

# REGIONAL STRATEGIC ANALYSIS AS A CRUCIAL STEP FOR LOCAL DEVELOPMENT IN BULGARIAN RURAL AREAS

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## Abstract

*Regional strategic analysis seen at the level of local community assumes a global approach of all influence factors over current development on the one hand, but also the evolution of their impact in time. The purpose of this paper is to present the regional SWOT analysis procedure as an effective tool for the creation of a vital strategy for the local development and competitiveness of rural and peripheral communities in Bulgaria, but under certain preconditions. A territorial scope of the analysis is highlighted in order to show the implementation of sustainable development principles into the local planning process. The implementation procedure is then explained in order to facilitate local decision makers as to what should be changed or retained in a certain region. Furthermore, SWOT analysis in the Belene Municipality, a northern Bulgarian region, has proved to be an effective tool for evaluation of local distinctive features, identification of target markets, influence of the impact of global trends over local development, and drawing future action trajectories.*

**Keywords:** regional SWOT analysis, evaluation procedure, strategic planning, endogenous development

**JEL Classification:** O21, R11, R58

## Introduction

Regional development strategies should be based on the sound assessment of endogenous potentials and on the revelation of the distinct local characteristics in order to gain competitive advantage on other regions. Each place has its own history and presents potential and future possibilities, which makes it impossible to implement common strategies in individual regions. It is still a challenge for Bulgaria to trace the impact of regional strategic analysis on rural and peripheral areas development. Despite the fact that SWOT analysis is mentioned in both practice and science as a suitable instrument, there is no obvious connection between this analysis and local economic development and competitiveness. All of this raises questions about the effectiveness and contributions of the tool in strategic local development.

This article suggests that regional SWOT analysis is the most relevant tool for assessment of the community's capacity to find a competitive position on the global market, but under some particular prerequisites. In order to present the analysis effectiveness criteria, this paper uses evidence that came from the implementation of the strategic planning process in the Belene Municipality. The community was selected deliberately due to its peripheral location, rural character, and strong development powers.

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As far as the available information allows, the goal is to define to what extent this rural community adapted, planned, implemented and gained through a process of strategic analysis.

### **The process of regional SWOT analysis**

SWOT analysis was developed to help firms define their strategies in the context of fluctuating and competitive environments. City and regional authorities in the EU were amongst the first agencies in the public sector to use SWOT analysis in the 1980s as a framework for reflection on different development scenarios. The tool is now frequently used as a component of the planning and ex ante evaluation of regional development programmes.

This method highlighted the main environmental, structural and demographic characteristics of the selected region. The identification of strategies and priorities, as well as the formulation of the action plan, were subsequently made on the basis of the major factors identified through the SWOT analysis. Based on the examination of regional socio-economic data, this analysis led to conclusions that were judged by the local managers as being relevant for their strategic planning.

One important distinction between SWOT analysis and other relevant tools for place evaluation is that the analysis may vary on account of its target audience (Avraham, 2000). For example, business segments tend to see high standard tourism services as a positive trait, while local ecological groups tend to perceive it as source of pollution and degradation of natural environment and therefore a negative attribute. The tool presents a simple method of assessing place characteristics in respect to different viewpoints of the main local actors.

The aim of SWOT analysis is to incorporate into the reflections on a socio economic programme both the endogenous characteristics of the territory concerned and the determining factors of the environment into which the development strategy will be implemented. The tool is intended to reduce the areas of uncertainty related to the implementation of a project or program applicable to the relevant territory. The purposes of the tool are:

- To highlight the dominant factors within and outside of the territory likely to influence the success of the local development plan;
- To produce relevant strategic guidelines by linking the local development plan to its environment.

Although this method was developed by private sector management specialists, SWOT-analysis is now used in the strategic reflection of public policy. Its use has now spread to the regional and municipal levels, where the policies of these areas are aimed at creating competitive advantages. The notions of strengths, weaknesses, opportunities and threats may apply to a regional economy in the framework of national, EU, and global competition.

