

Competitiveness assessment of rural areas: The example of Bulgaria

Julia Doitchinova^a & Mariya Stanimirova^b

^a Prof., Head of Department of Economics of Natural Resources, University of National and World Economy, Sofia, Bulgaria

E-mail: juliadoj@unwe.bg

^b Assoc. Prof., Head of the Department of Agriculture Economics, University of Economics – Varna, Bulgaria

E-mail: maria_stanimirova@ue-varna.bg

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Abstract

In the context of globalization and world economy, the individual regions are in “territorial competition” for investments, tourism, population and political power both regionally and globally. The territorial competition has a broad scope, and along the production of competitive local products and economic conditions for development of businesses, a region has to provide social, cultural and nature sustainability which is based on interregional cooperation. In this sense, the territorial competition has a complex nature.

The purpose of this report is to assess the competitiveness of Bulgarian rural areas with different economic, social and environmental characteristics, based on a complex methodology for exploring territorial competitiveness.

The methodological approach in the study is based on the FAO methodology for analysis of competitiveness and adapts it for the rural conditions of Bulgaria. For this purpose, 5 types of rural areas have been identified depending on: the leading strands of economic activity and the ways of their organization (business structure); links between sectors in the rural area; the use of labor resources in the territory; civil society organization; the organizing of business structures; availability and characteristics of the infrastructure; proximity of rural areas to large urban centers, etc. The scope of the survey includes areas of economic competitiveness, access to the labor market and employment, strategic management of the municipality, infrastructure, environmental protection and cooperation between rural stakeholders. On this basis, a comprehensive assessment of the competitiveness of the selected rural areas in Bulgaria is reached. The research is based on separate surveys among representatives of the business and the municipal administration in the surveyed territories.

The conclusions presented reveal the differences between rural areas and identify strands in which assessments by business and administration at local level differ significantly.

Keywords: territorial competitiveness, regional identity, territorial approach, rural areas

Jel Codes: H25, H26, H7, D41

1. Introduction

In the context of globalization and world economy, the individual regions are in “territorial competition”. Although many of them offer the same product – territory, infrastructure, educated people and almost the same administrative system, the regions are competing with each other for investments, tourism, population and political power not only within the state but also on a global scale.

Furthermore, the territorial competitiveness has a significantly broader meaning compared to the marketing competitiveness. A region is perceived as competitive if besides the production of competitive local products, it can provide social, cultural and nature sustainability based on interregional cooperation. In this sense, the territorial competition has a complex nature.

Main problems which hinder the development of the rural regions in Bulgaria and affect their competitiveness according to a number of studies (Stanimirov and Stanimirova, 2014; Doitchinova and Stoyanova, 2020; Doitchinova et al., 2018) are: non-favourable demographic structure, economic which is highly dependent on agriculture, basic infrastructure which is highly deteriorated and/or not built yet etc., non-sufficient or non-efficient cooperation among the different market participants and institutions. The said problems substantiate the need to search additional possibilities for the rural regions to preserve their competitiveness with optimal use of the local resources (work, land and finances). A task arises for the researchers to assess the territorial competitiveness and the possibilities for its increase.

This report aims the assessment of the complex competitiveness of Bulgarian rural regions with different economic, social and environmental characteristics and the development of guidelines for its increase.

2. Literature review

The territorial development approach began in the mid-90s and its aim is to make the regions of EU member countries more competitive and attractive. It introduces new forms of administration through coordination and cooperation among a number of participants and includes top-down and bottom-up approaches (Baudelle et al. 2011, Campagne and Pecqueur 2014). According to Pecqueur (2013: 11), the territorial development “can be defined as any process of mobilization of the actors that leads to the development of a strategy of adaptation to external constraints, on the basis of a collective identification with a culture and a territory“. The territorial development approach emphasizes the identification and valorisation of resources and identities that are specific for the respective territory and are different from their competitors’ resources and identities (Côté 2003, Pecqueur 2013). In this way the territories become places with their own specific history and identity and the heritage and the local assets are used as prerequisites for cooperation and a base for development and sustainable advancement of territories (Francois et al. 2006, Landel & Senil 2009).

The competitiveness of a given territory is understood as the ability of any area or region to generate high and increasing earnings and to improve the livelihoods of their population (Meyer-Stamer, 2008). In this context, the economic competitiveness means the ability of the local economic subjects and institutions to generate and preserve long-term high added value in the rural regions through development and strengthening of the links between the sectors, to integrate the available resources in order to increase the value and the distinctive characteristics of the local products and services.

