



IMPROVEMENT OF EUROPEAN POLICIES FOR ECONOMIC DEVELOPMENT OF REGIONS

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Abstract: *The EU's economic development policies are geared towards innovation and sustainability, securing public goods, promoting human capital, integrating the economy, achieving institutional change and developing territory by improving living conditions. National, regional and local government policies are confronted with the growing importance of intra-regional and intra-local differentiation. The purpose of this document is to address the most important challenges faced by responsible institutions in defining spatial development policies.*

Keywords: *economic development, regional development policy, regional development, spatial development policies*

The study of the main European economic development policies and their impact on the different regions is a complex challenge aimed to maximize territorial and spatial efficiency in order to promote regional development.

The document "Europe 2020 - a strategy for smart, sustainable and inclusive growth" contains a number of targets whose final achievement remains in less than three years¹:

- The employment rate of the population aged 20-64 should increase to at least 75% exclusively through greater participation of women's groups, older workers and better integration of migrants;

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¹ European Commission. Messaging. Europe 2020. COM (2010) 2020, Brussels, p. 3

- Investment of at least 3% of Gross Domestic Product (GDP) in Research and Development (R&D). Achieving this requires both public and private R&D investments to be increased, as well as seeking out a more effective link between R&D and innovative firms' policy;
- Greenhouse gas emissions to be reduced by at least 20% (possibly even 30%) compared to the 1990s levels. The share of renewable energy sources in the end consumption should be increased by 20% (as well as the energy efficiency also increased by 20%);
- The share of the young people to leave school prematurely to be reduced by 10%;
- The share of the population aged 30-34 with completed higher education to be increased, and reach at least 40% by 2020;
- The share of European citizens living below the national poverty line should be reduced by 25%, leading out more than 20 million people out of poverty.

As the above listing specify, most of the Europe 2020 Strategy objectives are beyond the traditional approach of the regional structural policy as they remain deeply into the Member-Countries competences regarding economic and social matters. In Bulgaria these problems are solved through the formation of the state policy in the field², whose legal regulation is defined in a number of normative and legal acts, underlying the Law on Regional Development (Regional development act)³. Through the complex action of the regulatory framework are promoted the principles aimed at achieving long-term, sustainable and balanced development on national, regional and local level. These principles have to be in line with the individual economic development of the single region, district and municipality, shaping out the area for planning and programming the parameters of the socio-economic processes in their territorial aspect.

The EU has a slight authoritative and budgetary possibilities for direct intervention in areas of national responsibility as: education, health, social services, social security and social assistance, research and development, etc. Therefore, it has to be noted that the achievement of the main Strategy objectives is highly dependable of the means of the Member-Countries themselves. This provides some policy analysts with ground for a discussion on the existence of a paradox⁴: the member countries of the Union must independently provide the means to meet the objectives set out by Europe 2020, but according to the adopted documents at Union level they are obliged to report on their implementation to the EU institutions.

In fact, we are now talking about a new approach that overcomes the dominant traditional understanding of shared competences within the framework of the subsidiarity principle where growth in the allied competence went hand in hand with growth of allied

² According to the administrative-management practice in Bulgaria, there are 28 areas that correspond to the NUTS 3 level of the European classification of territorial units for statistical purposes (Nomenclature of Territorial Units for Statistics)

³ Regional Development Act - in force since 31.08.2008; State Gazette. Issue 13 of 7 February 2017

⁴ Hadjinikolov, D. European Economy. IC-UNWE, S., 2016, p. 308

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financial capabilities. For Bulgaria, these new realities are important not only internally but also have to be considered within the perspective of the stated regional priorities in relation to our current EU Presidency (January-June 2018). Additional impact on all of us have the objective processes of the global financial crisis, which triggered dynamic changes in national economies, and they in turn have initiated the elaboration of effective regional economic development policies. Such policies in the European Union were oriented towards innovation and sustainability, securing public goods, promoting human capital, integrating the economy, institutional change, developing territories by improving living conditions.