SWOT analysis helps to identify the most relevant strategic procedure in relation to socio-economic development. Use of the tool is therefore essentially helpful in the planning of development programmes and during their ex ante evaluation, where it can help improve the integration of the programmes in the context of achieving regional growth.

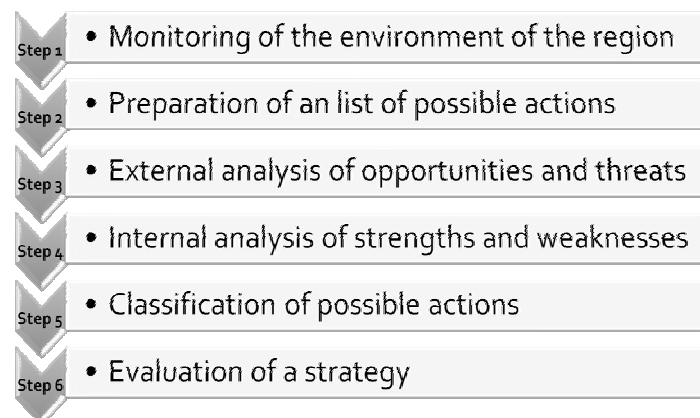
SWOT analysis may also serve as a management tool for assessing the relevance of a regional strategy during the implementation stage. Where SWOT analyses have been used at the programme formulation stage, it is appropriate to revisit them on an ongoing basis and particularly at the mid-term review stage to take account of the latest available data and to ensure that the strategic guidelines remain relevant.

## Territorial scope of the main elements of the SWOT analysis

According to business theory, through the main components of the SWOT matrix we can define that:

- Strengths, in the regional SWOT analysis, are a community's capabilities and resources that allow it to engage in activities to generate economic value and perhaps competitive advantage. A municipality's strengths may be in its ability to create unique local products, to provide high-level customer service, or to have a presence in multiple markets. Strengths may also be related with local people and their potential for an active participation in regional development. Whatever capability a community has can be regarded as strength.
- A municipality's weaknesses are a lack of resources or capabilities that can prevent it from generating economic value or gaining a competitive advantage.
- Opportunities provide the community with a chance to improve its performance and its competitive advantage. Some opportunities may be anticipated, while others arise unexpectedly. Opportunities may arise when there are niches for new products or services, or when these products and services can be offered at different times and in different locations.
- Threats are outside the community and aim to reduce the level of its performance. Threats may come from government regulation, market fluctuations, political crises, technological changes, etc.

The analysis of inner SWs and outer OTs results in a principal goal formulation, a development strategy and a priority ranking of actions to be undertaken to attain pursued objectives. This specific technique for place evaluation can be viewed as a process (Mairate, 2001), containing six main steps (see Figure 1).



**Figure 1.** SWOT analysis as a process

**The first step** enables the detection of the major trends and problems likely to affect the future of a certain territory. Use should be made of socio-demographic, economic, political and physical indicators. Indicators of regional disparities and benchmarks are particularly useful for revealing opportunities and threats. This step should not be comprehensive as the aim is to obtain an overall picture to illustrate the key issues that the community will have to face.

**The second step** involves the identification of possible actions, formulated in general terms in relation to the main problems identified.

**The third step** consists in listing parameters of the environment which are not under the direct control of the public authorities and which, it is assumed, will strongly influence socio-economic development.

**The fourth step** involves making an inventory of the factors which are at least partly under the control of public authority, and which may either promote or obstruct development.

**The fifth step** is aimed at highlighting those actions (strategic guidelines) most likely to reduce development problems by focusing on the strengths and reducing or even eliminating the weaknesses, with a view to maximizing opportunities and minimizing threats.

**The sixth step** is optional. It may be included if it is appropriate for judging the relevance of a strategy already being implemented or being planned.

### **The implementation procedure of regional SWOT analysis in Bulgarian rural regions**

SWOT starts with the collection of information about the current municipality's strengths and weaknesses and the clarification of potential opportunities and threats. Data is collected at all levels in the region in order to support the SWOT analysis. National and regional priorities and policies from the central government and from the financiers are analysed.

