
PROBLEMS AFORE THE CONVERGENCE OF THE PLANNING REGIONS IN BULGARIA

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Summary: In the present article an analysis is made of the achievements and problems faced by the six planning regions in our country, related to their goals for reducing regional disparities. This is achieved through the analysis of key indicators that serve to measure cohesion in each of its three aspects.¹ In this way it will be established whether the EU Cohesion Policy conducted in our country in the first for our country (MFF) 2007-2013 and in the second (MFF) 2014-2020 have an effect and to what extent this effect has the effect of reducing or deepening regional disparities. For the purposes of the study, the mean-absolute deviation (MAD) and the coefficient of variation (CV) were used as tools for quantitative data analysis. The results of the study confirm the thesis of scientists and authors working in the field that there is no significant progress in reducing disparities between regions in our country.

Keywords: problems, planning regions, EU cohesion policy, cohesion.

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Introduction

Even before Bulgaria became a full member of the EU, it was categorized as lagging behind in its development, and the regions in it as under-developed. Despite the financial support from the pre-accession assistance instruments - PHARE and SAPARD, this negative trend continued after

¹ The three aspects of cohesion mean economic, social and territorial cohesion.

its accession. So far, our country has passed through two multiannual financial frameworks, the 2007-2013 MFF and the 2014-2020 MFF, and is in the beginning of the third 2021-2027, benefiting from the significant EU budget through the existing Operational Programs (OPs) and yet a number of documents (European and national), scientists and authors working in the field are of the opinion that not enough level of convergence between the planned areas in Bulgaria has been achieved. This is why, in this study the author will try to confirm or deny one of the two working hypotheses: The first is that the EU Cohesion Policy does not sufficiently affect regional economic disparities in Bulgaria. The second is that the EU Cohesion Policy reduces the regional economic disparities in Bulgaria.

I.

In response to the requirements for membership and funding from the EU budget, the territory of our country had to be divided conditionally into several planning regions. The conditions were laid down in the adopted formal system for the delimitation of the regions, whose goals are both statistically and politically related to the implementation of the EU Cohesion Policy. The system is called the Classification of Territorial Units for Statistics from English Nomenclature of Territorial Units for Statistics, abbreviated NUTS. The legal basis of the legislative act is laid down in Regulation (EC) 1059/2003. (European Parliament, 2003) The NUTS system operates at three levels: NUTS 1, NUTS 2 and NUTS 3, and the NUTS 2 regions are widely used not only for statistical purposes but also in EU Cohesion Policy. In these regions the population varies from eight hundred thousand to three million people. (European Commission, 2021) When allocating funds from the EU budget, the economically more backward regions of NUTS 2, also called "convergence regions", have an advantage. During the Multiannual Financial Framework (MFF)² 2014-2020, cohesion funding for them amounted to € 162.6 billion, representing 43.2% of total cohesion funding. In order for a region to be included in the group of "convergent regions", it must meet the requirement that GDP per capita be below 75% of the average GDP per capita in the EU. The six Bulgarian regions in our country also meet this condition. (European Commission, 2014) Two approaches are used in the formation of the system -

² The Multiannual Financial Framework (MFF) sets the ceilings ("ceilings") of European Union (EU) expenditure by policy area and by year and can therefore be seen as a multiannual European Union expenditure plan. This framework ensures the predictability of EU spending and ensures compliance with budgetary discipline and sound financial management of Union funds.

normative and analytical. The regulatory approach is typical of existing regions in EU Member States. They are characterized by a certain autonomy on a number of issues related to governance, with institutions at the regional level, including the regional parliament and government. Usually, the administrative autonomy of the regions is complemented by financial autonomy through the collection of local taxes and fees. When such regions are missing in a Member State, as is the case with Bulgaria, then appropriate territorial units are created there, which, in this case, play the role of "substitute regions". This approach is called "autonomous". (Hadjinikolov, European economy, 2016) Based on this approach, the six planning regions in our country have been created, namely: Northwestern (NWPR), North Central (NCPR), Northeast (NEPR), Southwestern (SWRR), South Central (SCPR) and Southeastern Region (SEPR).³ With its accession to the Union in 2007, the implementation of the first MFF for our country 2007-2013 began. (Ministry of Finance, 2017) our country, through its six planning regions, has benefited from funding from the EU Budget (through the EU Structural Funds)⁴ in the amount of 7.758 billion euros, distributed among the seven operational programs in the period.⁵

