SOCIO-ECONOMIC REVIEW OF CERTAIN FEATURES IN THE REGIONAL DEVELOPMENT OF BULGARIA

Aneliya Parzhanova, PhD

Varna Free Univrsity Chernorizets Hrabar – Campus Smolyan

Abstract: Increasing regional competitiveness, employment levels and prosperity presupposes a competitive regional economy characterized by sound socio-economic characteristics and is capable of attracting more investment in human capital, promoting entrepreneurship, reducing poverty, developing a knowledge society, adaptation of knowledge, etc. The focus of the state policy is rather the establishment of macroeconomic stability and a market economy, which function within a national scope and are influenced by regional traits in a limited way. This situation obstructs local potential and does not contribute to sustainable regional development. The problem analysis done in the article aims at identifying some key problem areas in the socio-economic development of Bulgaria and making proposals for overcoming them.

Keywords*:* planning regions, sustainable growth, demographic tendencies, added value

The objective presentation of the planning regions[1], requires an analysis of the economic trends in the country before the global economic crisis, while at the

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[1] The "region" category (according to the Regional Development Act. State Gazette, issue 50/2008) is used to identify the non-administrative territorial units in Bulgaria at Level 2 (NUTS 2) while retaining the names: Northwest, North Central, Northeast, Southeast, South Central and Southwest but, with the exception of the Southwestern region, their territorial scope has been changed.

same time it is necessary for this analysis to reflect the socio-economic development of the country in order to highlight the trends before, during the economic crisis and the opportunities to overcome the regional disparities existing after 2014.

The growth of the Bulgarian economy until 2009 has also had an impact on the acceleration of the rate of increase of prices, and a specific feature of this period is that the average annual Harmonized Indices of Consumer Prices has increased from 6% in 2005 to 12% in 2009.[2] There are three main factors that affect the rate of inflation during this period. First, there is an increase in consumer demand stemming from both the increase of incomes and the facilitated access to credit resources, with domestic supply being unable to respond to market demand. Secondly, Bulgaria's accession to the EU accelerates the convergence of prices and incomes in the country towards the EU average. It is important to mention that, for the period 2005-2009, the accumulated inflation amounts to 32.6%, the highest level in the EU, which places our country among the countries with the highest inflation, such as the Baltic Republics, Hungary and Romania. Thirdly, there is a significant increase in the international prices, which are crucial for the dynamics of inflation in our country - namely crude oil and food prices .[3]

In a period of economic crisis, price dynamics in the country is influenced by declining domestic and foreign demand, which leads to a decline in prices on international markets. The decline in employment and the negative processes related to wage volatility are also a factor in lowering the price level. Thus, the average annual inflation rate, measured with the Harmonized Indices of Consumer

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[2] Macroeconomic statistics. Official website of the National Statistical Institute. http://www.nsi.bg/node/2279
[3] Macroeconomic statistics. European Comparison Program. Official website of the National Statistical Institute http://www.nsi.bg/node/2279

Prices, was about 2.5% in 2009 and 2010, while in November 2017 the inflation reached 3%, while for the rest of the same year it was significantly lower. On average, for the year 2017, its value was 2.1%, and for the period 2014-2016 the average annual inflation was negative.[4]

The sustainable growth of the economy leads to a pronounced tendency of reducing unemployment and increasing the employment level of the population. Employment growth is accompanied by a gradual convergence in the level of labor productivity, which reached 38.8% in 2008 compared to the EU average. In the period of the global economic crisis of 2009, there was a decrease in the revenues of the enterprises and optimization of their labor costs. By the middle of 2009, entrepreneurs had kept their workers in anticipation of a short-term period of economic difficulties, but with the deepening of the crisis they gradually shrunk their businesses and attempted to cut costs and, as a consequence, this led to workers' dismissal (in 2010, unemployment reached 10.2%, which is comparable to the level of unemployment in 2005, and in December 2017 – 5,2%). Since 2011, there has been a slight improvement in the labor market as a result of increased export opportunities for businesses, and given the gradual recovery from the crisis.