One of the broadest and most cited definitions of territorial competitiveness is that proposed by Meyer-Stamer (2008) who believes that it is the capacity of an area or a region to generate high, increasing earnings and to improve the lives of their population. This definition emphasizes the close link between the competitiveness and the regional prosperity which characterizes the competitive territories not only in terms of products i.e. productivity but also in terms of their overall economic performance i.e. sustainable of increased level of comparative prosperity (Bristow, 2005).

Other authors (Annoni et al. 2017) use such terminology when they define the territorial competitiveness as the ability of the region to offer attractive, sustainable environment for accommodation and work for businesses and people. In this regard, we emphasize the two-way link between the territorial competitiveness and the business competitiveness as companies with better practices contribute to the territorial competitiveness whereas the region contributes to the higher competitiveness of the businesses by creating a favourable environment for their activities (García Nicolás, 2016, Stanimirova, M., Zarev, 2018).

In order to outline the differences between the regions, the representatives of different scientific directions in the scope of the natural and social sciences introduced the term “regional identity” (Pike et al., 2006; Wiskerke, 2007). It is not unambiguously defined but researchers believe that this term reflects two opposite points of view. The traditional approach of the “old” culture geographers emphasizes the geographical location, the resources, transport infrastructure and other “solid” factors (Natter and Jones, 1997; Agnew, 1999; Simon, 2005) and assumes that they define the unique, homogenous and natural identity of the region. At the same time, the representatives of the so called “new” cultural geography prove that the differentiation and the characterization of a region cannot be considered a fact. Instead, they have to be understood as a result of the attitude of the administration and the identity policy carried out (Jackson and Penrose, 1993; Keith and Pile, 1993). Since the 1980s, the significant of the “softer” factors - the public-private interactions, network structures etc. - is being proved again and again. The regional identity is one of those social and cultural factors which takes one of the most important places in the discussions about the endogenic development.

Other researchers accentuate that regional branding is necessary for the differentiation from the other regions and emphasizing the regional identity (van Ham, 2008; Heuvel, 2018). The regional brand aims to create a different image or reputation of a region which helps to increase the territorial competitiveness (Maessen, et al., 2008). Branding can be understood in the broader context of the dependency of the regions on their culture as well as on the sense of belonging they can create not only in the visitors but also in undertakers, investors and residents (Horlings, 2010). The regional branding stimulates the regional economy, creates added value to the regional product and can overcome the existing limitations of the sector-oriented approaches to the development of the rural regions (Hegger, 2007).

3. Methodology

The methodology frame for this research is based on the typology of the rural regions by the experts of the Food and Agriculture Organization (Farrel, G., 1999, p.5). It consists of a system of indicators for assessment of the economic, social, environmental and global competitiveness. The global competitiveness is characterized by the ability of the regional actors adequately to position their rural region in a way which ensures their viability in a global context (including to identify the position of the rural region in the relationships with the other regions by building networks and cooperation). As a result from the adaptation of the said methodology, the authors of this study defined six main types and several subtypes of regions, namely regions in which: agriculture is the main economic activity; the agricultural production is modernized and represented by large farms with rented land; the natural and protected areas have a key role and the businesses are oriented to tourist services; the households are rather secondary and/or the region is a suburban zone; a dominated small business (not well structured, structured, specialized); aging population and/or high level of dependence. The names of the regions prove the difficulties all researchers of the rural regions meet – to use unified criteria and indicators on one hand and on the other hand cover the exceptional diversity with them. Regardless of the critical assessments that such an approach faces, its application to such research is defensible and explicable.

The use of a great number of different characteristics in the cited research (Farrel, G., 1999, p.5) had as a result that in three of the regions, not only the leading role of the agriculture sector but also the way of its organization was demonstrated (not well structured, structured, specialized). Adopting this approach is defensible and often used in the agro-economic scientific literature as the production specialization of the farms is based on the competitive advantaged of the region and reflects the natural, climate, soil and other conditions for the development which are appropriate for certain agriculture sectors. These conditions sometimes limit the possibilities of the farmers to choose what to produce and sometimes create significant advantages for them.

The research team critically took into account both the undisputed ample opportunities which the cited classification creates and its weaknesses and focused on its optimization and adaptation to the conditions in the rural regions in Bulgaria. For this purpose, several groups of indicators were used which characterize and assess the differences between the regions in terms of: leading economic sectors and the ways they are organized (structure of the business); the relationships between the economic sectors in the territory of the rural region; the ways to use the work resources of the region; the organization of the civil society in the rural region; the organization of the business structures; availability of infrastructure and its characteristics; the proximity of the rural regions to large urban centers.