Usually, data collection is concentrated at the beginning of the planning procedure but continues throughout the whole cycle. Having defined a list of internal and external factors which have a significant impact over the current and prospective situations in place, every one of them is ranked according to its impact power and importance. The SWOT analysis is completed using graphical interpretation of the interaction of strengths, weaknesses, opportunities and threats, plotted according to estimated ranks (Figure 2.).

Briefly, the SWOT analysis integrates place characteristics and different target audiences' needs and demands in order to direct local decision makers towards what should be changed or retained in a certain region.

To effectively assess the place, different local actors are formed into focus groups. In the specific case of the Belene Municipality, each one of those groups consisted of experts such as key stakeholders, chief executives, investors, industrials, local officials, urban designers, members of different NGOs, etc. The analysis was undertaken by a limited number of work groups concentrating on the main themes resulting from a regrouping of the SWOTs.

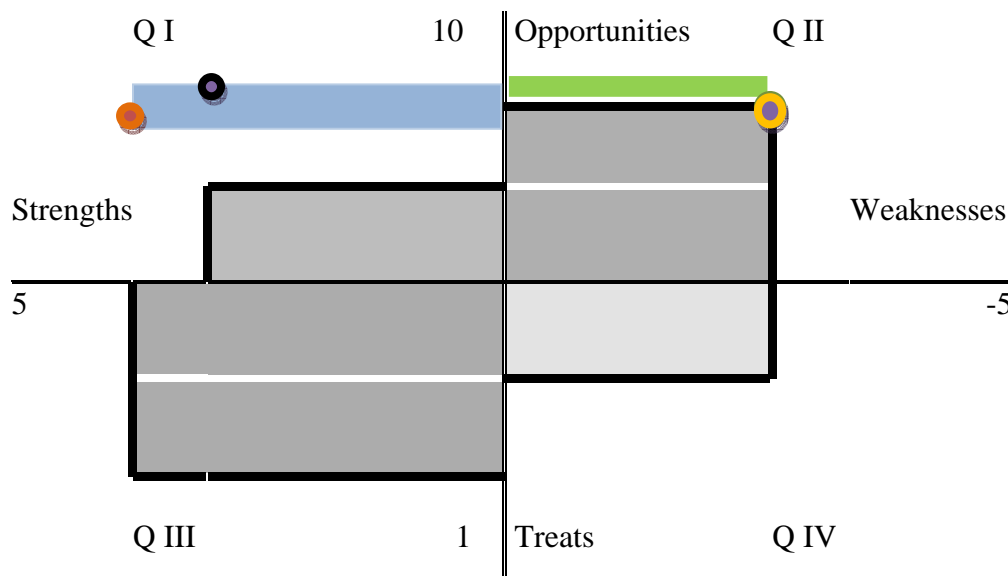
The work groups were composed of local experts in a specific domain. This domain constituted the theme upon which the work group was concentrating. The main task of the experts was to identify priority actions, to refine or to eventually modify the goal formulation for their specific theme and to propose a strategy to attain the goal within a given time limit. Finally, the most appropriate SWOT combinations were selected to attain the tentative strategy for local development.

*The assessment of the internal environment's factors is evaluated by two criteria, which form an overall score:*

- **Significance** – It shows the factor's impact on the local development. The ranks are from 1 to 5 for strengths and from -1 to -5 for weaknesses.
- **Actuality** – It shows the local authorities' capability of influencing a certain factor. The ranks are from 1 to 5 for strengths and from -1 to -5 for weaknesses.
- **Total score**– The cumulative score formed on the basis of the above factors' ranks.

The assessment of the external environment's factors is evaluated by two criteria as well. They form a weighted score:

- **Factor's weight**– It shows the factor's importance for local development. The ranks are from 0 to 1 for both opportunities and threats.
- **Impact power of the factor**– It can be positive or negative. The ranks are from 1 to 10 (opportunities from 6 to 10, threats from 1 to 5.)
- **Weighted score** – It shows the influence of the external environment's factors.



