

INCLUSIVE DEVELOPMENT AND REGIONAL POLICY

Growth for the purposes of growth is not a wise idea for the contemporary governments because of the increasing dissatisfaction due to the lack of real benefits for a huge part of the population and for some regions. Inclusive growth is focused upon the preliminary analysis of sources and limits of the sustainable development not only for one group – the poor. It aims to find out approaches for full usage of labour forces; especially the ones occupied with low productive activities or that are excluded from the market. The green economy and growth turn to be the modern answer to the need of new production ways as a result of the ecological problems and social disproportions. The aim of the report is to study the characteristics of the inclusive growth in the District of Vidin in the context of the regional policy of Bulgaria and the green economy opportunities as a mean for reaction to the negative social-economic effects.

JEL: O4; Q2; Q5; R1

Introduction

Different institutions try to elaborate instruments for evaluation of world development, prosperity and social equity. They admit that the inequality exists between the countries as well as within each state. This is a dangerous phenomenon for the stable economic development and needs special attention and appropriate policies to mitigate the negative consequences.

The aim of the report is to examine the characteristics of the inclusive development in the context of the regional policy of Bulgaria and the green economy opportunities as a mean for reaction to the negative social-economic effects. Several indexes characterize different aspects of the system of social-economic and ecological relations. They allow to outline some policy spheres, which are underestimated or overrated. Social progress index of the EU ranges the regions at NUTS-2 level. In order to define properly the specifics and problems of the development we study the districts, because each district unites several close municipalities and according to article 142 from the Constitution of Republic of Bulgaria it is an administrative-territorial unit for implementation of regional policy, for realization of state governance in place and for provision of compliance of regional to

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national interests.” The municipality, on the other part, is an independent territorial unit, which executes the local self-governance. As Stefanova (Stefanova, 2017) underlines the creation of municipalities achieves “unity between the community of people and the territory, which they inhabit.” The necessity of problem-solving on local level is supplemented by the importance for coordination of the regional decisions with a view to the national aims, achievement of effective resources management and their direction towards sustainable development. The local government together with the district governors could put in motion actions for mitigation and termination of negative social-economic tendencies in Bulgaria through appropriate measures with an accent on conformity to ecological limits and preservation of natural resources.

1. Growth, Prosperity and Social Progress

Different international institutions try to create instruments for the evaluation of world development, prosperity and social equity. They admit that the inequality exists between the countries as well as within each state. This is a dangerous phenomenon for the stable economic development and needs special attention and appropriate policies to mitigate the negative consequences.

According to Legatum Institute the world prosperity, measured through the Prosperity Index, increases in 2017, as well as in 2018 and at present it is at highest levels compared to data from the previous decade. At the same time the unequal distribution of income has deepened according to the World inequality lab. The public policies have to select instruments to cope with inequality as an alarming social-economic phenomenon, which undermines the development and brings instability. The world inequality has increased during the last 35 years, as it is lowest in Europe, where the richest 10% of the population possess 37% of national income. The reasons for such development are the existence of progressive taxation, education and income policies, directed towards a population with low and average income. The instruments for inequality decrease also include counteraction to tax frauds, profits and income hiding, education and well-paid working places provision, public investments in education, health care and environmental protection. Such initiatives support the overcome of increasing inequality in the countries, as well as decrease of the regional differences, which is a factor for sustainability of the development and for prosperity.

All we need is growth (Kotseva-Tikova, 2018) but besides the economic progress it is essential to measure some other aspects as the social wellbeing indicators. For that reason a suitable instrument is the Social Progress Index (SPI), which aim is to measure social progress without the inclusion of economic indicators. According to Social Progress Index (Scott Stern, Amy Awares, Tamar Apner, 2017) SPI of Bulgaria for 2017 is 74.42, which ranged the country 41st among 128 counties. In respect to the GDP ppp/capita Bulgaria is ranked 47th with an amount of \$17 thousand. Since 2016 Bulgaria improves its position starting from 43rd and reaching 40th score in 2018, which describes its capability to develop socially.

