



REGIONAL POLICY FOR SUSTAINABLE DEVELOPMENT

S. Totev*

Faculty of Economics, Trakia University, Stara Zagora, Bulgaria

ABSTRACT

The regional disparities in Bulgaria create serious socio-economic problems. By EUROSTAT data the variations of the GDP per capita at NUTS 3 level in Bulgaria are highest among the other EU countries. Any efforts to lower them have to take into account the need to find the balance between cohesion and economic efficiency what defines the challenges of obtaining a "balanced sustainable regional development". The paper is aimed to outline the necessity of conducting regional policy, consistent with the requirement for sustainable development. The need for that is outlined by discussing the vulnerability of the Bulgarian regions compared to other regions in the EU. The national goals related to searching for regional socio-economic convergence under the fulfilment of the criteria for sustainability are defined. A specific methodology for measuring the acceptable differences between regions in the light of the requirements for sustainable development is proposed and discussed. The methodology is based on monitoring of given indicators in three main areas – economic, social and environmental. The perception that its application will allow realisation of regional policy that maintains sustainable development together with achieving regional socio-economic cohesion is justified.

Key words: Regional disparities; Regional vulnerability; Convergence; Socio-economic indicators

INTRODUCTION

The Cohesion policy, which is fundamental for EU, is pointed to achieve regional convergence in terms of socio-economic development. According to Danuta Hübner, European Commissioner for regional policy, regional cohesion funds are "market's 'visible hand' which aims at balanced and sustainable development while fostering economic integration throughout the EU as a whole." (Panorama Inforegio, issue 26, 2008, p. 3). This understanding does not change in essence when defining the role of Cohesion policy for achieving sustainable development for the period 2014-2020, (Panorama Inforegio, issue 45, 2013).

Although our country has the lowest economic level within the EU, the regional disparities in GDP per capita is highest in Bulgaria. The

indicator for dispersion of regional GDP by NUTS 3 regions for Bulgaria in 2009 (the last year for which EUROSTAT provides data) is 46.7 % - the highest level of all 27 member states in the EU; this indicator measured as not weighted average for the EU countries is around 30 %.

In the overall regional picture of the EU Bulgaria has emerged as one that causes the most severe problems to the Cohesion policy of the Union - Bulgaria has the lowest level of economic development in the EU and at the same time its regional disparities are the highest one. The level of economic development is important for the regional disparities, a country with a high level of development may have substantial regional disparities and they could not cause serious troubles. Conversely in a country with a low level of development, even if the regional disparities are lower, they may create serious problems.

A report by the European Commission on the future challenges the EU regions will face in

*Correspondence to: *Stoyan Totev, Faculty of Economics, Trakia University, Stara Zagora, Student Town, Stara Zagora – 6000, Bulgaria, Phone:(+3592) 8662265, Fax: (+3592)9882108, e-mail: stotev@yahoo.com*

2020 evaluates the sustainable development by using a series of indicators and mapping out a "vulnerability index", indicating the degree of vulnerability faced by regions due to the impact of globalisation, demography, climate change and energy dependences, (Reference IP/08/1910, 2008). Sustainability is measured by calculating the "vulnerability indexes" at NUTS 2 level. Bulgaria in terms of regional vulnerability is in significantly worse situation than any other EU country for the four monitored parameters. The only exception is in respect of climate vulnerability where Greece has the worst indexes followed by Bulgaria. Although the calculation of these indicators is charged with a great deal of conditionality, anyway they give on one hand an opportunity to make some regional comparison and on the other hand allow to show how the European Commission assessed regional differences, the latter is very important in terms of the formation of regional EU policy towards Bulgaria.

These data demonstrate the critical importance for our country in formation of adequate regional policy for sustainable regional development. The formation of such a regional policy must be consistent with the fact that globalization promotes the development of agglomeration in a more starting phase - a process which is very pronounced especially in countries with low economic level, which leads to increased regional differences. So economically weaker countries face the choice to make higher growth with increasing internal regional differences or seek a more equitable socio-economic development at the cost of achieving lower efficiency. In this sense, regional policy is facing the challenge how to combine the cohesion, without being in conflict with the market requirements – to seek balance between cohesion and economic efficiency.

WHICH REGIONAL DEVELOPMENT CAN BE CALLED SUSTAINABLE?

In the scientific literature the term "sustainable development" is used for meaning a variety of concepts. In our case under the term sustainable regional development is understood such a development that is not striving for achievement of specific levels or a certain development rate. The sustainable regional development is associated with the necessity of achieving

development that does no longer aggravate regional disparities - in other words, the regional policy for sustainable development aims at solving the problems with the accumulation of disparities, but not with certain rate of growth or obtaining given levels. In this sense, sustainability can be defined as one that is aimed on efficient development that does not involve severe socio-economic regional problems. The vision of the European Commission on this issue is "that the policy (Cohesion policy) is not an equalisation fund and does not aim at income support, unconditional convergence or redistribution, although it does have redistributive effects" (Main report of the International Conference organized by the EC, 2009, p 3).

