

## CHALLENGES TO PROGRAMMING OF THE REGIONAL DEVELOPMENT IN EUROPEAN UNION

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**Abstract:** *This report will present the main challenges for the programming of regional development in the European Union during the new programming period and with a focus on the possibilities for determining the development trends of regions after 2027. In this regard, a critical analysis of the main elements in the programming of regional development in the European Union during the current programming period will be made in order to identify the key elements in the programming of regional development in a changing turbulent environment. In addition, the analysis will cover key points from the European Union's reconstruction and development programs to overcome the effects on the socio-economic development of the regions as a result of the COVID-19 pandemic. The focus of this study will be the analysis of the possibilities for integration of the new regulatory elements in the process of developing programs related to regional development. Rethinking the regulatory elements in the process of developing and managing programs in the field of regional development implies changes in the established framework of competence by the administration and analysis and assessment of necessary administrative capacity to address current challenges to regional development programming in the European Union. Undoubtedly, the answer to the question related to the increase of the efficiency in the planning and management of each program must be sought, as through the developed programs the priorities of the respective country for the development of its constituent regions are presented. Particular attention should be paid to the process of involving all civil society stakeholders and encouraging their active participation in the programming and management of operational programs, as they largely determine the future appearance of the region inhabited by them.*

**Keywords:** *regional development, strategic planning, spatial planning, regional economy, programing and planning*

### **Introduction Въведение**

The application of the concept for integrated regional approach in the new programming period 2021-2027 suggests discussing the existing common problems, with the common general goal of making a real change in the approach to regional development. Definitely, a concept, plan and strategy should be developed during the current programming period 2021-2027, which will determine the ways and terms of the processes related to the decentralization of state operations in the planning, programming and design of the specific needs of the regions and in particular administrative -territorial units. There is a need for a broad discussion on the scope of decentralization in the country, because by simply defining the role of the Regional Development Councils it will not be enough to solve a number of problems related to the financing of municipalities, the lack of interest in investing in rural areas, the depopulation of small settlements, the low administrative capacity of municipalities to absorb funds under European programs and funds. It is essential for the development of programming, planning and design of individual regions and administrative-territorial units is the building of regional capacity as a tool for empowering local and regional actors and involving them in decision-making related to



solving socio-economic problems of small settlements. Only by increasing the functions and powers of the regional development councils in the selection and evaluation of projects at the local level will not be enough to reduce the accumulated regional disparities between the individual regions, i.e. options for granting additional powers should be considered.

In order to address the issues related to the granting of rights and defining the powers of the regional development councils, it is necessary to construct program teams in which the central executive bodies, local stakeholders take part, and the ultimate goal is to create and develop a comprehensive program and concept for the implementation of changes in the field of regional development programming in the country. The approach should reflect the definition and be in line with local needs to support and promote different business initiatives. In addition, innovation-based activities in the various sectors in the regions must be planned and integrated, clearly defining the powers and responsibilities of the individual institutions in all areas of the socio-economic life of the population, i.e. from the field of agriculture and forests, through the implementation of projects to stimulate tourism and local production and processing of local raw materials, to stimulate the use of alternative energy sources and increase the degree of inter-territorial cooperation, etc. The benefits of using such an approach are related to increasing the degree of involvement of local communities and overcoming the isolation in the process of programming communities from small settlements in rural areas, border municipalities, i.e. the involvement of all small municipalities in the process. In the implementation of the regional development programming process, both at the European Union and national level, various combinations of measures must be implemented to create a synergy effect between the individual programs and mechanisms for financing the socio-economic development of the regions. The programming of each individual program must meet the needs of individual regions and be in support of territorial development, in order to create catch-up development of backward regions and reduce existing regional disparities.

At the level of a nation state, a real decentralization in the planning and programming of regional development must be done, even if it is already a belated measure for a country like Bulgaria, for which the necessary creative approach in finding parallel sources of funding must be shown is the use of multi-fund funding opportunities, even the provision of eligible direct state aid to stimulate the process of programming and planning regional development. In addition, the managing authorities of each European program need to take a more flexible approach in seeking additional financial instruments to meet the "Europe closer to Citizens" goal. The application of flexible approaches to improve the economic and social development of the regions can be supported by the establishment of diverse urban-rural partnerships, public-private partnerships in the management of remote border areas and the solution of a number of problems for the local population in them.

Regional development councils should definitely be set up and structured as intermediate bodies with additional competencies, such as contracting with external partners, to be able to coordinate and transfer funds to beneficiaries in order to support planning processes, programming and management of regional development. A time frame needs to be developed to discuss issues related to the decentralization of powers from central executive bodies to local self-government bodies and all other bodies responsible for regional development programming. This should be a potential long-term goal for a country like Bulgaria, as it is high time that the planning and management processes move to the regions, and not, as is currently the case, to carry out central planning of regional development, as it does not allow cover all specific local needs and often even allow significant problems related to the lack of connectivity between two neighboring territorial-administrative units, as a result whole regions are doomed to lack of development prospects and there is a serious devastation and their transformation into „ghost regions“ of its socio-economic development. In this context, a number of regions can be listed in which there is

no active socio-economic life to ensure an increase in the welfare of its population, such as the administrative-territorial units bordering the Bulgarian western outskirts, in the Strandzha Mountain region, in Silistra district etc.

