

## **1 Nord Est (North-East) Region**

### **Demo-geographic characteristics**

North-East Region is the largest region of Romania, with a surface of 36,850 km<sup>2</sup> (15.46% of the total surface of the country). It has external borders with Ukraine and Republic of Moldavia. The region has 6 counties: Bacău, Botoșani, Neamț, Iași, Suceava and Vaslui as territorial administrative units that correspond to NUTS 3 territorial statistics units.

With a population of 3,738,601 inhabitants (17.2% of the Romania population) and a density of 101.5 inhabitants/km<sup>2</sup>, North-East Region has the second place in terms of population after Bucharest-Ilfov. The population is located mostly in rural areas (56.3%).

The region is characterized by a harmonious arrangement among all relief forms: 30% mountains, 30% subcarpathic relief, 40% plateau. The diversified relief offers plateau and plane areas suitable for a large variety of agriculture, and mountain areas with spectacular landscapes favourable for tourism development.

### **Employment and migration**

The employed population of the Region is close to the country average (38%). However, there is a high rate of employment in agriculture, especially in Botoșani (52.6%) and Vaslui (51.7%) counties while the average employment rate in agriculture for the entire Region is 42.4%. The percentage of employed population in industry and services is below the country average (25.1%, respectively 32.5%), Botoșani (19.1%) and Suceava (21.6%) counties having the smallest employment rate in industry while Vaslui County (24%) in services. Moreover, they are also confronted with an obvious lagging behind of the industrial and agricultural technology, as well as with a low level of people qualification.

During the last years, there has been registered a decline in the employment percentage in the region (from 64.2% in 2000 to 54.8% in 2004). A significant drop was happened in Botosani County, where a high percentage of the population is occupied in agriculture (52.6%).

A large part of the active population in this region is employed temporarily or permanently in economic activities in Bucharest, Banat, Transilvania, Western Europe and Israel. After the departure of young male working population, the villages in Bucovina face the tendency of women emigration to work abroad. Therefore, old people and children now populate many localities. In many of these localities, the construction activity is impressive, the wood being used as the main row material. Thus can be explained the discrepancies between the region's localities, from the general development and infrastructure endowment point of view.

The unemployment rate (7.8%) exceeds the country average (6.3%), Vaslui County having the highest unemployment rate of 11%. The women unemployment rate has lower values than unemployment rate in all region' counties. This situation is generated by the existence of more jobs for women (textile industry and hotels) and by the fact that many women are working abroad.

### **Regional economy**

The North - East development region is the most underdeveloped region in Romania (in 2003 the GDP/capita was 72.3% of the national average). The high poverty area comprises the South of Iasi district, the South-East of Neamț district, the East of Bacău district and the districts of Botoșani and Vaslui.

The Western part of the region, which in the 60s and 70s has been the subject to a forced industrialisation (metal manufacturing, furniture, chemistry, construction materials, car manufacturing, textiles), has started a des-industrialization process for the past 10 years (chemical industry, petrochemistry, machinery, furniture, textile), which has aggravated the economical situation, whereas the Eastern part of the region is traditionally underdeveloped.

The attractiveness index<sup>1</sup> is the lowest in this region – 19.7 (the biggest attractiveness level being accomplished, according to the study, by North - West region, respectively 39,8). The low level of direct foreign investments reveals the low level of attractiveness, 18 mil. EURO , representing 1% of the total direct foreign investments in Romania, in 2004.

Consequently, North-East Region has the smallest number of SME's by 1000 inhabitants, only 12.6%, while the total SME's number is 47,180, the micro-enterprises representing 86.3% of the total SME's. Within the region, Iași (27.2%), Bacău (20.7%) and Suceava counties (18.8%) have the biggest share of SMEs, at the opposite pole being Vaslui County (8.5%).

Two industrial parks (Bacău and Iași) are active within the region, one in private property and one in public-private partnership. They cover 22.38 ha brownfield. Bacău industrial park, based on information technology and communication, will assimilate the unemployed labour force and will activate the development of this economic sector at regional level. It is forecasted that it would create more than 50 new jobs during the implementation phase and approximately 200 during the operational phase. Iași industrial park is designed for high-tech industries, including IT and biotechnology companies. It is aimed at stopping the young and specialized labour force migration, assuring jobs for the graduates.

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<sup>1</sup> Survey, Romanian Business Digest, 2005. The attractiveness index was calculate taking into consideration indicators regarding business environment (political and administration environment, the labour market and wages, the economic environment, the private sector and competition, foreign investment, foreign trade, infrastructure and prices for real estates) and living standards (telecommunication, health, education, bank accounts, internet users, household equipment, holidays and spending on leisure, average prices for basic products).