In the second MFF 2014-2020 again according to data from (Ministry of Finance, 2021) the six planning regions benefited from financial support amounting to EUR 9.261 billion, distributed among the nine operational programs in force during the period.⁶

We are currently at the beginning of the third MFF 2021-2027 for our country as a result of the crisis caused by the COVID-19 pandemic and the need

³ The northwestern planning region - Vidin, Montana, Vratsa, Pleven and Lovech; The North Central Planning Region - Veliko Tarnovo, Gabrovo, Ruse, Razgrad, Silistra; The Northeastern planning region - Varna, Dobrich, Shumen, Targovishte; Southwestern planning region - Sofia city, Sofia region, Blagoevgrad, Pernik, Kyustendil; The South Central Planning Region - Plovdiv, Haskovo, Pazardzhik, Smolyan, Kardzhali; The southeastern planning region - Burgas, Sliven, Yambol, Stara Zagora.

⁴ EU structural funds include the ERDF, the ESF, the Cohesion Fund, the Rural Development Fund and the Fisheries Fund.

⁵ The operational programs in the period 2007-2013 are seven, as follows: "Transport" - 1.911 billion euros, "Environment" - 1.641 billion euros, "Regional Development" - 1.601 billion euros, "Human Development Resources" - 1.213 billion euros, "Competitiveness of the Bulgarian economy" - 1.162 billion euros, "Administrative capacity" - 174 million euros and "Technical assistance" - 54 million euros.

⁶ There are nine operational programs in the period 2014-2020, as follows: "Transport and Transport Infrastructure" - EUR 1.789 billion, "Environment 2014-2020" - EUR 1.734 billion, "Science and Education for Smart Growth" - 690 million, "Growing Regions" - 1.609 billion euros, "Human Resources Development 2014-2020" - 1.335 billion euros, "Innovation and Competitiveness" - 1.577 billion euros, "Initiative for Small and Medium Enterprises" - EUR 102 million, "Good Governance" - EUR 280 million, "Fund for European Assistance to the Most Deprived" - EUR 143 million.

to deal with it, on May 27, 2020 the European Commission presented its proposal for a European Recovery Plan based on 2 pillars - EU Next Generation Recovery Instrument and MFF 2021-2027. The funds provided for Bulgaria in the MFF for the period are 16.635 billion, the Next Generation EU Recovery Instrument provides an additional EUR 12.047 billion. (European Commission, 2020).

II.

In 2018 (Ministry of Regional Development and Public Works, 2018) issued the Interim Report on the Implementation of the NSRD for the period 2012-2022, which made a summary assessment of the results achieved based on an analysis of the indicators for the implementation of the strategic objectives in the period 2012-2017. The demographic indicator Population is quite worrying, as it turns out that the only NUTS 2 region where there is no population decline is SWPR. The most significant is the decrease in the population in NWPR, and in 2016 the number of population there no longer meets the conditions for a region of NUTS 2 level. This is also observed in the case of the NCPR, with a tendency until 2020 for this region not to be able to meet the requirements of Regulation (EC) № 1059/2003. With regard to the socio-economic development of the regions and the reduction of regional disparities, the trend is also quite grim. In the period 2009-2016, a steady downward trend in the contribution of NWPR to total GDP continues. The decrease is slowed down partially in the NCPR and more significantly in the NEPR and SCPR. In 2016, SEPR reached levels of contribution to national GDP better than in the years immediately before the crisis (2006), while SWPR continued to produce almost half of the country's GDP. For the period 2010-2016 there has been very limited progress in overcoming interregional disparities in the country. There is no positive trend for any of the key indicators considered. The differences in terms of unemployment compared to 2010 are growing. The differences in terms of GDP per capita, the average annual salary of employees and employment remain similar. Among the six regions from Level 2, the two poles of development are SWPR - first in all indicators, and NWPR - last. In addition, the percentage distribution of EU budget funds between the six regions in the period 2012-2017 is very impressive. NWPR and NCPR together received approximately 20%, while only SWPR received 40%. According to (Troeva, 2018) there is a big discrepancy in the socio-economic development between the center and the periphery both in the country and at regional and local level. The north-western region is the least populated, it is also the most affected by the outflows of migration, with the weakest economic