**Figure 2.** Graphical representations of SWOT analysis results

If the point of intersection between the external and internal factors' average scores is in:

**Q I** – the appropriate strategy for the municipality is to extend the range of local goods and services and to increase the investments in the local economy;

**Q II** – the appropriate strategy for the municipality is to build up a partnership and joint ventures with other communities;

**Q III** – the appropriate strategy for the municipality is to undertake some structural changes in the local economy;

**Q IV** – the appropriate strategy for the municipality is to concentrate local resources in the most effective and prospective sectors in the local economy and to reassess the municipality's priorities.

### Belene Municipality case study

The Belene Municipality<sup>2</sup> (Figure 3.) is located in North Bulgaria in the Pleven District. It's a rural community that consists of 1 town (municipal center Belene) and 5 villages.

The municipality encompasses the fertile lowlands of Svishtov - Belene. The relief is flat. The total area of arable land is 172 sq.km; forests are 39.98 sq.km and are mostly deciduous trees. Railway transport is of local importance. There is a railway connection through the Oresh Station to one of the regional main points - Levski Railway Station, thus making the West - East connection and connection to Troyan town.

The major natural wealth in the Belene Municipality is Persina Natural Park. The Belene Danube archipelago consisting of 19 islands falls within the borders of the Municipality and the Park. One of them is Persin Island - the largest Bulgarian Danube island, which the Natural Park was named after. The island is of 15 km in length and 6 km in maximum width. Plausible tourism attractions are: a bird-watching point on Golyama Barzina Island; a place for recreation and fishing near the firth; a cycling route from the Persina Enterprise to the Kaykousha Plant (10.6 km); a fishermen settlement in the Hissarlaka Locality.



**Figure 3.** Belene Municipality – geographical location

Local economy is based on manufacturing, agriculture and construction. The municipality also gains some popularity as a location of Bulgaria's second nuclear power plant. All this notwithstanding, Belene is a rather poor community, facing problems of depopulation, unemployment, and significant need for improvement of local road infrastructure. Only recently and because of Bulgarian EU membership has the alternative tourism opportunity arose due to its excellent natural environment and rich historical heritage. Still, there are some crucial obstacles to this sector boosting local economical development, such as:

- Insufficient accommodation facilities;
- Low rate of touristic investments;
- Lack of skilled personnel;
- Lack of place marketing initiatives;
- Insufficient networking with other touristic areas in Bulgaria and abroad.

<sup>2</sup> [www.obshtina.belene.net](http://www.obshtina.belene.net) (09-03-09)

Despite all of the aforementioned problems, we had to admit the local potential for endogenous development. The partnership between local authorities and the existing enterprises in the Belene Municipality in association with several fields of planning implementation (economy, entrepreneurship and cultural planning) was aimed to boost local economical growth through public-private partnership and industrial clusters. Moreover, the local administration recognized its role as an instrument of a wider urban management process, considering the preparation and implementation of the integrated development strategy. This role had arisen because the community needs to adopt new strategic methods and plans in order to remain viable or to become competitive with other municipalities.

Belene's strategic vision is to become Bulgaria's major power engineering center and tourist destination while preserving nature and its cultural heritage. Implementation of the local development policy concerns the analysis of the internal and external municipal environment in relation to the examination of the local stakeholders' interactions. In Metaxa's (2001) application, two levels of investigation and further examination came forward through SWOT analysis. They concerned the relationships that develop between public authorities and the ability of the public sector to execute development strategies in cooperation with the private sector. Kotler (1993) also implied that regional analysis could help cities improve their planning outcomes.

The main aim of SWOT analysis in the Belene Municipality referred to investigation and evaluation of local distinctive features, identification of target markets, the impact of global trends on local development, and planning appropriate strategies, tactics, and alternative scenarios per action and feedback procedure.

#### *Election and organization of experts*

In order to conduct a SWOT analysis, expert work groups were created. Each of those work groups was concentrated on one major theme for regional development. The experts discussed needs, challenges and possible actions related to social-economic development in the region in parallel sets.

During the meetings participants discussed the SWOTs for:

- Business and economics (according to key sectors in local economy)
- Innovation and infrastructure issues
- Human capital in the region and its development
- Spatial development and urban planning issues
- Natural environment
- The social and cultural sphere
- Destination marketing

In order to avoid overlapping the efforts of the work groups, horizontal communication between work group leaders was essential. Therefore, the work group leaders had to meet each other in so-called 'horizontal coordination' meetings (Zwaenopol, n.d.).

