OPPORTUNITIES AND THREATS IN NORTH EASTERN ROMANIA – SWOT ANALYSIS IN SUCEAVA AND BOTOŞANI COUNTIES

ABSTRACT

Botoşani and Suceava counties are parts of the “Upper Prut” Euro-region. This was established on September 22, 2000 in Botoşani, by signing the Agreement on the establishment of the Euro-region, consisting of the two counties from Romania, Bălţi and Edineţ from the Republic of Moldova and Chernivtsi region (oblast) from Ukraine. Later on, other regions from the Republic of Moldova and Ukraine were included in this Euro-region. The “Upper Prut” Euro-region is defined as an integrated space with specific policies in various sectors. The socio-economic developments demonstrate that specific regional peculiarities are essential when addressing issues of sustainable regional development nature. Being a region with significant economic, social, cultural and other resources, this Euro-region demonstrates a dynamic character and requires a specific approach. This paper is intended to highlight and analyze the economic and social processes that took place here and the prospects offered. This will be achieved through the SWOT analysis of the Euro-region, highlighting the specific strengths, weaknesses, opportunities and threats.

Key words: SWOT analysis, rural development, Euro-regions, Upper Prut, Romania.

JEL Classification: Q10, L26.

1. INTRODUCTION

The cross-border cooperation between Romania and Ukraine has had a long tradition. The initiative of cooperation was launched in 1997, when two Euro-regions were established: “Upper Prut” and “Lower Danube”. The paper focuses on the “Upper Prut” Euro-region.

The Romanian part of the “Upper Prut” Euro-region consists of two counties, namely Suceava and Botoşani. The county Suceava lies in the north-eastern part of Romania, borders with Ukraine in the north and neighbours upon the county Botoşani in the east. It is the second largest county in Romania. The county Botoşani is located at the north-eastern extremity of Romania (it is the northernmost county of Romania), borders on Ukraine in the north and the Republic of Moldova in the east. Together, both counties represent 5.7% of Romania’s territory (TEMPO online
From the administrative standpoint, both counties (NUTS 3) belongs to the development region North-East (NUTS 2). According to the methodology used at EU level, the two counties are considered predominantly rural areas (the methodology classifies the territorial units NUTS 3 into three groups: predominantly urban regions, intermediate regions and predominantly rural regions). In the Romanian legislation, the rural area is considered the space into the administration of communes (NUTS 5), while the urban area is under the administration of towns (NUTS 4). Thus, the “Upper Prut” Euro-region has 169 communes, which in their turn consist of 712 villages. The main results of the paper focus on the socio-economic analysis of the rural area from the Romanian part of the Euro-region.

2. MATERIAL AND METHODS

The paper used data provided by the National Institute of Statistics from Romania. The socio-economic analysis is based on the qualitative analysis of available data on the rural area in the “Upper Prut” Euro-region. The analysis was made at NUTS 3 level, Suceava and Botoșani counties.

The results of the paper are a synthesis of outcomes of the socio-economic analysis conducted by the researchers of the Institute of Agricultural Economics from the Romanian Academy. The SWOT analysis identifies the opportunities of the region’s rural areas and the main threats of the future, having in view the strengths and weaknesses analyzed. The main social and economic indicators from national statistics were used. The following categories of indicators were considered: population and labour force, social and cultural dimensions, agriculture and forestry, other economic activities, transport and technical infrastructure. For each category, several main indicators were used and analyzed.

The population and labour force were analyzed having in view the following indicators: total population, population density, age structure, mobility (domicile changes), birth rate, death rate, labour renewal, demographic ageing, number of employees, structure of employed population by main sectors.

The social and cultural dimensions were analyzed having in view the following indicators: number of schools, number of teaching stuff, school population, healthcare units by categories, number of beds, healthcare staff, cultural objectives, historical and ethnographic heritage, number of artists and museums.

Agriculture and forestry were analyzed having in view the following indicators: land structure, total land area and average land area by farm types, crop production, yields, livestock structure and production, agricultural inputs structure and quantity, mechanization (tractors and agricultural equipment), forested areas.