The so presented considerations led to the formation of five types of regions in whose names the leading economic sector, its way of organization and the combination with other factors are indicated as shown in Table 1. By using regional statistics information, we defined areas which represent the respective type. Local initiative groups with strategies for local development are formed in the territory of all regions.

Table 1. Typology of rural regions

No.	Rural regions specialized in:	Territory (municipalities)
1	Agriculture (small, not well structured local business dominates)	Devnya and Aksakovo, Varna region
2	Agriculture (modernized production organized by large farms with rented land)	Tervel and Krushari, Dobrich region
3	Touristic business combined with agricultural production with special conditions	Troyan and Apriltsi, Lovech region
4	Touristic business (small, well structured local business dominates)	Avren, Byala and Dolni Chiflik, Varna region
5	Agriculture is combined with processing in a suburban area	Rhodopes and Perushtitsa, Plovdiv region

Source: own study

For the purposes of the research, we prepared questionnaires for assessment of the complex territorial competitiveness which were intended for representatives of businesses and local administration. A wide scope of questions aiming assessment of a number of indicators were included in the questionnaire, namely:

- Competitiveness of business – 18 indicators;
- Access to the labour market and employment – 6 indicators;
- Efficient strategic administration of the municipality – 6 indicators;
- Access to educational, health, social and other services – 12 indicators;
- Available infrastructure – 9 indicators;
- Protection and improvement of the environment – 9 indicators;
- Cooperation (between municipal administration, businesses, civil society structures and citizens) – 12 indicators;
- Development of civil society structures (including Local action groups and Local fishing initiative groups) - 8 indicators;

To assess these indicators, we used a four-point Likert scale (a scale in which respondents express a degree of agreement or disagreement with the statements made) in the range from “strongly agree” to “strongly disagree” regarding the rural area. Within each block, the indicators are weighted using a four-point scale to assess the importance by categories “not important at all” and “definitely important” for the development of the area. On this basis, we reached complex weighted assessments for each of the listed areas for competitiveness assessment.

The respondents are representatives of the local administration, civil society structures and owners of businesses on the territory of the 5 rural areas.

4. Analysis of the complex territorial competitiveness

We made the analysis of the complex territorial competitiveness based on the presented system of indicators. The competitiveness of the business in the 5 regions was relatively highly assessed by the business and the municipal administration on the criteria of sustainable revenues from the activities of enterprises; investments in fixed assets; quality of manufactured products; image of the manufactured products; image of the enterprises on the territory of the respective municipality; quality of work and qualification of the staff, etc. The data in Figure 1 synthesize the final score of the 18 indicators included in the questionnaire. At the same time, the assessment by the business and municipal administration regarding the creation of new business clusters, application of management systems (including QMS), cooperation of enterprises horizontally and vertically, access to information on markets, products and technologies, etc. is relatively low.

The highest assessments were received in the territory of the municipalities of Rodopi and Perushtitsa, region Plovdiv, and the assessments can be determined as rather low for the territory of the agricultural-dominated municipalities of Tervel and Krushari in the Dobrich region.