development, high unemployment and serious social problems. The south-western region is the most densely populated area due to the better living and employment opportunities offered by the capital. Similar differences exist at the district and municipal level. According to (Hermansen, 2021) regions with large cities are driving growth in Bulgaria, while many rural areas are suffering from depopulation and rapid aging. Improving living standards in all regions will require better coverage and access to public services, especially in the areas of health and long-term care. Policies to integrate the Roma, about one-tenth of the population, most of whom live in poverty and socially excluded neighborhoods, would help address labor shortages in the medium term, in addition to improving well-being. Investment in infrastructure and housing reform is needed to increase mobility and strengthen links with national and international supply chains. This would also benefit agriculture, which accounts for almost a third of employment in lagging regions and has undergone rapid restructuring, polarization and distortion of the sector towards low value-added products. While the coronavirus epidemic has hit the tourism industry hard, the diverse Bulgarian landscape offers opportunities to develop profitable tourism based on experience as international travel resumes. According to (Totev, 2017) the integration of the countries of South-Eastern Europe into the European open market is a major reason for the increase in their regional disparities and mainly affects countries with weaker economies. At the same time, these differences have a far more negative impact on socio-economic indicators, especially in these countries, creating even greater economic and social problems. The comparative analysis of the regional differences in Bulgaria with the EU countries identifies the country with the biggest problems in this respect. Another Bulgarian author (Dokova, 2015) its research confirms that despite funding and government efforts, intra-regional disparities in Bulgaria remain a significant and still pressing issue. According to (Hadjinikolov, 2020) disparities within the EU between 2007 and 2018 at national level have generally narrowed for a variety of reasons, including the implementation of EU cohesion policy. However, the picture is quite different if we take the intra-regional differences in Bulgaria. Despite the country's EU membership and EU cohesion policy, intra-regional disparities in Bulgaria have not decreased as expected, but on the contrary, have generally increased.

III.

For the purposes of the study, the mean-absolute deviation (MAD) and the coefficient of variation (CV) were used as quantitative analysis tools.

$$MAD = \frac{1}{n} \sum_{i=1}^n [x_i - \mu]$$

Where MAD is the mean absolute deviation, n is the number of events (individual values), i is the sequence number of the event (individual value), x is the corresponding individual value, and μ is the mean value.

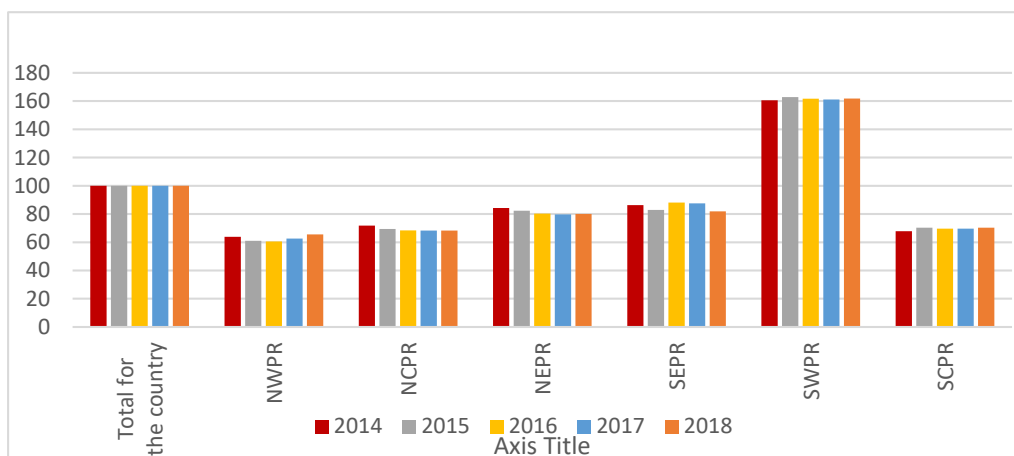
$$CV = \frac{MAD}{\mu} \times 100$$

where CV is the coefficient of variation, MAD is the mean absolute deviation and μ is the average of the sample.