Analysis of the opportunities and the ways for achieving sustainable regional development involves building a network of evaluation indicators for monitoring. The practice in the other EU countries is sustainable development monitoring to be realized in *three main sections* - economic, social and environmental. This is also the understanding of the Directorate of Regional Development of the European Commission, (Main report of the International Conference organized by the EC, 2009). Such an approach is also advisable for Bulgaria – on the one hand because of its meaningful scope and secondly because of its compatibility with the practices accepted in the EU.

NATIONAL OBJECTIVES RELATED TO SUSTAINABLE REGIONAL DEVELOPMENT

In general national objectives should be linked to the demand for socio-economic and regional convergence within Bulgaria, subject to certain criteria for sustainable development. Firstly arises the need to define the regional level that will be carried out the monitoring of the convergence processes; as well as the institutions to be involved in this monitoring and the legal regulation of their activity. Secondly should be specified the criteria for sustainable regional development, which can not be defined by a single indicator; it can be a set of basic features of the socio-economic development - economic, social and environmental. Achieving these objectives within the country should satisfy the requirements of the EU Cohesion policy.

According to the European Commission the current regional policy has many goals; this creates the need for some changes in terms of concentrating on a few top priorities - many objectives do not allow of subordination between them. It is also stressed that the subject of the Cohesion policy will remain essentially dependent by the convergence measured in GDP per capita. This determines the leading role of this parameter in identifying the regional sustainable development.

Regional economic development can be assessed as a sustainable only if it is a prerequisite for achieving of sustainable social development in the regions. For this reason the sustainable regional development is associated with solving the problems concerning the income, the labour market and the unemployment inequalities. The challenges with environmental protection and assessment or evaluation of the environmental regulations are the other requirement for achieving sustainable regional development.

Definition of sustainable regional development involves measurement of regional differences in the use of common indicators for EU countries consistent with the available information provided by the National Statistical Institute. This information will allow a regional picture (projection) of the expected development of regional disparities in economic, social and environmental aspects to be outlined.

As was mentioned the determination of the sustainable regional development involves measurement of the regional disparities using generally accepted practices and indicators for the EU countries in accordance with the available information, produced by EUROSTAT and the National Statistical Institute of Bulgaria. So the monitoring that will be implemented should include indicators, identical with those observed by EUROSTAT not only on regional, but also on national level, as the regional disparities could be analyzed on the basis of the statistical indicators for levels provided by the National Statistical Institute.

SETUP FOR MEASURING SUSTAINABLE REGIONAL DEVELOPMENT

A sample set of indicators for sustainable development could have the following form:

Economic indicators:

Main indicator: *GDP per capita by regions*

Analytical indicators: *Regional structure of employment by major economic sectors (agriculture, industry, services); Labour productivity, Material consumption, Energy intensity;*

Social indicators:

Main indicator: *Dynamics and direction of the internal migration flows:*

Analytical indicators: *Employment rate; Unemployment rate; Incomes: Level of education, Age structure;*

Environmental indicators: (Concerning the environmental regional disparities they should be sought for concrete cases where the accepted regulations are violated).

Main indicators: *Indicators on the environmental pollution;*

Analytical indicators: *Efficiency of natural resources utilization and others.*

The presented main and analytical indicators give only an idea of their logical subordination - in the development of the methodology the participation of every one will be justified according to various aspects like availability, sustainability, analytical capabilities, etc. Based on these indicators it would be made a regional projection for the expected changes of disparities in the economic, social and environmental section regional aspects.

Measurement of sustainable development in Bulgaria is advisable to place at NUTS 3 level. The progress report on economic and social cohesion within the EU noted the need the measurement of regional disparities to be provided on a lower than NUTS 2 level; this will allow a more clear identification of the regional problems, (European Commission, 2008).

So the measurement of the Bulgarian sustainable development should be implemented at NUTS 3 level ('oblasti'), since at NUTS 2 level in a way there is kind of "blurring" of the problems. In practice all the data at the level 'statistical regions' (NUTS 2 level) for Bulgaria are obtained based on the aggregation of the information on NUTS 3 level ('oblasti').

There is also an option, after the identification of the regions with critical indicators (especially for migration and unemployment rate) at NUTS 3

level, to be foreseen gathering of data also at LAU 1 level (municipalities). This can be implemented on the basis of field work (questionnaires, focus groups, depth interviews – how the representatives of the municipality consider the solving of existing problems).

The goal of the sustainable regional development must be in searching the convergence between regions according the above mentioned indicators - convergence that occurs parallel with striving to improve the average performance of the country. An exception can be made only for some demographic indicators, such as population density and age structure.

THE UNDERSTANDING FOR PERMISSIBLE DISPARITIES ACCORDING THE PROPOSED METHODOLOGY

This assessment is based on some practices in the EU countries for definition of sustainable regional development according to certain criteria, namely:

- Every region shows improvement in a number of socio-economic areas in the recent years (5 – 10 years);
- Every region develops in the same direction that is defined by the national tendencies (trends).
- There is not a region, which to be in the best or the worst position for all the indicators observed;
- For every region there are areas (socio-economic indicators) in which the region is in a better position and in which it is in worse position in comparison with some other regions.