The EU has modified SPI to measure 272 EU regions. SPI is an aggregate index of 50 social and environmental indicators that capture the same three dimensions of social progress: Basic Human Needs, Foundations of Wellbeing, and Opportunity. The EU Regional Social Progress Index (EU-RSPI) evaluates all the EU regions and puts two Bulgarian regions on the final positions: Severozapaden is ranked 271st and Yugoiztochen region is on the final position – 272nd. Sud Muntenia in Romania is 270th. The last 10 positions are occupied by 5 Bulgarian and 5 Romanian regions, as on the last places are regions that are located on both sides of the Bulgarian-Romanian boundary, i.e. despite that they are part of different countries the regions show similar slow development and the lowest values of the living conditions. The peripheral national regions need close cooperation of the regional with the transboundary policy. An important instrument for decrease of disproportions is the creation of special measures to intensify the relations and activities in respect to more green opportunities.

The low values of Severozapaden region are due to underperforming of three sections of dimension Opportunity – Personal rights, Personal freedom and choice, Access to advance education. In dimension Foundations of wellbeing it is recorded underperforming in Access to information and communication, as well as low results for Health and wellness. In the dimension Basic human needs it is recorded underperforming in Shelter (lack of adequate heating). The highest score is for dimension Foundations of wellbeing, where the Environmental quality is overperforming.

The indexes show almost similar results for Bulgaria. The differences can be found in respect to education, health and personal freedom, which are evaluated higher in the prosperity index and oppositely in SPI. The indexes will more fully estimate the human wellbeing and progress if indicators that evaluate cultural aspects of wellbeing are included.

The EU-RSPI is important because it describes the living conditions in the regions of Bulgaria in comparison with the rest. Only the region which includes the capital town – Sofia performs better as it outperforms all the regions in Bulgaria, 7 regions in Romania and 2 in Italy. The differences inside these regions are significant and it is useful for the state to have deeper look into the peculiarities of each district. In the next section the District of Vidin will be studied in order to see the specifics that stay behind the low EU-RSPI and are result of the applied national development policy. In contrast to low prosperity inequality in the EU, in Bulgaria the trend is toxic for several districts.

2. Social-economic Profile of the District of Vidin

The district of Vidin is analyzed in respect to the following indicators: demographic, healthcare, education, construction of flats, transport infrastructure, culture, environmental, security, economic, and renewable energy. In the district of Vidin there are 143 living places, incl. 7 cities. The most populated region is the municipality of Vidin – 63% of the population. The district shows negative tendencies in all spheres. In contrast to the indexes in the previous chapter here the development is studied through social, environmental, economic and cultural aspects. The trends in the district raise serious questions about the potential of the region and the country to develop inclusively and sustainably in future.

The main demographic trends of the region during the period 2011-2016 are:

- Population decrease by over 10%, as well as working population decrease by 11%.
- Birth rate diminishing by 26%.
- Constant negative population growth, increasing negative mechanical growth by over 4 times.
- The number of pensioners decreases and becomes 33% of the district population.

The district is subject to strong population decrease and worsened age structure, which lessens the human capital and undermines the stable regional development. The reasons for population emigration and mainly that with high working capacity are thoroughly economic, but of considerable importance is the availability of suitable living conditions – education, healthcare, security, technical infrastructure.

The healthcare in the region is provided by two hospitals with constant number of hospital beds – 365 and decreasing number of doctors – by 10% in comparison to 2011, which is in synchrony with the population decrease. The health centers are 7. The information from the Council of the district of Vidin shows that the provision of healthcare services is concentrated in the town of Vidin.