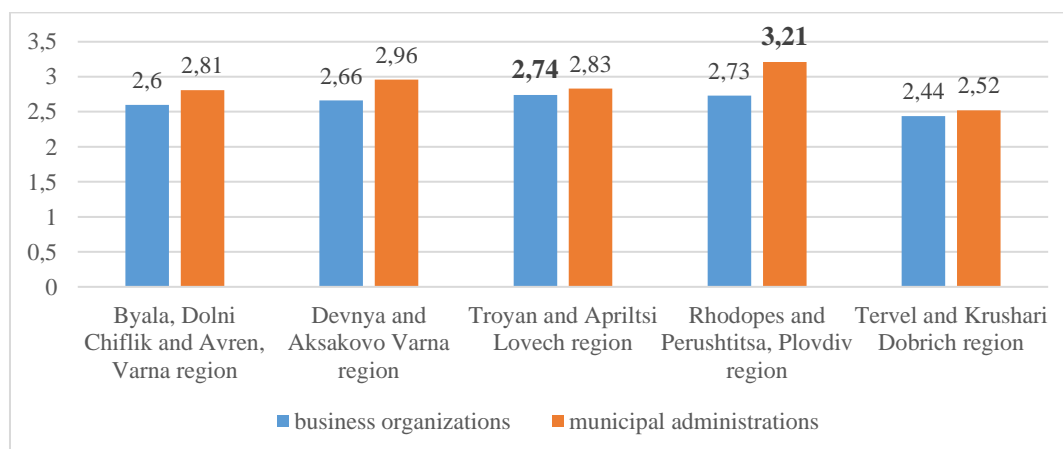


Figure 1. Assessment of business competitiveness

Source: own study

When assessing the access to the labor market and employment (Figure 2), relatively high assessment by business and municipal administration is reported in the following areas: increase in the number of organized qualification training courses; increase in the average annual salary of the persons with employment contracts. At the same time, rather low assessments were received for: unemployment of the population over 15 years of age; number of new companies started on the territory of the respective municipality. In some of the last indicators there is a serious discrepancy in the formed average assessments. In general, the representatives of the municipal administration who participated in the survey generally give higher assessment, and this applies most to the territory of the studied rural areas in region Plovdiv where there is the greatest variety of developed business. The only exceptions are the rural areas with dominating developed grain production (Dobrich region), where the municipal administration is more critical of the results in this area than the surveyed business representatives.

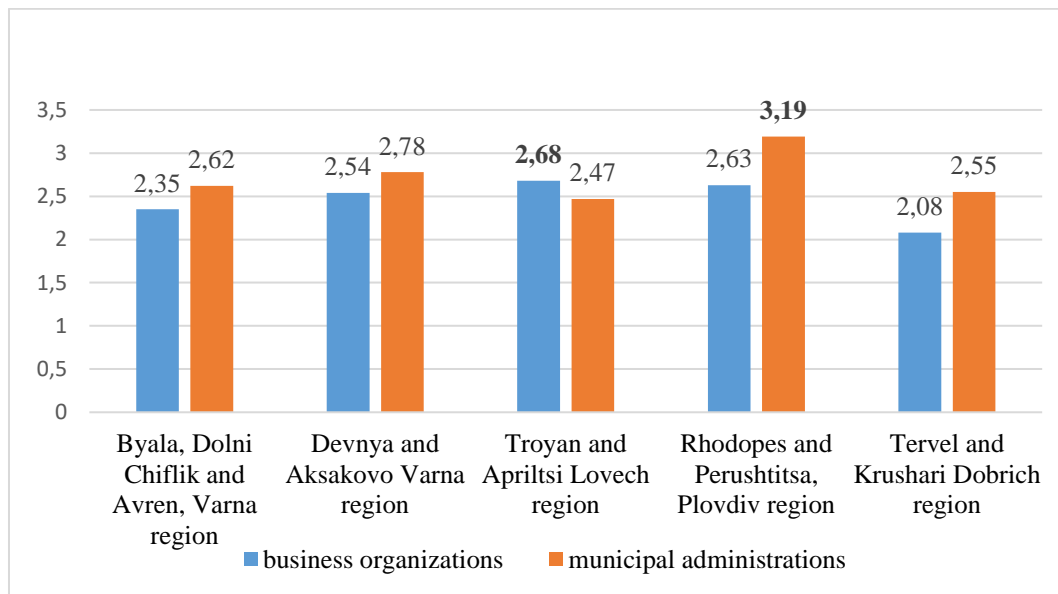


Figure 2. Assessment of access to the labor market and employment

Source: own study

The effectiveness of the strategic management of the municipalities is assessed relatively high by the business and the municipal administration, mainly due to the availability of publicly announced strategic development plans and the developed systems for monitoring and assessment of strategic documents (Figure 3). In four of the regions, the assessment by the municipal administration is over 3.0. The formed average assessments from the survey to the business representatives are significantly lower, as the lowest is the complex assessment on this block of indicators by the business in the municipalities of Troyan and Apriltsi, where the discrepancy between the assessments between business and the administration is most significant. There is a serious discrepancy in the assessments of the studied target groups with regard to the proactive (anticipatory) policy pursued by the municipal administration; information availability from sure (reliable) sources; the skills of the personnel in the municipal administration for project management and the conditions for electronic administrative services for citizens.