It can be assumed that these four requirements are presented in approximate order corresponding to their direct connection (importance) to the requirements for sustainable regional development, i.e. it could be assumed that the requirements for sustainable development are met in a greater extent if the first requirement is met, compared with the case where it meets the fourth requirement, but has not been met the first.

This way the sustainable regional development can be assessed based on the analysis according to these requirements. On the ground of those analytical regional indicators could be elaborated versions for strategic decisions in order to avoid the unfavourable regional imbalances for the

country in the three main areas – economic, social and environmental. The options for strategic decisions should be linked with the EU Cohesion policy.

REGIONAL ECONOMIC POLICY

The materials provided by the European Commission defined the requirement that the regional policy should be aimed; obviously it makes sense these requirements to be followed as much as possible. In light of this, Bulgaria must first synchronize its regional policy with the EU. European Commission provides funding focused mainly to the most deprived regions of the Member States, „On the basis of our proposal, more than 80 % of the budget will be invested in the less developed regions and Member States, and Member States "(Panorama Inforegio issue 39, 2011, p. 4). So such synchronization raises the ability to attract regional funds from EU to Bulgaria as a country with serious regional problems.

How effective are Regional plan and Regional economic development programs in Bulgaria

The administration's understanding of regional policy (not to speak about strategy) is limited to efforts formally to respond to the European Commission's requirements. However such a formal approach leads to the fact that Bulgaria receives only a fraction of the potential volume of funds that can be obtained (how appropriate is used this fraction is quite another matter). In the existing documents, National Plan and Regional Economic Development Plan, as well as various regional program documents there is a lack of clearly outlined and justified economic development indicators (indicators for dynamics, levels and mostly for acceptable differences) based on which can be determined the route to reach given objectives. Actually there is a lack of understanding how to implement these regional plans, what is the subordination of the national programs with regional programs, not to speak about how will be monitored their implementation – exactly what regional indicators will be monitored and analyzed and how reliable are these statistics.

What should be the first step in order to come to workable regional policy

It make sense based on the criteria of the EU (after adapting to conditions in Bulgaria) to make a division for the different regions similar

to that which provides European Commission for EU regions. This will allow better to defend the need of funding of the regions in our country, (European Commission, 2008). For the regions belonging to group "Convergence regions" would be appropriate to form in the case of Bulgaria a subtype "Lagging border regions", which can be outlined based on indicators that can be found on the municipality level (LAU 1). That way our country can seek for special funding from the funds provided for "the most remote and sparsely populated regions" for these "Lagging border regions" with critical levels of migration.

If the Regional policy has to put achievable targets, they must be firstly in search of smoothing the undesirable development in short and medium term and proposing requirements that could change the emerging trends in the long term. This policy must aim to look for the reasons causing socio-economic regional differences in order to overcome them, rather than to solve the consequences of such differences that already occurred.

To support sustainable development of certain regional level is possible only in consideration of national economic policy with regional specificity. This may be a subject of a regional approach to sectoral policies in order to search for a combination of favorable regional development in line with market requirements, which implies serious economic justification for the possible favorable and unfavorable results from one or another policy

Firstly, any particular regional policy aimed at achieving favorable regional development could hardly be formed without enough available and in the same time reliable statistical information that will allow providing thorough analysis based on it. Secondly, one should know that it is easy to determine which economic structure and activity would be more favorable for given region, but how to realize such structure and

activity in line with the market requirements is a subject of multifaceted research and analysis that are based on real possibilities of regional development rather than to good wishes - in other words, the demand for well-founded and realistic solution. In the Balkan countries (including Bulgaria) is typical the economic projections to be constructed by accepting that the desired favourable development should be possible to be realized. It is therefore not surprising that always the predicted economic development is not coming true. Therefore, the present regional policy on this stage should be focused on promoting activities that are indisputably beneficial both on regional and national level. This at first may be those associated with the development of cross-border cooperation and infrastructure improvement.

REFERENCES

1. Panorama Inforegio, "EU Cohesion Policy 1988-2008: Investing in Europe's future" issue 26, June 2008;
2. Panorama Inforegio, "Bringing communities together", issue 45, spring 2013;
3. Reference IP/08/1910, Commissioner Hübner presents 'vulnerability index' report on challenges facing regions in 2020 (,vulnerability index "), Brussels, 9 December, 2008 (in more details see http://europa.eu/rapid/press-release_IP-08-1910_en.htm);
4. Main report on the International Conference organized by the European Commission 'Future of the Cohesion Policy and Integrated Local Development' Prague, 26-27 March, 2009;
5. European Commission, Fifth progress report on economic and social cohesion. Growing regions, growing Europe, Brussels, 19.6.2008;
6. Panorama Inforegio " 2020, The role of Regional Policy in the future of Europe, issue. 39, autumn 2011.