The education is defined by a decreasing number of crèches, kindergartens and schools, teachers and kids at kindergartens, pupils at schools as a result of the migration and population movements. The number of crèches lessens by 40%, the teachers in them – by 16% and the children – by 15%, which is a negative consequence of the contemporary processes and a strong symptom for the undermining of the stable ground of the wellbeing.

In contrast to the negative demographic situation and the decrease of healthcare and educational services there is a slow increase in the number of the constructed flats – by less than 1% for the examined period. The main problem here is the access to normal housing conditions especially in winter. The lack of enough heating puts the area on last positions in respect to the indicators in group Shelter of the EU-RSPI. The national policy towards decreasing heat consumption through increasing energy efficiency should be measured in respect to the positives from increased access to heat. The energy efficiency financing of family apartments by the government should also include measures for efficient stoves installation and replacement of coals with ecological heating.

The cultural life in the district according to NSI is not quite rich – 74 libraries, 2 radio stations, 1 TV operator, 2 museums. The films projected in the cinemas have increased. The information from the registry of the Ministry of culture of Bulgaria shows that there is one state puppet theater. The cultural life is provided mainly through state financing which is an important stimulus for holding the population in the region. The access to cultural events is not measured in the indexes of prosperity and development, which would enrich the evaluations and present it multidimensional. The broader access to different events and places with cultural and historical significance is part of the harmonious human development with positive externalities upon the creation of informed and independent citizenries.

The environment is in good state in respect to usage and preservation of waters and waste management. 99.7% of the population is provided with drinking water without restrictions. The basic disadvantage is the lack of wastewater treatment in the biggest towns as well as sewage systems in the small. 56.8% of the population has access to wastewater treatment, as for the period 2011 – 2016 this share has increased insignificantly – 0.9 percent points.

Since September 2015 the household wastes have been transported into a regional depot for waste that is not dangerous. Its construction was financed by the Operative programme “Environment 2007-2013” and it covers the needs of all 11 municipalities. As a result the old dung-hills were closed. For the period 2011-2016 the waste quantity has decreased by 24%, as the average annual quantity per capita has lessened by 12% and amounted to 294 kg annually per capita. The wastes in 2016 are at a higher quantity compared to the previous year, as in 2015 the waste was with the lowest quantity. Through the EU financing the waste and water management has improved. The problem that still exists is the lack of wastewater treatment for the total area. The construction of water treatment systems and adequate waste management are essential elements for environmental quality increase and a precondition for improvement of human health and business conditions in the context of the green economy (Mochurova, 2018). The treatment of different types of waters is in a very close relation with the necessity of reconsidering and establishing green infrastructure, which offers solutions to the environmental problems in a new way as, for example, differential wastes collection and their further processing.

The costs for fixed assets with environmental purpose acquisition have increased 3 times, as the main investments are executed in 2014, when the construction of the new depot started. These assets are hardly 3% of the fixed assets in the Severozapaden statistical area and insignificant when comparing with the national levels. The EU-RSPI gives an average score for the environmental conditions of the area, which shows an opportunity to conduct a greener policy, which can give a stimulus for development, turn the trend of the migration process, and provide inclusion of different skilled people. Usually the good environmental conditions reflect low economic development. Green economy does not share such prejudices but accepts the environmental wealth as a precious resource that needs a new approach to generate more value.

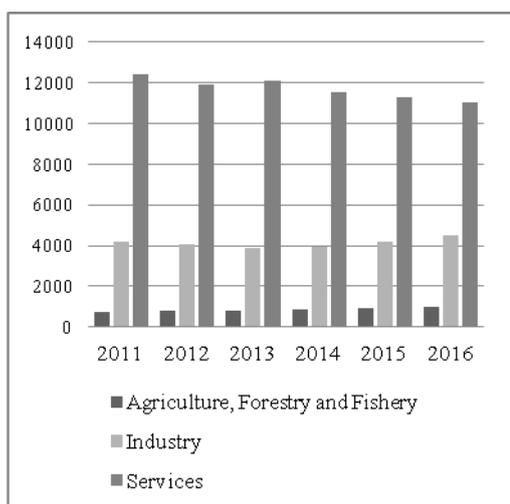
The security in the region has increased. The number of crimes decreases by 20% and they represent 1.6% of the total national crimes. The socially dangerous crimes have the highest share – 32%, followed by crimes against property rights – 22%. A positive tendency is the decrease of the crimes against property despite the fact that the EU-RSPI puts the region on the back positions in respect to safety.

