

## TRANSFORMATIONS IN THE TERRITORIAL STRUCTURE OF BULGARIAN ECONOMY IN THE 1990s

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The processes of transformations, which take place during the period of transition in Bulgaria, are a priority research problem, tackled by professionally heterogeneous experts. The analysis of the available publications indicates that the attention is focused on the way the processes are going on at a national rather than at a regional level. This is partly due to the insufficient information, which would have shown the differentiation of the transformation processes by separate territorial units. The lack of adequate information can be attributed to the changes in the statistical accountancy, caused by the attempts to unify the Bulgarian statistics with the EU statistics, by the new administrative-territorial division of the country, etc.

Since the beginning of the 1990s Bulgaria has been experiencing a deep economic and social restructuring. The transition to market economy in Bulgaria and in the remaining countries from Central and Eastern Europe follows one and the same pattern. The system's transformation is concurrent with the structural transformation. The system's transformation is defined as a process of turning the socialist planned system into a capitalist, market one. The structural transformation proceeds as changes in the structure of ownership, production and technologies, in the organisational forms, etc. The Bulgarian model of transition to market economy has its characteristic features, resulting from the specific conditions in the country. Compared to the other Central and East European states, the process of restructuring in Bulgaria is more distinct. The more profound changes in Bulgaria are due to the much lower share of private ownership and to the predominant share of the state ownership in the economic sector, having been observed for several decades (1950s–1980s), to the deeper social and economic crisis towards the end of the 1980s and in the first half of the 1990s, to the unfavourable political situation in the Balkans during the first five years of the 1990s, to the larger scope and slower rate of the reform, to the inadequate capitals, to the smaller amount of direct foreign investments, to the more serious obstacles in the formation and functioning of labour market, etc.

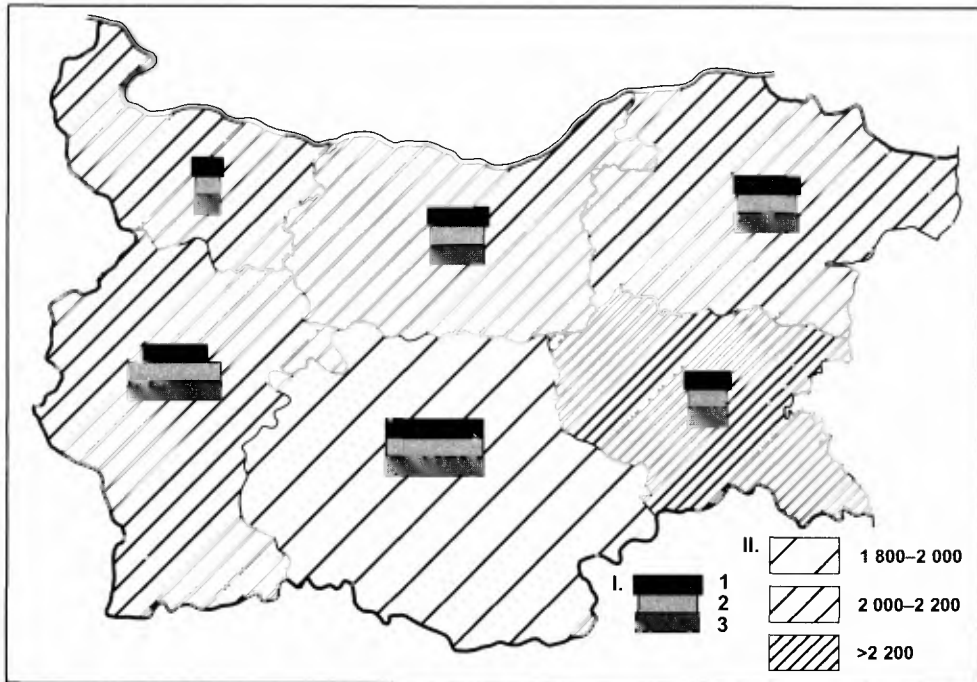
Against the background of the general characteristics of transformations throughout the country, significant differences can be distinguished at a regional level. These differences depend on the built-up economic potential and its present state, on the degree to which national and local factors (geographical location, economic structure, attractiveness for foreign investments, demographic factors, newly-created jobs, disparities in the incomes and living standard, infrastructure, communications, etc.) exert their influence, on the different pace of the reform, etc. Everywhere the transformation started first in the economic sector and it was the economic changes that altered the demographic conditions and the employment. Some of these changes are similar to the changes in the national economy while others are not. Generally, the specificity of the transformation processes is produced by the overlap of the national trends and the specific processes and phenomena in different parts of the country.

