

THE DEVELOPMENT OF PERI-URBAN AREAS IN ROMANIA: A CASE STUDY OF SUCEAVA MUNICIPALITY

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***Abstract.** In the rural areas located in the vicinity of cities, rapid physical, social, and economic transformations are occurring, gradually leading to changes in the structure of the rural economy. Although each city and its associated peri-urban areas present different expansion models, from an economic point of view, they are all marked by changes in local economic structures, employment, spatial development patterns, and rising land costs. These dynamics are driving the reconfiguration of Suceava Municipality's peri-urban entrepreneurship, shifting from the predominance of agricultural activities towards goods production and services, in line with the development needs of the polarizing city. Using structural indicators of the peri-urban active population, levels of capital expenditure, and the operational budgets of rural communities, changes in their economy were identified, closely correlated with accessibility to the urban labour market and capital investments from the functional urban areas of cities in the North-East Development Region of Romania. The results show an increase in the average number of employees in peri-urban communes, as well as a diversification in economic activities.*

***Keywords:** peri-urban, entrepreneurship, rural economy, labour force, capital expenditure.*

***JEL:** L26, O18, Q15*

***UDC:** 332.1(498-22)*

Introduction. The evolution of socio-demographic and economic factors in the North-East Development Region of Romania shows that rural areas develop at different speeds, leading to distinct types of rural life. This makes the current form of the villages extremely heterogeneous, with strong, developed and autonomous localities from an economic point of view, but also many communes that still seem unable to overcome the state of underdevelopment and dependence on public funding. Their current development is influenced by a series of regional factors related to the economic context of the area, but especially by the proximity of large urban centers. Thus, the rural settlements in the North-East Development Region are grouped into two main categories: the first category consists of villages that managed to join the European pace of development, taking advantage of their location and/or the existence of an involved local leader; the second category consists of villages

that capitalized on local resources, including tradition, while maintaining the natural environment almost unspoiled.

In both types of communities, powerful disruptive factors are at play: for the first category, the challenge is halting investments, especially those with questionable long-term effects; for the second, depopulation due to natural causes and migrations. Peri-urban communes belong to the first category. Well-connected to important urban centers, both economically and socially, they are characterized by an active economic life, where dependence on the agricultural sector has been reduced. Through the transformation processes initiated in the last two decades, peri-urban communes have practically entered the trajectory of urbanization, and their classification from a residential point of view is now only a purely formal matter.

The paper analyzes the changes in the structure of the rural economy in six communes in the peri-urban area of Suceava Municipality.

Literature review. One of the classic terms that describes the development around cities is that of urban expansion. According to Schmidt (2011), development of this type must be viewed primarily from an economic perspective. There is also a latent demand for housing, which was hidden by the communist-era housing control system. These elements are also found to a large extent in Romania, with a temporal and economic gap created by the starting point in the territorial development that began after 1989, but also by the particular dynamics of housing construction in the late years of communism, as mentioned by Stănescu (2018).

The link between economic development and the growth of the urban population is delicate and directly related to the internal and external vectors that influence the level of complexity of the city's economy. Di Clemente, Strano and Batty (2021) mention, in a study with data collected from 144 countries during the period 1955 to 2010, that in countries with an urbanization rate of over 60%, the increase in urbanization no longer produces an increase in competitiveness. From this point of view, the appeal of urbanization for a country produces, from one point onward, more problems than development and improvements in the quality of life.

Another point of view frequently encountered in the specialized literature is that urban sprawl contributes to the emergence of a city outside the city. It is the opinion of Olivier Razemon (2017), who argues that urban expansion causes the appearance of commercial areas located on the outskirts of cities. These areas host businesses and sometimes even services specific to an urban center: food and clothing stores, medical services or real estate agencies. Razemon mentions that urban expansion has created, in France, peripheral areas that are poorly connected to the city by means of public transport but equipped with generous parking lots. Over time, competition arises between the urban center and its peri-urban areas: shops in the city center are neglected, considered too far away, not very accessible, without a satisfactory offer, or too expensive. Therefore, the author updates the debate on the means of transport, especially the role of the private car. Gradually banned from city centers because it is considered too polluting, too noisy, and too cumbersome, the private car has become essential to peri-urban life. At the same time, while the economy of peri-

urban areas is becoming stronger, their social and environmental problems are becoming more visible and can no longer be ignored (Zeng et al., 2024).