The data for each of the indicators are presented first graphically, starting with the total value of the indicator for the country and continuing with the individual regional values. The data for the indicators are taken from the NSI of the Republic of Bulgaria and are calculated in percentages. The aim is to see what is the percentage of the respective indicator in each planning region if it is assumed that the total result for the country for the respective year is equal to 100%. The data for the economic indicator are for the period 2014-2018, and for the social and territorial indicator are for 2014-2019. In the chart each year is presented in a different color column, described in a legend below it. After each graph a table is made, in which the average absolute deviation (MAD) and the coefficient of variation (CV) of the respective indicator for the respective period are presented. After each table in the graph, MAD and CV are presented graphically in order to more clearly illustrate the presence or absence of cohesion.

IV.

The results of the analysis of the GDP per capita indicator at the regional level are as follows: From Figure 1 it is clear that the highest throughout the period is the GDP per capita in the Southwest region, approximately 160 - 162% compared to the national average. All other planning regions in our country have values of the indicator below the national average. The lowest for the period under review are the values of GDP per capita in the North-West region, where the percentage is in the range of 64-66% compared to the average.



Source: compiled by the author according to Eurostat data
Figure 1. GDP per capita at regional level (in%)

Table 1 presents the results of the calculations of MAD (in BGN) and CV (in%) of the GDP per capita indicator at the regional level in the period 2014-2018.

Table 1.

MAD and CV of the GDP per capita indicator at the regional level

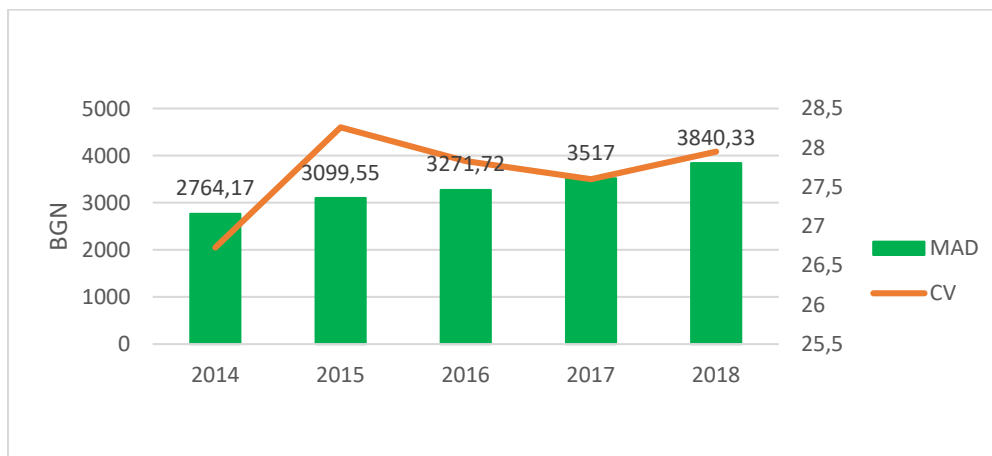
Method / year	2014	2015	2016	2017	2018
MAD	2764,17	3099,55	3271,72	3517	3840,33
CV	26,73	28,26	27,83	27,6	27,95

Source: Calculated by the author according to NSI data, INFOSTAT

Figure 2 presents graphically the values of MAD (with green columns, in BGN) and CV (with the orange line, in%) in GDP per capita at regional level.