The presentation of the planning regions requires a survey of the demographic trends in Bulgaria as well. For the last 20 years the population of our country has decreased by 1 105 559 people. The natural growth of the population continues to be negative. For 2009, the natural growth rate is -3.5 ‰. The natural growth rate continues to have a very large negative value in the villages - 10,8 ‰ while in the cities it is - 0,7 ‰, which means that the decrease of the population in the country as a result of natural growth is due mostly to the negative trends in

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[4] Macroeconomic statistics. Inflation and Consumer Price Indices. Official website of the National Statistical Institute. http://www.nsi.bg/bg/content/2445/%

rural population development. In 2017, the population aging process in the country is continuing, which trend is also characteristic of the majority of countries in Europe. The share of persons under the age of 15 is 14.3% and that of the population over 65 years of age is constantly increasing and now it is 21.0%. This population aging trend leads to changes in the basic age structure of the population: the distribution of population below, in and over working age is in the direction of decreasing the share of the working age population and increasing the share of the population over working age. Aging also leads to an increase in the average age of the population, which has been rising steadily in recent years and has risen from 41.2 years in 2005 to 43.6 years in 2017.

Table 1: Population below, in and over working age as of 31 December2017

Age groups	Total			Incl. in cities		
	Total	*Men*	*Women*	*Total*	*Men*	*Women*
TOTAL	**7050034**	**3422409**	**3627625**	**5181755**	**2494068**	**2687687**
Below working age	1065993	548236	517757	797889	410025	387864
In working age	4248503	2233566	2014937	3218503	1663335	1555168
Over working age	1735538	640607	1094931	1165363	420708	744655

Source: National Statistical Institute[5]

The decline in birth rate is a long-lasting trend. Despite the increased number of births and the rising birth rates in recent years, it can not reach the 1990 level and can not yet compensate for the mortality rate. The birth rate for 2009 was 10.7 ‰ compared to 12.1 ‰ in 1990. The lowest birth rates are in the Northwest and North Central Statistical District (9.1 ‰). The number of births in the country in 2017 is 64 359, of which 63 955 (99.4%) are live births. The birth

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[5] Demographic and social statistics. Official website of the National Statistical Institute http://www.nsi.bg/bg/content/767/

rate (number of live births per 1,000 people in the average yearly population) increased from 8.6 ‰ in 2001 to 9.0 ‰ in 2017.[6]

As a result of the crisis the tendency towards migration of Bulgarian citizens in active age, which intensifies the negative demographic processes in terms of population aging, decreasing the share of the population in childbearing / working age and decreasing the birth rate, is increasing. According to the United Nations (UN) Report: "Aging World Population 2009", Bulgaria ranks among the top ten of the most elderly countries in the world.[7] Our country is fifth in the world by the percentage of the elderly population within the total population - 24.2% of the population of Bulgaria is over 60 years old. Aging is a process with profound implications for the economy, the labor market and the social systems. It affects all aspects of the economic and social life of the country. According to the projections for demographic development of the Republic of Bulgaria made by NSI, international research centers, the United Nations and the European Commission (EC) for the period up to 2050, due to aging, significant changes in the age structure of the Bulgarian population are expected. By 2050, the relative number of the population over 60 will reach over 30% of the total population in Bulgaria.

Demographic trends for the period up to 2020 necessitate adequate and timely changes in pre-school and school education, a reassessment of the needs for all kinds of resources in the education system - human, material, financial, information, etc. As a result of the demographic changes in the last five years, the number of pupils in grades 1-12 (13) decreased from 935,555 in 2005 to 792,320

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[6] Demographic and social statistics. Official website of the National Statistical Institute http://www.nsi.bg/bg/content/767/

