

# THE STRUCTURAL FUND INTERVENTIONS - CASE STUDY THE ROLE OF UNIVERSITY IN SUCEAVA REGIONS DEVELOPMENT

Năstase Carmen

*"Ștefan cel Mare" University of Suceava, Faculty of Economics and Public Administration, Universității Street, no. 13, 720229, Suceava, Romania, carmenn@seap.usv.ro, phone 0740043099*

Popescu Mihai

*"Ștefan cel Mare" University of Suceava, Faculty of Economics and Public Administration, Universității Street, no. 13, 720229, Suceava, Romania, mihaip@seap.usv.ro, phone 0745323285*

Scutariu Liviu

*"Ștefan cel Mare" University of Suceava, Faculty of Economics and Public Administration, Universității Street, no. 13, 720229, Suceava, Romania, livius@seap.usv.ro, phone 0744370746*

*Abstract: The Structural Funds (ERDF, ESF) have invested vast sums to enhance the functional environment of SME 's by building infrastructure and improving skills of workforce. The last enlargement of EU, with accession of Romania and Bulgaria, has brought the Structural Fund resources available in new countries. However the project experience has only recently started accumulating and the participation of beneficiaries (SME's in this case) to the planning processes is quite new. In University of Suceava there are some projects will help to consider promoting entrepreneurship project outside of formal school activity as an educational leisure and as a learning activity for young people. With those project crucial insights will be gained in the need, willingness and possibilities for the establishment of business incubators in the cross-border region in the coming years.*

*Keywords: structural funds, strategic development, EU integration process, University, projects.*

## 1. The Structural Fund interventions

The European Social Fund (ESF) contributes to the economic and social cohesion objective set in article 158 of the EC Treaty, by supporting policies and priorities aimed to achieve progress towards full employment, improve quality and productivity at work, and promote social inclusion and cohesion, in line with the guidelines and recommendations under the European Employment Strategy.

European structural funds are important resources for the development within the countries of European Union. The EU funds are serving main goals that are oriented to the general economic develop at local, regional and national level. The major priority of the European Structural Funds and of the political cohesion promoted the UE is applying a balanced development and its purpose is decreasing the differences between various areas. The second priority has as purpose to revitalize all the areas with deficient structure (industrial, rural, urban). The activity of the European Structural Funds is based on 4 principals: focusing on the priorities; the implementation steps which is the result of several years lasting programs; the partnership which implies a close collaboration between Commission and the corresponding authorities at the national, regional and local level, in every member state from the preparing steep to the rules implementation; the subsidiary which means that it is up to the management authorities named by member States, to select the project which will get the finance and to supervise their implementation. Romania institutions are hardly working in order to prioritize the direction of strategic development. The process is very complex one and will assure the proper use of the funds after the well and long expected integration in EU.

### ***Regional development needs***

Romania is the largest country in Eastern Europe, and is poised to enter the European Union. Accession to the EU was accompanied by significant transfers to support regional and rural development objectives, and there is a tremendous opportunity to realize the expectations of large segments of the population: improved rural livelihoods, economic and social revitalization of laggings regions, and increasing competitiveness with comparable regions of Europe

The importance of small and medium- sized enterprises (SMEs) in contributing to job creation and output growth is now widely accepted in both developed and developing countries.

Countries' existing enterprise development strategies may no longer be effective in light of the changes in the environment. Any government that is concerned about promoting SMEs should therefore carefully examine the impact of its existing policies and programmes for enterprise development and redesign its SME strategies to focus on addressing the issues related to the "missing middle".

The available evidence suggests that SMEs have played a major role in the growth and development of all the leading economies in Romania. Among the factors that have contributed to the success of such SMEs is a high incidence of cooperative inter- firm relationships, which have rendered individual firms less susceptible to risks, fostered mutual exchanges of information and know-how between firms and created a rich pool of collective knowledge. A key factor has also been the provision by Governments and Structural Funds to SMEs of technological extension services (such as quality assurance, research support and information on sources of technology).

### ***Structural fund interventions***

During programming period 2007-2013, Romania and special North East of country will benefit significantly from structural and rural development funds, and will receive about 17 billion Euro in Structural Funds(includes 11.143 for convergence) and approximately 8 billion Euro in agriculture and rural development funds. These resources offer the financial means to address critical and strategic local needs, but also pose significant challenges in terms of absorption capacity, effectiveness and efficiency of expenditures. Strategic thinking, selectivity and synergies between operational programs, especially territorial aspects of regional and rural development are important to maximize the impact and absorption of EU funds.