Economic growth is accompanied, in Romania as well, by an urbanization process, driven by the fact that cities generate higher development and productivity, with effects on increasing the quality of life and the standard of living. The presence of a strong private sector that uses local resources is essential for the development of urban areas and translates directly into the level of quality of life, an essential element in the decision to live in a particular city. Although officially only 55% of Romanians live in cities, approximately 76% live in peri-urban or functional urban areas, i.e., in municipalities, cities and local administrative units (UATs) where at least 15% of the workforce commutes daily to these municipalities and cities (World Bank, 2019). These functional urban areas generate 98% of Romania's economic production.

The main ways of increasing the urban population are: growth based on natural and migratory increase, and administrative measures.

Suditu et al. (2010) state that the multiplication of mobilities and the explosion of residential constructions in peri-urban areas are the most obvious spatial effects of the liberalization of political and economic life in post-communist Romania.

Research methodology. The information used in this study comes from the 2021 population and housing census, available on the website of the National Institute of Statistics of Romania. The Tempo-Online database provided the primary statistical information about the structure of the active population in the peri-urban areas at the territorial administrative unit level, and the databases of the Ministry of Regional Development and Public Administration were used to correlate the development of the communities with the infusions of capital investments from the structures of the functional urban area of the city. The development of peri-urban rural localities was correlated, in particular, with the accessibility to the urban labour market. The analysis was carried out on six localities located in the vicinity of Suceava Municipality: Adâncata, Ipotești, Mitocu Dragomirnei, Moara, Pătrăuți, and Șcheia, for the period from 2019 to 2023.

Main results. The urbanization process in Romania experienced a positive dynamic in the post-war period, reaching 54.3% at the beginning of 1990, an important increase compared to the inter-war period (21.4% in 1930). After 1989, under the new socio-political conditions, the entire urban system of Romania entered a deep restructuring process, and the urbanization process acquired new dimensions and characteristics. A new peak was reached in 1995 (54.9%), after which the degree of urbanization began to decrease, so that by 2002, 52.7% of the country's population lived in urban areas (INS, 2003). In 2002, 53 new cities were declared, which caused Romania's degree of urbanization to increase in 2007 (the year of integration into the European Union) to the highest value recorded until that year—55.1%. In 2014, the degree of urbanization reached 56.4% (<http://statistici.insse.ro>), and by 2021, 76% of Romanians lived in a city or a peri-urban area. Cities and peri-urban areas generate 97% of Romania's economic output (World Bank, 2021).

What lies between the village and the city? A generalized conceptual difficulty in the analysis of the urbanization processes of villages in the development area of a polarizing city consists in the fact that, today, we can no longer understand the city in direct opposition to the village, which is present in its old form only in less connected areas. Instead, we are talking about a very large number of entities with incomplete status: villages undergoing urbanization, peripheries with a distinct profile from the main settlement, which function relatively autonomously, insufficiently urbanized cities, or industrialized villages with European ambitions, all constituting what urban planners call "bodies"—that is, entities separated from the main settlement, with an identifiable physical limit, but lacking the necessary complexity to qualify for the status of a neighborhood or an independent settlement.

For this research, we started from the premise of accelerated population growth in the rural localities in the immediate vicinity of the polarizing urban center represented by the municipality of Suceava. A study carried out on the area in question mentions a 37.6% increase in its population between 1992 and 2020 (Integrated Urban Development Strategy for the Suceava Urban Area 2021-2030). In terms of time intervals, if the first two decades of the interval registered a moderate increase of 6.4% and 7.2% respectively, after 2010 the population of the six localities increased by 20.6%, surpassing the threshold of 50,000 inhabitants in 2017. Our analysis covers the period 2019-2023 (Figure 1).