[7] UN with the darkest demographic forecast in the world - how Bulgaria disappears. 25.08.2015 BLITZ News. https://blitz.bg/obshtestvo/oon-s-nay-mrachnata-demografska-prognoza-v-tseliya-svyat-kak-izchezva-blgariya_news357341.html

or by about 143,000 pupils. Thus, the education sector faces the challenge of making relevant structural changes to maintain its effectiveness and adapt to the dwindling demand for education services in primary and secondary education. In 2007, municipalities began to optimize their school network. School closures peaked in 2008, when 340 schools were closed, compared to 111 in 2007 and 44 in 2009. In the period 2002-2009 and in the following years, the educational structure of the population improved, following the pronounced trend of an increase in the number and share of the population with higher and secondary education, while reducing the number and share of people with elementary and lower-level education.[8] The proportion of young people with at least secondary education aged 20 to 24 has steadily increased in recent years, from 77.4% in 2002 to 83.7% in 2009. By this indicator, in 2008 Bulgaria exceeded the EU average by 5.3 percentage points. The share of graduates aged 30-34 has increased and while 19.5% in 2000, it was 27.1% in 2008, and in 2017 this number continued to increase. Nevertheless, Bulgaria lags behind the EU population (31.1%).

Table 2: Number of university graduates by statistical region

Regions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total for the country	54309	57167	59927	63405	63112	65221	62010	61276	58919	55428
Northwest	639	439	561	602	436	467	569	530	604	723
North - central	12428	10360	10278	9884	11789	12596	10811	11194	10616	9374
Northeast	8310	9285	9340	9368	9487	9696	9188	9905	9128	8290
Southeast	3245	3380	3464	3661	3691	3387	3411	3136	3154	2924
Southwest	21605	23729	26255	27881	28406	29322	28699	27774	26299	25571
South - central	8082	9974	10029	12009	9303	9753	9332	8737	9118	8546

Source: National Statistical Institute[9]

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[8] Analysis of the educational and scientific research system of the youth sector in the Republic of Bulgaria. 2010. www.eufunds.bg/archive/documents/1298552228.doc
[9] Demographic and social statistics. Education and lifelong learning. Official website of the National Statistical Institute. http://www.nsi.bg/node/3374

Bulgaria continues to account for one of the highest mortality rates in the EU and the lowest natural growth rate, although the mortality rate increase in the last two decades has slowed down slightly. In general, the demographic processes in our country are characterized by a steady tendency of lowering the number of the population and its aging. There is also an unfavorable trend concerning the labor force, which is manifested in a decrease in the absolute number of the employed people, with a significant increase in the relative share of aging workers.

Bulgaria is among the EU Member States where the poverty risk for the population is above the EU average. In 2009, the poverty rate in Bulgaria was 21.8%, or about 1.657 million people were poor. In 2017, the relative share of the poor in the employed category was 9.9% and among the pensioners 32.4%. The main risk of falling into poverty for the majority of households in Bulgaria is determined by their economic activity and participation in the labor market. By age groups, the risk of poverty is highest for children under the age of 18 and for the population over working-age. When it comes to economic status, the risk of poverty is greatest for the unemployed (58.7%), the pensioners (32.4%) and the other economically inactive persons (24%). The working poor are 7.2% to 9.9% (from 2013 to 2017), which inevitably affects the level of child poverty. The percentage of people living in jobless households or households with low intensity of economic activity is 10%. Subjective indicators of material deprivation developed at EU level and are applied by all countries. According to Eurostat, the percentage of people living in material deprivation in Bulgaria is 41.9 while the average for the EU is 8.1[10] According to NSI data, 3.9% of Bulgarians can not afford a telephone (including a mobile), 2.2% - color television, 12.4% -

[10] Bulgaria is the first in the EU at risk of poverty and social exclusion. 17.10.2016. https://www.mediapool.bg/bulgaria-parva-v-es-po-risk-ot-bednost-i-sotsialno-izklyuchvane-news255310.html

automatic washing machine, 24.8% - automobile, and 36.9% can not afford the consumption of meat, chicken or fish every second day, while 59.8% of households state they can not afford one week's annual holiday outside their home and 58.4% state that they can not pay unanticipated expences out of the family budget (unexpected home repair, sudden illness, etc.), 34.8% have had difficulties with payments of loans or rent, running costs for electricity, water, heating, difficulties with the payments for loans and 64.2% limit the heating of their housing due to insufficient funds.[11]