## **2. Analysing methods**

The most important internal and external factors for the future of a region or an enterprise are summarised within the SWOT analysis. In the A'WOT method, SWOT analysis is made more analytical by giving numerical rates to the SWOT factors as well as to the four SWOT groups. In the standard version, this is carried out by integrating the Analytic Hierarchy Process (AHP) and its own value calculation technique with SWOT analysis. The hybrid method improves the quantitative information basis of strategic planning processes. The use of AHP with SWOT yields analytically-determined priorities for the factors included in SWOT analysis and makes them commensurable. In addition, decision alternatives can be evaluated with respect to each SWOT factor. Thus, SWOT provides a basic frame within which to perform an analysis of the decision situation, and the AHP assists in carrying out SWOT more analytically and thoroughly so that alternative strategic decisions can be prioritised. Other decision support techniques can be applied for the same purpose in place of the AHP.

Four experts from Suceava (one from Local business, one University staff, one from North-East Regional Development Agency, one from Consulting Group Company) region were interviewed for the A'WOT analysis in a 2 h meeting based on the point of view "University's role in Structural Fund interventions"

The SWOT analysis for the demand based in the demand analysis and the discussion on experts the show the following results:

### **Strengths**

- Existence of human resources well prepared active in the sector of RDI and IT
- Existence of 3 universities centers that include in main areas of activities scientific research invention, technological innovation and IT
- Existence of the basic infrastructure for research, development, innovation and TT - 79 units recognized by CNSIS (cca.12% from the total at national level)
- Existence in the region of 13.3% of enterprises with innovation departments at national level
- Existence in the region of specialized companies in producing software and IT services
- Communication infrastructure well developed with high level of coverage

- Existence of the European road E85 that crosses the region from North to South, the European corridor no. IX and the international airports Bacau, Iasi, Suceava
- Existence of sectors of activities with potential for development, inclusive through innovation, such as: wood superior processing, food industry, textile industry, ITC, machinery and equipments, biologic agriculture, tourism, energetic sector

#### Weaknesses

- Insufficient financing of RDI sector, both from public and private sources
- Reduced level of investments in modernizing, retechnologisation
- Insufficient cooperation between research/university centers and business environment in order to valorize results of research and achieving TT toward economy
- Insufficient accessing by companies of the available financing (loans, grants)
- Reduced number of enterprises ISO certified
- Reduced level of EDI in the region
- Low productivity of economic activity
- Low level of entrepreneurial and innovation culture

#### Opportunities

- Romania accession to EU, importance of innovation being recognised in the European policies
- Opportunities to finance RDI projects from 7 Framework Programme and structural funds
- Increasing awareness level upon the role of RDI for economic development of the regions
- Possibility to develop business environment as result of the establishment of industrial and scientific parks as well as business incubators
- Increasing dynamics of SMEs sector
- Increased interest of the foreign companies to locate branches in the region as a consequence to accession
- Possibility that through regional airports modernization to be sustained the development of the regional businesses that become starting points for regional tourist itineraries
- Possibility to develop commercial exchanges due to the position of the region as Eastern border of EU
- Development of the first Regional Innovation Strategy

#### Threats

- Work force migration, particularly that qualified and specialised from research and innovation sector toward countries that offer more motivating salaries
- Reduced competitiveness of the regional companies on the European market
- Increased volume of imported products on the Romanian market
- High level of piracy in the IT sector, that jeopardizes the development of this sector;
- Limited availability of the enterprises for RDI expenditures, especially due to financial issues
- Inexistence of a structure that integrates the innovation system at regional level
- Lack of coordination between different sectorial policies with consequences toward development of RDI sector

The hybrid method A'WOT along with the SMART technique proceeds as follows: SWOT analysis is carried out. The relevant factors of the external and internal environment are identified and included in the SWOT analysis. The mutual importance of the SWOT factors are determined separately within each SWOT group. When the SMART method and its simple rating version are applied, the importance of the SWOT factors is defined as follows: 100 points are allocated for SWOT factors according their importance

separately in each SWOT group. The mutual importance of the SWOT groups are determined. One hundred points are allocated to the four SWOT groups. Finally the individual SWOT factors within each SWOT group are scaled according to these priority values.

### **3. The role of University in Suceava regions development**

In Romania the most important objective of the Universities is the education of the young generation and its through specialization in various fields of activity. The goals of the university in this direction are: boost the cross-border economic development process by increasing the amount of entrepreneurs who are establishing start ups cross-border; to upgrade human resources by enhancing the number of start-up entrepreneurs cross-border with viable business plans and by training local trainers.

#### ***3.1. The Suceava region presentations***

Suceava County is situated in the Northern – Eastern part of Romania, at the Ukrainian border. Suceava County means 8553 km<sup>2</sup>, with slightly more than 700000 inhabitants living in the 16 towns of the county (43%) and in the surrounding rural areas (57%). Alone, Suceava town concentrates 120000 inhabitants. The number of employed persons is 250900, with a decreasing unemployment rate in the latest three years and situated today at 4.4%. Half of the population is employed in the primary sector – agriculture and forestry, other 18% in the industry and 13% in services.

