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**GOVERNING SUSTAINABLE DEVELOPMENT OF RUSE:
IMPACT OF EU 2014-2020 COHESION POLICY**

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***Abstract:** The paper EU Cohesion Policy is the main instrument for redistribution and solidarity between Member States. It embodies the added value of cooperation and the principle of subsidiarity, thus creating benefits for both donors and beneficiaries. The paper outlines the importance of the urban dimension of the EU Cohesion Policy 2014-2020 by showcasing the sustainable development of the City of Ruse.*

***Keywords:** EU cohesion policy, sustainable development, investments, projects, Danube region*

***JEL Codes:** F53, H83, Z18*

INTRODUCTION

The evolution of the European integration during the 20th century reflected its historical mission formulated by the architects of United Europe – to bring states and their people closer and to live in peace and welfare. The fall of the Berlin wall and the reunification of Germany paved the way for the “reunification” of Europe. The enlargement waves closed the gap between West and East, but at the same time they brought significant regional disparities to the foreground. The EU policy mix had to be adapted to the new realities and hence the Regional policy increasingly and constantly gained in importance. The cohesion between less and more developed regions moved forward in the political agenda, thus concentrating resources and financial allocation.

Today, the **Economic, Social and Territorial Cohesion Policy is the main investment policy of the European Union** funded by approximately one-third of the European budget. It is a matter of mutual agreement in the Union that the reduction of the territorial disbalances is of major importance for the proper functioning of almost all other EU policies. In the current programming period until 2020 the Cohesion Policy is not only about bridging regions, but it is also focused on the objectives of “**Europe 2020**” Strategy, namely: **to foster smart, sustainable and inclusive growth** across the Union. Moreover, the policy pays specific attention to the European cities which are considered to be drivers of economic progress and innovation.

The subject of the paper derives its topicality from several complimentary factors. Firstly, EU Cohesion Policy is the main instrument for redistribution and solidarity between Member States. It embodies the added value of cooperation and the principle of subsidiarity, thus creating benefits for both donors and beneficiaries. Next, it is a common policy which is targeted at more than two-thirds of the European citizens living in urban areas in the 28 EU countries. Last but not least, the reinforcement of the urban dimension of the Cohesion Policy delivers tangible results for the European people and consolidates the multi-level governance system by strengthening the shared responsibility of supranational and national/subnational levels.

The research goal of the paper is to outline the importance of the urban dimension of EU Cohesion Policy 2014-2020 by showcasing the best practices related to the sustainable development of the City of Ruse. The following research methods were used for the elaboration of

the paper: desk research and analysis of secondary data, including statistical information, and case study analysis, personal experience¹¹⁵.

EU COHESION POLICY 2014-2020

Community policies aimed at overcoming imbalances in regional development were formulated for the first time in the Treaty of Rome. However, for a long time the cohesion instruments as well as the project funding mechanisms remained in the area of competence of Member States.

The Treaty of Rome introduced the European Social Fund, which shall have the task of “rendering the employment of workers easier and of increasing their geographical and occupational mobility within the Community” (Art. 123, Treaty establishing the EEC, 1957). To this end, some activities for acquisition of vocational qualification were envisaged in order to promote labor mobility and to respond to changes in the structure of economies at national level. In practice, the cohesion was limited to its social dimension and dedicated to the objective of reducing European, national, regional and local inequalities in relation to employment policy.

In the next decades, the Cohesion Policy underwent a series of reforms. In 1975 the European Regional Development Fund came to life. In 1988, the Structural Funds were integrated into a single policy guided by four general principles, namely: focus on the least developed regions; multi-annual programming; complementarity regarding public investment; and broad partnership at all levels – supranational, national and subnational.

With regard to the measures for the completion of the Single Market, the then President of the European Commission Jacques Delors pointed out in 1989: "Europe sees its future in striking a balance between competition and cooperation [...] The efforts of people and politicians are aimed at creating a balanced territory" (Delors, 1989). From this statement it became clear that the vision for the development of the integration process emphasized the balanced approach as a guarantee of economic development. This long-term idea was supported by the creation of the Cohesion Fund and the conceptualization of the principle of subsidiarity in 1993. The Treaty of Maastricht finally prioritized the economic, social and territorial cohesion from a national issue to a common policy and symbol of EU solidarity.