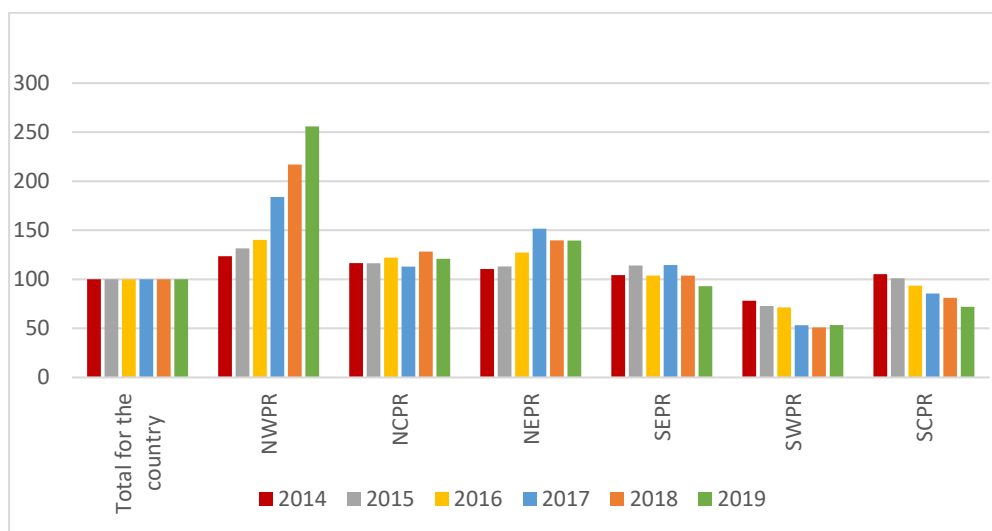
The results of the analysis of the indicator Unemployment rate (15-64 years of age) at the regional level, which for short in the study will be called Unemployment are as follows: From Figure 3 it is clear that the highest throughout the period is the Unemployment rate in the North-West region, and during the period under review there has been a drastic increase in the value of the indicator of 123% in 2014, it reached approximately 256% in 2019 or slightly more than 2.5 times higher than the national average. Values above the national average are also observed in the Northeast region, followed by the North Central and Southeast regions. With values of the indicator below the national average for the entire period under review is only the Southwest region,

which ranges from 78% in 2014 to 51% in 2018 compared to the national average values of the indicator.



Source: made by the author's calculations

Figure 2. MAD and CV of the GDP per capita indicator at the regional level



Source: compiled by the author according to NSI data

Figure 3. Unemployment at regional level (in%)

Table 2 presents the results of the calculations of MAD (in% of the population) and CV (in%) of the Unemployment indicator at regional level.

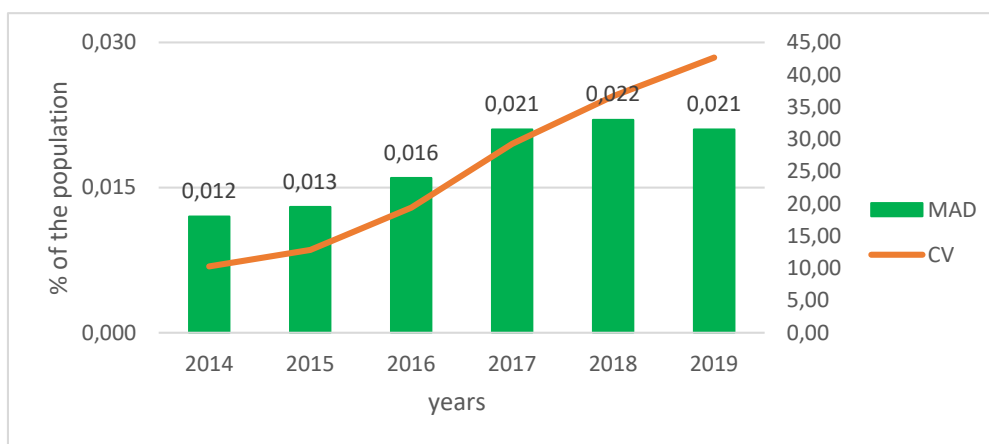
Table 2.

MAD and CV of the Unemployment indicator at regional level

Method/year	2014	2015	2016	2017	2018	2019
MAD	0,01	0,01	0,02	0,02	0,02	0,02
CV	10,28	12,83	19,38	29,29	36,67	42,67

Source: Calculated by the author according to NSI data, INFOSTAT

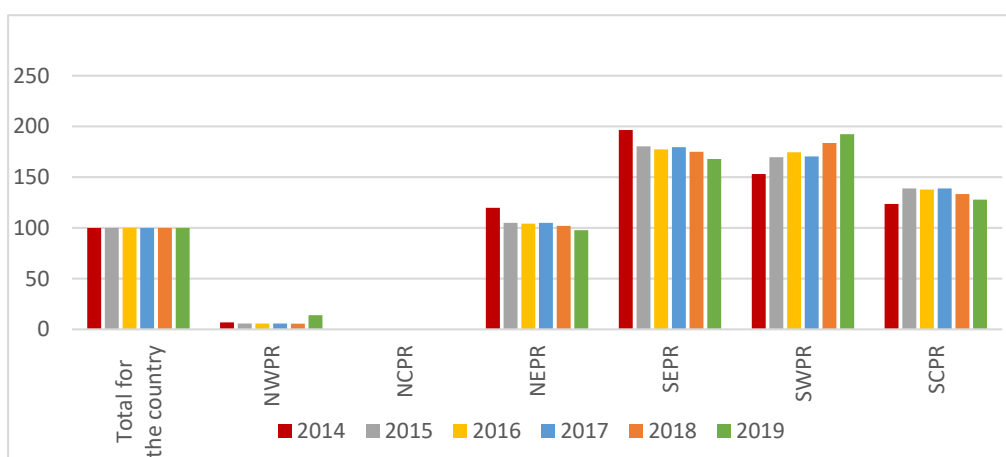
Figure 4 graphically presents the values of MAD (with green columns, in% of the population) and CV (with the orange line, in%) of the Unemployment indicator at the regional level.