The six regions for planning, outlined in conformity with the 1999-Law on Regional Development, which is in fact the first regional development plan passed by the Parliament, have been used by the author as key research units for studying the differences in the process of transformation. In some cases, when possible, the differences are further specified at the level of the constituent administrative districts.

The creation of a new spatial framework and organisational structure for future sustainable and balanced regional development, conformable to Bulgaria's integration into the European structures, can be treated as a specific aspect of the transformation process. In terms of their area and population, the planning regions are comparable to the NUTS 2 territorial units in the EU-countries. The planning regions involve territories with different natural conditions, geographical location and development prospects, which taken together, will guarantee their prosperity. Each planning region covers not less than three districts (e.g. the North-western region) and not more than six districts (e.g. the South-central and the North-eastern regions). Except for the North-western region, the planning regions are comparable with respect to their area, demographic and economic potential (*Figure 1*). The South-western and the South-central region are remarkable for their greatest number of population and most advanced economy, which actually contribute with the highest share to the gross domestic product. The biggest cities and industrial centers of the country – Sofia and Plovdiv – are located in these two regions. The South Central region is the largest (by area) and the North-western region is the smallest (*Table 1*). The North-western region, which is the most backward, has the smallest number and density of population and the lowest share of urban population. The North-western and the North-central regions, which extend over large depopulated areas, are subjected to the highest population decrease during the last two censuses.

Figure 1

*Relation "territory – economy – population" by regions for planning in Bulgaria*



Key: I. Share from: 1 – Territory; 2 – Gross domestic product; 3 – Number of population, 2001;  
 II. Gross domestic product per capita, levs, 1998.

In compliance with the characteristic features of market economy which is defined as an economic system, dominated by private ownership over the means of production, the transition in Bulgaria started in the early 1990s simultaneously with the changes in the ownership – restoration of property rights on farm land, restitution of real estates in the towns and privatization of state-owned economic enterprises. These changes were differentiated by sectors and regions. Owing to the very high degree of collectivization in agriculture during the centralized planned economy in Bulgaria, large-scale changes were needed in all regions of the country with regard to the ownership on land and other means of agricultural production (Ilieva 1998, Ilieva, Iliev 1995, 1997, 2001, Ilieva, Schmidt 2000). The restoration of land ownership was based on the 1991 Law, successively amended and revised. It took several years and towards the end of 2000 was almost completed – 99,8 % of the restitutable land was returned to the owners, of which 73,3 % was returned on

Table 1

*Selected indicators of planning regions in Bulgaria*

Indicators	Planning Regions					Bulgaria
	North-west	North-central	North-east	South-west	South-central	
Surface area, sq.km	10588	18024	19896	20270	27552	14645
Population, '000, 2001	559.4	1192.1	1321.9	2104.8	1992.5	802.9
Share of the population, %	7.02	14.95	16.58	26.39	24.99	10.07
Change of the population, '000, 1992-2001	-71.1	-113.7	-74	-71.6	-134.5	-48.8
Reduction of the population, %, 1992-2001	-11.3	-8.7	-5.3	-3.3	-6.3	-5.7
Population density, pers./sq.km, 2001	52.8	66.1	66.4	103.8	72.3	54.8
Urban population, %, 2001	59	66.7	63.9	80.6	64.5	68.3
Share of labour force, %, 2000	6.25	14.53	16.08	29.22	24.27	9.65
Activity rate, %, 2000	41.3	45.5	47.1	52.4	45.9	46.4
Share of employed persons, %, 2000	5.61	14.02	14.79	31.48	25.24	8.86
Employment-population ratio, %, 2000	31	36.7	36.3	47.2	39.9	35.6
Share of registered unemployed persons, %, 2000	9.5	17.16	22.65	13.67	19.32	17.7
Unemployed rate, %, 2000	24.9	19.4	23.1	9.9	13.1	23.2