Major tasks of the experts concerned not only revelation of actual and possible SWOTs, but also:

- Further data collection on past, ongoing, and future projects and adopted strategies,
- Collection of information from the area,
- Goal formulation, choice of strategy, and selection of priority actions,
- Identification of available financial means at local, national, and international levels and the instruments to put them into place (legislation, institutional reform).

As agreed upon in the plenary sessions, the primary task of the work groups was to pick out of the list of ranked strengths, weaknesses, opportunities, and threats those which

were the most relevant for their chosen theme.

Several work groups selected the same opportunities and the same threats, but did so with other related strengths and weaknesses or treated different aspects of the same strength or weakness.

The retained SWOTs (*see* Table 1) were then analysed in a SWOT matrix according to the methodology presented above. The final task of the work groups was to reformulate the vision in order to obtain a provisional goal, to identify a provisional strategy, to select priority actions, and to elaborate a preliminary action plan.

**Table 1**

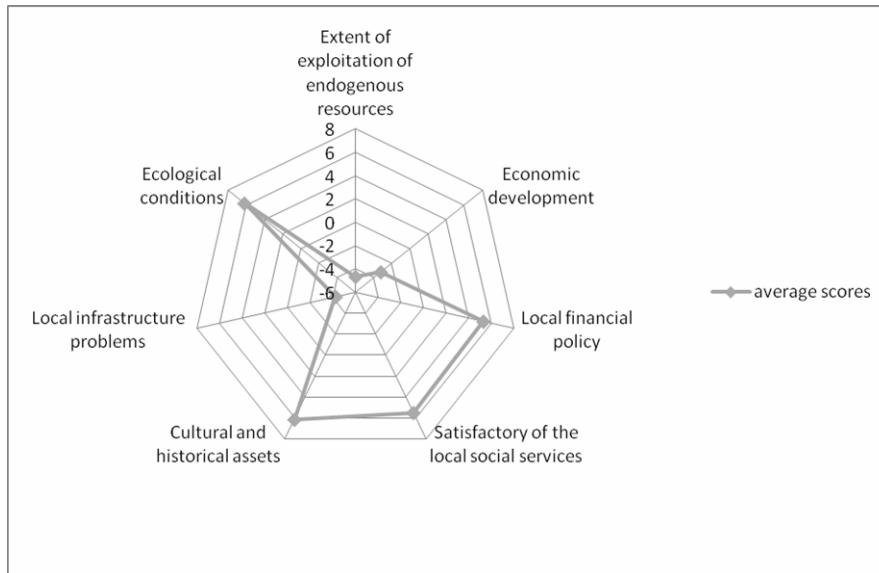
*Inventory of factors which were found most relevant according local development*

|   |   |   |
|---|---|---|
| <b>Experts' SWOT data for Belene Municipality</b> | <b>S</b>  | <b>W</b>  |
|   | <p><b>Auspicious factors for local socio-economic development</b></p> <ul style="list-style-type: none"> <li>• Natural resources and geographic location (ecologically pure region with unique biodiversity, the Danube's island chain, favorable climate, and presence of a rich soil;</li> <li>• Relatively cheap and skilled work force;</li> <li>• Religious and ethnic tolerance;</li> <li>• Compact network of towns with good transport links between them;</li> <li>• Presence of interest on behalf of big tenant holders in the field of farming;</li> <li>• Cultural-historical heritage: folklore and ethnography.</li> </ul>   | <p><b>Factors that hold back local development</b></p> <ul style="list-style-type: none"> <li>• Ineffective use of natural resources;</li> <li>• Unfavorable demographic trends;</li> <li>• Inflexible work force;</li> <li>• Lack of accommodation facilities;</li> <li>• Lack of experienced staff in alternative tourism;</li> <li>• Inefficient farming;</li> <li>• Unsatisfying productivity of labour;</li> <li>• Infrastructure problems.</li> </ul>           |
|   | <p><b>Main directions for local development</b></p> <ul style="list-style-type: none"> <li>• Building up strong and effective forms of partnership between local stakeholders;</li> <li>• Attracting large investors, particularly for further construction of the new nuclear power plant;</li> <li>• Effective exploitation of endogenous potential of the municipality;</li> <li>• Effective use of EU structural funds;</li> <li>• Benchmarking and networking;</li> <li>• Development of stronger cross-border cooperation;</li> <li>• Building and development of regional industrial clusters in agriculture and livestock breeding, constructing, and power engineering;</li> <li>• Development of cultural and eco-tourism in accordance with the rising tendency of cultural tourism worldwide</li> </ul> | <p><b>Main problems in local development</b></p> <ul style="list-style-type: none"> <li>• Lack of investment interest and proper measures to overcome this problem;</li> <li>• Low household incomes;</li> <li>• Relatively high level of unemployment;</li> <li>• Low level of population growth;</li> <li>• Infrastructural issues;</li> <li>• Low level of modern and innovative companies;</li> <li>• Out of date social and cultural public services;</li> </ul> |
|   | <b>O</b>  | <b>T</b>  |



