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The Shumen Region (Nuts3) as an Example of a Region with Social Problems

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1. Introduction

This report has been prepared as part of a study of the development processes in selected regions of the countries of Central and Eastern Europe countries, conducted as part of the GRINCOH project. The study aims at identifying the strengths and weaknesses of the Bulgarian NUTS 3 Region Shumen as a region characterized by high unemployment level. In the framework of the study have been outlined the problems related to and factors for the development and transformation of the region. For the purposes of the study have been used available statistical data and through the conducted 11 in-depth interviews due account has been taken of the opinions of representatives of different institutions, which have a role to play in the socio-economic development of Shumen Region.

1.1. History and location

Shumen District is situated in Northeast Bulgaria. It occupies an area of 3.39 thousand sq. km or 3.05 % of the national territory. The district comprises 10 municipalities and 151 human settlements with a total population of 205 198 people or 2.6 % of the national total. The district ranks on the 16th place in terms of size among the total of 28 districts in the country.



Map of Shumen district

The territory of the district is traversed by major East-West and North-South routes, which connect Sofia with Varna (including the “Hemus” Highway) and Northern Bulgaria with Southern Bulgaria, including the meridian road I-7, which after the opening of the “Lesovo-Hamzabeili” Border-crossing Point will develop into an international route, connecting Romania with Turkey.

These peculiarities of the district have formed it on one hand as a transit territory for the transport and economic links performed within the Northeast Region and, on the other hand, as an important hinterland, supporting the intensive development of Varna as economic and touristic center and of the entire Black Sea coastal area.

These peculiarities of the district have formed it on one hand as a transit territory for the transport and economic links performed within the Northeast Region and, on the other hand, as an important hinterland, supporting the intensive development of Varna as economic and touristic center and of the entire Black Sea coastal area. These relative advantages of the district in combination with the locally available unique anthropogenic touristic resources emphasize its attractiveness for investment and tourism.

It was here that in the year 681 the First Bulgarian State was founded. According to data of the National Institute for Immobile Cultural Heritage the declared and promulgated immobile cultural landmarks amount to 629 sites (including 1 of world significance and 147 of national significance). The cultural and historical landmark “The *Madara* Horseman” in Shumen Municipality is the only

monumental stone relief of world significance in Europe dating back to the 8th century A.D. and included in the List of World Cultural Heritage under the auspices of UNESCO.

There is, however, an acute need of investments in conservation and exhibition of the sites, as well as in touristic infrastructure (i.e. facilitated road access and competitive accommodation facilities).

In its capacity of administrative centre and traditional educational and cultural centre for the region, the city of Shumen concentrates also a large portion of the local economic potential and dominates strongly over the rest of the cities in the district. The cities of Veliki Preslav, Novi Pazar and Kaspichan balance to a certain extent its influence and thus an area possessing a higher potential is formed in the central part of the district. The northern and southern parts of the district form clearly outstanding areas facing the typical problems of peripherality.

1.2. Basic socio-economic characteristic

Since the beginning of the 1930'es till the end of the 1980'es the population of Shumen District was steadily increasing. Since 1989, however, it has been diminishing as a result of migration and negative natural population growth. For that reason the human resources of the district rapidly diminish and there is a marked decrease in terms of educational and skill level. The population drop is both a symptom for and the beginning of a much graver problem. That is the depopulation of the majority of the settlements in Bulgaria for the account of the growth of the population of the capital and some bigger urban centres like Varna and Burgas.

By 01.02.2011¹ the population of the district was 180 528 people (2.5% of the national total). Almost the half of it is concentrated in the city of Shumen (45%).

During the period between the two last population censuses (2001 and 2011) the population of Shumen District has diminished by 23 850 people (-11.7 %), whereat the rate of population drop in the district is higher than the national average, but nevertheless the district continues to demonstrate a more favorable demographic picture as compared to the rest of the country because of the better age structure.

About 63% of the population is urban, which demonstrates a low degree of urbanization. Shumen continues to be also one of the districts with the lowest population density in the country. In 2012, for instance, there were slightly below 930 inhabitants per square km urbanized territories. The average population density in Shumen District is 53.3 inhabitants/sq. km and is lower than the national average (66.34 inhabitants/sq. km).

The negative natural and mechanical population growth is a potential problem for the further viability of the district. The human resource and more specifically its "drain" stands out as a major problem of the district. On the other hand, the existence of high unemployment rate (especially in the small municipalities) is a factor blocking development.

The ethnic group of Bulgarians comprises 59.2 % of the inhabitants at 84.8 % country average. The Turkish ethnic group comprises 30.3 % of all the inhabitants in the district as compared to 8.8 % country average. The persons, who have self-identified themselves as belonging to the Turkish ethnic community, predominate in 5 municipalities – Venets (89.0 %), Hitrino (84.0 %), Kaolinovo (77.6 %),

¹ The latest population census

Varbitsa (56.7 %) and Nikola Kozlevo (50.8 %). The relative share of the Roma ethnic group is 8.3 % at 4.9 % country average.

By 01.02.2011 the persons with higher education in Shumen District represented 14.5 %, whereat in terms of this indicator the district occupies medium position within the country (19.6%). By the point of the population census the persons with high school education were 38.1 % of the total (national average 43%).

In terms of the GDP per capita Shumen ranks on the 18th place among the total of 28 districts in the country. In 2011 the GDP per capita was 3200 EUR, which corresponds to 60% of the national average. The business activity is low. The expenditure for acquiring long-term material assets per 1000 inhabitants, despite the increase noted in 2011 and 2012, continues to be more than two times below the national average. The attracted foreign investments are also relatively small. All these developments have a negative impact on the labour market. The unemployment level (LFS) is the highest nationwide – 26.6% for 2012 and has remained almost unchanged during the last three years. The employment rate for the population aged 15 and above continues to be low (44%). Nevertheless, even at this background, the income per household member is relatively high - 91% of the national average.

The structure of the local economy is not commensurate with that of the country. The agrarian sector plays an important role with a share of approximately 13% of the generated Gross Value Added. Industry accounts for about 30% and the services sector accounts for the remaining 57%.

The development of the district is strongly polarized – 80 % of the output of the non-financial enterprises in the district is produced in Shumen Municipality.

The territorial structure of the district economy is characterized by clearly manifested development axis in East-West direction, comprising the municipalities of Shumen, Kaspichan, Novi Pazar and Veliki Preslav.

Table 1: Main characteristics of Shumen region

Indicator/year	2008	2009	2010	2011	2012
GDP per capita (BGN, current prices)	5 934	5 335	5 434	n.a.	n.a.
Employment rate of persons above 15 years of age (%)	46.8	41.6	40.02	43.5	44.0
Unemployment rate of persons above 15 years of age (%)	16.7	23.1	28.8	26.8	26.6
Share of the poor as compared to the poverty line in the district (%)	24.4	26.3	21.0	n.a.	n.a.
Coefficient of age dependence (65+ vs. 15-64 years of age (%))	22.9	23.4	23.9	26.4	27.1
Coefficient of natural population growth (‰)	-4.1	-3.0	-4.6	-4.8	-5.7
Coefficient of mechanical population growth (‰)	-1.5	-4.1	-5.2	-1.0	0.4
Share of population with higher education, 15-64 years of age (%)	18.2	18.7	18.8	20.4	20.7
Percentage of matriculation marks to "BG language and literature" (BLL) below "Satisfactory 3.00"	5.5	9.5	9.7	7.6	8.9
Average scores of matriculation exams to BLL	4.2	4.7	4.0	4.3	4.0
Share of road pavement in good state-of-repair	n.a.	n.a.	30.1	18.9	19.0
Share of households with access to Internet (%)	27.4	34.7	25.2	33.7	44.7
Share of population with access to sewerage system connected to wastewater treatment plant (%)	44.3	44.6	44.8	44.8	n.a.
Share of persons with health insurance (%)	83.2	88.1	84.7	89.6	88.4
Child mortality rate (‰)	15.2	11.5	11.4	11.8	10.7
Number of crimes per 1000 inhabitants	11.2	11.5	11.4	11.8	10.7

Source: National Statistical Institute (NSI)

According to the respondents during the past 24 years a social segregation has been observed, there has been aggravation of the economic, social, health status, educational and other disparities among the population – processes, which the authorities can cope with. In the recent years there has been significant improvement in the infrastructure, although it is as yet far below the aspired level for lack of adequate investments in environmental protection and waste management. A turning point after 1989 was Bulgaria's accession to the EU, although it had not as yet brought about a shining impact in terms of improvement of living standard of the population.