Sources: Employment and unemployment, 4/2000, National Statistical Institute; The data of the Census 2001.

the basis of land division plans and 26,5 % of the land was returned in its original or reconstructed landholdings. There were considerable differences in the rates of the reform and in the ways of property right restoration at a regional level. The lengthy agrarian reform, the slow rates of land restitution and the related difficulties, the destruction and plundering of farm property (buildings, machines, perennial crops, animals, etc.) adversely affected the creation of new forms of production organization, of land use, etc. The changes of the agricultural ownership and organizational forms in the post-socialist Central European countries are smaller (Veznik 1995, Kovács 1999, Zglinski 1999, Csatári 2000, Galczynska-Ilieva 2001).

A number of documents and publications emphasize that as a whole the process of privatization in Bulgaria is slower than that in the other states going through a period of transition. Besides, its regional disparities are significant. According to the National Statistical Institute, the greatest number of transactions is recorded and most of the property is sold during 1993–1998 in the South-western region (over 40% of the cost of all privatization contracts in the country), followed by the South-central region (about 19%), by the South-eastern, by the North-eastern and the North-central region. These territorial differences can still be observed, which is associated with the attractiveness of the sectors, regions, districts and municipalities for foreign investments. Throughout the transition period the biggest share of the direct foreign investments has been allocated for the South-western region and particularly for the district with the capital city of Sofia as its center. The latter with its well developed material and technical base, versatile economic structure, available technical and social infrastructure, etc., is most attractive for direct investments (local, national and foreign) needed for economic restructuring and creation of new jobs. A characteristic feature in the process of Sofia city's transformation is the development of service sectors and activities, some of which have a supra-regional importance, such as finances, insurance, consultative and advertising activities, computer services, publishing and printing trade, private mass media, telecommunications, etc.

Proceeding from the analysis of the foreign investment distribution by sectors, it becomes clear that during 1992–1998 the foreign investors were most interested in service sector.

Owing to the changes in the ownership during the transition period, the share of private property has rapidly grown in all economic sectors both in the individual territorial units and in the whole country. The private sector has enormously increased its percentage in the gross domestic product (*Table 2*) and has employed far more workers (*Figure 2*).

The deep economic crisis in the first half of the 1990s, the changes in the ownership, the on-going reforms in the production sphere and service sector (education, health service, etc.) and other factors led to substantial changes in the employment

which in turn gives a fairly good idea about the transformation of the regions' territorial structures. The number of the employed in the economic sector at a national (*Figure 2*) and regional level (*Figure 3*) markedly dropped in the 1990s as compared to that at the end of the 1980s, the unemployment expanded and the number of employees in the private sector essentially grew.

Table 2

*Gross value added in private sector in Bulgaria*

Years	Share of gross value added in private sector from gross domestic product (in current prices)
1990	9.1
1991	11.8
1992	15.3
1993	35.3
1994	39.4
1995	48.0
1996	52.5
1997	56.5
1998	56.7
1999	57.1
2000	61.3

Sources: Statistical Yearbooks 1993, 1998, 1999; Statistical Handbook 2000, 2001.  
 National Statistical Institute.