A total allocation of 351.8 billion Euro, almost a third of the EU budget, have been reserved for the Cohesion Policy in the current programming period 2014-2020. Given the fact that Member States are obliged to co-finance the policy and that additional investments are catalyzed, the European Commission has estimated its impact to be about 450 billion Euro.

The 7-years policy cycle is characterized by several novelties. First of all, there is **a stronger focus on tangible and measurable results** which reflects the investment nature of the policy. Secondly, the Commission strives for **simplification**, therefore there is a uniform regulation for financial instruments underpinning cohesion in the EU. Thirdly, Member States are obliged to meet **certain conditions**, i.e. the adoption of a national Research and Innovation Strategies for Smart Specialisation (RIS3) Strategy, in order to achieve financial support from the EU budget. Fourthly, **the urban dimension of the policy has been reinforced** – at least a half of the resources coming from the European Regional Development Fund will be invested in urban areas. According to the European Commission, around 10 billion Euro will be spent on integrated strategies for sustainable urban development. Lastly, the EU Cohesion Policy until 2020 is linked to the **results of economic reforms**, i.e. the Commission has the right to temporary stop the respective funding, if the country does not respect the EU rules in the economic field.

The above listed principles are formulated in direct correspondence to the general objective of the Cohesion Policy 2014-2020 – to concentrate on the implementation of “Europe 2020” Strategy. Therefore, the policy prioritized **11 thematic objectives**, which are divided in three groups, depending on the financial instruments they are primarily funded from.

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1. Strengthening research, technological development and innovation
2. Enhancing access to, and use and quality of, information and communication technologies
3. Enhancing the competitiveness of SMEs
4. Supporting the shift towards a low-carbon economy
5. Promoting climate change adaptation, risk prevention and management
6. Preserving and protecting the environment and promoting resource efficiency
7. Promoting sustainable transport and improving network infrastructures
8. Promoting sustainable and quality employment and supporting labour mobility
9. Promoting social inclusion, combating poverty and any discrimination
10. Investing in education, training and lifelong learning
11. Improving the efficiency of public administration

Table 1 EU Cohesion Policy 2014-2020 Thematic objectives; Source: European Commission

URBAN DIMENSION OF EU COHESION POLICY

Even though **more than two-thirds of the EU citizens live in urban areas**, this number is expected to further grow in the decades to come. This is the reason why these areas are considered to be the main engines for growth and progress, laboratories for cooperation and smart synergies. 80% of the energy is used in cities, while up to 85% of Europe's GDP is produced in urban areas. However, the urbanization goes hand in hand with diverse challenges which need to be tackled jointly by the local authorities and the European Union. High unemployment rates, poverty and social marginalization, pollution and congestion are some of the problems that are common to most of the European metropolises and urban areas. This is exactly why **sustainable urban development has been put in the center of EU Cohesion Policy**. The European Commission succeeded to provide a respective legislative foundation by including the integrated urban development in the European Regional Development Fund Regulation.

The urban dimension of the territorial component of Cohesion Policy is underpinned by several documents adopted at EU level. In 2007 the Member States adopted the **“Leipzig Charter on Sustainable European Cities”**, which was consulted by a wide spectrum of stakeholders. The responsible national ministers signed the document and consolidated their visions regarding common principles and strategies for urban development. The countries mainly committed themselves to transpose the Charter's principles into national and subnational policies and legislation. Three years later, the urban dimension was further supported by the **Toledo Declaration (2010)**, which stated that “it must be a political priority to empower European cities to tackle future challenges and to unlock their potential, and to continue and to strengthen the public support for sustainable urban policies across the EU, in particular through Cohesion Policy”. The Declaration shared ideas for the next period, including empowering local authorities to participate in the national programming and reinforcing the integrated approach concerning urban development.

