaged areas did not use local material resources and local labour force.

Suceava still remains a lagging behind county, one of the reasons in terms of regional strategies being considered a poor prioritisation from the needs and zone specificity viewpoint. Some pessimists' opinion is that the only real impact decision has been the inclusion of Suceava municipality among the urban development poles, as a national decision related to the ROP. However, in terms of the EU funds distribution by county in the North-East region, this is considered quite balanced and Suceava county has an absorption rate above the region's average. Moreover, the pre-accession funding also played an important role. For example, more than 50 SAPARD projects envisaged rural infrastructure development.

Most responses indicate infrastructure development policy, the support to tourism promotion and human resource development the most important directions from the perspective of accessed funds and results of implemented projects. Drawbacks have been still identified with regard to the insufficient correlation between various regional policies, insufficient consideration of territorial potential (capital) and weak consultation, collaboration between the actors interested in the county development. For example, the tourism policy has not been really underpinned by the real transportation infrastructure improvement, as a basic requirement for its success. Similarly, the stimulation of some industrial sectors should have been clearly, directly correlated with professional training programmes especially conceived for those sectors.

It is also mentioned the lack of foresight, prospective vision for the hierarchy and correlation of local needs and the related issue of the project approval based on strictly financial considerations, accompanied by the 'uninspired' restrictions regarding the allocation of specific funds to various projects (e.g. implementing projects for water supply network without sewage system for the used water because the funds for sewage projects had been over; water network without hydrant points for fire situations; the creation of a green area on the commune's pasture, etc.).

5.3. Has the Cohesion Policy resulted more strongly in the improvement of economic potential or competitiveness, or has it rather affected social well-being?

The development strategies of the North-East region and Suceavacounty, respectively, are built around the Cohesion Policy objectives, aiming to turn to good account the derived opportunities in funding terms. It is considered of a great help especially as support for surmounting the financial crisis effects, creating jobs for the youth and increasing the SME competitiveness. Hence, competitiveness and social well-being are almost equally envisaged. Yet, in some cases, taking into account that the North-East region is the poorest of Romania and one of the poorest in the whole EU, there are some particular accents on social issues (e.g. the food aid for the poor).

The need to accelerate the pace of reforms in domestic policy is highlighted by the respondents as a basic requirement for increasing the absorption rate of the EU funds in the region. The main difficulties that the EU funded programmes are confronted with point at bureaucracy, lack of transparency, insufficient communication, the long waiting time for evaluation results, politics intrusion, difficult access to co-financing credits especially because of the high interest rates, delays in pre-financing payments, delays in reimbursements, etc. There are also complains about various requirements included in the terms of reference, which generate ambiguous interpretations and

generate disfunctionalities especially on the occasion of the periodical controls of the designated bodies. The internal legislation is considered unstable, financial corrections are made by retro-active applying of newly issues laws, the control competences of various institutions with regard to public acquisitions are overlapping, suffering from the lack of correlation, etc.

6. Future prospects

6.1. What are the main opportunities and threats for the development of the region ?

The main opportunities of Suceava county – associated with its strengths – identified by the interviewed refer to sustainable tourism development and promotion by turning to good account the natural attractions and the exquisite historic monuments, as well as the rural tourism basis, the ecological orientation of agriculture, good quality of human capital, cross-border cooperation, collaboration with other local public administrations in Romania.

The threats – associated with the weaknesses – are more numerous and include economic instability and investors' lack of trust in region's potential, inadequate changes foreseen within the ongoing regionalisation and decentralisation processes, the economic dependence of the wood market, the intensifying of ageing phenomenon and out-migration of the skilled labour force (to both other countries and other regions of Romania), lack of interest and de-motivation with regard to professional training, high rates of school abandon for poverty reasons and lack of perspective in relation to labour market, the increasing pressure on environment and biodiversity (air, water and soil pollution, the deforestation issue, etc.), the low attractiveness of rural areas and small towns, the deepening of the urban-rural gap, and so on.

6.2. How would you specify recommended future objectives (spheres) of national development policy?

First, the respondents underlined the need to improve the legal framework in order to attract foreign investors and stimulate local entrepreneurs, to offer financial and fiscal stimuli for new SME establishment. Then, they mentioned objectives relating to competitiveness and economic growth, improving the quality of life, job creation and raising the education quality. Surprisingly, nobody mentioned economic and social infrastructure development, but it surely remains a top priority. In a broader context the emphasis was put on balanced regional development and disadvantaged areas revitalisation, the correlation between regional and sectorial policies and stimulation of interregional cooperation. The alignment to EU policies and compliance with corresponding regulations was also taken into consideration.

6.3 Recommended future objectives (spheres) of the EU Cohesion policy?

With regard to the future EU cohesion policy the envisaged objectives refer to the support to lagging regions, increasing regional competitiveness and employment, improving the access to professional training, viable solutions for economic and social integration of the disadvantaged categories of population, especially the Roma minority. It can be easily mentioned that the respondents in Suceava county address the future of the cohesion policy in close relation to the needs identified in their own county and region.