The lack of highways is a serious problem for quick connection of the district with the developed commercial and production centers as Sofia. In winter it is difficult to access the region and to allow local citizens to reach the basic markets, although 212 km is the distance between the town of Vidin and the capital city. The region turns to be difficultly accessed and isolated, depending on the potential of the local initiatives.

The economic indicators do not show significant growth for the period 2011-2016. The results are modest, namely:

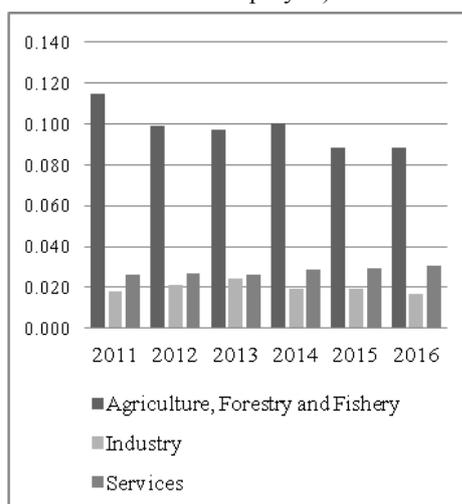
- Foreign direct investments increases by 11% in comparison to 2012, as there is a growth in 2015 and 2016;
- The costs for acquisition of fixed assets grow by 31%, as in 2016 their level is below the previous year.
- The amount of production increases by 18% during the period, as during the last 5 years it fluctuates at a constant level.
- The turnover increases slightly by 3%.
- The number of lodgings are constant but the realized sleeping decreases.
- The average number of employed decreases by 10% during the period (Figure 1). The only growth is seen in the processing industry, which provides employment for 20% of the employed. The other industries with high employment share are: trade and repair of automobiles and motorcycles (13%), public governance (10%), education (10%) and health and social activities (11%).
- GDP increases slightly by 3%, while GDP per capita – by 15%.
- The costs for research and development doubled in 2016, as the personnel occupied with it increased to 51 people;
- In 2016 the structure of gross domestic value is: services – 68%, agriculture – 17% and industry – 15%. Since 2014 the agriculture share has increased and exceeded the industry share (Figure 2).

Figure 1
Employed in the District of Vidin



Source: www.nsi.bg/ Regional statistics

Figure 2
Gross Added Value per employed (mln. BGN/employed)



Source: own calculations

During the examined period the employed in agriculture increase, which results in a decrease in the gross added value per person. Despite the drop the added value is 3 times higher in comparison to the services and more than 5 times higher than the industry gross added value. Agriculture, fishery and forestry give opportunities for sustainable production practices and for higher added value. The role of the green industries is underestimated. They could give a better perspective for the district sustainable development and provide full usage of labour forces, especially the ones that are excluded from the market.

The employment depends strongly on the public sector, education and healthcare. Around 1/3 of the employed are engaged in the public sector or activities, which are regulated and financed publicly. The average gross wage increases by 39% during the period as a result of the changes in the minimal wage, social security levels and rates.

All the aspects of the social, economic and environmental spheres in the District of Vidin depict a critical situation. It is characterized as a region with very low opportunities by the EU-RSPI because the Personal rights and Personal freedom and choice are very low valued, which is due to the lack of trust in the political and legal systems, as well as in police. These are very strong and serious problems of perception of the role and activity of the main democratic bodies of governance. A change in the functioning of the institutions could put in motion the existing production factors and attract new.