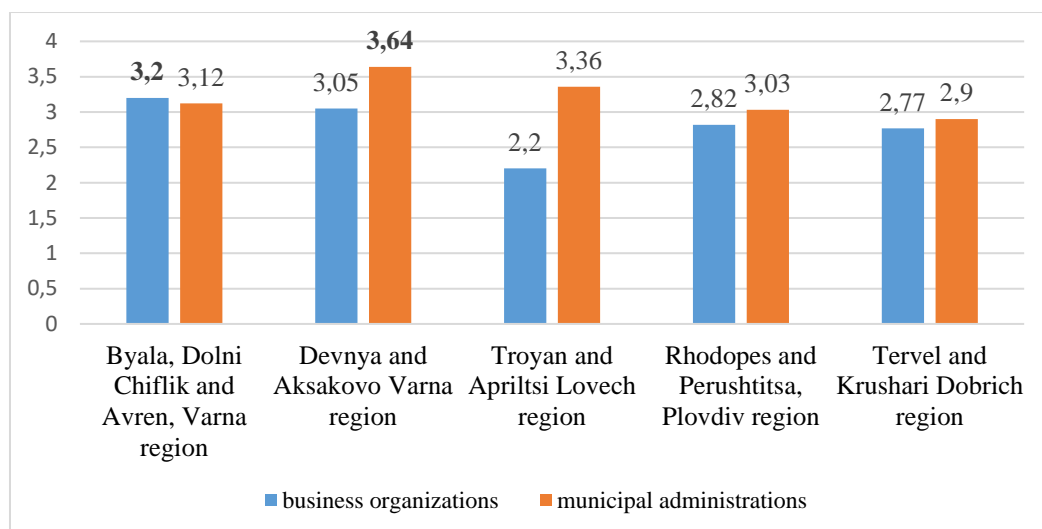


Figure 3. Assessment of the effective strategic management of the municipalities

Source: own study

The access to education, health, social and other services is the base of the assessment of quality of life and is essential for the overall competitiveness of rural areas, and the summary assessments of this block of indicators are presented in Figure 4. Relatively high assessment is indicated by businesses and municipal administration for increasing the number of rehabilitated and/or newly built educational facilities; sites for professional sports and leisure sports (with the exception of the two surveyed rural areas in Dobrich region). Relatively low assessment by the businesses and municipal administration and/or serious discrepancy in the assessments is observed for implemented projects to improve energy efficiency; reduction of early school leavers. It is noteworthy that the assessments of the business in the municipalities of Tervel and Krushari are significantly lower for all included indicators.

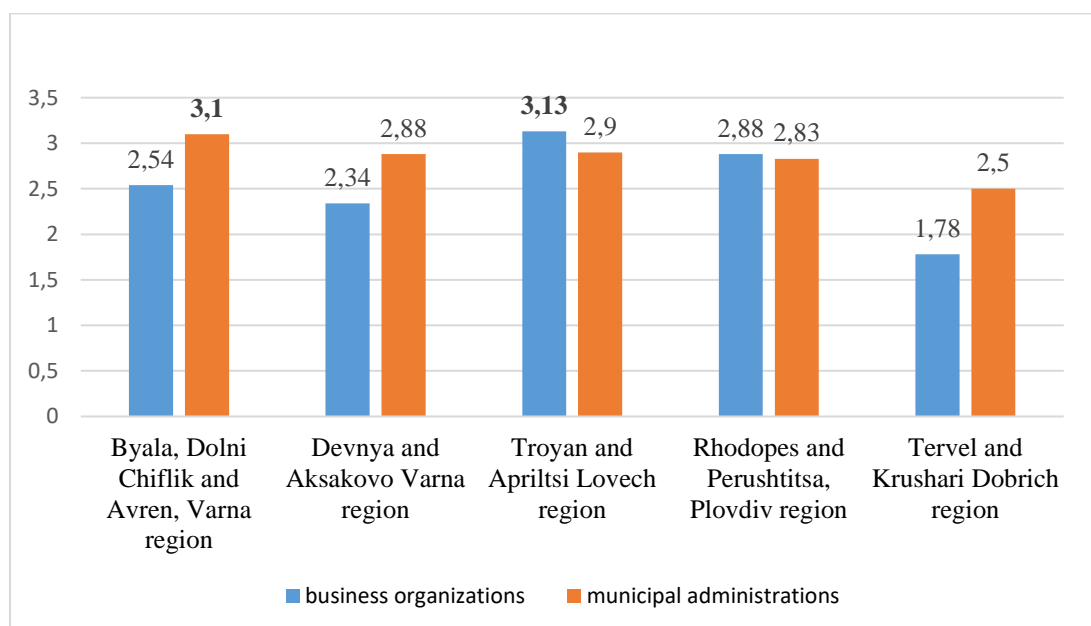


Figure 4. Assessment of access to educational, health, social and other services

Source: own study

The assessment of the availability of infrastructure in the studied rural areas is presented in Figure 5. The businesses and municipal administration assess relatively high the increase in the length of the rehabilitated/reconstructed roads on the territory of the municipality (including roads of regional and local importance and streets), the increase in the share of the population with access to sewage systems etc.