7. Conclusions

Suceava is an inefficient agricultural county, weakly industrialized, with an underdeveloped market service and is included in the North-East region, the second poorest region in the EU28. Its border location is one of the factors that have been hindering economic growth in the past. In this negative economic context Suceava experienced high increase in economic and social inequality following the transition to market economy and during the recent economic crisis and the negative effects of social polarization are increasing.

Following the privatization of state property and the emergence of private-owned enterprises, the private sector increased gradually. Greater flexibility of private entrepreneurs has led to the development of economic activities in the service sector. For instance the passenger and freight transportation is now served mainly by private road transport companies, both to national and international destinations. Trade has also developed and many new supermarkets and shopping malls have been built in recent years, especially prior to the crisis. Positive post-transition transformation is visible in the sector of wood exploitation, improvement of local production in the food industry, development of trade and tourism, as well as emergence of many new SMEs.

Both agriculture and manufacturing, the dominant sectors in the county's employment, have been declining on the long-run, while trade and other services are on the rise. The most dynamic sectors in recent years were wood exploitation and processing, food industry, especially local livestock products, trade and services, and the financial sector. Tourism also expanded and significant investments were made in guesthouses and hotels.

The economic and financial crisis had uneven effects on Suceava county economy, most intensely during 2009 - 2010 when have taken place massive restructuring in industry and commerce, the collapse of the construction sector and the lack of liquidity in the banking sector was severe. The activity of micro-, small and medium-sized business in trade and other services has dropped significantly due to lower purchasing power of the population and the banks' restrictions on loans for private firms' investment.

Although Suceava county has some of the richest natural resources and considerable potential of economic development the lack of capital for small producers, insufficient support for innovation and entrepreneurship, reduced competitiveness, poor infrastructure, etc inhibit its development process on the long run. The main factors that supported the development process of Suceava county in recent years were exogenous ones, such as export, FDIs (especially in trade and the woodworking industry), European grants and other funding. Endogenous factors such as innovation and entrepreneurship played a smaller part in the development. Other factors having a positive impact on economic growth were the reorganization of the activities of large companies in the food industry to adapt to the market economy, the sustainable development of large firms in the construction and installation sector, the emergence of many new SMEs in the food industry as well as in tourism and also the direct investments in small business based on remittances sent by Romanians working abroad. Manufacturing and agriculture had the largest contributions to the Gross Value Added in Suceava in recent years. The large agricultural area (40.8% of the total area of the county), which is 96.4% private and the high share of agriculture and forestry in the employed population of the county (45.42%) supported the development of agricultural activities.

Some of the most important obstacles for the development process in Suceava county in recent years were the difficult access to finance for small producers (such as farmers) and SMEs, lack of long term vision for the development of the county, insufficient support for innovation and entrepreneurship, complex procedures for accessing European funds and delays in reimbursement payments, frequent legislation changes; perpetuation of de-industrialization process; lack of investment in the environment: waste collection and recycling, renewable energy; inadequate use of agricultural land and the large share of subsistence farming; lack of tax incentive for new investment; lack of own funds for investment and expensive credit; unequal stiff competition from foreign private companies entering any market where they find opportunity; reduced innovation and competitiveness in competition with foreign investors; an education system that fails to mobilize students to training performance and lack of vocational secondary education, poor infrastructure, etc.

Although export is increasing, productivity and innovativeness need to improve, as the intensity of exports in North-East region is the lowest in the country.

Statistics indicate that the attractiveness for FDIs strongly increased in Suceava since Romania's accession to EU. Lack of domestic capital and economic globalization have made FDI the most accessible and appropriate source of funding to accelerate the development process and a means to sustain economic growth. However, increase in FDI stock is only weakly correlated to economic growth in Suceava county. Following the peak of the economic crisis, the propensity for investment has decreased and the amount of subscribed capital has considerably reduced in 2010. The economic sector most sought after by foreign investors is trade, on places 2 and 3 being the construction and manufacturing, respectively.

Technology transfer and innovation infrastructure is still poorly consolidated and exploited in Suceava, given that the structures created have not yet had a significant impact on the regional economy. There are many research units, i.e. units of research and development, higher education institutions, and also a growing number of centers of research and excellence at universities. However, Suceava contributed to the total expenditure of research and development of the North East region in 2010 with only 9.20%, downsizing its share compared to 2008 (11%).

There is a competition between Suceava and Iasi, the most important city of Moldova, in terms of higher education and research. In this respect the net migration flows are oriented from Suceava to Iasi. However, this competition regards only the urban areas, as Iasi county also has small towns and communes on a quite poor situation.

As concerns the distribution of EU funds via ROP, it is pretty balanced, based on population and number of territorial units.