For the period 2005-2016, as well as for the sub-periods: 2005-2010 and 2011-2016, it is executed a correlation analysis of the ratios of:

- Average annual wage from employment for the District of Vidin and for the country;
- Number of unemployed, registered at labour offices, for the District of Vidin and for the country

In relation to:

- Turnover for the District of Vidin and for the country (Figure 3);
- Production for the District of Vidin and for the country (Figure 4)

The correlation could help outline the peculiarities and draw important conclusions about the potential for inclusive sustainable development of the District of Vidin.

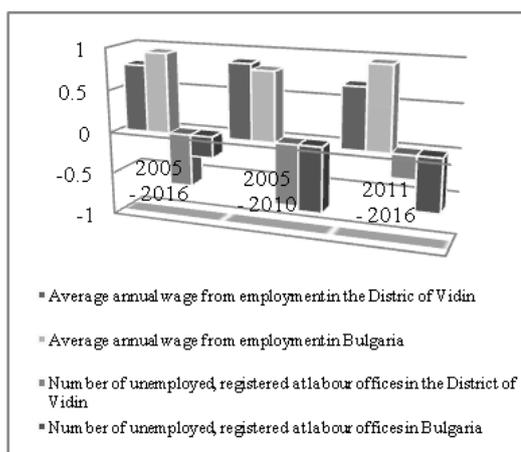
The relation between „Average annual wage from employment“ and „Turnover“ shows a strong positive relation for the District of Vidin, as well as for the country. During the first sub-period – 2005-2010 the correlation is stronger for the District, while for the country it increases during the second sub-period – 2011-2016, i.e. for the District of Vidin the strength decreases. During the first sub-period the wages of employed and the turnover in the district increase greater in comparison with the second, when both ratios change slightly. This is a result of the changes of the social security income, the high level of migration and the population aging, which decrease the wage significance for the turnover increase. The correlation with „Production“ shows similar tendency. Stimulus for employment other than wages are necessary for the region dynamic development, i.e. new forms of employment and business activity incl. for pensioners, that could create

opportunities to counteract to the current negative processes through creation of higher added value.

The correlation of „Number of unemployed, registered at labour offices“ to „Turnover“ is negative, as the tendencies for the District of Vidin and for the country are opposite.

Figure 4

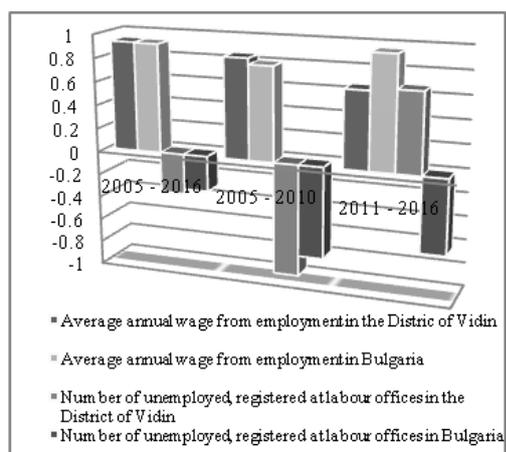
Correlation to Turnover



Source: own calculations.

Figure 5

Correlation to Production



Source: own calculations.

While the correlation for the District of Vidin is average for the whole period, it shows differences for the sub-periods: a strong relation for the first and weak for the second, i.e. the unemployment has slight influence upon the turnover, despite that it decreases to 6.3%. For the country the results are opposite: for 2005-2010 the relation is strong, while for 2011-2016 – average.

The correlation to “Production” has the same trend. For the District of Vidin it shows strong relation between the registered unemployed and production, as for the second sub-period it is positive. The last is due to the high unemployment decrease in 2016 accompanied by slight production diminishing. The improvement of labour sources quality and the measures to unemployment decrease through training and working places grants are important issues of the regional policy in order to decrease the migration processes. The lack of proper working skills requires measures for provisions of practical advises for employment. The formal and temporal employment does not meet the aim of sustainable development and progress. The leading part of the local and district governments is necessary because of their capability to evaluate the local deficits and to establish proper solutions, as well as to assist to prevent income hiding and tax evasion.