1.3. Administrative and governance context

Bulgaria is a relatively centralized state with two territorial governance levels - 264 municipalities (LAU 1 level), in which local self-government is realized, and 28 districts – NUTS 3 level, which represent deconcentrated administration of the central authority. Six NUTS 2 regions were established for statistical purposes alone.

In practical terms there is one sub-national level for independent governance and to a certain degree of financial decentralization – municipalities. As an average, the municipalities include 20 settlements and the average population size is around 28 800 inhabitants. The most populous municipality is the capital Sofia with 1 270 thousand inhabitants. The spheres of responsibilities of the municipalities comprise municipal services in the field of education and health care, construction and maintenance of district roads and policies on the labour market. The major responsibilities of any municipality comprise development and maintenance of the engineering and social infrastructure, provision of public services (education, health care, social assistance), as well as strategic and spatial planning.

These administrative units, although granted relatively equal power of authority, differ in terms of size, demographic, geographic and business characteristics, which affect also their financial and economic potential. This is particularly valid for those municipalities, whose financial transfers from the state budget are directly related to the above mentioned characteristics.

Certain positive changes in the internal structure of municipal finances have been realized as well. In recent years the structure of revenues is shifting towards smooth increase of the share of equity revenue and reduction of the share of transfers from the state budget. Nevertheless, the share of transfers from the state budget accounts for more than 50% of the total revenue of municipalities, although municipalities may freely dispose of hardly 10% of the allocated amount.

Until recently municipalities did not have the right to set the taxation rates, even for local taxes – only the National Assembly had that right. With the so-called Forth Amendment of the Constitution at the beginning of 2008 municipalities were granted the right to set the local taxes independently.

According to the endorsed methodology of the Ministry of Finance concerning the financial sustainability of municipalities² in 2012 six of the total of eight municipalities in the district (Venets, Varbitsa, Nikola Kozlevo, Novi Pazar, Smyadovo and Hitrino) stand out for low financial stability and fall under the group of municipalities ranking between the 186th and 230th place (out of a total of 264 municipalities). Only Shumen Municipality is situated somewhat up towards the top of the rank list – on 93rd place.

² <http://www.minfin.bg/bg/page/812>

In the years of economic crisis and the following recession the capital costs in the budgets of the municipalities have dropped severely from an average of 23% to 8.8% in 2013.

Anyway, the accelerated absorption of European funding by the municipalities under the EU Operational Programmes in 2012-2013 managed to compensate to a certain extent the diminished influx of local and foreign investments and the weaknesses in the operation of the administration. As regards the European funds, the rates of absorption are also characterized by huge variations among the districts. Where the municipal administration is more active, the indicators for the social and engineering infrastructure demonstrate significant improvement.

On the area of the district operate a number of organizations and a NGO sector, which are, along with the municipal and district administrations, beneficiaries under projects financed with EU funding.

According to the conducted interviews, the major remark concerning the operation of the administration concerns the speed of responding to challenges.

In 2013 almost no changes have been noted in the levels of local taxes and charges. According to the interviewed persons the question still pending is the extent, to which the economic reality in the district calls for a more active approach in the setting of these taxes and charges, since in many cases it might be possible to consider their reduction for the purposes of stimulating business. The rate of real estate tax for legal entities, the taxes for transport vehicles and personal cars and the tax for purchase of real estates are at levels around the national average. The waste disposal charge, which is one of the biggest barriers for business, particularly in districts with characteristics similar to those of Shumen, is also higher than the average for Bulgaria. As a “plus” for the business environment one should note the amount of the patent tax for retail trade, which is one of the lowest on a national scale.

2. Trajectories of economic development and structural change, social cohesion

2.1. Economic performance of the region

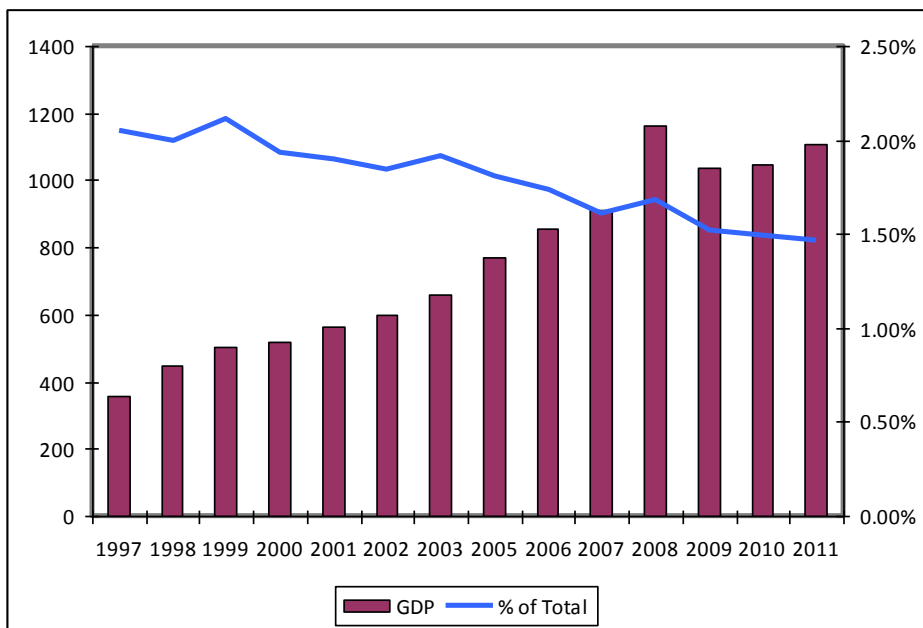
The establishment of market-oriented conditions has had its influence on the dynamics of development and the structure of production in the Shumen region. After the grave economic drop during the 1990'es, revitalization in the production sector has been observed during the period 2005-2008, but the noted growth in quantitative and qualitative aspect is not sufficient to catch up with the national average.

As a general trend, the rates of growth of GDP in the district during the period 1997-2006 are below the average for the country, whereat during 2007-2008 GDP growth ahead of the average for the country was noted, but the drop that followed was also higher than the national average. During the period 2010-2011 there was a certain increase of the GDP but at rates below the average.

As a result of the observed dynamics the contribution of the region to the national GDP drops from 2.05% in 1997 to 1.47% in 2011.