Relatively low estimates from the business and municipal administration are indicated for the access of households to Internet services and the share of the population with access to wastewater treatment systems.

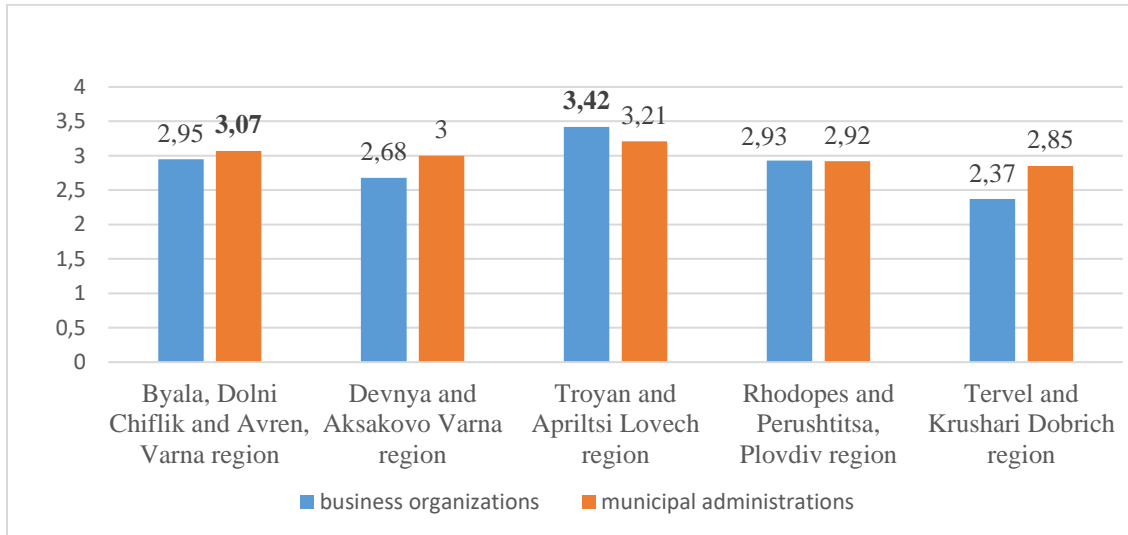


Figure 5. Assessment of infrastructure provision

Source: own study

We presented the results of the complex assessments for the directions of ecological competitiveness in Figure 6. The businesses and municipal administration in the majority of the surveyed rural areas indicate high assessments for the cleanliness and preservation of the environment, as well as for the observance of the legislative environmental norms by the local business and the measures, aimed at protection of natural resources (exception are the surveyed municipalities of Plovdiv region). Relatively lower assessments were indicated for: the availability of trained staff in the field of environmental protection; the measures for conservation and restoration of biodiversity; the effective functioning of early warning systems for emerging natural disasters.