National, regional and local government policies are facing the increasing importance of economic differentiation and effective usage of the available resources within the regional and local borders. EU Members with lagging out development and those in the process of membership negotiations should bear in mind that the main regional priority is refocused from "catching-up" principle to "accelerated development of the entire Union" concept. Until recently, the EU's traditional regional structural policy was based on financing the infrastructure in economically less developed regions in order to improve their investment conditions and generate additional growth to catch up with more developed ones⁵. The test of times showed that the current Multiannual Financial Framework (2014-2020), diverts funds to programs and projects aimed at the intensification of high-tech and R&D in the most developed regions⁶.

The aim of this paper is to address the most important challenges faced by the responsible institutions in defining territorial development policies as well as in identifying approaches to cross-border cooperation and economic co-operation. The starting point is in the above-mentioned condition, that mainly affected are countries with convergence regions. It creates an added advantage to Member States with economically more developed regions.

This report explores three fundamental directions in this process: economic growth; institutions and economic power; practices and instruments of economic development policies. These trends are discussed in three dimensions: theoretical and conceptual perspectives, empirical facts and political theories and evaluation parameters.

The pursuit of growth and development of regional socio-economic systems is of a dualistic nature - on the one hand it offers a field of adaptation and improvement, on the other it is a key condition for achieving sustainability. It is very clear to us that the lack of activities and economic initiatives do not lead to growth and sustainability. Opportunities for adequate economic behavior are revealed in: European productional, innovational and R&D networks; the equivalent links and effective use of economic freedoms offered by the Union's integration; initiatives for restructuring and optimization of the industrial configurations; appliance of new resources; creation of new and/or usage of existing financial instruments and markets. In the context of post-crisis development, some regions

⁵ Klaus, W. European integration without illusions. Ed. "MaK", S., 2012, pp. 147-151

⁶ To ensure that this re-routing will work effectively, a ceiling of 2,5% of a Member Countries' GNI is set on the amounts that can be used for cohesion policy.

identify and exploit their competitive advantages while others are increasingly pushed to the periphery, remaining outside the focus of economic development.

Despite the objective nature of the integrational processes, some factors destroy established regional profiles and outdated skills at some places and create new ones, that we can benefit from. However, the realization of such a dependence on economic restructuring is severely limited by information and facts. At the same time, there is a lack of consensus among the popular theoretical settings and models, that define the institutional efficiency of the economic authorities including those indicators that define a respective institution as "good" or "bad". That is how the optimization of the institutional structure remains at the periphery of the priorities and the focus of the national economic development policies stays on the long-term investments promoting the competitiveness of the regions. Opportunities of incensement of the added value of the output, has to be sought in the improvement the capabilities of the public and private sector in the process of project management in the field of introducing new technologies, the development of new products and their placement on the pan-European market. Under the new conditions, this can be achieved through combined grenade schemes from EU supporting instruments, direct state investment support, staff training and the opportunity to use consultancy marketing services.

A very important issue of the spatial economies is how to explain the presence of peaks and falls in the regional distribution of the welfare of the population. The steady decline in transportation costs since the mid-19th century, the denial of trade protectionism, the integration process deleting national borders and above all, the almost complete exclusion of communication costs, create a sense of a "flat world" where spatial dimensions should not have such significant influence. Although geographic proximity to natural resources is a weakening factor, distances and location still play a significant role in economic life and are key elements of socio-economic systems. There are several key points that should be considered in the process of optimizing the development of the spatial economy:

- Firstly, a locational subject: although in the recent past many activities could have been localized almost everywhere, the spatial development of societies has led to highly limited economic-efficient localization opportunities nowadays.

- Secondly, movable goods and highly skilled labor are still expensive: instead of using distant resources, the opportunities for utilizing the available production factors and regional advantages have to be identified so that the above could be integrated into socio-economic regional systems.

- Thirdly, the spatial distribution of economic activities is the result of large-scale savings and the cost of relocating people, goods and information. The two opposing forces are agglomeration (driven by market access) and dispersion (caused by market saturation) - the distribution of firms beyond the regions can be seen as a balance of both.