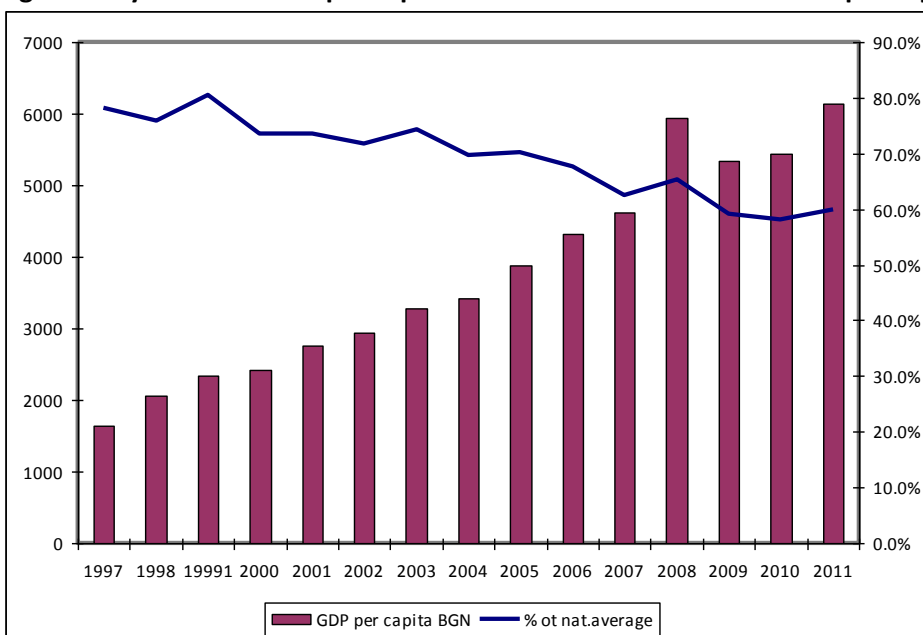
It is evident from the data about the generated GDP that during the period 1997 – 2008 the per capita values increase steadily (with the exception of 2011), but are still lower than the national average and there is no diminishing of the difference between the national level and the district level and rather the opposite holds true (from 97.4% GDP per capita in 1995 it drops to 60% in 2011).

Figure 1. Dynamics of GDP and contribution of Shumen District to the national GDP, 1997-2011



Source: National Statistical Institute

Figure 2. Dynamics of GDP per capita and % of the national total GDP per capita, 1997-2011



Source: National Statistical Institute

The reasons underlying the slower development of Shumen region are rooted in the structure inherited during the period of transition to market-oriented conditions with a high share of the agrarian sector and well-developed manufacturing entities in the transport vehicle engineering. In Shumen Municipality used to operate one of the biggest plants for manufacture of heavy-duty trucks in the Eastern block – “Madara” Shumen – and in the municipalities of Shumen, Novi Pazar and Veliki Preslav used to be developed manufacturing facilities supporting ship-building, strongly developed in the neighboring Varna District, as well as other large-scale production facilities, including for

production of non-ferrous metals and mineral raw materials. With the breakdown of the COMECON market these production facilities were almost liquidated. This fact, in its turn, put in motion de-industrialization processes, as a result of which the share of industry in the GDP dropped to 27% in 1995 – one of the lowest values in the country as a whole. The 2008 economic crisis led to additional drop in the economy of the region, but the data for 2012 show that Shumen is one of the districts, in which some growth of the number of active economic entities is observed.

2.2. Heritage of former socialist system

The most significant manifestations of the former development model to date comprise the following:

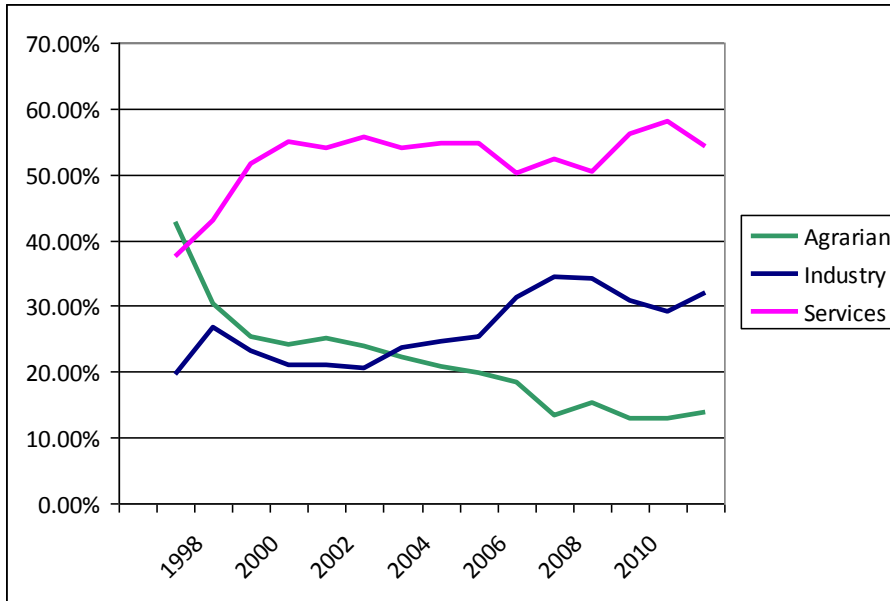
- Unutilized military plots and building stock, which Shumen Municipality has acquired from the state in 2012, including a branch of the Military Academy, which might be utilized for the development and modernization of the city;
- Housing estates, built of assemblable concrete panels in the peripheral parts of the cities in the region, as well as the total housing stock, which require concerted measures for rehabilitation and energy efficiency improvement – more than 60% of the housing stock;
- A small portion of the former industrial installations have survived thanks to the profound restructuring processes, whereat they have reduced their scale down to 15-30% of their previous size, as for instance the “Madara” works, the food-and-beverages industry, the textile factories;
- Another portion of the industrial capacities has been purchased by foreign investors, like for instance the beverage works, the aluminum plant, etc.;
- Industrial plots, the predominant portion of which are heavily depreciated, which has made it indispensable to allot new “green field” plots.

2.3. Direction of structural changes in the region

A slow and unstable process of change of sectoral development of the region in favour of industrial development is observed and may be evaluated as a positive step. Between 2005 and 2008 the growth of the regional Value Added has been slower in the services sector than in industry. The share of services in the district (54.1%) is below the national average (65.6%) and does not copy the national model of progressing growth but has rather conditional stationing due to the good indicators for the other two sectors of the district economy. This setback of the tertiarisation process can partly be explained by the development of manufacturing and construction reversing a long-standing downward trend.

In 1997, after the second economic shock in the development of the country and the regions, industry in the district dropped from being a leading sector to 19.7% of the GDP structure by sectors, but managed to go out of the crisis and mark upsurge during the period of accelerated growth of the Bulgarian economy (2005-2009) and reach some 30.9%. The agrarian sector manifested the most significant structural change – from 42.8% in 1997 to 13.8% in 2011. The industrial sector in the district has a share close to the average level for Bulgaria (29.5%), while the share of the agrarian sector is far above the national average (4.9%) and the average for the entire Northeast Region (7.3%), where it is traditionally an important sector.

Figure 3. Regional added value by sector, 1997-2011



Source: National Statistical Institute

The employment by economic sectors in the district economy also demonstrates the well established trend – large share of employment in the services sector (new jobs mainly in the trade and services sectors, where the staff is with relatively low qualifications and remuneration) - 51.5% as compared to 34.7% in industry, 5.9% - in construction and 8 % in agriculture. As different from many other districts, this employment model is conventionally balanced, but the lasting trend of diminishing of employment in agriculture gives grounds for serious concern.

Major industries in the region are transport engineering, silicate industry, the wine industry. The significant potential of the district in the field of tourism continues to be untapped. On the territory of Shumen District are situated important cultural and historical landmarks, such as the ancient capital cities of Pliska and Preslav, the “Madara” historical and archeological reserve, the Shumen Fortress. The absence of investments and of functioning strategy for popularization of these sights of national significance hinders the development of tourism.

Interregional disparities

The inter-regional disparities are aggravating. The development in the district is strongly polarized - 80% of the output of the non-financial enterprises in the district is produced in Shumen Municipality. There is a large contrasts between "center" and "periphery " (axis of economic development "West - East", including municipalities Shumen, Kaspichan, Novi Pazar and Veliki Preslav and lagging northern and southern periphery and rural areas). Regional differences are manifested in the performance levels of all aspects of the operation and development of the labour market - employment, unemployment, wages, labour productivity, educational and professional qualification, demographic structure of the workforce, social standards of living.