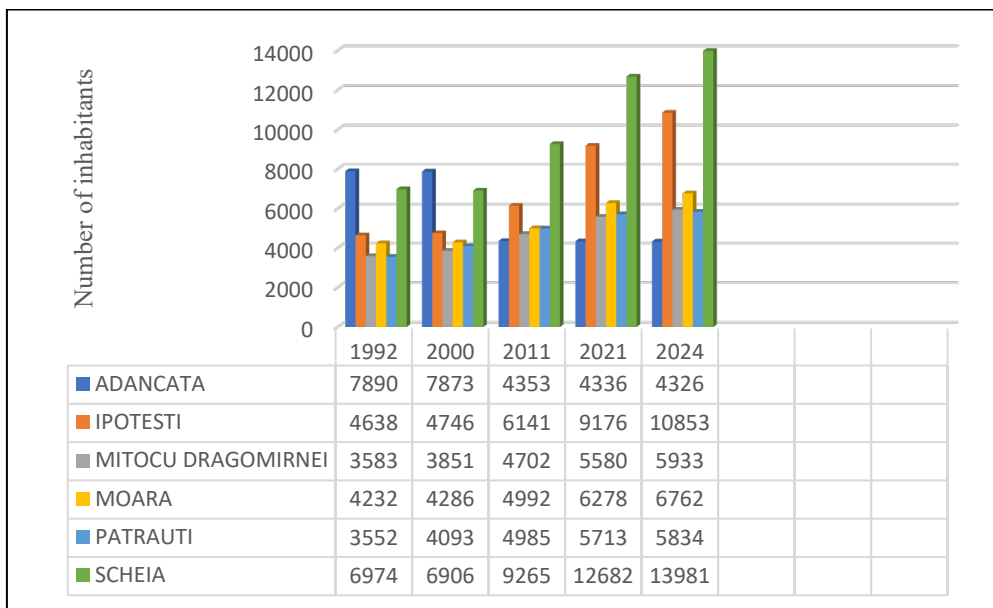


Figure 1. Population dynamics in the peri-urban area of Suceava Municipality
 Source: National Institute of Statistics, TEMPO Database, processing of the POP107D indicator, <http://statistici.insse.ro:8077/tempo-online>

It is worth noting the localities concentrated on the southwest border of Suceava Municipality, which registered rapid growth during 2011-2020: Ipotești

(41.6%), Șcheia (33.5%), and Moara (22.1%). The commune of Șcheia exceeded the threshold of 10,000 inhabitants in 2013, becoming more populated than the city of Salcea, which had 10,931 inhabitants as of 2020.

The increase in the number of inhabitants has resulted in the diversification of job opportunities in the rural areas affected by the city's expansion. It should be noted, however, that the entire peri-urban area does not excel in terms of health, cultural or educational services. Most of Suceava's rural area is based on the polarization of the municipality. From this point of view, the cost of the expansion of Suceava's urban residential area is borne by the county seat municipality, generating dysfunctions related to urban mobility, with every axis entering the city being overcrowded. Added to this is the fact that Suceava is known, in Moldova and even across the country, as one of the busiest urban localities with supermarket and hypermarket commercial spaces.

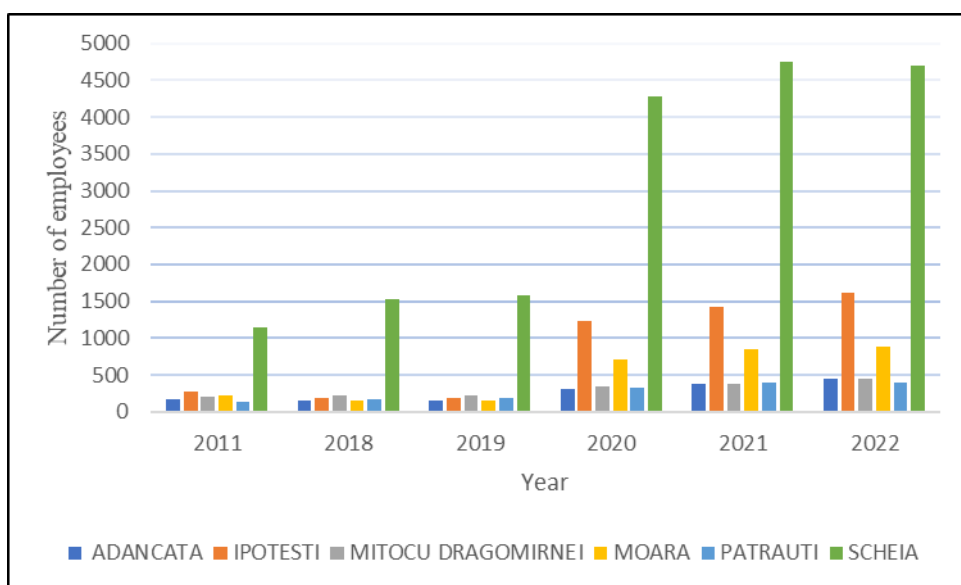


Figure 2. Evolution of employees in the peri-urban area of Suceava Municipality
Source: National Institute of Statistics, TEMPO Database, processing of the FOM104D indicator, <http://statistici.insse.ro:8077/tempo-online>

The analysis of the number of employees during the period 2019-2023 (Figure 2) shows that Șcheia has, by far, the largest number of employees for the entire analyzed period, followed at a great distance by Ipotești and Moara. The explanation for this situation is primarily historical, with the entrepreneurial development of Suceava Municipality since the 1990s being oriented in two directions: the first is the maintenance of a light industry, warehouses, and wholesale commercial spaces (Șcheia: milk, meat processing, hypermarkets) and the metallurgical industry. The second direction is the expansion of services, due to warehouse complexes for construction materials, commercial spaces dedicated to consumer goods (for example, musical instruments on the Ipotești-Bosanci axis), and important areas of greenhouses and horticultural solariums (Lisaura – Bosanci). Historically, the peri-

urban area has also served as a supply zone for the city with agricultural products (dairy, cheese, vegetables, fruits), which have now disappeared from the city's markets, the deficit being covered either by hypermarkets and supermarkets or by agricultural products from the Tg. Frumos area or Botoșani.