In science and practice, there is the assumption that the growth of regional market potential is directly proportional to pay for labor. Such a statement is not without logic and evidence. Regional socio-economic disproportions are more likely to result from unequal

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distribution of human capital than from anthropogenic territorial differences. Regional differentiations in terms of economic development are a function of unbalanced economic activity and growth potential. Therefore, highly subjective categories such as justice, solidarity, freedom are often used as targets of the regional economic policy although in fact they have a political rather than space-territorial nature.

Economic development in its regional dimension can be defined as a sustainable increase in the well-being and life quality. The concept has to be distinguished from "economic growth", although very often "development" and "growth" are considered synonymous. For the purposes of this report we will treat them more as a consequence of one another. Economic development increases regional capacity and leads to economic growth, thus ensures the economic future.

The Europe 2020 Strategy's objectives set out at the beginning of the report raise the key issue for measuring and evaluating state policies and their results. One of the possible solutions is represented by the opportunity for quality, deeper researches and analysis of the regions. There are some good examples of successful transformation of the old dated models into industrial areas⁷. Local professionals, technology, networks and local diversification play an important role in these cases. The spatial aspect of economic development is particularly important for poor people for whom "location is destiny" due to their inability to move. The economic aspects of regional development policy as a task of the State must face three main questions about:

First, why do certain places overtake others in the course of their economic development?

Second, whether the traditional question "How do companies earn from a location?" Should not be changed to "How do places earn from setting up businesses?"

Third, to what extent are firms encouraged to be "good citizens"?

If all countries are united around the understanding that the answer is that economic development policies should focus on well-being and quality of life, we must realize that in order to achieve this, the Members must be flexible, adaptable and seeking a common consensus. Moreover, they should focus on building capacity, like infrastructure and human capital, to prepare people for change in labor market conditions. Regarding the Bulgarian regions, the main task of our country should be efficient development of knowledge-based local economies while maintaining balanced growth. In order to achieve such an objective, Bulgaria should develop regional economic portfolios and also improve the quality of⁸:

- ✓ Various types of connecting infrastructure (transport, communicational, commercial, institutional, etc.);

⁷ Sofia, Plovdiv, Shumen as regional centers that already build up businesses, techno and industrial parks, that focus the attention of local and foreign investors and offer competitive facilities of new type.

⁸ Angelov, I. and others. The Economy of Bulgaria and the European Union. A strategy for catching-up economic growth by 2020. Institute of Economics, BAS, Sofia, 2003, pp. 23 / 67-75

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- ✓ Modernization of the economy and new forms of work organization;
- ✓ Access to internal funding, insurance, guaranteeing instruments;
- ✓ Employment and human resources policy;
- ✓ Communications within and between regions of the country.

It should be emphasized that the structure of the Bulgarian economy is currently dominated by a production process that uses obsolete and inefficient technology, low labor productivity, poorly maintained infrastructure and lack of adaptability to the new labor requirements. That is why not only innovation but also modern forms of entrepreneurship should be promoted and outspread as mechanisms for achieving economic development. In this sense, economic development can be achieved through innovations, reduced transaction costs allowed by law and implementation of regional investment opportunities.

In conclusion, investments will only achieve an optimal impact if we are looking for collaboration and integrity in the interaction between central and peripheral territories. The purpose of such an approach is to establish a paradigm for overcoming the factors of center-periphery polarity and initiate spatial-territorial interdependence.

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UNAPREĐENJE EVROPSKIH POLITIKA ZA REGIONALNI EKONOMSKI RAZVOJ

Abstract: *Ekonomske razvojne politike Evropske unije usmerene su ka inovacijama i održivosti, obezbeđivanju javnih dobara, promociji ljudskog kapitala, integrisanju ekonomije, postizanju institucionalnih promena i razvoju teritorije poboljšanjem uslova života.*

Nacionalne, regionalne i lokalne politike suočavaju se sa rastućim značajem intraregionalne i intra-lokalne diferencijacije.

Svrha ovog dokumenta je adresiranje najvažnijih izazova sa kojima se suočavaju odgovorne institucije u definisanju politika prostornog razvoja.

Ključne reči: *ekonomski razvoj, politike regionalnog razvoja, regionalni razvoj, politike prostornog razvoja*