### **1. Decentralization: chimera or reality**

Definitely the decentralization in the process of planning and programming of the regional development in the Republic of Bulgaria and during the current programming period 2021-2027 it is unlikely to take place, as the process of allocating powers and functions concentrated in the central executive and transferring them to the country's regional administrative structures has not yet begun. The process of planning, programming, design and management of regional development presupposes that the Republic of Bulgaria starts preparations for accreditation of new regional paying agencies on the territory of the country, which can manage and pay for projects up to certain values. This will mean creating a specific regional program that has the functional capabilities of operational programs related to the implementation of regional policy in the country on the basis not of centralized planning, but of the created conditions for decentralized planning, which will ensure accessibility through the unconditional use of modern communication tools in regional development planning. Only in this way will regional development be able to become a function of local planning and not so much of central planning. The problems that can be seen from the past two programming periods are:

- A mechanical infusion of money is carried out in the regions, pursuing a certain pattern, which does not really lead to the necessary and desired socio-economic cohesion between the regions;

- The development of the socio-economic communities is carried out on territories that do not correspond to the existing territorial-administrative division of the country, which shows once again that a territorial-administrative reform is needed;

- In a large part of the administrative-territorial units there is a lack of vitality, i.e. they are weak in terms of their assigned functions as independent administrative units, which affects the building of investment opportunities and improving the microclimate for doing business in them. In addition, they do not have the necessary and sufficient workforce, as well as educational, social and physical infrastructure to develop their long-term potential and to catch up with the socio-economic development of the region. In fact, every potential investor in assessing and analyzing the choice of location for positioning their business in lagging, underdeveloped municipalities must consider the prospects for development in a wider territorial and demographic range than the potential municipality in which to invest.

Definitely „regional and local governments might need external support to ensure inclusive and sustainable development. Such support can be under EU Cohesion Policy and Rural Development Policy within the Common Agricultural Policy, with objectives and investments in all regions. This is of particular relevance for territories with less prosperous future perspectives, those lagging behind and territories suffering from severe and permanent natural or demographic handicaps“ [Territorial Agenda 2030. A future for all places, 2020, p. 3]. „Local governments and off-center administrative units in many developing countries have limited opportunities to produce services. A local management approach that is powerless and dependent on central government subsidies has been identified as the root of the problem in these countries. Local public services extensively controlled by the central authority, and the desire of the center to be active in local management, also has a negative impact on citizen participation. In this context, developing countries have put a power increase formula into practice for local authorities by reducing the power of the central government. While some have decentralized the management



structure politically, others have chosen to decentralize their systems in administrative aspects, especially when their population has a variety of ethnicities. Political decentralization refers to a federal-state system where a state government has greater power between the national government and the local people. It has been observed that prior to decentralization most of the activities of the state government were carried out by the federal government“[Ozmen, A., Notes to the concept of decentralization, 2014, p. 420]. How effective the management styles used can be in the implementation of the decentralization process can be understood from the positive results achieved in their implementation in individual countries. It should definitely be borne in mind that there is a possibility that the existing geographical, cultural and historical conditions and traditional management techniques in a country may lead to the failure of the process of decentralization of regional development programming. The existing reality presupposes to single out the first applied management techniques, which are a result of the historical and cultural aspect of the development of each society. Some substantial attention must be paid to the implementation of political decentralization, which refers to the transfer of part of the political power from the central executive bodies to the local self-government bodies. There is a growing need to understand the need to provide partial independence, both in the executive and legislative spheres, in regional development programming.

## **2. Challenges to regional development programming.**

Some of the challenges for the programming of regional development are related to the identification of the stakeholders, the formation of the mechanisms of their participation in the process of planning, programming and design of regional development. As well as the identification of problems related to the creation of conditions for active discussion and then acceptance of proposals made by stakeholders. It is also essential for the future development of the regional development programming process to enable stakeholder representatives to have a voice, not only in an advisory capacity, but also to participate directly in decision-making in the implementation of the programming process regional development, as a number of gaps have been made in the last two programming periods, such as:

- The lack of a uniform requirement for the involvement of representatives of the non-governmental sector in all stages of the regional development programming process;
- Undeveloped clear procedure for the selection of representatives of the non-governmental sector;
- Non-functioning mechanism for exercising control and vice versa when submitting proposals, opinions and conducting public discussions
- Low efficiency of the organizational schemes for preparation of the documents for programming of the regional development;
- The lack of consistency in the formation of national structural policies;
- There is unpredictability in the multiannual financial framework, as well as in the formation of budgets at all levels;
- A significant problem is the fact that the planning period at local, regional and national level does not coincide with the mandates of the respective administrations, as a result of which the focus of the plans is often focused on solving immediate and non-strategic goals. Even promoting investments, projects and programs that are attractive from a market-political point of view. [The challenges against the new programming of EU funds in Bulgaria for the period after 2013 on the basis of analysis of experience from the period 2007-2013, (2011), p. 14]