In North-East Region there is an Euroinfo Center (since 1999), an Innovation Relay Centre in Iași and 33 consultancy centres. Moreover, the three existing business incubators ensure the incubation for 118 firms, contributing at obtaining 270 new jobs.

Even though in the other counties of the region there were signs of a slightly economic recoverment, the situation is still precarious and unstable in Botoșani, Vaslui Counties and in the south of Iasi County, even though here are many textile enterprises working in lohn regime; the slightest perturbation in the international demand drives to falls in the salaries, to unemployment or even to bankruptcy. There are industrial decline and high unemployment areas, within urban localities such as: Roman, Suceava, Fălticeni, Rădăuți, Vaslui, Negrești, Huși, Buhuși, Dărmănești, Moinești, Comănești, Onesti, Targu Ocna, Pașcani, Hîrlău, Tîrgu Frumos, Tîrgu Neamț, Piatra Neamt, Botoșani and Dorohoi, with the corresponding industrial platforms.

Besides the West-East development disparities, North-East Region has also obvious gaps between the rural and the urban areas as it regards the general level of development, the infrastructure endowments and the investments' absorption capacity. Meanwhile, there is also an worrying phenomena linked to the small and medium towns decline, especially to the mono-industrial ones, which tend to be or are already decoupled from the economical growth process and are not able anymore to undertake their urban functions.

## **Infrastructure**

### *Transport infrastructure*

The roads, water and sewerage infrastructure networks raise problems in the majority of the counties, the most affected being Botoșani, Iași and Vaslui. They are also confronted with an obvious lagging behind of the industrial and agricultural technology, a low level of people qualification, as well as with environmental problems, caused by the lack of water resources, deforestation, considerable earth glides and a deep phreatic layer.

Due to the fact that the region is crossed by a number of European roads (E85, E576, E574, E581, E583) the public roads density is  $36.3 \text{ km/km}^2$ , exceeding the country average ( $33.1 \text{ km/km}^2$ ), higher in Iași, Botoșani, Vaslui and Bacău counties. There are few modernized public roads, their percentage being smaller than the country average (25.3%), Botoșani and Iași counties having 16.7%, respectively 17.6%. Due to the predominant mountain relief, Neamț and Suceava counties are confronting accessibility problems.

The railways network density is  $40.9/1000\text{km}^2$ , the region being crossed by two of the nine county railways route: V (Bucharest-Suceava) and VI (Bucharest-Iași).

Within the region there are three airports (Bacău, Iași and Suceava) that host internal and occasionally external flights. The existing infrastructure does not allow any of the airports to perform regulate passengers and cargo flights. Suceava county has 5 heliports and Iasi county one utilitarian aerobase with over 30 years experience in utilitarian and sanitary flights.

Both the water supply and sewerage networks are insufficiently developed: the percentage of localities with water supply is only 17% as compared with national average (20.2%), Iași and Vaslui counties have only 2.8%, respectively 2.9% sewerage networks. Moreover, both the residual water cleaning capacity, and the waste dump capacity are insufficient comparative with the current needs.

Only 2.1% of the total number of localities is connected to the gas distribution network with the highest percentage in Bacău, Iași and Neamț counties. It was observed a continuous drop in the number of localities connected to the thermal energy network. 6.9% of North East localities are connected to the thermal energy distribution network, higher values been registered in Bacău, Suceava and Neamț Counties.

Moreover, these are also confronted with environmental problems, caused by the lack of water resources (consequence of a deep phreatic layer), deforestation and considerable glides (earth flows).

#### *Environment*

In this region the main environmental problems are linked to:

- Poor management of the industrial and housing waste (non-selective collection, decreased level of revalorisation and/or treatment of waste, inadequate depositing, existing sawdust deposits on river shores alongside roads);
- The derelict former public enterprises;
- Deforesting, with implications in amplifying the land slips;
- Soil erosion phenomena which affect, mainly, the east side of the region;
- Local or zone pollution.

In some counties are developed projects (in different stages) for the modernization of the water supply systems (Iasi), for the endowment with new technologies and development/modernization of waste water treatment plant (Iași, Suceava, Piatra Neamț, Roman), as well as for collecting waste in a selective manner (Piatra Neamț), for preserving biodiversity and for ecological reconstruction of the Ceahlau National Park.

#### *Education*

Taking into consideration that among the eight development regions, North-East Region has the highest percentage of population and scholars (17.2% and respectively 19.48%), the number of regional educational units is low, representing only 18.75% of the total number of national education units. Three Counties Bacău (21%), Suceava (18%) and Iași (18%) comprise approximately 60% of the total number of school, having also the highest share in scholar population as compared to the other 3 counties. These localities also act as university centres.