A decisive step forward was made in 2016 when the Ministers responsible for Urban matters officially adopted the **“Urban Agenda for the EU”** as part of the **“Pact of Amsterdam”**. The Agenda addressed acknowledged the polycentric structure of Europe and addressed the topical challenges in a multi-stakeholder approach. The EU Ministers agreed that the Urban Agenda is “a coherent set of actions of key European actors” and “a new form of informal multi-level cooperation where Member States, Regions, representatives of Urban Authorities, the European Commission, the

European Parliament, the Union's Advisory Bodies (CoR, EESC), the EIB and other relevant actors work in partnership". The document was structured around three pillars of policy-making, namely: better regulation, better funding and better knowledge (base and knowledge exchange).

The European Commission initiated the establishment of an "**Urban Development Network**". At present, it is a platform for cooperation, in which more than 500 cities and urban areas take part. They all are involved in the implementation of Sustainable Urban Development Strategies and Urban Innovative Actions. The mission of the "Urban Development Network" is to facilitate exchange as well as to monitor the way European Regional Development Fund's budget is spent at local level.

In the current programming period, the "**Urban Innovative Actions**" initiative was launched within the EU Cohesion Policy. It aims at finding and testing creative solutions to urban problems through the implementation of pilot actions. There is a financial allocation of 371 million Euro for the period 2015-2020. The initiative is a good example of a funding opportunity which complements the minimum of 5% of the European Regional Development Fund resources allocated at national level (ERDF regulation, 2013).

In addition to this, the urban dimension of EU Cohesion Policy 2014-2020 has been strengthened by the European Commission through some newly elaborated or improved tool for sustainable urban development. The **Integrated Territorial Investment** is an innovation of the current programming period. It is "an instrument that allows to "bundle" together the ESI funds to perform activities aimed to support sustainable urban development, it therefore has the freedom to join and coordinate different funds and priorities that the new programming period wants to promote" (Interact Programme, 2018). It is added that the Integrated Territorial Investment "is referred to as a "mini-programme" because it can target focused areas, [...], having a specific sum of money and therefore perform some small-scale activities targeted on a limited area".

The **Community-led Local Development** is another tool for stakeholder engagement and multi-actor participation. It focuses on the bottom-up approach in designing and implementing local strategies for sustainable development. The scope of this tool is concentrated on "those smaller areas and territories with fewer resources or little attractiveness, the kind of area that it is difficult to intervene in, unless the stakeholders know it very well" (Interact Programme, 2018).

The third tool that needs to be mentioned is the **Joint Action Plan** which is considered "as one single operation with one single beneficiary made up of several projects, bundling one or several of the Funds" (Interact Programme, 2018).

Last but not least, the European Commission launched the **URBACT III Programme** whose mission is to promote integrated sustainable development and to support the urban dimension of Cohesion Policy by facilitating the exchange of best practices. The programme is co-funded by the European Regional Development Fund and has a budget of 74.302 million Euro for a period of seven years.

CASE STUDY: THE SUSTAINABLE DEVELOPMENT OF RUSE

The City of Ruse is situated on the right bank of the Danube River, in the Northeastern part of Bulgaria. It is the fifth largest city in the country and the biggest one located along the Danube. Being the largest port city, Ruse is known as the Bulgarian Danubean "capital" – a dynamic center of economic and industrial development, a transport node and a cultural hub. Ruse is the central city both of the District and of North Central Planning Region.

Indeed, the strategic geographic location is Ruse's main competitive advantage. Being part of the Danube macro-region favors its socio-economic development. The city is a crossing point of two pan-European transport corridors - №7 and №9, which enables its integration into the map of the Trans-European Transport Network (TEN-T). The location enables combination of different modes of transport. Moreover, the Romanian capital Bucharest, with a population of over 2 million, is not more than 70 km away from Ruse. The fact that the city belongs to the Bulgarian-Romanian cross-border region. There is no doubt that the belonging to the cross-border agglomeration, together with the Romanian cities of Giurgiu and Bucharest, determines the investment profile of Ruse.