For the other economic activities, the following indicators were analyzed: size structure of active enterprises, business environment structure, number of tourists, tourist accommodation structures, agro-tourism boarding houses, accommodation capacity (number of beds), movement of tourists.
The transport and technical infrastructure was analyzed having in view the following indicators: length of public roads, modernized communal roads, length of railways, modernized railways, sewerage network, natural gas supply network, drinking water supply network, thermal energy supply, communes connected to public utilities.

3. RESULTS AND DISCUSSIONS

The SWOT analysis highlights the strengths, weaknesses, opportunities and threats. The SWOT analysis of the counties from “Upper Prut” Euro-region was made after an in-depth analysis of the main social and economic indicators available at NUTS 3 level. The findings of the SWOT analysis are detailed in the next chapters.

3.1. SWOT ANALYSIS – STRENGTHS

The strengths of the Romanian side of the Euro-region were identified after the analysis of the following categories of indicators: population and labour force, social and cultural dimensions, agriculture and forestry, other economic activities, transport and technical infrastructure.

Population and labour force. From the demographic point of view, the population has been relatively stable for the last quarter of the century. The analyzed area is characterized by a higher concentration of population in its eastern part, and the average population density is 88.66 inhabitants/km² (TEMPO online database), which is little higher than the national average (84.4 inhabitants/km²). There was a positive balance of migration flows to rural area. Nowadays, the region has preponderantly rural population (56%), which is a plus for labour force. At the same time, there is a significant share of employed rural population (65%) and a balanced age structure of rural active population.

Social and cultural dimensions. As regards the educational system, the analysis included the number of schools, the number of teaching staff and the school population. School network reorganization continued in the last years, resulting in the amalgamation of many school units into new structures and the dissolution of those that did not comply with the operating requirements as independent units. In recent years, efforts have been made to improve the endowment of education units with visual aids and computers and IT equipment, while trying to attract and stabilize the teaching staff in rural areas and ensure pupils’ transport to/from the education units.

As regards the healthcare system, together with the health insurance system, one can say that many units that activated in the public system were closed down and the number of private healthcare units began to rise. In the last years, the number of healthcare staff had an increasing evolution in most categories, the greatest being noticed in the case of doctors, the number of which increased from
258 in the year 2005, to 417 in 2013 (TEMPO online database). However, the number of doctors/1000 inhabitants is much under the national average.

The analyzed region has a significant cultural-historical and ethnographic heritage, represented by many cultural objectives consisting of churches, monasteries, museums, memorial houses, mansions, inns and monarch courts. The rural areas preserve the ancient customs, traditions, crafts and habits, materialized under the form of genuine folk art masterpieces – pottery, manually woven carpets, sheepskin coat making, weaving, folk and traditional instruments, masks, etc. The counties Botoşani and Suceava were and will continue to be two important cultural centers of Romania, the cultural life in these counties bearing the mark of important personalities (Mihai Eminescu, George Enescu, Nicolae Iorga, Ştefan Luchian, Ciprian Porumbescu, Nicolae Labiş and many others). History is preserved and promoted through the 40 existing museums, 25% of these being found in the rural area; annually, these attract almost 60% of the total number of tourists.

**Agriculture and forestry.** The region has significant land resources. It has a favourable agricultural land structure. Out of total agricultural land, arable land has the largest share (64.65%) (TEMPO online database). Pastures and hayfields represent other important land use categories, with a share close to the national average. At the same time, the region has significant forestry resources (37.82% of the total area of the region and 7.6% of Romania’s forests; at national level, forests account for 27.25% of the total area). There were positive structural changes through land restitution to former owners and the (active) private property prevails (private market-oriented agricultural holdings emerged). Cereals represent the main crop, which adds to the high value-added crops: potatoes and vegetables, also oil crops and green fodders. At the same time, the livestock sector is more developed than the national average (specialized in bovines and sheep). Farm mechanization was also improved compared to 1990.