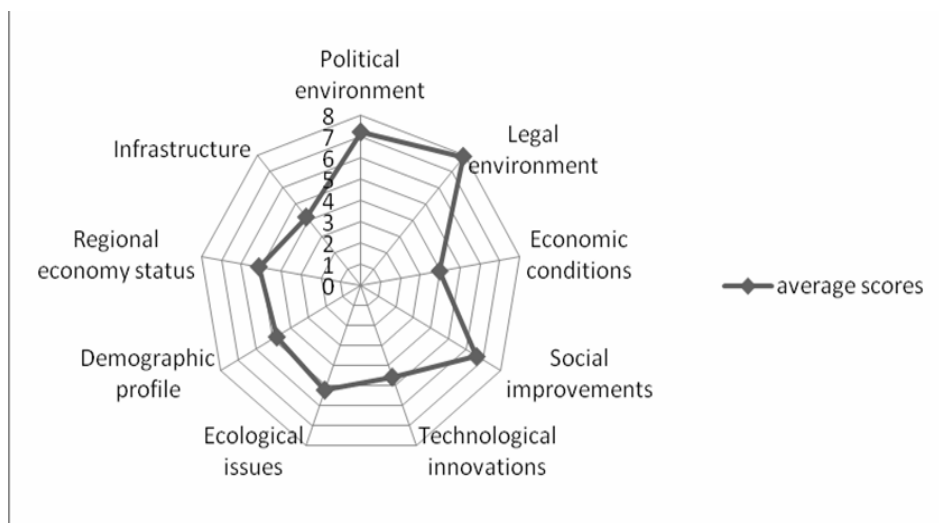
The results of the SWOT inventory assessment composed the framework for formulating local priorities and choosing provisional development objectives oriented towards meeting the demands of the target groups while taking into account existing external potential for growth.

Further down are plotted general outcome of the experts' work (Figure 4. and 5.).