#### *Health*

North-East Region has 172 health units (hospitals, polyclinics, medical clinics, TB sanatoria), representing 14.35% of the total number of Romanian health units, most of them on public ownership. The health infrastructure has a precarious situation, many

hospitals being at risk not to obtain functioning licenses. Moreover, the technical endowments are obsolete and do not correspond anymore to the current needs. The technical endowments needed for the next period are the highest among the regions.

### *Social services*

The region registers the highest number of new born children in the country (5.4% of the total national), but child care facilities are not sufficiently developed. This situation does not stimulate the reintegration of parents on the labour market. Iasi and Suceava counties do not have any residential care institutions.

### **Areas in difficulty**

A more detailed analysis of the internal disparities in North - East development region, both from an economic and an environmental development point of view, put forward the following problem-areas:

- Isolated rural areas, with underdeveloped infrastructure;
- The rural area covering the confluence region between Bacau, Vaslui, Iasi and Neamt counties, which continues with the Western part of Vaslui county;
- The adjacent band at the border between Botosani and Iasi counties;
- The portion at the Southeastern extremity of Iasi County, which continues to the North-East of Vaslui County, on the right side of Prut River;
- Areas comprising isolated groups of localities in the South of Suceava County;
- Areas affected by glides and erosion phenomena;
- In Botosani county they are located in the central and southern area;
- In Neamt county: on both sides of Bicaz accumulation lake and in the North of the county;
- In the North and in the South of Iasi county;
- In Vaslui county, in the basin of Birlad river tributaries;
- In Bacau district there have been identified 13 areas exposed to erosion, in the Central and Northern part;
- In the South of Suceava district, on the area of localities Falticeni, Dolhasca;
- Areas affected by floods in Bistrita river basin, in Jijia and Prut rivers' meadow, as well as in Bacau County, in the hydrographic basins of Trotus, Siret, Tazlau, Bistrita and Zeletin rivers.

### **Development potential**

The whole North-East Region faces big discrepancies both concerning the current state and the development potential between the more developed West and the lagging behind East (Botosani, Iasi, Vaslui counties). The chance of the Eastern areas, neighbouring with the Eastern border of the EU, Ukraine and Moldavia, would be its development as a transit services' area for the products from the former SSRU (eg: warehouse, packing and segmentation preparation works, etc.). In order to achieve this, investments in infrastructure are needed in order to create specific facilities areas (logistic parks), comparable to the ones in the port yards of Belgium and Holland, specialized in this kind of services.

Due to favorable conditions, landscape, air and water purity within mountain areas of Bacau, Neamt, Suceava counties, as well as to existing priceless cultural and religious heritage, North-East Region has a relatively high tourism potential, comparable with other well-known national and international tourism areas. Beside the region picturesque, the well-known hospitality, traditional customs, specific Moldavian gastronomy, traditional wine tasting at Cotnari and Husi vineyards give the local color to attract the tourists.

The main tourism types that can be experienced are: cultural (museums, ethnographic, artistic), religious, spa-therapeutic, leisure, transit, and agro-tourism.

The mountain and hill areas in the West of the Region (Suceava, Neamt, Bacau counties) have a valuable tourist potential, largely (except for Bucovina) underdeveloped, but which, with adequate measures, can easily be comprised in the European tourist circuit, with a specialization on “religious tourism” (Putna, Neamț, Sucevița, Moldovița, Voroneț, Humor, Arbore, Agapia, Văratec, Dragomirna), on spa and therapeutic tourism (Vatra Dornei, Câmpulung-Moldovenesc, Slănic Moldova, Târgu Ocna), ethnographic and rural tourism, agro-tourism and sport tourism (climbing, hunting, fishing, extreme sports - paragliding, rafting, tourism orientation, mountainbike, ski).

The level of localities endowment and the originality of the landscape in Bucovina, as well as the village specificity, with a high civilization degree of the population could play an important part in the long-term tourism, with sport and leisure activities, and for the health improvement (Vatra Dornei, Solca, Cacica and Bistrița Valley).