**Other economic activities.** The size structure of the active enterprises is favourable to the sustainable community development, as the larger enterprises are well-represented in the primary and secondary sector. The business environment structure, by economic activity sectors in the region, is dominated by the active enterprises in services provided to the population as well as to other enterprises. The secondary sector of the investigated economy of the region accounts for 23% of total business, above the national average of 20% (TEMPO online database). On the basis of these data, we consider that the economy of the investigated area has already surpassed the lower stage of development and followed an ascending trajectory in which the focus has been increasingly laid on capital.

At the same time, there are rich natural and anthropic resources, with various and diverse objectives of national and international interest, with special landscape areas, with natural reserves and protected areas and diverse therapeutical factors.

The agro-tourism boarding houses prevailed in the tourist accommodation structures in the region’s rural area, followed by the tourist chalets. The number of beds in tourism units continuously increased, so that in the year 2014, there were
2.5 times as many beds in the tourist accommodation units than in the year 2001. As regards the movement of tourists, in the year 2014 the number of tourist arrivals was 2.5 times as high compared to 2001, and the number of overnight stays doubled in the same period.

Transport and technical infrastructure. The transport and technical infrastructure plays a main role in the development process of any territorial unit; it can represent an asset for the areas where this is developed or on the contrary, a constraint to a potential local investment process. Among strengths, we include the presence of TEN-T road network and TEN-T railway network. We can also notice that the public road network increased by 32.6% in 2014 versus 1990 and the operating railway network was enlarged by 2.4% in 2014 versus 1990 (TEMPO online database). As a consequence of the development of the economy, openness of the European trade and EU accession, the motor vehicles matriculations increased. On the other hand, we can mention that the sewerage networks increased, as well as the natural gas supply networks and the drinking water supply. Other important characteristic of the region is the presence of the airport Suceava, which is included in a transformation plan from national airport into an international airport.

3.2. SWOT ANALYSIS – WEAKNESSES

The weaknesses of the Romanian side of the Euro-region were identified after the analysis of the following categories of indicators: population and labour force, social and cultural dimensions, agriculture and forestry, other economic activities, transport and technical infrastructure.

Population and labour force. The main demographic processes that characterize the rural population of the region are the following: demographic decline that has the tendency to get stronger, demographic ageing both of total population and of labour force. At the same time, the demographic ageing of rural population has grown stronger since the 2000s. Demographic ageing is accompanied by the elderly population feminization phenomenon (women represent 60% of the population aged over 65 years) (TEMPO online database). Therefore, the labour renewal experienced an accelerated decreasing trend. The labour market has experienced significant changes. One result of the closing down of the economically non-performing industrial units was that the number of employees was practically down by half in the early 2000s, compared to early transition. Due to the poor development of the private business environment, the number of salaried jobs was maintained at a low level.

Unemployment incidence in the working-age population is higher in the rural area of the region, compared to the urban areas. The occupational structure of the population is dominated by the primary sector where 46.5% of the employed persons carry out their activity, while 34.1% are employed in the tertiary sector. Agriculture prevalence in the occupational structure is the direct result of the
deficit of non-agricultural employment opportunities; this deficit maintains the regional population’s dependence on agriculture, the consequence being the low level of economic and social welfare.

*Social and cultural dimensions.* The number of educational units from the primary and gymnasium cycle decreased at the level of investigated rural areas, from 270 in 2005 to 164 in 2013 (TEMPO online database). A similar process also took place in the case of the teaching staff. This decrease was based both on the reorganization of the school network, which led to the disappearance of many teaching jobs as a result of the dissolution of classes of pupils that effectively functioned, and on the increased difficulties in the operation of the educational process, mainly resulting from sub-financing the educational system. In parallel, the school population from the rural area of the region constantly decreased in this period. The school abandonment phenomenon also lies at the basis of this process, determined by the precarious economic situation of many families, lack of education and deficient educational infrastructure. In parallel, the schoolchildren’s performance has also fluctuated in latest years, with a general decreasing tendency.

*Agriculture and forestry.* Among weaknesses, we identified the presence of (semi-) subsistence household farms. The vineyards and orchards are also weakly represented, their share, i.e. 0.23% (Suciaea) and 0.75% (Botoșani), is much under the national average (TEMPO online database). The productivity of crops is low, as a result of relatively low use of modern inputs, as carriers of technological progress, and the structure of agricultural production is slightly imbalanced (crop production prevalence in total agricultural production). The livestock sector experienced decline after 1990. On the other hand, soil degradation emerged as a result of inadequate utilization of fertilizers and the utilization of phyto-sanitary products followed a decreasing trend, while the treated areas and crops also decreased.