2.4. Impact of external factors upon regional development

The region, as well as Bulgaria as a small open economy, is very sensitive to external factors. The risks, related to the economic growth in Bulgaria and its regions, depend to a high extent on the external environment. A tentative aggravation of the drop of economic activity in the EU and

postponement of the recovery for 2014 will have a direct negative effect on export and an indirect effect on consumption and direct foreign investments, including for the region under review.

In 2009 the economy of Bulgaria and its regions was not spared the impact of the global financial and economic crisis and the GDP shrank by 5.5%. In the next three years a shy recovery of the economy was noted, characterized by minimal growth rates.

Another important factor, which has a notable impact on regional development, is the membership of Bulgaria in the EU. One of the direct benefits of that is the improvement of the conditions for foreign trade with the EU.

All in all the membership in the EU is evaluated positively by all the interviewed stakeholders and it is noted that it is the major driving force for promotion of growth of both the sub-region and the city in recent years. Part of the respondents, however, remark that the membership in the EU has failed as yet to influence substantially the development of a number of key spheres, like for instance improvement of the competitiveness of Bulgarian companies, agriculture, protection of the environment, culture and science and social policies.

According to the respondents the region has been affected particularly gravely by the economic crisis – a number of small enterprises have steadily run out of business, the people have lost their income and earnings. The remuneration rates of those employed (in the private sector) had been curtailed, in the public sector for more that 5 years now had been no salary increases for the account of the ever higher workload of public servants as a consequence of the implemented reforms.

At the same time, under the circumstances of crisis and post-crisis recovery (which as a period coincides with the beginning of the membership of Bulgaria in the EU), in a situation of limited investment resources, the EU funds and operational programmes offer one opportunity to enhance regional development and their full and effective utilization is an important function of the state and its administration.

2.5. How the situation on regional labour market does affect social cohesion?

The employment rate of the population aged 15-64 in the district is 54.9 % and is lower than the country average (58.9%). In recent years Shumen is one of the eight districts in Bulgaria, which demonstrate a steady increase of the number of employed persons and in 2012 for a third year on the row reports increase of the employment rate.

The labour market in Shumen Region has undergone significant transformations during the past 15-20 years. From 13.2% at the offset, the unemployment level has reached its highest level in the period 1999-2001 (27%) and its lowest value in 2008 (11.44%). The main factor for this development is the slow economic transformation of the region under the conditions of market-oriented economy. As a result of the financial crisis in the years after there was increase of that indicator up to 14.75 % and 15.74% respectively in 2010 and 2011 compared to the country average values of 9.47 % and 9.67 % respectively.

The municipality with the lowest unemployment in 2013 was Shumen Municipality (7.65 %) at the background of strikingly higher values for some of the other municipalities in the district. In 2013 the problem with the unemployed persons was the gravest in the municipalities of Kaolinovo (60.81%), Nikola Kozlevo (57.09%), Venets (56.27%) and Varbitsa (46.21%). In the past 15 years the highest values for average annual unemployment level in the country were reported for the municipalities of Nikola Kozlevo and Kaolinovo).

Figure 4. Registered unemployment rate for region and average for Bulgaria, 1995-2013

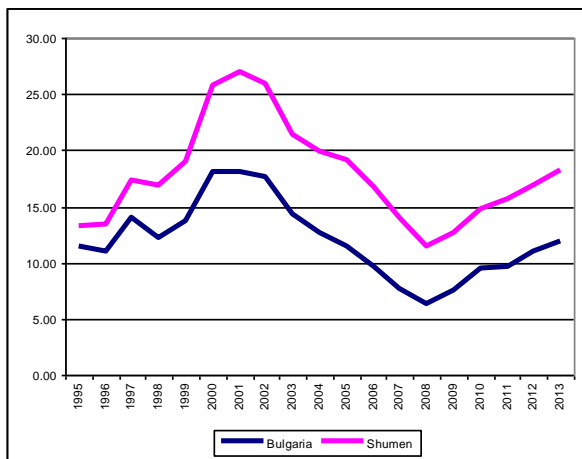
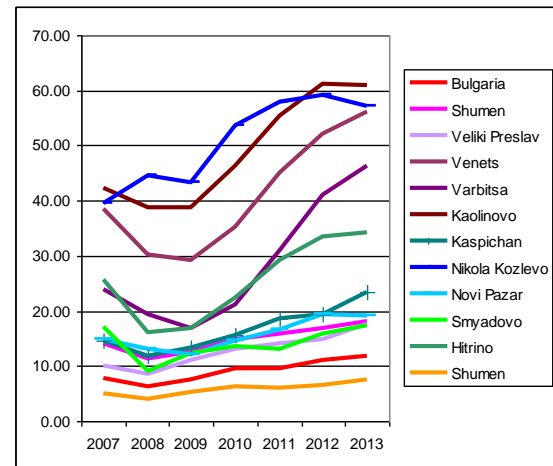


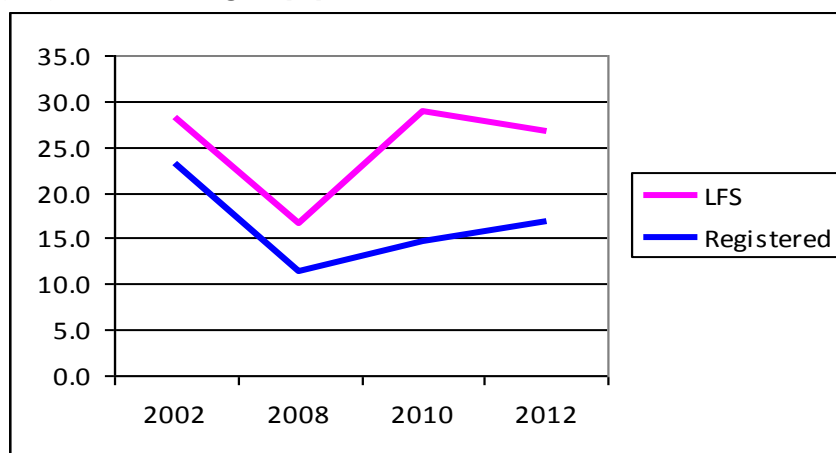
Figure 5. Registered unemployment rate for municipalities in the region, 1995-2013



Source: Employment Agency

The unemployment rate is probably higher, as indicated in the evaluation in the survey of the labour force (NSI). According to the LFS Shumen District is characterized by the highest values for unemployment level during the last 10 years (26.6%). This is due to the fact that a large share of the unemployed persons are long-term unemployed and do not register at the labour offices, since are no more entitled to unemployment payment.

Figure 6. Registered unemployment rate (A) and unemployment rate based on Labour Force Survey (LFS) in Shumen region [%]



Source: Employment Agency and National statistical Institute (LFS)

The high unemployment and particularly the unregistered unemployment have led to stratification of the revenue levels among the individual municipalities, although in the municipalities with the above mentioned dramatically low unemployment levels the income is procured by the private agricultural farms of the population. The average salary in the district has dropped from 85% of the country average in 2008 to 78.5% in 2013. The total average income per household member in the period 2008-2012 was 85% of the country average. The inequality in the distribution of income in the district (the Gini coefficient) has diminished from 42.6% in 2008 to 37% in 2012.

In the respondents' opinion the labour market in the region is fragmentary, quite a lot of the educated people leave the region and move to other regions or abroad, while people from the

smaller settlements, with no or low education shift to Shumen. Hence, the educational status of job seekers is low and inadequate to the demand. The formation of structural unemployment and lack of correspondence between supply and demand on the labour market becomes ever more apparent. The region is characterized by a significant percentage of seasonal employment, which requires low educational level. The easy access of certain minority groups to social assistance undermines their motifs of making efforts for joining the labour market.

2.6. How the accessibility of different public services (health care, child care, education and training, labour market and social) can be assessed?

According to the local communities the social services in the region are well developed and maintained by the authorities. Health care, which is administered by the local authority, is at a very good level, care for children and the aged also.