The future development trends of the previously mentioned peri-urban villages confirm that attracting investors is limited to construction contractors, without coherence in urban or architectural evolution at the level of local administrations.

Quantifying the economic evolution of Suceava's peri-urban area. Rural development studies show that entrepreneurs play an essential role in the development of communities through the job opportunities they create (Ludescher, 2010). Although the increase in the number of jobs is evident in the analysis of the number of employees conducted above, the real quantification of rural development in the communes under study is best achieved through three financial indicators that form the revenue and expenditure budget of the territorial administrative unit: total income, own income and capital expenditure. Even though each of the analyzed communities has different rates of development under the influence of the city's expansion, the financial analysis we propose is unified, with the regulation of the above indicators carried out through the Local Public Finances Law (updated 2024).

According to this law, the potential revenues for the local budget are: a) own revenues, consisting of taxes, charges, contributions, other payments, other revenues, and broken-down income tax quotas; b) sums broken down from some revenues of the state budget; c) subsidies received from the state budget and other budgets; d) donations and sponsorships.

Under these conditions, the first indicator analyzed is the percentage of own revenues obtained in the commune out of the total revenues available to it. The volume of own revenues collected from the local budget of a local administrative unit is a reliable indicator of the degree of economic development. It evaluates both the existence of a solid tax base (number of economic agents, number of employees, amount of wages, value of properties, etc.), a high degree of collection (in correlation with the liquidity levels of natural and legal persons), but especially the existence of development resources for the future.

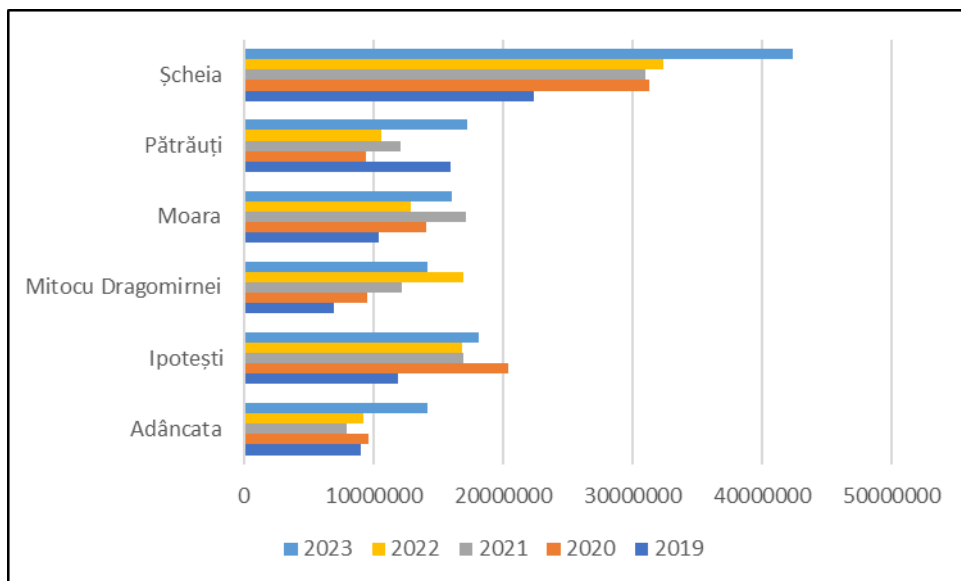


Figure 3. Evolution of the total revenues of the communes in the peri-urban area of Suceava Municipality

Source: Own calculations using data from the Ministry of Regional Development and Public Administration, Directorate for Fiscal Policies and Local Budgets

In the present case, Figure 3 highlights that, starting from 2019, the budget revenues of all six analyzed communities have increased in absolute value. The extremes of growth are recorded by Șcheia (directly related to the number of inhabitants and employees), and by Ipotești, located very close to Moara and Pătrăuți. At the opposite end are the communes of Adâncata and Mitocu Dragomirnei, which recorded the lowest levels of total income.