Mechanization level is lower than the national average (one tractor per 93.48 hectares versus one tractor per 76.38 hectares the national average or the European average of one tractor per 13 hectares). Another important aspect is that the traditional wood utilization was abandoned and the forest exploitation focused on intensive logging. In this way, the value added was lost for the local economies.

*Other economic activities.* The main weaknesses identified were the advanced degradation of many buildings that are historical monuments and the lack of financial resources for the renovation of historical buildings.

*Transport and technical infrastructure.* There is a low modernization level of highways, with the presence of electric lines of rail transport only in Suceava county. Due to the economic crisis, the matriculations of new motor vehicles decreased in number in the last years. On the other hand, there is a low coverage of localities/population with drinking water supply networks, sewerage systems and natural gas supply networks. The investments in the extension of the sewerage networks were mainly in the urban area and less in the rural area. The natural gas supply networks were extended mainly in the urban area. At the same time, the quantity of the produced and distributed thermal energy diminished.
3.3. SWOT ANALYSIS – OPPORTUNITIES

The opportunities of the Romanian side of the Euro-region were identified after the analysis of the following categories of indicators: population and labour force, social and cultural dimensions, agriculture and forestry, other economic activities, transport and technical infrastructure.

*Population and labour force.* Among the opportunities identified, we can mention the regional partnerships for the development of education, employment and social inclusion, like NE Regional Consortium for Education and NE Territorial Pact for Employment and Social Inclusion. We can also include here the thematic objectives related to the Europe 2020 Strategy dedicated to human capital.

*Social and cultural dimensions.* There are many opportunities for the development of the investigated region. We can mention here the European structural funds (or the governmental programs) dedicated to the improvement of educational and transport and technical infrastructure and to performance increase in education, the European funds dedicated to regional development and human resource development in the healthcare system and the European funds and governmental programs (both structural funds and other sources) dedicated to culture and heritage conservation. We also include in this category the cross-border cooperation (cultural partnerships with the neighbour countries) and the cultural exchange programs with other localities.

The goals of the authorities should be the promotion of the ancient customs, traditions, crafts and habits (materialized into genuine folk art masterpieces – pottery, manually woven carpets, sheepskin coat making, weaving, folk and traditional instruments, masks, etc) and the externalization of the old ethnographic and folk traditions on the occasion of different fests, fairs and religious events.

*Agriculture and forestry.* The structural pattern of agricultural land provides significant development possibilities to the rural economy, by the diversified farming practice, with large possibilities of interaction of different economic activities. In this context, the return to tradition in livestock rising and high valorization of wood due to rich forestry resources can be considered opportunities.

The increase of demand for agri-food products from the neighbour countries could be also a good opportunity for the development of agriculture and related sectors. We can expect an intensification of trade (in general) between Romania, Ukraine and Moldova, with good chances for a positive balance of trade for Romania, through the increase of exports.

*Other economic activities.* Investments in tourism are one of the most important opportunities. At the same time, we can expect the increase of population’s incomes and living standard on the basis of tourism activities, in relation to the natural and anthropic heritage. Tourists’ mobility is increasing and this will facilitate the development of other activities as well. Last but not least, the diversification of leisure activities can contribute to the development of the region.
Transport and technical infrastructure. Among others, the European funds dedicated to TEN-T road network and the European funds dedicated to TEN-T railway network are the main sources for the modernization of these ways of transport. The transformation of Suceava national/regional airport into an international airport for serving the entire euro-region is one of the opportunities in the investigated area. All these investments will contribute to the intensification of trade between Romania, Ukraine and Moldova.

3.4. SWOT ANALYSIS – THREATS

The threats of the Romanian side of the Euro-region were identified after the analysis of the following categories of indicators: population and labour force, social and cultural dimensions, agriculture and forestry, other economic activities, transport and technical infrastructure.