On the other hand, a more detailed analysis would provide grounds for the following conclusions:

Health care

As compared to the country as a whole the number of beds in the multi-profile hospitals for active treatment per 1000 inhabitants appears to be inadequate. The total provision of the population in the district with beds in the treatment and health care institutions in 2012 was 587 beds/100 000 inhabitants and the country average was 731 beds /100 000 inhabitants. The general indicator for provision of 10 000 inhabitants with medical doctor in 2012 was 30.9 (country average 38.8). For dental doctors this figure is 5.6 (country average 9.1). At the end of 2012 the pulmonary hospital in the city of Shumen was closed. The district dispensary for oncology in the same city is also challenged by grave financial problems. The district does not suffer from shortage of general practitioners as yet (one GP per 1378 inhabitants), but the issue about the specialists is somewhat different. The problem with the specialists in pulmonary diseases is particularly grave, since one doctor is in charge of 12 800 inhabitants at 5 263 country average. The number of cardiologists is also inadequate – one specialist is in charge for 10 541 people at 6 391 country average. For some of the settlements in the periphery there are also problems related to the distance from the location where medical help is available (primary care, specialized treatment, hospital treatment, emergency treatment).

Education

Positive changes have been observed in the field of preschool education. There is an increase in the access to that service and the efficiency of operation of the institutions. The efforts should be oriented towards improvement of the access in the small peripheral municipalities as well. The net coefficient of attendance in child care facilities in the district (measured by means of the share of children aged 3-6 attending kindergartens) is higher than the country average by 3.4 percentage points. The average number of pupils per one teacher in the district (10.9) is slightly below the country average. The average number of children in a group is 22.2 and is also below the country average.

Education in Shumen region as a whole is estimated as satisfactory. In terms of number of schools and teachers per capita the situation is relatively good, despite the diminishing of schools. A total of 29 educational establishments have been closed between the 2007/2008 school year and the 2011/2012 school year. In general, the reduction refers to general schools. The number of specialized and vocational schools remains intact. The reduced number of schools has to be attributed to a high extent to the negative demographic characteristics and the diminishing of the number of children.

Vocational education for the entire spectrum of professions in the district economy is provided by the vocational high schools (a total of 11) in the cities of Shumen, Novi Pazar and Veliki Preslav and 2 vocational colleges in tourism in Shumen. The high schools for foreign language learning, natural science and mathematics and humanitarian subjects ensure good level of education and training.

The rate of enrollment in 5th – 8th grade is one of the highest for all the 28 districts. As a negative fact it is worth noting that in 2012 there was an increase of the number of dropouts from elementary and high education, which goes up to 3.2% - some 0.8 percentage points above the country average. The average score from the state matriculation exam is “Good 4.00” and is also below the average values.

Every fifth inhabitant of the district (about 20%) between 25 and 64 years of age is university graduate. For the same of comparison on the average for Bulgaria every fourth inhabitant in this age group has higher education. The district gains from the existence of a higher educational establishment on its territory. In the Shumen University there are 5 098 students and 484 professors. There are five faculties: humanitarian sciences, mathematics and informatics, natural sciences, engineering and pedagogical faculty. The broad spectrum of subject fields and the admission rates are not always aligned to the demand of the real economy and the tertiary sector.

The existing research potential outside the higher educational establishments is limited and hence does not contribute for development of the innovation potential of the region. The number of functioning institutions in the field of R&D in the district is very small and is concentrated in the city of Shumen. It is represented by the Institute of Agriculture and the R&D divisions with the bigger manufacturing enterprises.

In 2012 the number of university students per 1000 inhabitants was 28.39.

Social services

The network of specialized institutions for social services in Shumen District is relatively less developed. By 31.09.2012 there were a total of 4 institutions for social services (centres for children deprived of parental care, centres for elderly people with psychic disorders and centres for people with psychic disorders). Their total accommodation capacity is 275 places. The specialized institutions for granting services to elderly citizens and underprivileged children are insufficient. Since 2011 a policy of de-institutionalization is underway in the district, whereat prevention of the emergence of significant inter-municipal disparities in the access of potential beneficiaries to such institutions should be avoided.

The distribution of institutions providing social services in the district comprises a total of 23 such facilities (daily centres for handicapped children, young people and elderly, centres for social integration and rehabilitation and other such service establishments listed in the table). In the peripheral areas of the district the types and number of social services facilities are limited. At the same time in the district there are no “centres for temporary accommodation” of people deprived of their homes, nor “transition housing” for mentally handicapped people. There are no shelters for homeless people nor operating social training centre (vocational training and retraining of handicapped people and their preparation for independent life). Setting up of crisis centres for children and adults in the district is necessary.

In spatial aspect it is emphasized that the access to the majority of public services in rural areas is much more difficult.

Table 2. Selected social sphere indicators in 2007-2012 (% of the national average in brackets)

Indicator	2007	2012
Net enrollment rate of children in kindergartens -%		83,5 (82,1)
Number of physicians per 10,000 population	29.8 (36.5)	30.9 (38.8)
Number of residents per 1 hospital bed	192 (157)	224 (150)
Number of university students per 1000 population	42.5 (30.6)	42.3 (36.4)

Source: prepared by the author based on NSI data

2.7. What are the sources and scale of social problems (poverty, inequalities, labour market exclusion)?

The income rates of the population of Shumen District for 2012 are below the country average and the average per capita annual income amounts to 85% of the national average. For 2011 the income per household member from the salary of the permanently employed members accounts for the highest relative share - 47.1 % of the total income, followed by income from old age pension (30.2%) and income from self-employment (3.9 %).

Intra-district disparities are observed in the income levels of the population in the cities (Shumen and Kaspichan) and the villages, as well as between the municipalities, in which a larger portion of the provision of services and entrepreneurship is concentrated, and the municipalities, which are less developed from the point of view of services provisions for the businesses.

The living standard is the gravest challenge for the population of the district related to the economic circumstances. The share of household members with low intensity of economic activeness is relatively high – 13.8% as compared to 10.1% for the country. People, living under conditions of material deprivation, account for 48.3% of the population of the district. The relative share of the poor as regards the poverty line for the district has increased from 16.8% in 2008 to 22.6% in 2012.

3. Development factors

3.1. What factors have played key role in development of the region in recent years?

The economic circumstances in national and global scale have an important impact on the development of the region. This aspect has been noted as top priority by the respondents as well.

In terms of favorable factors for regional development the respondents have specified the following:

- good location – on the Sofia-Varna and Russe-Varna main roads and closeness to the Varna Port;
- significant agroecological potential for diverse and highly effective agriculture;
- existence of a significant labor resources with rich traditions in agricultural production;
- availability of research units and trained professionals in the field of agriculture;
- cultural sights – the ancient Bulgarian capitals and rich cultural and historical heritage;

- proximity to major tourist market on the North Coast allows the formation of a regional tourism product and attracting tourists there for several days off to get acquainted with the tourist attractions in the area;
- well-established new industrial area with appropriate technical infrastructure, creating good prospects for the regional economy – total 2 400 000 sq.m, divided in 4 investemnts sites.

The role of tourism is as yet quite limited. According to the NSI the number of accommodation establishments has increased since 2007 and in 2012 it has reached the number of 40 with a total of 1237 beds. After the grave drop in the number of overnight stays in the period 2009-2010, in 2012 this number has almost doubled as compared to 2010 and has reached 64 thousand people (48.5 thousand Bulgarians and 15.5 thousand foreign citizens), which amounts to 0.7% of their total number countrywide. As compared to the total number of the population in the region, these figures indicate that this sector plays rather a secondary role in the economic development of the region.