The funds that the local public administration authorities manage come from the fees and taxes paid by the inhabitants of that municipality. However, the amounts collected at the level of a territorial administrative unit from the income tax are used, according to the law, at three levels: local, county, and national. Therefore, the amounts that are collected from taxes are considered, in a first phase, as income to the state budget (not to the local budget). The resulting sums are allocated monthly, within five working days from the end of the month in which the tax was collected, as follows⁸: a) 15% to the local budget of the county; b) 65% to the local budgets of the commune on whose territory the income taxpayers carry out their activity; c) 6% for distribution to the local budgets of communes, cities and municipalities by decision of the county council; d) 14% to a separate account opened on behalf of the regional general directorate of public finances/county administration of public finances, for balancing the local budgets of communes, cities, municipalities, and counties.

⁸ *Local Public Finance Law, updated 2024 - Law 273/2006*

Detailing the most important component of the budget structure of the communes—own revenues—the analysis highlights differences in their level, both by localities and by reference years.

Table 1. Level of own revenues in the total revenues of territorial administrative units (%)

Locality	Year				
	2019	2020	2021	2022	2023
Adâncata	24	25	32	32	25
Ipoțești	46	30	47	60	63
Mitocu Dragomirnei	33	25	26	19	30
Moara	40	43	44	59	54
Pătrăuți	14	24	25	38	30
Șcheia	71	57	62	71	79

Source: Own calculations using data from the Ministry of Regional Development and Public Administration, Directorate for Fiscal Policies and Local Budgets

Thus, in 2019, the communities of Șcheia and Ipoțești had the most solid sources of local taxes. In 2023, the choices of real estate developers and large entrepreneurs brought significant own income to the municipality of Moara, along with Șcheia and Ipoțești. Regarding the other localities, it is important to mention that geographical location, accessibility, and topography are extremely important for economic development because they either create or inhibit development and provide arguments for the most appropriate local action strategies. Natural obstacles (the river, the relief, the forest) have led, in the case of the less developed communes in the peri-urban area, to the fracturing of infrastructure (such as access routes or the extension of water, electricity, or gas networks), with significant consequences on development opportunities due to the difficult access to potential investment opportunities that the localities offer. The demographic potential, economic potential, technical infrastructure, and even the efficient management of space degrade in proportion to the distance from the polarizing locality. As the role and functions of the settlements decrease, interest in development diminishes, making the locality more prone to population migration and an increase in economic dysfunctions.

Responsibility, autonomy, and local economic policy decisions. A municipality's budget is ultimately a financial plan for a given period, composed of forecasted revenues and expenses. This financial plan is developed based on a locality development program and is oriented towards achieving clearly defined objectives.

Therefore, the budget is not just a purely financial document but also one of economic policy. It reflects spending priorities in accordance with the locality's strategic development documents.

In detailing the budget, the capital expenditure indicator was analyzed as part of the total expenditures of the locality. Its selection aimed to confirm (or not) the premise of the natural development of a peri-urban locality simply through its

inclusion in this category. Capital expenditures include investment expenses that each locality can plan, track, and complete during a budget year. The analysis highlighted the attempt to broaden the economic base of all six localities, relative to the power offered by the budget level, particularly the amount allocated for capital expenditures. In 2019, Pătrăuți recorded the highest percentage of capital expenditures (70% of total expenditures), followed at a significant distance by Ipotești (43%) and Moara (44%). The fact that, starting in 2020, the communes least affected by the city's expansion so far recorded the highest capital expenditures (Mitocul Dragomirnei: 53% in 2020, 49% in 2021, 57% in 2022; and Pătrăuți: 57% in 2021, 46% in 2023) suggests preparation for the city's expansion into these areas as an alternative after the most advantageous areas, in terms of relief, offered by Șcheia, Ipotești, and Moara. The only commune that remains outside this development is Adâncata, its relief constraints being, for now, limiting for real estate developers and entrepreneurs.

Discussion and conclusions. The development capacity of peri-urban communes depends on, and is influenced by, both endogenous and exogenous factors. The theory regarding local economic development proposes, depending on how economic development should be induced, two types of approaches: on the one hand, it is considered that focusing on local capacity (location, infrastructural endowment, human resources, etc.) leads to sustainable development, and on the other hand, it is considered that the economic growth of the peri-urban is largely influenced by exogenous factors (regional decline, other nearby urban systems, regional attractiveness, the development potential of its rural area of influence, etc.). Among the internal factors that guide development, the local public budget represents the fundamental document for the management of funds within an administrative-territorial unit. In the case of the analyzed communities, it is also the primary tool for managing the quality of life of the rural population in the village bodies belonging to the traditional village hearths, located at a distance from the new village bodies that appeared as a result of the development of the city. The two categories of population, although rural by residence, only interact within the social institutions of the village: the town hall, the school, and the church.

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