**Figure 4.** Experts' evaluations for inner factors of municipal environment

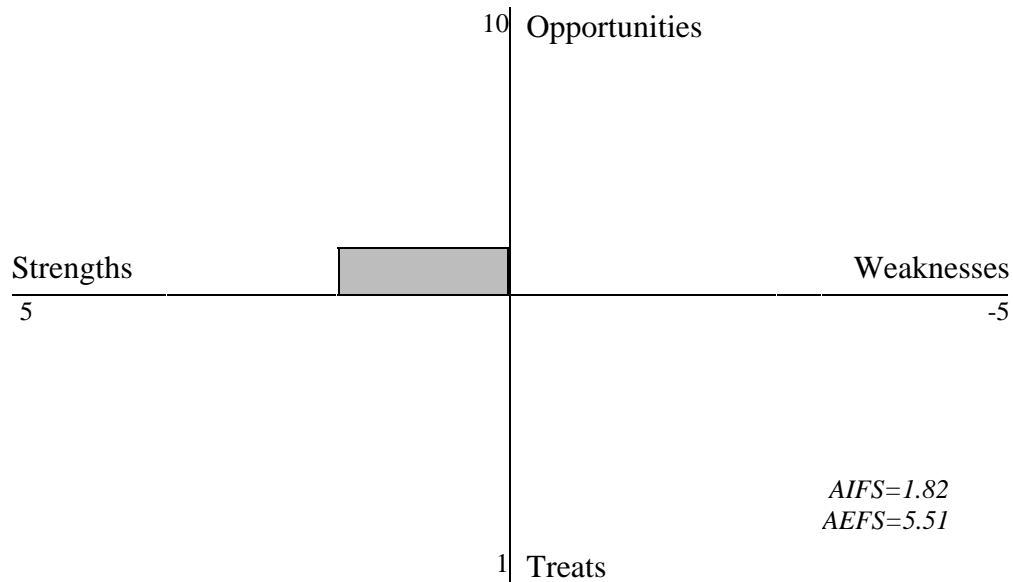
The assessment of internal factors shows that strengths prevail over weaknesses in terms of the experts' findings. The main traits of the municipality are related to its remarkable nature, cultural and historical assets, and the good quality of public services and financial benefits for companies willing to relocate within the municipality. The shortcomings are allied to inadequate exploitation of endogenous resources, low level of economic growth and infrastructural problems.



**Figure 5.** Experts' evaluations for outer factors of municipal environment

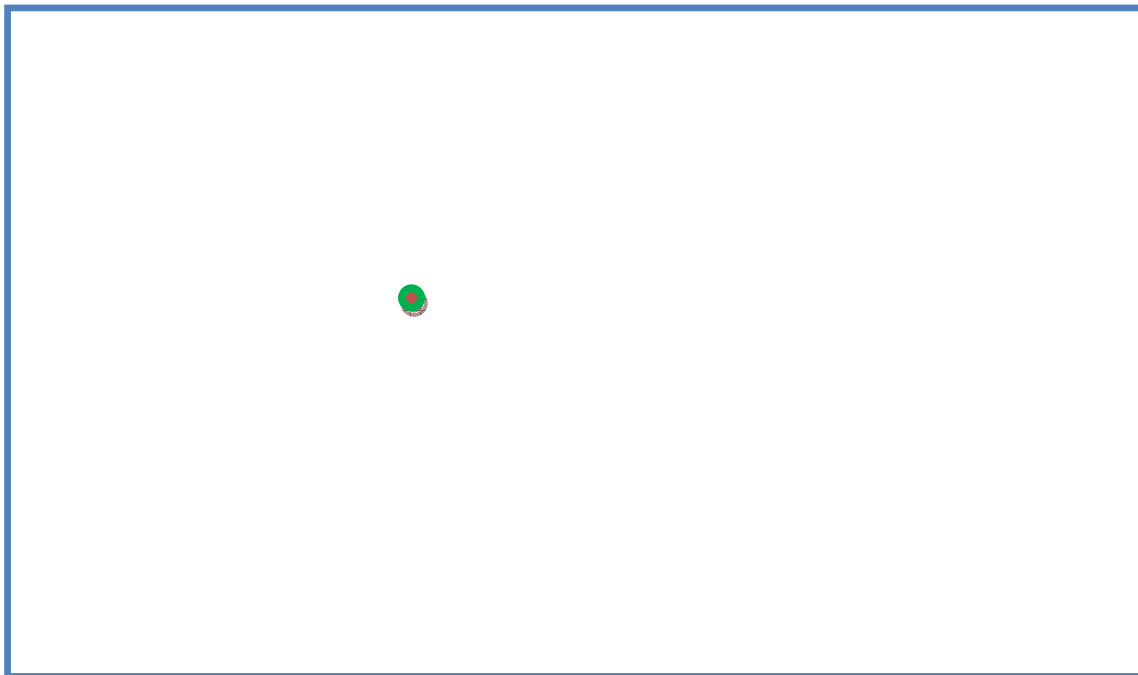
External environment is rather favorable in terms of the experts' findings. The preconditions for local development are related to a favorable political, legal, ecological and

social environment. The rising tendency of cultural tourism worldwide also gives Belene the opportunity to become an attractive destination for mild touristic activities based on the beauty of the landscape and the cultural and historical landmarks. The main threats range over a variety of subjects, such as unfavorable economic conditions (i.e. global financial crisis) and a broad lack of technological innovations and regional infrastructure improvements. Potential risk is also the abandonment of Bulgarian peripheral regions—in particular, Belene



Municipality.