3.2. What are the main obstacles that hinder the development process in the region?

Respondents noted the following main obstacles that hinder the development of the region:

- Lack of investment in innovation and modernization of industry and creation of new businesses;
- High unemployment;
- Insufficient effective system of education does not stimulate the creation of new businesses and favorable business environment. The problem is not so much in university graduates as staff with technical skills;
- Corruption and the shadow economy;
- Low level of innovation of the industrial sectors operating in Shumen and absence of applied science center to support business in search and application of innovations;
- Poor condition and lack of infrastructure in small towns;
- Lack of administrative capacity in the institutions;
- Low and non meeting demand for qualifications among job seekers.

3a. External context of development: trade and FDI

3.3. Whether the regional economy is export oriented and how this is related to overall productivity and innovativeness?

The region is export oriented and all the respondents have stressed the significance of export for the regional development. Under the conditions of limited direct foreign investments the regional economic growth is determined to a large extent by the volume of export.

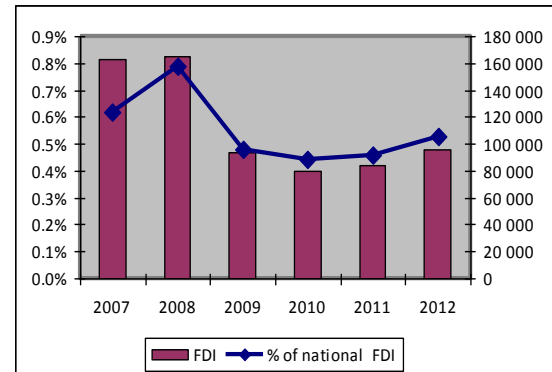
The structure of export from the region comprises raw materials less V.A.T. (agricultural products), as well as products of the processing industry, including machine tools engineering, non-ferrous metallurgy, chemical and perfumery industries, dairy products processing, meat processing, canning and brewery industries, wine production, tobacco processing, glass and china-and-faience industry, wood-processing and clothing industries.

The companies, registered as a result of foreign investments, stand out as the biggest exporters.

3.4. Was the region attractive for FDIs and what was the impact of these investments on regional economy?

The region is characterized by a relatively low attractiveness for direct investments, which may contribute to considerable growth. FDI in the region have a token share (0.5% in 2012) of the total for the country. The peak was in 2008, followed by fluctuations in the volume of DFIs, which were partially due to withdrawal of investments, as well as to banking operations, which cannot be accounted statistically. Because of their low share foreign investments have had no significant influence on productivity, technology, and innovation upgrading in the region.

Figure 7. FDI in Shumen region [thous. EUR]



Source: National statistical Institute

In Shumen Region the value of the foreign investments made is the highest in industry (€ 84.7 million) and in the services sector (trade, car and motorcycle repair, warehousing and storage, hotels and restaurants) (€ 4.1 million). In 2012 these activities together form 84 % of the total volume of DFIs. Among the industrial economic activities those characterized by the highest value of DFIs at the end of 2012 were the production of rubber products, plastics and other nonmetal raw materials with a total of Euro 48.9 million. Next in the row is the production of basic metals and metal products, less machine tools and equipment (€ 18.2 million) and food-and beverages production and tobacco products (€ 13.6 million). Direct foreign investments have been made in all the ten municipalities in the region, but their value is the highest in Shumen Municipality (€ 44.1 million) and Kaspichan Municipality (€ 35.4 million).

The strategic foreign investments are the following: the Turkish company Faf Metal, which owns the majority share of Alcomet AD; the Danish company Carlsberg - a major shareholder in ShoumenskoPivo AD; the Spanish company Roca - a major shareholder in Faience AD, Kaspichan town. Other companies with foreign participation are: Mebel Gen AD, Seres Glass AD, Novi Pazar, Teba Glass OOD, Novi Pazar and others.

3b. Endogenous growth factors: innovation and entrepreneurship

3.5. How innovative is regional economy and how this is related to educational and training system and its scientific base?

The existing R&D potential is limited and hence does not contribute for development of the innovation potential of the region. The number of functioning R&D institutions is very small and is concentrated in the city of Shumen. It is represented by the Institute of Agriculture and the R&D divisions with the bigger enterprises.

Table 3. Research & Development in Shumen region, 2007-2011

	2007	2008	2009	2010	2011
Research and development expenditure (thousand BGN)	1 572	2 500	3 681	1 928	1 704
R&D Personnel (number)	255	318	567	546	447

Source: National statistical Institute

Ongoing process of deleveraging (not updated capital used for research) and deskilling (the working age population is not actively involved in continuing education and are not perceived as a way of improving professional development) are factors having negative effects on the productivity and competitiveness of the regional economy.

The idea of creating the high-tech park - Shumen has remained dormant and replaced with existing projects for industrial park.

3.5. How important is the sector of SMEs in the regional economy and what are the main linkages of firms?

The major revenue from activities in the district is generated by micro and small companies, operating in all the municipalities. They account for 99.6% of all the enterprises in the district. They form the backbone of the economy in terms of business activity and employment. The number of SMEs by years has evolved as follows:

2007 - **5731**; 2008– **6348**; 2009 - **6714**; 2010 – **6648**; 2011– **6503**; 2012 – **5607**.

In 2012 their number has diminished significantly as a result of a number of bankruptcies because of the ongoing stagnations and the impact of the economic crisis. During the years of crisis a certain growth has been observed only in the relative share of micro-enterprises, combined with a drop of the number of small enterprises.

At the same time 18 big companies in the district turn over 41% of the production output. The number of micro-companies is 5000, but they produce only 17.9%. In the district there are also 85 medium-size enterprises (up to 249 employees) and 429 small ones (up to 49 employees). In the above mentioned 18 big companies work slightly below 25% of all those employed in the district and in the micro-enterprises (up to 9 employees) – 32.1%.

The main problems in the development of SMEs in the region are: low innovation activity of SMEs; low productivity; difficult access to financing; low degree of internationalization of SMEs and the need to expand export orientation and internationalization of the SMEs.

3.6. Are there any clusters within the region and if yes – what are their main specialisations?

There are no established clusters within the region, but there are certain prospects for revival of the cooperation among the companies in the sector of vehicle manufacture.

4. Governance and local/regional development policies

4.1. What was the outcome of regional development strategy implementation?

The system of regional planning includes a District Development Strategy and Municipal Development Plans. The aim of these documents is to integrate the efforts and opportunities of all

the stakeholders – the local authorities, businesses and the citizens, in order to achieve synergy effect through creation of competitive economy, modernized urban environment, well-developed human resources and better quality of life.

According to the respondents the planning process shows some signs of formality, the hierarchical subordination and compliance with the related strategic documents are incomplete and the coordination of sectoral policies and programs is partial. On the other hand, for the district strategy to be successful it should be tied up with financing and annual work programme. Anyway, these documents as a whole are viewed as useful and necessary for the regional development. The general opinion is that a better organization at the level inter-regional cooperation is needed, as well as enhancement of the role of district administrations.

4.2. Has the existing governance model in the region been effective and efficient?

The general opinion of the respondents is that there is no effective interaction among the institutions and it is difficult to assess their real contribution to the development processes. According to them each institutions works for attainment of its proper objectives and acts as a capsulated entity, frequently subordinated to the governing party interests at a given point of time. At the same time the important role of local authorities for the development of the municipalities and the region is emphasized, but the governing policies implemented so far are viewed as insufficiently effective and efficient. According to the conducted interviews, the major remark concerning the operation of the administration concerns the speed of responding to challenges.

The need for the development of local business and technological environment have been identified several groups of factors that depend to a greater or lesser extent by the local administration and the influence of the environment for doing business. These are factors such as local tax policy, employment of local administration, incl. economic activity, procedures for construction permits perception of corruption, education and training of the workforce, the availability and supply of ICT and e-governance, adequate investment sites and more.

4.3. What was the outcome of local/regional policies in different fields?

Among the achievements of local authorities till present the respondents have indicated the following:

- Improved transport infrastructure;
- Improved state of the environment (upgrading and development of the infrastructure for drinking water supply and wastewater treatment);
- Improvement of the educational and social care infrastructure;
- Construction of the Business Park in the city of Shumen.