In the context of Bulgaria's and Romania's membership in the EU, **Ruse and Giurgiu have elaborated a joint ERGO Masterplan** with a long-term implementation perspective – until 2027 or

even 2040. The document exploits the untapped growth potential in Euroregion Ruse-Giurgiu and offers an integrated concept for developing all kinds of economic, technical or social infrastructure. It defines 10 Priority Projects resulting from in-depth assessment and evaluation.

The **Development Plan of Ruse Municipality** which is the most important strategic document at local level for the period 2014-2020 defines a long-term vision for development, as follows: "Ruse to become a prosperous economic, scientific, cultural and tourist center along the Danube River by 2020, with the right conditions for developing a competitive business and attracting entrepreneurial people looking for a high standard and quality of life."

The document was updated in 2017 and currently consists of 284 projects amounting to around 430 million Euro. They address economic and social cohesion, territorial connectivity and accessibility of the region as well as energy efficiency and environmental protection for the sustainable development of the municipality.

The project portfolio is also connected to the **Integrated Urban Recovery and Development Plan** which aims at concentrating the investment resources in Ruse, thus generating added value. It is a set of 60 related projects, actions and investment intentions, focused on three urban zones of intervention. Additional 87 projects have been formulated with a scope outside the zones of intervention. The Plan envisages actions with a total value of over 250 million Euro. It integrates policies and brings together different actors for their joint implementation, contributing to the realization of city's vision and strategy for development, respectively for specific development priorities defined in other strategic documents.

In 2016, the **Investment Programme for Urban Development of Ruse Municipality** was adopted under the Bulgarian **Operational Program "Regions for Growth"** 2014-2020. The Investment Programme contributes to the implementation of the Integrated Urban Recovery and Development Plan and has four pillars: Integrated Urban Transport, Urban Environment, Social Infrastructure, Educational Infrastructure. The total value of the approved grant amounts to 28 651 609.48 EUR for the following 5 investment projects:

1. Integrated urban transport system of the city of Ruse - 2nd stage (12 447 175,37 EUR)
2. Reconstruction and Rehabilitation of Pedestrian Area and Construction of Public Recreation Zones (8 584 938,49 EUR)
3. Repair, Implementation of Energy Efficiency Measures and Measures, in Accordance with Ordinance No. 4 on the Accessible Environment of a Complex for Social Services for Children and Families (748 437,85 EUR)
4. Repair of 5 buildings from the educational infrastructure (6 341 599,68 EUR)
5. Construction of social housing for the accommodation of socially disadvantaged persons who cannot benefit from the housing conditions of the Municipality of Ruse (1 149 440,15 EUR)

Furthermore, the **Romania-Bulgaria Cross-border Cooperation Programme** is a mechanism for identifying common problems in border regions and solving them together, transforming a border into a possibility for development and tackling common challenges identified jointly in the border regions. Observing the principle of subsidiarity, the Cross-border Cooperation Programme gives the Bulgarian and Romanian municipalities and regions the necessary means to find the best solutions for their common cross-border problems without relying on their states. In addition to the decentralisation in the field of regional policy, the Programme also provides opportunities for enhancement of the administrative capacity at national, regional and local level, improvement of coordination between authorities, establishing of permanent cross-border structures and partnerships created among the local organisations.

Ruse Municipality has implemented a number of joint projects in partnership with Giurgiu Municipality. In the ongoing period the two municipalities manage 4 projects under the **INTERREG V-A Romania-Bulgaria Programme** – 3 in the field of transport connectivity and 1 in the sphere of culture and tourism:

1. Investing in Road Safety and Improving the Connectivity of Ruse Municipality and Giurgiu County to TEN-T Transport Network, Total budget: 6 326 447.21 EUR (Ruse Municipality part: 4 372 499.18 EUR)

2. Well-developed transportation system in the Euroregion Ruse-Giurgiu for better connectivity with TEN-T network, Total budget: 7 835 520.28 EUR (Ruse Municipality part: 3 218 988.39 EUR)

3. Development of River Danube for better connectivity of the Euroregion Ruse-Giurgiu with Pan-European transport corridor No 7, Total budget: 7 349 963.06 EUR (Ruse Municipality part: 4 605 429.69 EUR)