The number of employees in R & D activities has been falling in last years, both in the North East region and in the county of Suceava. Low wages, inappropriate material resources, poor performance and better opportunities for research in other countries have gradually led to a decrease in the number of employees in research and development, and to an increase in the average age of highly qualified staff. Research and development activities continue to take place, for the most part, in the public sector (over 60%).

The economy of Suceava county is marked by reduced innovation and efficiency in competition with foreign companies. The education system fails to mobilize students to training performance. The decrease in teaching personnel during the last three years took place in the context of resizing the school network and trying to reorganize it on the principles of efficiency. The main decrease is occurred in rural areas.

In Suceava County SME is an important sector with a key role in economic terms. They are a source of entrepreneurial skills, innovation and job creation. However, they are often confronted with market imperfections. SMEs often have difficulties in obtaining capital or credit, especially in the start-up phase. Their limited resources may also to reduce the access to new technologies or innovation.

The North-East region has recorded the highest absorption rate, indicating a promising response to the prospects in terms of support to urban development, regional and local transport infrastructure, social infrastructure, regional and local business environment, tourism promotion and development, as priority axes of the ROP. An important role in the good results of the North-East region with regard to the EU Funds absorption rate has been played by the North-East Regional Development Agency, which is the Intermediate Body for the ROP implementation. The interviewees consider that the county's development strategy is well-structured, but its implementation is a long-duration, difficult process as a result of poor financing, frequent political changes, insufficient collaboration between locality administrations and county administration for promoting larger projects, of county interest.

Regional policies are perceived as long-term policies, whereas the sectoral ones are viewed as more focused, confined to some punctual objectives. There is not a clear opinion about the most significant impact: some respondents rank first the regional policies, others – the sectoral ones. The emphasis is rather on the complementarity between sectoral and regional policies, being considered that the former are supported by the latter. However, there is a big concern about the increase in the urban-rural disparities: the interviewees acknowledge the coherent approach of the ERDF based interventions and those financed by other sources but there are still problems in complementarity terms. A stronger correlation especially between ERDF, EARDF and Cohesion Fund supported programmes and projects is recommended. ESF is also envisaged, as well as the support received from the World Bank. The impact of the horizontal policies is considered too, especially when it comes to the free movement of persons: the labour migration has created important sources of revenues for the home family members and even for local development (e.g. small businesses) via remittances.

To a large extent it is considered that the national and EU interventions address the regional needs. The most relevant examples refer to industrial parks policy, environmental preservation, sustainable development of tourism in Bucovina area, farmer support policy, forestry and timber processing, etc. It was also mentioned the lower taxation policy applied in the second half of the 1990s in order to support the disadvantaged areas, Suceava county being a relevant case as a result of the non-ferrous mining closing at that time. However, the policy did not conduct to the expected results as many firms in the disadvantaged areas did not use local material resources and local labour force.

Suceava still remains a lagging behind county, one of the reasons in terms of regional strategies being considered a poor prioritisation from the needs and zone specificity viewpoint. Some

pessimists' opinion is that the only real impact decision has been the inclusion of Suceava municipality among the urban development poles, as a national decision related to the ROP.

Most responses indicate infrastructure development policy, the support to tourism promotion and human resource development the most important directions from the perspective of accessed funds and results of implemented projects. Drawbacks have been still identified with regard to the insufficient correlation between various regional policies, insufficient consideration of territorial potential (capital) and weak consultation, collaboration between the actors interested in the county development. For example, the tourism policy has not been really underpinned by the real transportation infrastructure improvement, as a basic requirement for its success. Similarly, the stimulation of some industrial sectors should have been clearly, directly correlated with professional training programmes especially conceived for those sectors. The need to accelerate the pace of reforms in domestic policy is highlighted by the respondents as a basic requirement for increasing the absorption rate of the EU funds in the region. The main difficulties that the EU funded programmes are confronted with point at bureaucracy, lack of transparency, insufficient communication, the long waiting time for evaluation results, politics intrusion, difficult access to co-financing credits especially because of the high interest rates, delays in pre-financing payments, delays in reimbursements, etc. There are also complains about various requirements included in the terms of reference, which generate ambiguous interpretations and generate disfunctionalities especially on the occasion of the periodical controls of the designated bodies. The internal legislation is considered unstable, financial corrections are made by retro-active applying of newly issues laws, the control competences of various institutions with regard to public acquisitions are overlapping, suffering from the lack of correlation, etc.

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Annex 1. Institutions covered by in-depth interviews

- Suceava County Council
- Suceava City Hall
- Suceava County Statistics Division
- Suceava County Employment Agency
- Suceava County Chamber of Commerce and Industry
- Bucovina Businessmen Association
- Territorial Labour Inspectorate - Suceava
- “Stefan cel Mare” University of Suceava
- “Samoil Isopescu” High School of Suceava
- Regional Development Agency - North-East Region
- Ministry of Regional Development and Public Administration
- National Institute of Statistics