According to Eurostat, the risk of poverty or social exclusion in Bulgaria is 46.2% in 2009, while the average for the EU is 23.1%. As a horizontal policy, the policy on social inclusion is directly dependent on employment, education, health and long-term care policies, as well as the housing policy. The main problems in the field of social inclusion stem from poor employment, insufficient access to quality education, insufficient access to quality health care, etc. [12]

Таблица 3:Relative share of the poor by economic activity
(for persons aged 18 and over)

Regions							*(% of the total)*
Years			**2013**	**2014**	**2015**	**2016**	**2017**
Total for the country	Total	Employed	7.2	9.2	7.7	11.4	9.9
		Not employed	30.9	29.3	35.0	32.7	37.7
		Unemployed	47.6	50.2	53.3	54.6	58.7
		Retired	25.9	21.1	30.0	24.7	32.4
Northwest	Total	Employed	6.2	5.5	3.7	8.2	7.6
		Unemployed	43.0	44.9	45.5	55.2	45.7
		Пенсионери	24.4	14.4	24.3	15.9	20.4
North - Central	Total	Employed	5.2	7.1	4.5	11.2	7.7
		Unemployed	35.4	39.1	44.2	50.0	49.2
		Retired	21.6	16.3	24.2	20.3	29.4

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[11] Indicators of Poverty and Social Inclusion based on a European income and living conditions survey (eu-silc) in the context of the open method of coordination http://www.nsi.bg/sites/default/files/files/pressreleases/SILC2009.pdf
[12] Poverty statistics. Eurostat. 2018. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Income_poverty_statistics/bg

Northeast	Total	Employed	9.5	9.0	8.2	13.0	10.0
		Unemployed	46.9	45.0	50.6	53.2	59.8
		Retired	23.6	17.3	31.6	25.1	35.4
Southeast	Total	Employed	6.6	9.6	8.3	11.0	10.8
		Unemployed	54.8	50.0	43.9	54.5	67.3
		Retired	19.3	21.3	20.5	21.6	29.5
Southwest	Total	Employed	7.8	7.5	8.6	12.9	10.5
		Unemployed	43.9	49.8	50.9	57.1	57.1
		Retired	31.7	24.4	36.3	31.7	35.4
South - Central	Total	Employed	7.9	13.3	10.9	13.9	10.4
		Unemployed	50.3	53.4	61.3	55.7	55.3
		Retired	20.0	16.3	29.2	19.0	28.8

Source: National Statistical Institute[13]

In the context of the Europe 2020 Strategy, Bulgaria has defined a national target for promoting social inclusion, in particular by reducing poverty, by fixing the reduction of the number of people experiencing poverty by 260,000 (16% of the poor in 2009), defining four sub-targets and relevant target groups.[14] To achieve these objectives, the fight against poverty and social exclusion focuses on the following priority areas: greater adequacy of social transfers; comprehensive support for children and families; inclusion of unemployed persons from vulnerable groups in the labor market; supporting the elderly by providing long-term care services; adequate support for the working poor and ensuring adequate housing conditions for the vulnerable risk groups and reducing homelessness.

In terms of Gross Domestic Product (GDP), at regional level (Level 2 regions), five of the Bulgarian regions fall into the group of the last ten regions with the lowest GDP per capita in the EU (by purchasing power parity - PPS based on the data for 2017): the Northwest region with 28% of the EU average,

[13] Indicators for poverty and social inclusion by region. Official website of the National Statistical Institute. http://www.nsi.bg/bg/content/8262/%