Figure 2

*Employment and unemployment in Bulgaria, '000*

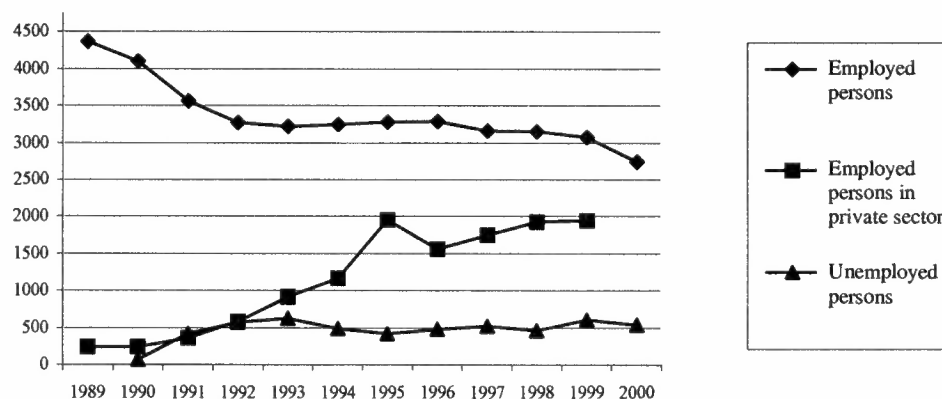
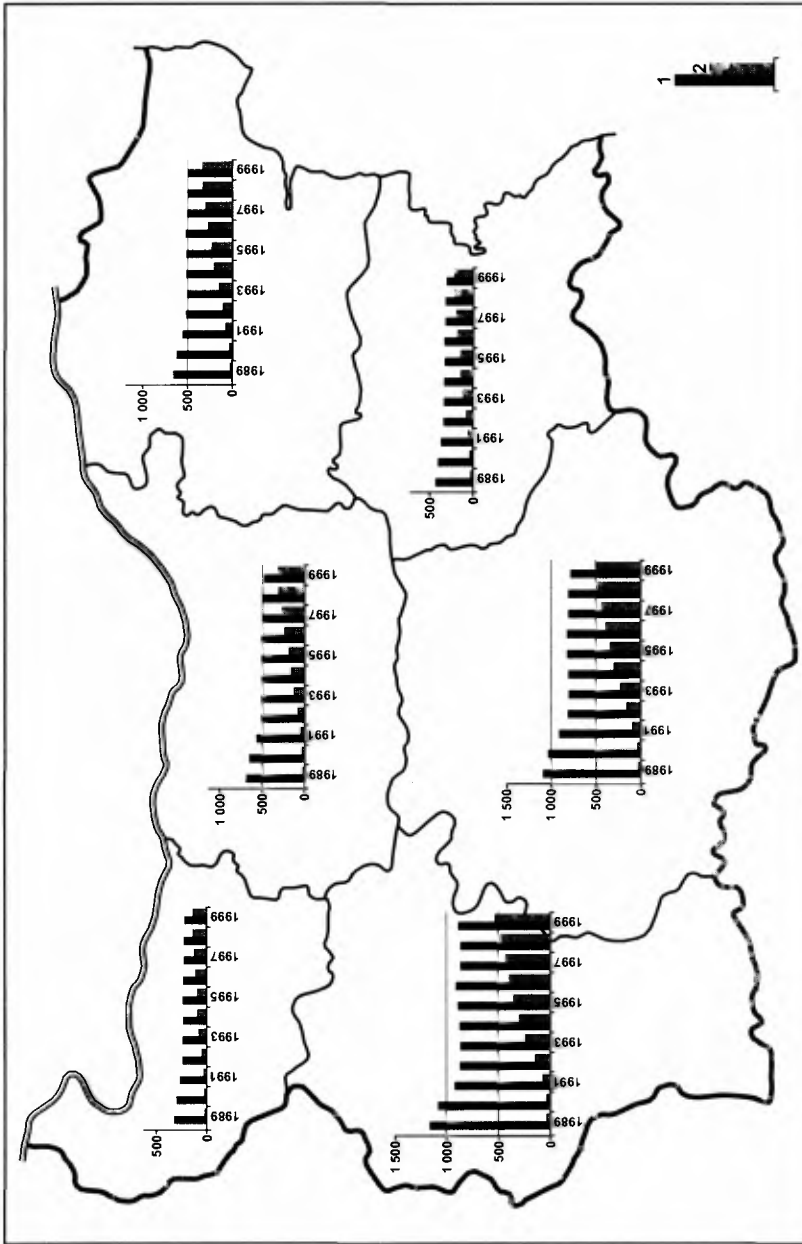


Figure 3

*Changes in the number of employed by regions for planning, '000*



Key: 1 – Total; 2 – In private sector.