The weak economic development of the district looks dramatic when the data is compared to the region and the country. In 2016 the GDP of the District of Vidin is 9% from that in the Severozapaden statistic region and 0.6% from the national. The district has the lowest level of production in Bulgaria – it is lower by 19% than the GDP of District of Silistra,

which is positioned last but one in respect to that ratio. GDP per capita of the District of Vidin slightly increase and reaches a share of 48% of the average level for the country.

The weak economic development does not support stronger social prosperity. The negative tendency could be overcome through new activities. The green policy and greater usage of alternative energy sources is a possible solution. There are 57 objects, using renewable energy sources (RES), with installed capacity of 47,84016 MWt in the District of Vidin. The region possesses a small RES capacity with an insignificant share in electricity generation – 1.1% of national installed capacity. The main renewable capacities are established in 2012, when there was a peak in the installation of PVs in the country. The favorable regulation encouraged a large-scale construction of PVs in Bulgaria, as a result the country ranked 10th in the world in respect of the installed PVs. In the district of Vidin the process of renewable energy production is due to the same reasons as the speed is low and the capacity installed – small. In 2016 the renewable electricity production is 80 644,841 MWh and over 50% of it is a result of grid-connected PVs installations.

The modest results in green energy utilization reflect the national trend in new policy creation and execution. The benefits cannot be realized if they are not clear and supported with mechanisms for broader understanding, inclusion in the process of policy preparation and realization. The ready-made medicines are not a panacea and do not bring prosperity in all cases. The necessity of comprehensive policy impact evaluation is crucial and requiring enough time and large independent participation. Although local authorities are close to population in the district they are not active in the process of renewables usage planning and developing. They do not understand and do not stimulate RES.

The national economic policy aiming to keep the main macroeconomic indicators stable resulted in misjudging the dramatic emigration process of young people. It put an accent upon macroeconomic stability and budget deficit reduction accompanied by decrease of costs for healthcare and education, as well as dependence upon EU funding for main infrastructural projects, incl. environmental. Now the public authorities have to transform the priorities in their social-economic policy. The green types of economic activity are important in order to provide conditions for a third industrial revolution², which uses the benefits from the decentralized energy generation from RES (Kotseva-Tikova, 2016). The integration of the three sectors: energy, transport and information technologies is an important step toward the infrastructure establishment for a new industrial revolution. The undeveloped regions have to find the opportunities which the new economic media proposes and use them for regional stabilization.

Conclusion

Several international institutions try to establish indexes to evaluate different aspects of national and regional development. The prosperity index measures the development, but the development is accompanied by the deepening of the income inequality. The EU has the

² Rifkin in his book *The Third Industrial Revolution* comments the possibilities for establishment of the necessary infrastructure for the execution of the third industrial revolution.

lowest rate of inequality increase, but the problem exists and requires appropriate solutions. The social development of the statistical regions gives more details of the picture of the living conditions in the union. When the districts in Bulgaria are analyzed, the great distinctions inside the statistical regions are viewed. Such differences undermine the conditions for national sustainable development and make it difficult to react and cease the negative demographic tendency. The macroeconomic policy needs to be enriched and reconsidered through the inclusion of instruments that stimulate the green industries that bring potential for the creation of favorable living and business conditions even for remote living places. Low carbon activities, biological production, energy efficiency, renewable energy, different environmental initiatives are some of the possible solutions to counteract to the present way of doing business and overcoming the regional disproportions in Bulgaria. The local authorities and the district governors should be engaged in the process of generation of green initiatives and infrastructure establishment that is favorable and stimulating innovative decisions in the use of the available resources.

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