The results achieved with respect to implementation of the economic objectives are evaluated much less optimistically. The local authority's efforts for attraction of new investors, development of public-private partnerships (PPP) are recognized, but the results from these PPPs are short-living and this modality is not attractive because of the sluggish implementation-related procedures.

5. External interventions: national policies and EU cohesion policy

5.1. Which type of policies (regional, sectoral, horizontal policies) have had the most significant impact on regional development in recent years?

At the central level efforts were made for formulation and application of different sectoral policies, which so far had not managed to produce significant influence on the development of the region. Among the main achievements of the national regional policy is the introduction of a system for regional planning, whose main designation is to guarantee prognostication and facilitates the process of utilization of European funds. The regional planning system serves as the basis for elaboration of a certain part of the Operational Programmes.

In Bulgaria there are no specifically differentiated operational programmes for regions. The impacts are realized through the seven Operational Programmes at the national level, from which the funding is allocated on a competition principle, and even under the Operational Programme “Regional Development” the majority of the projects are assigned on the basis of tenders. This situation determines the local authorities’ and beneficiaries’ activeness and capacity as fundamental for obtaining and utilization of funding from the European funds, which so far have had the most significant contribution to regional development.

The general opinion of the respondents is that the district policies for raising the local attractiveness for foreign investments are to a high extent the object of local policy, those aimed at development of the entrepreneurship, the labour market, human resources and social cohesion are the object of coordinated policies of the national and local authorities, while the innovations-related policy is defined as primarily national. Till present, however, no sufficiently effective instruments for strengthening of these fields of impact have been applied. The national restructuring policy is not accompanied by instruments for promotion of new economic activities.

The absence of a policy directly tailored to the needs of the regions and specifically aimed at development of the peripheral settlements has been noted. The current policy has had no significant impact on the development of the region for wrongly set priorities of the national policy from the point of view of the advantages of the regional economy of the district.

The socio-political factors are prerequisites for considerable, but not always positive impacts on development, insofar that a sharp change in the interaction with the partners is observed, they influence the policy and programming activities and their implementation, lead to human resources replacements and institutional changes.

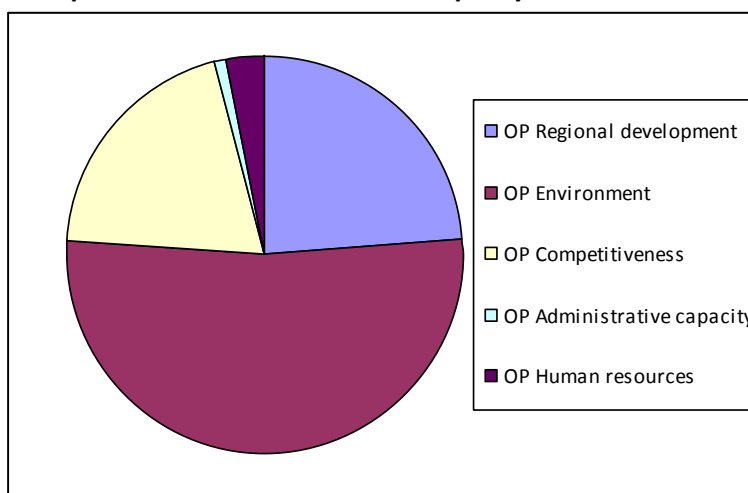
5.2. Does the structure of external intervention (national/EU) addresses regional needs?

The important external interventions, which affect the development of the region, are connected with Bulgaria’s membership in the EU and the EU support through the implementation of projects under the currently effective seven Operational Programmes for the period 2007-2013.

Under the conditions of gravely limited national resource the utilization of the funding allocated from the European funds is very important for the development of the region. In the framework of the cohesion policy (with the exception of the Common Agricultural Policy), by March 2014 projects to

the total value of BGN 264 million (EUR 135 million)³ have been implemented. The largest amounts of resources have been disbursed for improvement of the state of the environment – 53.9%. Technical assistance projects and infrastructure projects for upgrading and development of the infrastructure for drinking water supply and wastewater treatment have been implemented in all the municipalities of the district. The interventions financed under Operational Programme “Regional Development” amount to 24.8% of all the funding and are connected above all with improvement of the educational and social infrastructure; improvement of the state-of-repair of the local roads of importance for regional accessibility; implementation of projects for creation of a tourism product and support for tourism-related attraction of high cultural, touristic and economic potential; improvement of the urban milieu in the city of Shumen. The investments in support of the competitiveness of the regional economy amount to 20.6%, whereat a total of 45 projects in the field of technology upgrading, introduction of “green technologies” etc. have been supported. Under Operational Programme “Human Resources Development” have been implemented projects for capacity upgrading, social services, educational services etc. on the area of the district.

Figure 8. Structure of expenditures under the Cohesion policy in 2007-2013 in Shumen region [%]



Source: prepared by the author based on UMIS data (<http://umispublic.government.bg>)

The possibilities for intervention under the cohesion policy are limited to the priorities and measures of the Operational Programmes and local authorities should select for themselves where to orient their efforts in terms of preparatory work for applications and implementation of projects. A realistic conclusion to be made in this aspect is that they have made the correct choice and are implementing projects, which will be beneficial for the development of the region. In fact, the majority of the projects are recognized by the respondents as useful and necessary, but they confide that as yet the interventions have not produced a significant contribution to development. It is worth noting that this is the first programming period, in which Bulgaria has had access to the European funds. All the respondents, however, note that the European Fund for Regional Development is the most significant funding source, that it plays a leading role for the implementation of projects in the region and the realized projects have been evaluated positively. It may be stated in this respect that the structure of interventions corresponds to a high extent to the needs of the region.

³ See <http://umispublic.government.bg/>

5.3. Has the Cohesion Policy resulted more strongly in the improvement of economic potential or competitiveness, or has it rather affected social well-being?

The membership in the EU is evaluated positively for regional development by all the interviewed stakeholders. Part of the respondents, however, remark that the membership in the EU has failed as yet to influence substantially the development of a number of key spheres, like for instance improvement of the competitiveness of Bulgarian companies, protection of the environment, science and innovations, social policies, but they noted their positive input.

At the same time, under the circumstances of crisis and post-crisis recovery (which as a period coincides with the beginning of the membership of Bulgaria in the EU), in a situation of limited investment resources, the EU funds and operational programmes offer one opportunity to enhance regional development and their full and effective utilization is an important function of the state and its administration.

The major investment directions, which have positive impact on the competitiveness of the local economy, are as follows:

- Improvement of the Road III-7003, Road III-7005 and Road SHU2113/III-701, which play an important role for the economic development of the region. It is of decisive importance for improvement of regional accessibility through construction of the infrastructure elements in the individual municipalities depending on their specific potential and infrastructure deficits.
- The implemented projects for improvement of the educational infrastructure in the region influences the quality of education and respectively the skills level of the labour resources.
- Granting of direct support for the companies, although *vis-à-vis* the existence of problems with respect to procurement of funds for refinancing of the projects by the companies. Anyway, more than 40 companies from the region have received such support.
- Activities, oriented towards development of tourism, including those connected with the renovation of the centre of the city of Shumen. Four projects for development of a regional tourism product and competitive integrated tourist attractions have been implemented, namely: “Restoration and socialization of the “Pliska” National Historical and archeological Reserve”, “Revival of the Age of Tsar Simeon the Great”, “The roots of Bulgaria” and “Bulgaria starts here”.

6. Future prospects

6.1. What are the main opportunities and threats for the development of the region?

Despite the moments of crisis in its development, Shumen is an important economic centre of the country with well-established industrial traditions and potential for new development. Irrespective of the somewhat slower process of restructuring, the city of Shumen is an important high-ranking core centre within the boundaries of the Northeast Region.