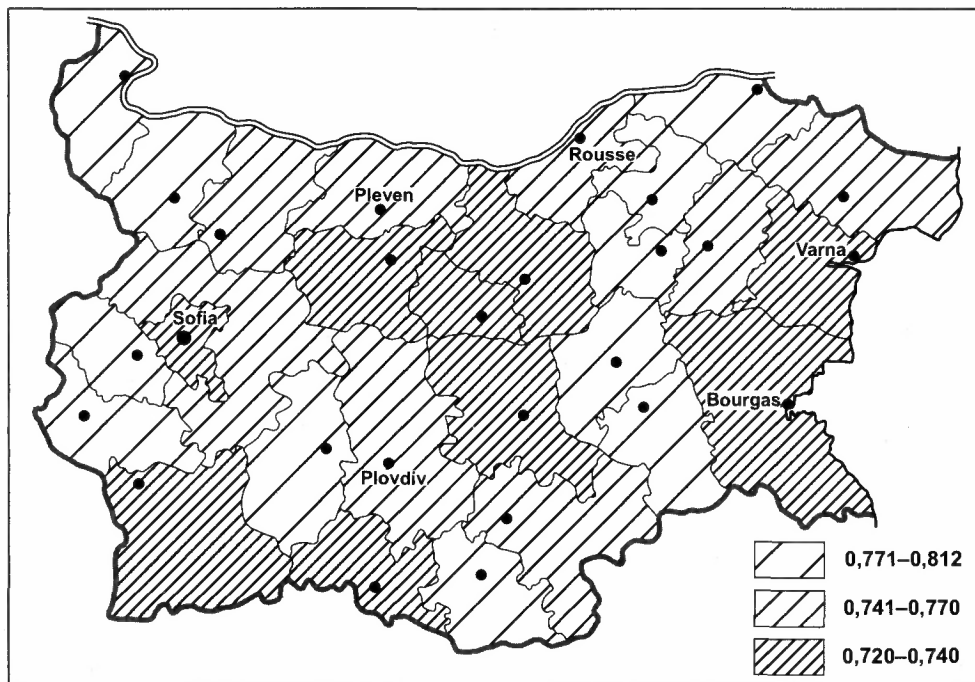
There are significant differences in the per capita gross domestic product at a district and intra-regional level. Depending on the 1999 values of this indicator, the districts can be divided into several groups. The biggest is the group of districts (22) in which the per capita gross domestic product is below the national average. Eight districts of them are remarkable for substantially lower values (about 75% of the average national). Among them are either less developed in the past districts (Montana, Vidin, Yambol, Kardzhali, etc.) or such whose economy (mainly industry) has been on a steady decline during the transition period (Pernik, Sliven, Shoumen, etc.). Almost equal to the national average value is the per capita gross domestic product of the Dobrich district while in only 5 districts the above mentioned indicator is of higher values (the capital city of Sofia and the town of Bourgas fall under this category). The lack of sufficient information does not allow to reveal the dynamics of changes, referring to this indicator in each territorial unit. The country as a whole is characterized by trends and changes (*Table 3*), which are similar to those in most of the Central and Eastern European countries in transition (*Horvath 1999, Eberhardt 2000*). Nevertheless, the estimations, aiming to facilitate the elaboration of the reports on human development in Bulgaria, have to be taken into account because they suggest that the economic growth and the improvement of lifestyle not always advance in the same direction (Bulgaria 2000; Doklad za ... 2000, p. 9.).