Source: made by the author's calculations

Figure 4. *MAD and CV of the Unemployment indicator at regional level*

The results of the analysis of the indicator Length of highways per 10 000 sq. Km. territory at the regional level are the following: From Figure 5 it is clear that in the North Central region there are no kilometers of highways, and in the Northwest region there are very few compared to other areas. The highest value of the indicator at the beginning of the period in question in the Southeast region is almost twice above the national average. At the end of the period under review in 2019, the highest value of the indicator was in the South-West region 192% or almost twice above the average.



Source: compiled by the author according to NSI data

Figure 5. Length of highways per 10,000 sq. Km. territory at regional level (in%)

Table 3 presents the results of the calculations of MAD (in km.) And CV (in%) of the indicator of the indicator Length of highways per 10 000 sq. Km. from territory at regional level in the period 2014-2019 (in km.).

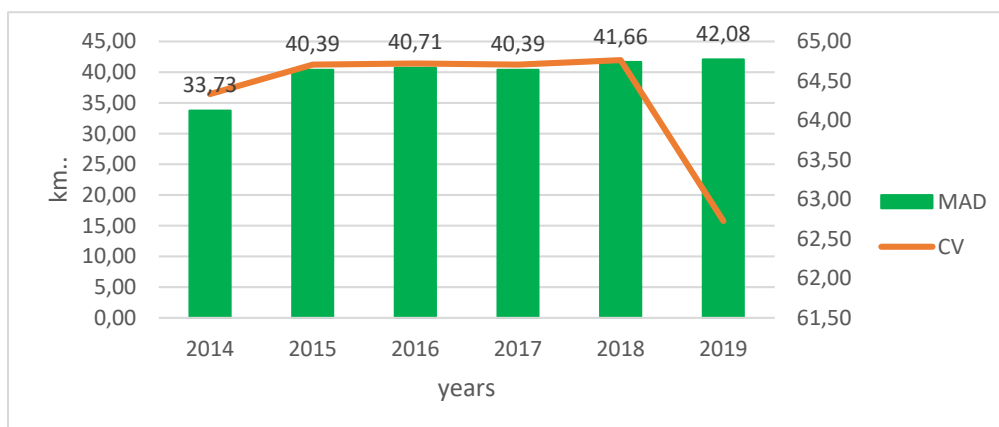
Table 3.

MAD and CV of the indicator Length of highways per 10,000 sq. Km. territory at regional level

Method/year	2014	2015	2016	2017	2018	2019
MAD	33,73	40,39	40,71	40,39	41,66	42,08
CV	64,33	64,71	64,72	64,71	64,76	62,73

Source: Calculated by the author according to NSI data, INFOSTAT

Figure 6 graphically presents the values of MAD (with green columns, in km.) And CV (with the orange line, in%) of the indicator Length of highways per 10,000 sq. Km. territory at regional level.



Source: made by the author's calculations

Figure 6. MAD and CV of the indicator length of highways per 10 000 sq. Km. territory at regional level

Conclusion

Regarding the first indicator of GDP per capita at the regional level, according to the data in Table 1 there is a clear tendency to increase the average absolute deviation (MAD) of the indicator in the six planning regions in Bulgaria and in 2014 it was 2764 BGN , and in 2018 it gradually increases to BGN 3,840. What is observed with regard to the coefficient of variation (CV) is quite contradictory, as for the whole period under review, both an increase and a decrease in the relative differences in the size of the average GDP per capita are reported. In 2014 the CV was 26.7%, then in 2015 it increased to the highest for the period value of CV-28.3%, in 2016 there was a slight decrease to 28%, which continued in 2017. - 27.6%. At the end of the period CV is 28%. Although by 2018 the CV is 28% and the sample can still be categorized as approximately homogeneous, it is worrying that this value is quite close to the threshold of 30%, where the scattering of the trait is already large. Given the data on MAD and CV, it would be difficult to draw any concrete conclusions, but by 2018 the data show that there is a process of deepening disparities and reducing economic cohesion in the income of the population in the six planning regions we have.