4. Reconstruction and display of iconic cultural sites with high tourism potential in the Euroregion Ruse-Giurgiu, Total budget: 1 426 760.12 EUR (Ruse Municipality part: 928 182.18 EUR)

It is not a coincidence that funding from different financial sources has been allocated for the **regeneration and socialization of the Danube river bank** in Ruse. Being a priority for the municipal administration, this objective is within the scope of three projects worth a total of nearly 13 million EUR (INTERREG V-A Programme and Operational Programme “Regions in Growth”, co-financed through the European Regional Development Fund). These actions will completely transform the Danube river bank and make it a favorite place for locals and guests, cruise ship tourists and passengers from all over the world who get their first impression of Ruse from the river bank area.

Finally, the sustainable urban development’s goals, more specifically the **sustainable urban mobility**, are supported by additional funding schemes which are directly managed by the European Commission and are open for local administrations. In the period 2014-2015 Ruse was one of the ten Bulgarian municipalities selected to participate in a “Boosting Urban Mobility Plans” project funded by the “Intelligent Energy – Europe” Programme of the EU. As a result, Ruse adopted its own **Sustainable Urban Mobility Plan 2016-2026** whose implementation aims at achieving a high degree of mobility in the urban areas and adjacent territories of the Danube city. In addition, the City of Ruse is included in an international consortium that received funding from the EU’s Programme for Research and Innovation “**Horizon 2020**”. The overall objective of “**CIVITAS ECCENTRIC** – Innovative solutions for sustainable mobility of people in suburban city districts and emission free freight logistics in urban centers” project is to demonstrate and test the potential for application of integrated and comprehensive measures for urban planning and sustainable mobility with a focus on peripheral neighborhoods. Being part of the consortium, Ruse exchanges best practices with European cities like Madrid, Munich, Stockholm and Turku. Ruse’s budget for this action is 0,6 million EUR. Generally, financial resources amounting to more than 30 million EUR are concentrated on sustainable urban mobility as a crucial element of sustainable development in urban areas.

Basing on the abovementioned case study, the conclusion can be drawn that **the City of Ruse is a very good example of a local administration taking benefits from, and, at the same time, contributing to the success of the Cohesion Policy of the European Union**. The projects which have just been mentioned clearly demonstrate a strategic vision for unlocking the local potential for sustainable urban development. Bundling together different funding sources and mechanisms – not only from local and national, but also from cross-border and centralized programmes, the City of Ruse is creating a range of synergies with a view to fulfilling the current Cohesion Policy’s thematic objectives, e.g. promoting climate change adaption; preserving and protecting the environment and promoting resource efficiency; promoting sustainable transport and improving network infrastructures; promoting sustainable and quality employment and supporting labour mobility; promoting social inclusion, combating poverty and discrimination; investing in education, training and lifelong learning etc.

CONCLUSIONS

The EU Cohesion Policy 2014-2020 put sustainable urban development in the center of the initiatives towards smart, sustainable and inclusive growth in Europe. The design of the next policy cycle is currently being negotiated by the European institutions. Taking into consideration Brexit and all related consequences and possible budget cuts, the financial allocation to Cohesion Policy may be

the reason for confrontation between old and new Member States, between donors and recipients. In a recent statement Regional Policy Commissioner Corina Cretu addressed this issue, by underlining that for the post-2020 period “we propose a policy for all regions – with no region left behind” because “every region has needs; different specific needs” (Cretu, 2018).

The leading priority in the work of the local administration in the Bulgarian City of Ruse is to guarantee funding from the EU funds, which are invested in significant infrastructure projects, contributing to the improvement of the quality of life. In the programming period 2014-2020 large-scale projects in the fields of urban investment, transport connectivity, educational infrastructure, preservation of the cultural and historical heritage are being implemented. The presentation of Ruse’s case study demonstrates the practical value of the EU Cohesion Policy and illustrates how **sustainable urban development can benefit from synergies across operational, territorial cooperation and research & innovation programmes of the Union**. Concentrating resources for the specific needs of the urban territories, the Cohesion Policy brings EU closer to its citizens and adds value to European integration based on cooperation and solidarity.

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