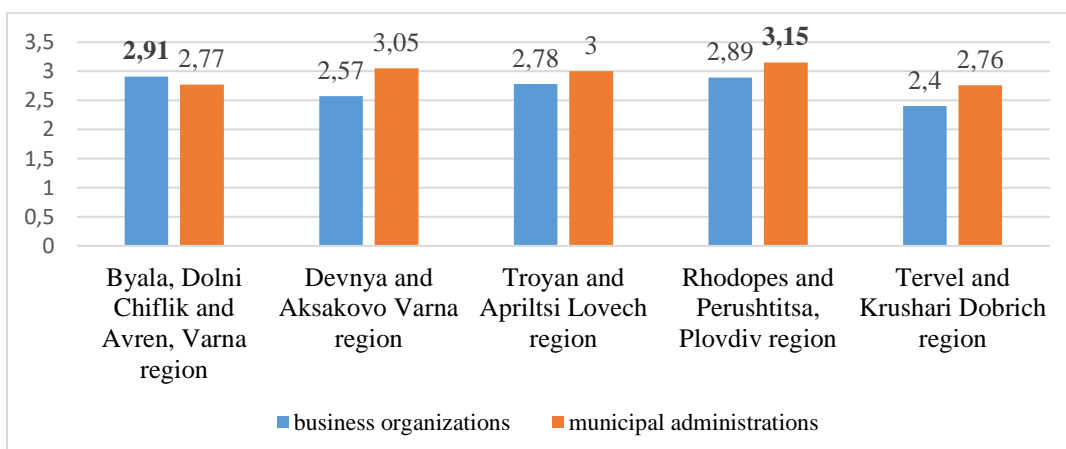


Figure 6. Assessment of the protection and improvement of the environment

Source: own study

We examined the cooperation between municipal administration, businesses, citizens and non-governmental organizations which is the basis of the so-called global rural competitiveness (Figure 7) by a separate block of indicators. The partnership relations between the businesses and the municipal administration, the participation of representatives of the civil society structures (CSOs) in consultative bodies at municipal level and effective communication between the parties were relatively highly assessed. Lower assessments were indicated for the application of proven good practices of other municipalities in the country and abroad and motivation of the representatives of local administration to provide information to the civil society structures and citizens.

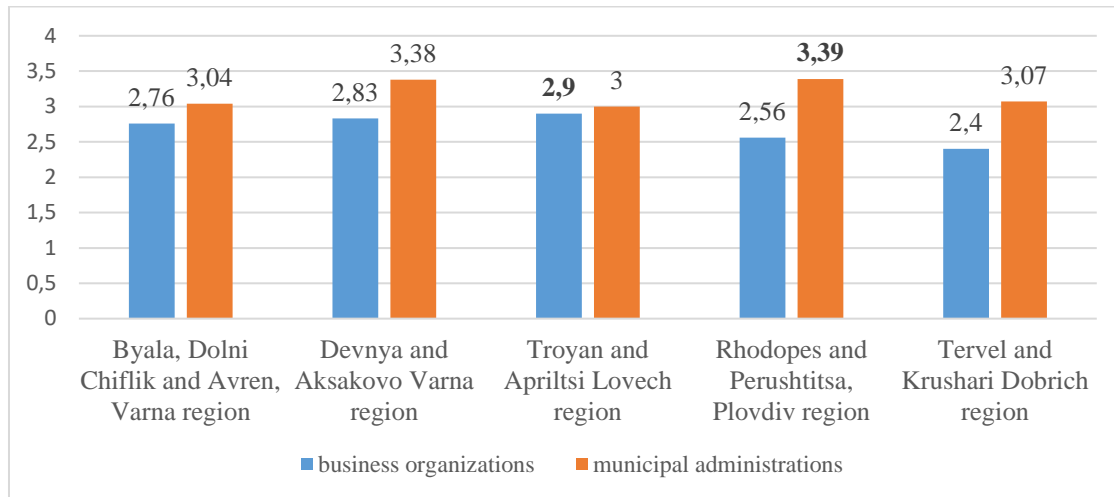


Figure 7. Assessment of the cooperation between the municipal administration, the business structures of the civil society and the citizens

Source: own study

For the purposes of the complex assessment of territorial competitiveness, the development of civil society structures as a driver of exchange of experience and a source of ideas for regional development was assessed with a separate block of indicators (Figure 8). The competence of the representatives of the civil society structures for participation in solving socio-economic issues in the municipalities and in developing local policies and strategies and their implementation were highly assessed. Lower assessments, which can be identified as potential directions for the development of the regions, were given for cooperation for application of proven good practices from other municipalities in the country and abroad.

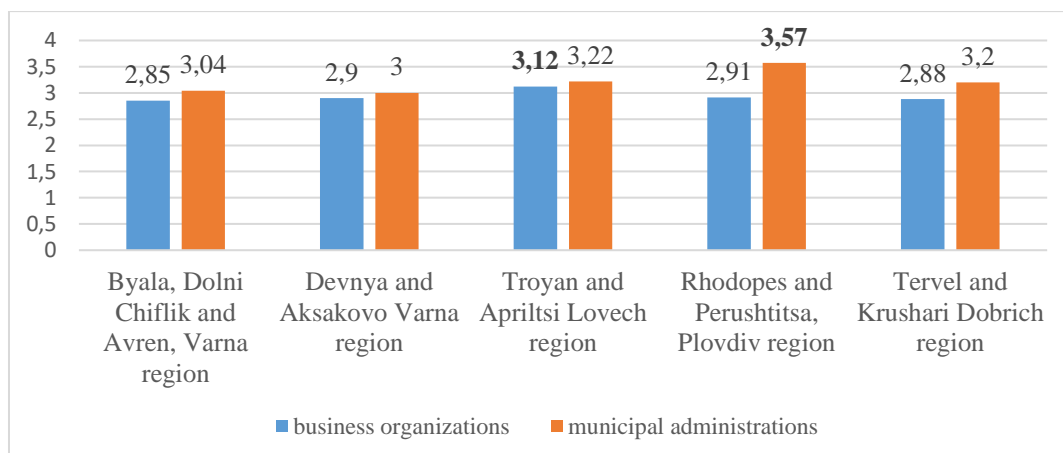


Figure 8. Development of civil society structures

Source: own study

The summarized average assessment of the competitiveness of the studied rural regions represented in Figure 9.