Figure 6. represents the current position of the Belene Municipality according to the results from the inner and outer factors' evaluation.



**Figure 6.** The position of Belene Municipality according SWOT analysis results

We can conclude then, according to the analysis, that local efforts should be mainly directed to the implementation of an offensive strategy. The latter activates and combines positive external factors with endogenous competitive advantages (e.g. see Table 2)

The strategy was determined by the work groups in SWOT terms. The selected strategy is predominantly Maxi-maxi, which means: using the external opportunities and local strengths to secure future prosperity of the region and fulfill the municipality's vision. The strategy is expressed as a logical series of direct planning objectives to be realised in order to achieve economic growth and wealth.

The following succession of objectives has been adopted as the basic strategy for sustainable local development of the Belene Municipality:

- Enhancement of the capacity of the local authorities to stimulate economic growth;
- Recruitment of people with qualifications responding to the future market demand;
- Creation of a favourable entrepreneurial environment and penetration of the international markets with high value added products;
- Gradual improvement of the infrastructure to disclose the area for economic development;
- Elaboration of a coherent social policy in support of local sustainable development.

**Table 2**

*Decision-making process of experts according priority – “Boosting local economic growth”*

| Strategy type  | Goal  | Main action fields   | Risks  | Chances   |
|--|---|--|--|---|
| <b>O ↔ S</b><br><b>Opportunity:</b><br>The rise of new types of tourism<br><b>Strenght:</b><br>Natural and cultural resources, geographic location | To present the Belene Municipality as an attractive location for touristic activities based on the beauty of the landscape and rich cultural heritage | Assessment of the area's potential for tourism;<br>Foreign investments in touristic infrastructure improvement and in further development of a public transport system;<br>Attraction of State and EU financial resources in order to highlight municipal, natural, and cultural assets;<br>Strengthen local dialogue and partnerships between public authorizes and the private sector;<br>Development of a new | Plausible exploitation of the area's assets without respect to the environment and quality;<br>Lack of population holding and attraction of investments;<br>Poor networking with other forms of tourism and other 'similar' areas, which can provide the potential for development through cooperation and complementary networks;<br>Drawing lower numbers of visitors due to the | Development of the local administrative capacity;<br>Intensive cross-border cooperation with Romania;<br>Increase of domestic investments in touristic infrastructure and activities;<br>Protection of the declared historical monuments and preservable areas' environment;<br>Organization, support and promotion of cultural events. |

| Strategy type | Goal | Main action fields   | Risks  | Chances |
|---------------|------|--|--|---------|
|               |      | 'mentality' within the local population;<br>Investigation of the target markets for local tourism (consumers' demands, interests, requirements);<br>Study and analysis of Belene's public image;<br>Increase the flow of visitors;<br>Preservation of various reasonable fare reductions for new businesses. | lack of infrastructure or sufficient accommodation and information facilities in Belene;<br>Depopulation of the community and lack of experienced staff in tourism;<br>Lack of promotional initiatives used in order to communicate local unique characteristics and sites to inspire the inhabitants to get involved with cultural tourism. |         |

## Conclusions

This article strongly supports that regional SWOT analysis is an essential tool for local economic development and for increasing competitiveness in Bulgarian rural communities.

To be successful, SWOT analysis requires knowledge, critical thinking, and strategic thinking. Moreover, its results are strongly related to the level of co-operation between local authorities and the public sector, as well as the citizens' direct contribution.

For rural municipalities which are less financially developed, strategic regional analysis also provides an opportunity to achieve desirable levels of economic development and to become more competitive and attractive in comparison to other cities. Analysis is a major necessity for communities which wish to be competitive on an international level.

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