[14] EUROPE 2020 A strategy for smart, sustainable and inclusive growth http://www.strategy.bg/Publications/View.aspx?lang=bg-BG&Id=124

the North Central with 30% and the South Central with 30% occupy the last three places in the ranking, while the Southeastern and Northeastern regions are at respectively 36% and 37%.[15] Of the Bulgarian regions, the Southwest region stands out with 73%. A significant part of economic activities is concentrated in the capital and it remains the most attractive place for business and employment in the country. The contribution of the regions to the country's GDP in 2017 continues to be uneven, with regional GDP growth in each of the regions. The largest contribution to the total GDP in absolute value and as a relative share at the end of 2017 was made by the Southwestern region - 48,390 million BGN and a share of 46.3%, while the lowest contribution was made by the Northwest region - 6,818 million BGN and a share of 7.8%. [16]

Table 4: GDP per capita in BGN for the period 2008–2017

Years	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*
Total for the country	9544	9622	9924	10990	11229	11268	11594	12340	13206	14280
Northwest	6221	6074	6090	6914	7033	7080	7419	7607	8014	8938
North – central	6574	6508	6527	7414	7754	7970	8415	8627	9111	9818
Northeast	8255	7926	8030	8936	9329	9332	9809	10193	10629	11398
Southeast	7860	8001	8017	8844	9338	9528	9856	10257	11623	12538
Southwest	15911	16248	17013	18333	18309	18192	18593	19985	21293	22913
South - central	6643	6739	6981	7692	7959	7953	7910	8723	9230	10009

Source: National Statistical Institute*[17]*

The structure of the created gross added value by regions in the country for the period 2007–2017 is characterized with different trends in the sectors'

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[15]. GDP per capita: 2015-2017 Program for European solutions. Official website of the National Statistical Institute. http://www.nsi.bg/bg/content/2297

[16] Ibid.

[17] Macroeconomic statistics. GDP - regional level. Official website of the National Statistical Institute. http://www.nsi.bg/bg/content/2215/

participation, as the economic restructuring in them continues and they are still trying to achieve a sustainable economic structure. There are several main trends at the regional level. The share of the Southwestern region dominates the GVA of the country in the sectors of industry, services and the aggregate GVA. The data for 2007-2017 show that the region has a share of more than one third of the value added in the country's industry - 36.7% while the other regions are in the range between 9.0% and 17.5%. Over half of the GVA in the service sector in Bulgaria is produced in the Southwest region (53.2%) and the shares of the other five regions vary between 6.9% and 12%. The largest share in the agricultural sector of the country belongs to the South Central Region with 24.5%, while the remaining regions have roughly equal shares with between 13.6% and 16.5%. Overall, the South-West region contributes 45.7% to the country's GVA, with the lowest contribution belonging to the Northwestern region (8.1%). All sectors are characterized by a leading position in the services sector, followed by the industrial sector and a relatively low share of the agrarian sector. This trend is most pronounced in the structure of the gross added value of the Southwest region, which possesses the most characteristic features of the economically developed regions in the EU - a significant share of the service sector in the GVA of the region (71.9 %), followed by the share of industry (25.9%) and a very low share of the agrarian sector (2.2%).[18]

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It can be summarized that Bulgaria's basic socio-economic problems can be identified in the demographic trends, education, added value and well-being (including the fight against poverty and social exclusion), the level of social development, the basic infrastructure quality, competitiveness on the international

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[18] Годишни доклади за наблюдение изпълнението на Регионалните планове за развитие на Р България https://www.mrrb.bg/bg/godishen-doklad-za-nablyudenie-izpulnenieto-na-regionalniya-plan-za-razvitie-za-2017-g/

market of goods and services, the poor balance of regional development and the differences between the regions, etc. Economic and demographic crises pose additional threats, such as curbed investment, rising unemployment, lowered incomes, reduced birth rates and aging populations. As it is a fact that not all regions have the necessary resources for socio-economic development, providing the necessary resources for positive changes in the economic and social reality of the planning regions requires strengthening of the regional policy governance mechanisms by improving the participation of local and regional stakeholders, social partners and representatives of the civil society.

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8. Стратегия „Европа 2020: Стратегия за интелигентен, устойчив и приобщаващ растеж" http://www.strategy.bg/Publications/View.aspx?lang=bg-BG&Id=124
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