## NORTH EAST REGION

### **Indicators to characterize the development level and the economic potential**

- 2004-

INDICATORS	Region	Counties <sup>1</sup>						Romania
		BC	BT	IS	NT	SV	VS	
<b>I. Population, employment, unemployment<sup>2</sup></b>								
I.1 Total population (absolute figures)	<b>3738601</b>	722961	459195	821621	570367	705202	459255	<b>21673328</b>
Urban population (%)	<b>43.6</b>	46.4	41.6	47.0	38.7	43.4	41.3	<b>54.9</b>
Rural population (%)	<b>56.4</b>	53.6	58.4	53.0	61.3	56.6	58.7	<b>45.1</b>
Migration sold	<b>-7060</b>	-818	-495	-2091	-893	-1120	-1643	<b>-10095</b>
I. 2 Employment								
Active population in total population (%)	36.4	33.5	36.0	38.1	37.7	37.4	35.0	40.6

<sup>1</sup> BC (Bacău), BT (Botoșani), IS (Iași), NT (Neamț), SV (Suceava), VS (Vaslui)

<sup>2</sup> The data value is recorded at 1<sup>st</sup> of July 2004

Employed population in total population (%)	33.5	31.2	33.1	35.4	35.0	34.5	31.1	38.0
Employed population by economic sectors:								
Agriculture (%)	42.4	31.6	52.6	34.7	45.1	47.6	51.7	32.0
Industry (%)	25.1	34.0	19.1	25.6	24.0	21.6	23.6	30.0
Services (%)	32.5	34.4	28.3	39.7	30.9	30.8	24.7	38.0
I.3 Unemployment								
Unemployment rate by December 31 <sup>st</sup> 2004(%)	7.8	7.0	8.0	7.1	7.2	7.8	11.0	6.3
Feminine unemployment rate by December 31 <sup>st</sup> 2004 (%)	6.0	5.7	5.4	5.1	5.7	6.8	8.4	5.6
Percentage of unemployed not benefiting from indemnities by 31 December 2004 (%)	69.1	62.8	75.4	73.3	71.1	73.9	57.8	59.3
<b>II. Economic development</b>								
II. 1. GDP / inhabitant (2003) – euro	<b>1751.0</b>	2129.3	1366.2	1998.8	1557.8	1744.6	1352.5	<b>2420.5</b>
II. 2. Labour productivity (2003) - euro	<b>3216.7</b>							<b>4625.3</b>
II. 3. FDI (mil. Euro)	<b>18</b>							<b>15,040</b>
II. 4. Business infrastructure (industrial, scientific and technological parks)	<b>2</b>		1		1			<b>36</b>
II. 5. SMEs								
SMEs / 1000 inhab (No.)	<b>12.6</b>	13.5	8.5	15.8	13.9	12.1	9.1	<b>19.35</b>
Total SMEs (absolute figures)	<b>47,180</b>	9,761	3,913	12,850	7,913	8,561	4,182	<b>418,499</b>
Out of which :								
Manufacturing (%)	<b>15.8</b>	13.6	17.9	12.5	20.5	17.9	15.4	<b>13.6</b>
Constructions (%)	<b>5.03</b>	5.9	4.9	4.9	5.5	4.2	4.2	<b>6.2</b>
Services (%)	<b>76.3</b>	78.3	72.3	80.7	70.6	75.2	75.03	<b>77.5</b>
SMEs structures by size:								
Micro (%)	<b>87.4</b>	87.4	85	88.4	87.1	87.02	88.1	<b>88.03</b>
Small (%)	<b>10.1</b>	10.02	12	9.2	10.1	10.8	8.9	<b>9.6</b>
Medium (%)	<b>2.5</b>	2.6	3.01	2.3	2.7	2.1	2.9	<b>2.4</b>
Attractivity rate <sup>3</sup>	<b>19.7</b>							
<b>III. Infrastructure</b>								
III. 1 Transport								
Public roads density (km/100 sqkm)	<b>36.3</b>	37.1	42.3	43.0	30.6	29.0	40.8	<b>33.3</b>

<sup>3</sup> Survey, Romanian Business Digest, 2005

Modernised public roads in total public roads (%)	<b>24.2</b>	23.7	16.7	17.6	25.3	35.3	25.8	<b>26.3</b>
III. 2 Public utilities								
Localities with water supply network in total number of localities (%)	<b>17.0</b>	12.6	24.9	11.3	25.8	13.2	17.6	-
Localities with sewerage network in total localities (%)	<b>5.3</b>	9.8	4.2	2.8	3.7	7.6	2.9	-
III. 3 Education								
Number of education units	<b>2558</b>	392	587	365	250	365	599	<b>14396</b>
III. 4 Health								
Number of hospitals* *)	<b>64</b>	10	11	20	6	10	7	<b>425</b>
III. 5 Social services								
Number of institutions providing social services	<b>916</b>	640	75	19	18	14	150	<b>13,747</b>
III. 6 Tourism								
Accommodation units (no.)	<b>342</b>	40	10	63	78	143	8	<b>3900</b>
Existing accommodation capacity (places)	<b>17183</b>	3318	840	2996	3483	5755	791	<b>275941</b>
Functioning accommodation capacity (places - days)	<b>5049680</b>	940959	280542	690802	1150550	1760839	225988	<b>53988640</b>