These are just some of the presented shortcomings, which seem to continue to be repeated again and again in the programming of regional development on the territory of Bulgaria. Therefore, significant efforts are needed to build a well-functioning and effective

**Съвременни управленски практики XI - БСУ, 2021**  
**ИНТЕЛИГЕНТНА СПЕЦИАЛИЗАЦИЯ В ДЕСЕТИЛЕТИЕТО**  
**НА СВЪРЗАНОСТТА И АВТОМАТИЗАЦИЯТА**

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administrative capacity in order to achieve the set, planned and selected goals, as well as to implement concrete measures in this direction. Therefore, it is necessary to clearly define and normatively allocate operational responsibilities, performing the necessary financial valuation of the expected volume of work and at the same time undertaking anticipatory activities to provide the necessary organizational resources on site and / or hiring external experts or attracting other partner organizations to cover the needs of expertise in the implementation of the process of planning, programming and design of regional development in Bulgaria.

In general, the challenges in the field of regional development programming at the European Union level are related to the introduction of several key innovations, which further demonstrate the determination of the European Commission in evaluating regional programs resulting from the regional development programming process, which includes:

- Stimulating the processes for realization of economic regional integration and planning of measures for coping with global challenges;

- The creation of a common regional indicative program to include regions outside the European Union;

- The establishment of regional steering committees in order to carry out dialogue between stakeholders and clarify, as well as the division of roles between all participants in the process of programming regional development, while promoting regional integration. Regional integration should be understood as “a process in which neighboring countries cooperate in order to improve political stability and stimulate economic development in a region. In larger and more harmonized markets, it is possible to realize economies of scale and to promote trade and investment through the free movement of goods, services, capital and people. Thus, regional integration between developing countries stimulates economic growth and can contribute to poverty reduction” [Effectiveness of EDF support for regional economic integration in East Africa and West Africa, Special Report № 18/2009, (2009)].

However, from what has been achieved so far in the programming of regional development and despite the fact that „while the added value seems to be clear, the evaluation stated that it is essential to improve implementation methods, with regard to the operationalization of the programming period 2014-2020. Among the implementation methods, remarks were being made to: choosing the right objectives, maintaining political commitment, funding (not sufficient alignment funds-objectives-policies), monitoring and measurements of implementing projects, and better governance of the regions at all three levels: strategic leadership, coordination and implementation“ [Turşie, C., 2015]. But from an econometric point of view, „quasi-experimental estimation approaches dominate the literature in analyzing the rural development program effects. The most commonly applied quasi-experimental method is the (binary and, to a lesser extent, generalized) propensity-score matching (PSM). The key challenge of quasi-experimental approaches is the construction of an appropriate counterfactual situation (i.e., a situation without the Rural development program support) in order to serve as a comparison point with the situation when the Rural development program is applied. Some studies also apply spatial econometrics or dynamic panel econometric approaches to estimate the impacts of the rural development program. In general, these econometric approaches can exploit variation in the rural development program support intensity to estimate its effects. However, they estimate marginal effects of the support as compared with the quasi-experimental methods that attempt to identify the average treatment effect. The regional development programs often include support for non-productive activities or broader development issues that aim to deliver infrastructure and services for economic actors and affect multiple sectors and economic agents (firms, households). Important aspects of the regional development programs is that often the key policy target is the development of specific regions and their economic convergence to other more developed regions. Further, the regional development



policies might induce important interregional general equilibrium effects. These factors give preference for the application of the regional approach compared with using micro-data as it might better identify the policy impacts, especially when the regional policy focuses on the development and convergence of regions“ [Michalek, J., Ciaian, P., Marcantonio, F., 2020].

### Conclusion

The programming of regional development presupposes the use of intelligent specialization as a basic concept for the planning and development of regional innovation policy. The aim is to promote the efficient and synergistic use of public investment in research and development. This makes it possible to provide effective support to Member States and individual regions in the process of diversifying economic activities in the region and upgrading existing industries by supporting the process of strengthening their innovation capacity. Smart specialization must focus on the use of innovation and the creation of regional development strategies based on innovation by bringing to the forefront the competitive advantages of the region. By specializing in an intelligent way and using the available strategic information about the available assets in a given region, its development and capabilities for achieving catch-up development compared to the leading regions in Europe are planned, programmed and designed. For this reason, the factors for the competitiveness of the region must be identified and resources must be planned and concentrated on key priorities for the development of the region, using regional diversity and thus avoiding opportunities for uniformity and duplication of planned regional investment goals. . In the process of programming regional development in the countries of the European Union should be considered both a dynamic and entrepreneurial process, which reveals the potential of regional development as a prerequisite is the involvement of stakeholders by the executive authorities (government), business, academia and other knowledge-creating institutions.

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