In terms of major threats for the development of the city the respondents have pointed out the following:

- Aggravation of the trend of population ageing and deterioration of its educational structure;
- Shortage of skilled workforce;

- Social tension because of the risk of exclusion from the labour market of large groups of the population;
- The region is not sufficiently attractive for attraction of investments for economic growth;
- Inadequate capacity of state and local institutions.

According to the respondents and the analysis of the available data the main opportunities for development of the region are as follows:

- Establishment of the region as a centre of Northeast Bulgaria with respect to light and medium-heavy industry, promotion of innovative manufacturing lines and specialization in vehicle engineering and nanotechnologies;
- Strengthening of the potential for education and attraction of innovations and making the best use of the capacities of the existing higher educational establishment (university);
- Establishment of the leading production facilities in the region taking advantage of the available resources – glass and china production (kaolin deposits and that fact that the quality of the extracted kaolin is one of the best in Europe), wine production (the conditions for growing of white grape varieties are also some of the best on the continent);
- Improvement of the transport infrastructure and development of Shumen as an important transport junction;
- Improvement of the sewerage infrastructure;
- Support programmes focusing on improvement in living condition and services especially in peripheral regions, spatial co-ordination, including Roma communities
- Development of the cultural and historical tourism, but with a recommendation for improvement of advertizing and marketing in this field.

6.2. How would you specify recommended future objectives (spheres) of national development policy?

The main future objectives for regional development are determined by the respondents:

- Close the gap in terms of quantity and quality of growth factors - the need for targeted support of the main factors / sources of growth - targeted impact on regional components;
- Finding a suitable intervention system for displaying Shumen region of the spiral of socio-economic gap, marginalization and demographic risk.
- Industrial decline in the northern regions requires to implement measures to stabilize and new industrial development with higher added value.

In the framework of the Operation Programme “Regional Development” the major portion of the funding (more than 60%) will be oriented towards implementation of projects laid down in the Integrated Plans for Development and Restoration of 39 core cities nationwide. The city of Shumen has been selected as one of them and an integrated plan has been elaborated in 2013.

Support for agriculture and for projects aimed at development of the quality of life in rural areas is expected to be provided under the Programme for Development of Rural Areas.

6.3 Recommended future objectives (spheres) of the EU Cohesion policy?

According to the respondents, the below listed desired emphases in the European cohesion policy would be beneficial from the point of view of sub-regional centres of the size of Shumen and the areas with predominant agricultural profile around it:

- Stronger emphasis on upgrading of education and its alignment to the human resources requirements of businesses;
- Development of the infrastructure aimed at facilitating regional cohesion and quality of life and on that basis – development of the economy;
- Support for improvement of the technological development, innovation and competitiveness of the regional economy;
- Support for targeted restructuring of agricultural production facilities;
- Improvement of the local authorities' capacity in the direction of preparedness to support local entrepreneurs through appropriate incentives.

7. Conclusions

7.1. What are the main trends in restructuring the regional economy?

The process of restructuring of Shumen Region advances slowly and with certain difficulties. It is characterized by:

- Inadequate change in the structure of the regional economy and absence of notable achievements in the spheres of innovations and development of high-Added-Value economy;
- Unfinished restructuring processes, especially in the fields of agriculture and processing industries, which continue to be fragmented and uncompetitive;
- Industrial enterprises, which have failed to adapt to the new market situation and function inadequately, including as a consequence of the mass privatization;
- Continuing de-industrialization, affecting enterprises, which operate in spheres of the traditional industries and are subjected to processes of restructuring entailing personnel cut down;
- Creation of jobs mainly in the fields of retail trade and elementary services – sectors, in which the personnel is characterized by relatively low skills and remuneration level;
- Large share of subsidized employment;
- Specific, traditional for the region production lines, which still have prospects for revival.

7.2. What factors of regional development were the most important (exogenous, endogenous, structural, socio-political, others)?

The difficult and ineffective transformation of the region might be attributed to a number of reasons. It is related to the difficult transition to market-oriented economy, typical for the entire country: insufficiently effective privatization; insufficient attractiveness and efforts made for attraction of strategic foreign investments. The transition-related hardships have led to a steady process of migration of young and skilled professionals, which at a given point of time might threaten the future development of the region. The national regional policy has so far not identified those successful

interventions, which would help it support the domestic potential of the region for the purposes of development of sustainable and competitive industry, although significant improvements have been achieved in the sphere of infrastructure and the social infrastructure. The region has been extremely hardly hit by the economic crisis – a number of small enterprises have permanently gone out of business, other enterprises have suffered from grave shrinkage of their production output. Bulgaria's membership in the EU is an important factor for introduction of European standards in the socio-economic sphere, but as yet it has not produced the expected significant gains from the support rendered under the Operational Programmes.

7.3. Has the productivity growth been related to the increase of the innovative capacity of the region?

The region as a whole is characterized by low productivity and relatively low competitiveness, based above all on price-related factors: insufficiently favorable business environment; absence of permanent market outlets; deteriorated quality of the human resources; shrunk domestic demand. At company level there is lack of strategies and clearly formulated objectives: inadequate funding has been allocated for upgrading of the product brands and production processes (low level of penetration of innovations in enterprises); shortage of financial resources and difficult access to financing, underestimation of extra-banking financing modalities; shortage of company culture and management experience. In this context the increase of the productivity of regional economy is to a lesser extent connected with the development of innovation activities. At the same time it is worth underlining also certain positive characteristics, such as the existence of facilities for all levels of education, including a higher educational establishment, well-established R&D potential in agriculture, still preserved professionals in traditional local activities.

7.4. Are social disparities and economic growth within the region interlinked? And how? (lower level of inequalities and exclusion / higher growth? or?)

The disparity between the district capital city and the rural areas around the city is increasing. This trend has become even stronger in recent years as a consequence of the economic crisis, the stagnation of the economy and the shrinkage of the activities of micro and small businesses. This disparity is manifested in both the rates of economic growth and the levels of income and employment. The region comprises rural municipalities with lasting unemployment level, which is the lowest countrywide – about 50%, while in the city of Shumen this level is 7.2% (March 2014). This situation leads to social stratification in the income levels, as well as in the access to social services. All in all, the accessibility to public services in the region is similar to that in other regions in the country. Therefore, in the context of the otherwise low economic growth it is worth underlining the relatively good development in the social sphere.

7.5. What were the most successful regional/local policies?

It is difficult to identify radical policies for successful regional / local development, despite the efforts of the authorities. Improvements have made in social services, education infrastructure, transport accessibility, environment, but the main expectations of local communities are to improve economic conditions and reduce unemployment in the region.

In terms of successful interventions and policies one should mention the improvements, achieved as a result of implementation of projects supported by the Structural Funds.

7.6. Has the external intervention been important for development of the region?

The role of external intervention was largely related to improving the quality of life and the effects of demand related to the implementation of a number of new investment projects. In the period 2007-2013 projects to the total value of more than EUR 135 million have been realized in different spheres. These were projects leading to improvements in the state of the environment, the domestic transport infrastructure and accessibility, renovation of historical sights and development of a touristic product; renovation of the urban milieu, upgrading of the social infrastructure and services, raising of the technological and innovation level of enterprises, etc.

Documents:

Regional Development Strategy of Shumen district 2007-2013;

Regional Development Strategy of Shumen district 2014-2020;

Municipal development plans 2007-2013 and 2014-2020.

Annex 1. Institutions covered by in-depth interviews:

1. District administration of Shmen region
2. Municipal administration of Shumen municipality
3. Municipal administration of Veliki Preslav municipality
4. Municipal administration of Pliska municipality
5. Municipal administration of Novi pazar municipality
6. Regional Labour Market Office
7. Regional information cente fo Shumen region
8. Regional Chamber of Commerce of Shumen region
9. Bukgarian Industrial Association – branch Shumen
10. Business centre of Shumen municipality
11. Confederation of Independent Trade Unions in Bulgaria – Shumen region