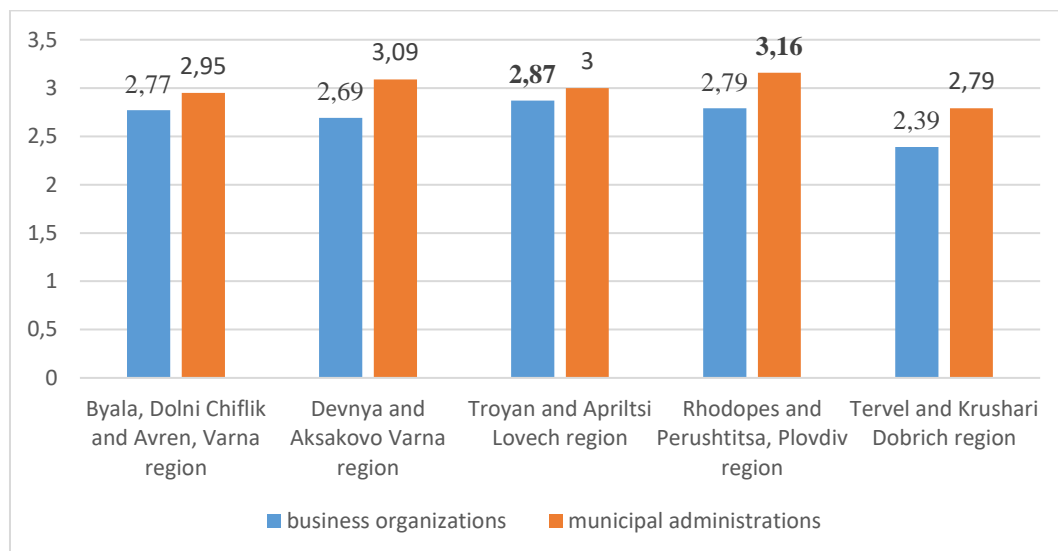


Figure 9. Overall assessment of competitiveness

Source: own study

Based on our complex analysis of the competitiveness of the studied types of rural regions we made the following conclusions and summaries:

1. The formed assessments of the economic dimensions of the competitiveness of the regions define different profiles of the regions. The most significant differences are between the territories of local initiative groups:

- where tourism is more important, compared to regions where agriculture and forestry are prioritized;
- which are located around large urban centers with large population, compared to rural areas where the number of urban-type settlements is limited;
- in which there are natural landmarks and diverse landscape compared to traditional rural areas in the plain part of the country.

2. We observed a serious discrepancy in the average assessments, both for individual areas of competitiveness and in the assessments of the two studied target groups - municipal administration and business representatives. In general, the representatives of the municipal administration indicated higher assessments of the various dimensions of the economic situation and development compared to the representatives of the business. These differences are especially significant in terms of the strategic importance of sectors, industries, activities, implemented policies, strategic documents, etc.

3. The assessments of the importance of the strategic factors of the competitiveness of the regions near large urban centers and in regions where tourism has a leading place are higher.

4. There is no direction in the scope of the complex assessment in which the rural areas with predominantly intensive development of grain production (Tervel and Krushari municipalities in Dobrich region) show the best results. In these areas, the average size of ownership and land use is relatively higher and support in the form of direct payments for acreage is concentrated in a limited number of large users, while the overall competitiveness of the areas remains relatively lower.

5. The establishment and operation of cluster-type network structures is among the lowest assessed factors for the economic aspects of regional competitiveness. However, the estimates do not differ significantly in all five studied areas.

In conclusion, the results of the applied methodology for complex analysis of the competitiveness of the studied rural regions can be used for development of strategic priorities and determination of the potential for development of individual activities, industries and sectors in rural regions. A rural region with its specific economic, environmental, social and cultural micro-environment allows local economic actors and institutions to develop integrated activities to provide maximum added value in the long run and undertake joint initiatives which contributes to the increasing of the competitiveness of the region.

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