Regarding the indicator Unemployment rate (15-64 years of age), according to the data in Table 2 MAD in 2014 was 0.012%, and at the end of the period in 2019. increases to 0.021% of the total, which is a clear signal that there is a steady trend towards widening disparities between regions in terms of unemployment. This is also confirmed by the CV, in which we observe a steep

climb along the curve in Chart 4. At the beginning of the period in 2014 the value of the coefficient was 10.3% (the sample is homogeneous), followed by stable growth, which reached its peak at the end of the period in 2019, when the value of the coefficient reaches 42.7%. This scattering of the trait is large, which gives a clear signal that the sample is extremely heterogeneous. What can be said in conclusion regarding the Unemployment indicator at the regional level is that there is a significant increase in both absolute and relative differences, measured by the size of the average Unemployment, which is a clear signal of deepening disparities and hence to reduce social cohesion in the six planning regions in our country at least in terms of the Unemployment indicator.

Regarding the indicator - Length of highways per 10,000 sq. Km. territory, according to the data in Table 3 there is a big difference in the values of MAD of the indicator among the six planning regions in our country. As during the study period 2014, it is 34 km. per 10,000 sq. km. territory, and in 2019. - 43 km. The observed increase in the deviations gives a clear signal that there are differences in terms of the indicator and these differences do not decrease, but on the contrary - deepen, which is a signal of reduced convergence in terms of territory. In terms of CV, the movement along the curve is similar to the MAD data. At the beginning of the period in 2014 the value of the coefficient is 64.30 (extremely heterogeneous sample), in 2015 the scattering continues to increase and reaches its maximum for the period under review in 2018 - 64.76%, after which it is reported decline to 62.73% in 2019. The growing absolute differences throughout the period under review and the growing relative differences until 2018 (despite the decline in 2019) measured by the size of the average length of highways per 10,000 sq. Km. territory are an indication that there is no territorial cohesion between the six planning regions in our country, at least with regard to this indicator, but on the other hand the reduction of the scattering of CVs gives a signal that cohesion processes are being formed.

Based on the studied literature and the analysis of the three indicators for economic, social and territorial cohesion, the following significant problems could be brought out, which are planned by the planned regions in our country. The main and most significant problem facing the regions in our country, despite the efforts and financial support from the budget and EU funds, respectively, is that regional disparities in our country have not decreased enough compared to the expectations set in them. This process is probably slower than we would like and it will take more time to start monitoring the desired outcome and effects of achieving economic, social and territorial cohesion. The second significant problem is related to the uneven distribution of the EU budget, as mentioned above, most of the funds, through the EU structural funds, go to SWPR. More precisely in the economic center / core - the Capital, significantly less resource goes to the other regions of NUTS 3,

included in the scope of SWPR. The same phenomenon is observed in the second most developed region in Bulgaria - SCPR, where funds are concentrated mainly in the economic core there - the city of Plovdiv. The funds that go to the economically most backward regions in our country - NWPR and NCPR, where the financial resources are concentrated mainly in the economic cores there - the cities of Pleven and Ruse. That is, the significant financial resources are concentrated in the center of the region, and in the periphery there is almost nothing. A significant problem is the migration of the labor force from the less developed regions of NUTS 3 level to the economic cores in the respective region or even the migration of the labor force from one less developed region of NUTS 2 level to another more developed region of NUTS 2. This migration is caused by the better conditions offered by the economic cores, primarily related to better social conditions. Of course, this leads to negative consequences related to the uneven distribution of GDP - its significant concentration in the center and its much lower one in the periphery, concentration of labor in the center and the aging population in the periphery, overpopulation of the center and depopulation of the periphery, significantly lower levels of unemployment in the center and high in the periphery and last but not least significant development of infrastructure in economically developed areas, accompanied by an extreme shortage of such in the periphery.

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