The main industries in Suceava County are the wood-based industries, the food stuffs industry, and the machinery producers. Most of industries are located around Suceava town, in an industrial park area. The tourism is not the main contributor to the local economy. Suceava region has an important tourism potential due to the forested landscape, rural area traditions and mostly the centuries old, well known monasteries. Suceava county is recovering now for a more than a decade economic recession. In 2000, the Region North-Est from which Suceava is part was one of the poorest in the country.

Market openness, physical and professional infrastructure, are not major impediments to entrepreneurship, although the cost of professional advice may be rather high for start-ups, industrial land is quite scarce and traffic jams are a serious problem in the major urban areas. A long-term impediment is the social and cultural norms surrounding entrepreneurship. Becoming an entrepreneur is still not considered as an obvious career.

#### ***3.2. The role of University Stefan cel Mare in Suceava regions development***

The University Stefan cel Mare is one of the most important institutions in the higher educational field in the north – east of Romania. The university is offering a modern educational-curriculum, following the example of modern universities of Europe, but, in the same time, keeping her own traditions.

The University Stefan cel Mare is a public institution educating in total 12000 students in nine faculties, with a number of 315 staff, teachers and researchers (2007). The main contributions of University in local context are to be located in: research activities; educating skilled labor force for local industries, namely forest industry, food industry, machineries and equipment; improving education and continuous education for practitioners, managers, namely in tourism-related issues, forest investment construction; partnership with different institutions and firms.

University Stefan cel Mare of Suceava has led or participated in over 80 projects that means a major role in delivering European Structural Funds Programmes USV, Faculty of Economics and Public Administration initiated many projects financed by EU or by Ministry of Research and Education: Developing and implementation of the entrepreneurial behaviour of the students and graduate students from Bucovina area in market economy development context. (CNCSIS 720, implementation period 2004-2006), Optimal strategies of adherence (and expansion) of the multinational companies to the efficiency of the technological transfer through the ISD chain, European Curriculum for Methodological Forming in Environmental Education (Leonardo Da Vinci, implementation period 2006 - 2007), INNO-Forest: Integrating innovation and entrepreneurship in higher forestry education, *Leonardo vocational training according to EU standards for young graduates in the field of adult education* - ro/2005/p195165/mtd, 2005-2006, *Developing of skills and competences for trainers in the field of formal and informal entrepreneurship training programmes for local community*, CII-SK-0044-01-0506 - Applied Economics and Management, CENTROS – Counselling Centre for the unemployed.

The VISEC (Virtual Incubation of Student Entrepreneurs Cross Border) project will help to enable the border region between Romania and Ukraine to consider promoting entrepreneurship projects outside of formal school activity, as an educational leisure and as a learning activity for young people.

The VISEC project is a precursor for the establishment of business incubators in the region. With the VISEC project crucial insights will be gained in the need, willingness and possibilities for the establishment of business incubators in the cross-border region in the coming years.

The goals of the VISEC project are: boost the cross-border economic development process by increasing the amount of entrepreneurs who are establishing start-ups cross-border; to upgrade human resources by enhancing the number of start-up entrepreneurs cross-border with viable business plans and by training local trainers.

The final beneficiaries are the partners involved who strengthen their capability to enhance entrepreneurship and enterprise development to contribute to cross border regional economic development.

The primary target group of the VISEC project is young people from universities and schools of higher education who are finishing or just finished their studies. The secondary target group of the VISEC project is established SMEs who are looking for strong growth opportunities cross-border.

The TESCA (Tourism Entrepreneurship in Suceava and Chernivtsy Area) project is a Human resources development project and will contribute to a steady upgrade of entrepreneurial skills and sustainable business cross border enterprise cooperation from the tourism field. Common Interests of the partners are: to develop an endogenous capacity to train, develop and coach local entrepreneurs; to prove that common activities can have direct economic and social benefits through tourism development; to demonstrate the capacities of the involved institutions to obtain similar results in other regions; to adopt an entrepreneurship development method which is both efficient and effective; to increase number of local/international high-tech companies in tourism field.

University Stefan cel Mare of Suceava are also involved with the North-East Regional Development Agency, in the project RIS DISCOVER NE. The project objective is to develop the first Regional Innovation Strategy in North -East Region Romania that will contribute to the valorisation of its economic potential, based on an innovation support system. Those projects are a precursor for the establishment of business incubators in the region.

#### **4. Conclusions**

The problems of absorbing the structural funds now confronting the new member states reflect the absence of effective national policy frameworks, weak implementation capacities, and inexperience with the principles and practices of development partnerships: operationally regional development and territorial synergies with rural development and other; develop effective mechanisms for resources allocation that can filter funds down to local level; ensure a high quality of local projects.

This has sometimes led the Romania to adopt approaches to the structural funds that are formalistic and mechanical, rather than truly 'developmental'. The emphasis is on structures and procedures, rather than on partnerships for impact. The new EU Policy struggle itself to mobilise the brainpower of Europe and is enabling universities to make to make their full contribution to the Lisbon strategy: "*Learning needs to encompass transversal skills (such as teamwork and entrepreneurship) in addition to specialist knowledge.*"

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