Population and labour force. The continuous natality decrease and the migration phenomenon can negatively influence the development of the region. As a consequence, the potential GDP is likely to decrease through the increase of redistributive pressure on the public budgets generated by the increase in number of elderly population, retired from the economic activity. At the same time, the innovation capacity decreases, hence there is a risk of entrepreneurial initiative decrease in the rural area. Disguised unemployment in the rural area/agriculture and high unemployment maintenance in the urban area put pressure on the economic results of the region and on the national and local budgets.

Social and cultural dimensions. Among different threats, we can mention: non-attracting qualified staff in education, non-putting an end to school abandonment, increase in the number of children with parents who left abroad for work, non-improvement of the educational and technical infrastructure in the rural area. The diminution of the individual and collective school performance is also another aspect that can negatively influence the region.

On the other hand, threats appear when the state budget allocated to education is lower than the needs/estimations and the state budget allocated to healthcare is insufficient. Non-attracting specialized healthcare staff by adequate remuneration or non-attracting the European funds dedicated to culture, education and healthcare or non-putting into value the ancient customs, traditions, crafts and habits of traditional rural households or deterioration of traditional folk architecture are other threats for the near future.

Agriculture and forestry. The polarized structure of agriculture, with a large number of small individual holdings, together with the small number of farms with legal status that operate very large agricultural areas and the perpetuation of (semi-) subsistence farms are the main threats identified. At the same time, the maintenance of the imbalanced structure of agricultural production (crop production versus livestock production) and non-utilization of agricultural inputs can negatively affect the
region. We can also mention here non-putting into value the experience in livestock farming and non-replacing the intensive exploitation of wood with its industrial capitalization.

Other economic activities. Following this analysis, we identified as main threats the following: non-putting into value the natural and anthropic resources of the region for tourism purposes and non-correlating the natural potential with the developed infrastructure.

Transport and technical infrastructure. There are many threats for the region, but we want to highlight the following: non-utilization of the European funds for TEN-T road and railway networks, non-correlation between the economic potential and the developed transport infrastructure, low maintenance capacity of modernized roads, low capacity of the population to bear the utilization and maintenance costs of existing infrastructure or economic crisis continuation.

4. CONCLUSIONS

At the end of the paper, a few conclusions can be mentioned. The SWOT analysis of the Romanian territory (the two counties) from the “Upper Prut” Euro-region highlights the strengths and opportunities of the region’s rural area and identifies the past and present weaknesses and the main threats for the future.

The main strengths of the region are: high population density, relatively stable population, positive balance of migration flows to rural area. The region has preponderantly rural population, a significant share of employed rural population and a balanced age structure of rural active population. The educational and healthcare system, together with the health insurance system, is in a positive evolution. At the same time, the analyzed region has a significant cultural-historical and ethnographic heritage. The region has significant land resources, with arable land, pastures, hayfields and forests. Cereals represent the main crop, which add to the high value-added crops like potatoes and vegetables (also oil crops and green fodders), plus the livestock sector, which is specialized in cattle and sheep raising. Tourism is well represented and has a tremendous development capacity. We can also include here the existing TEN-T road network and TEN-T railway network and the airport Suceava.

Among weaknesses, we identified the following: demographic decline, demographic ageing, accompanied by the elderly population feminization phenomenon. The number of educational units, as well as the teaching staff in the investigated rural area also decreased. In agriculture, the (semi-) subsistence household farms are still present, the productivity is low and the livestock sector experienced decline. The traditional forest operation was abandoned and the mechanization level is weak.

There are many opportunities in the region, out of which we would like to highlight the following: the European structural funds dedicated to regional
development and cross-border cooperation. There is a huge tourism potential, tourism being one of the main economic activities, while high potential also exists for agriculture and forestry.

The main threats identified for the region are the following: the decreasing birth rate and the migration phenomenon, slow improvements in the educational and healthcare system, non-putting into value the experience in livestock farming and non-replacing the intensive exploitation of wood with its industrial capitalization, non-putting into value of the natural and anthropic resources or non-utilization of the European funds for TEN-T road and railway networks.

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