The regional index for human development gives a general idea of the degree of development the territorial units have reached and the differences between them. For the first time in 1999 a report about Bulgaria was prepared, dealing with the districts, followed by another one in 2000, concerning the municipalities. Considering the values of the regional index for human development, the districts have been divided into three groups: with the highest (12 districts), moderate (10) and low (6) index. It has been established that the districts with high regional index of human development, called “engines of growth”, are dispersed all over the country. “Unlike many other countries, the potential for growth is not concentrated in one geographical region” (Bulgaria 2000; Doklad za... 1999, p. 9.). The analysis of the territorial distribution of the districts with the highest regional index of human development makes it obvious that most of them are located in the North-central region (4 of the five constituent districts), in the South-western region (3 of the 5 constituent districts) and in the South-central region (3 of the 6 constituent districts). The greatest number of districts with a moderate regional index of human development is to be found in the North-eastern and North-western regions, while the districts with the lowest regional index for human development are situated in the southern and western parts of the country (*Figure 4*).



Figure 4

*Human development index by districts, 1999*



A proper regional policy, aimed at stimulating the areas for purposeful impact, is of primary importance in creating conditions for a balanced development of the regions in the country, in smoothing down the interregional differences in the employment level and incomes and in promoting the regional and cross-border cooperation. For the first time such areas were delineated in 1999 by applying approaches from the EU regional policy. They were outlined on the basis of the level and dynamics of economic development, employment and unemployment, the structure of economy, the existing technical and social infrastructure, the demographic and settlement structure, the geostrategical position, the available potential needed for obtaining certain goals in different parts of the country and other important criteria. Their location, areal extent, demographic potential and other characteristics indirectly show, on the one hand, the achieved level of transformation, and on the other – the expected results from the target-oriented stimulation of the development of certain municipalities.

Table 3

*Regions for purposefull impact in Bulgaria*

Indicators	Planning regions							Bulgaria
	North-west	North-central	North-east	South-west	South-central	South-east		
<i>Regions for growth</i>								
Number of municipalities	-	5	3	4	10	2	24	
Share from territory of planning regions	-	14.84	2	10.69	14.32	5.99	9.07	
Share from population of planning regions*	-	32	15.96	58.15	39.26	27.77	37.04	
<i>Regions for development</i>								
Number of municipalities	1	1	3	1	1	2	9	
Share from territory of planning regions	6.39	4.92	10.08	3.05	2.69	8.95	5.62	
Share from population of planning regions*	15.35	7.62	17.49	3.73	5.01	14.26	8.79	
<i>Regions for transborder cooperation and development</i>								
Number of municipalities	18	12	10	19	13	4	76	
Share from territory of planning regions	45.72	29.3	23.31	42.5	24.07	18.3	29.45	
Share from population of planning regions*	43.87	29.14	14.05	19.36	11.96	5.13	18.38	
<i>Regions with specific problems and priorities</i>								
Number of municipalities	26	11	23	12	22	3	97	
Share from territory of planning regions	70.54	22.35	40.06	24.99	13.49	13.49	30.85	
Share from population of planning regions*	49.92	13	20.95	10.99	17.48	6.59	16.85	
<i>Incl. Declining industrial regions</i>								
Number of municipalities	4	2	5	5	8	1	20	
Share from territory of planning regions	13.51	5.22	11.4	8.41	7.67	3.02	6.52	
Share from population of planning regions*	7.58	4.82	8.41	8.41	6.27	1.87	5.23	
<i>Incl. Underdeveloped rural regions</i>								
Number of municipalities	22	9	23	7	14	2	77	
Share from territory of planning regions	57.03	17.13	40.06	13.59	20.38	10.47	24.33	
Share from population of planning regions*	42.34	8.18	20.95	2.58	11.21	2.58	11.62	

\* Census of the population 2001.

The location of the areas for growth and the areas for development and their future encouragement will certainly lead to a balanced regional development. The seven areas for growth, which will be encouraged to obtain a stable economic growth of national significance, include 24 municipalities around 7 of all the nine big cities – Sofia (1,096,000 people), Plovdiv (340,600), Varna (314,500), Bourgas (193,300), Rousse (162,100), Stara Zagora (144,000), Pleven (122,100). These towns are notable for their well-developed industrial, transport, commercial, administrative, scientific, cultural, financial and other functions, which make them one of the most powerful centers of gravitation in the country.

The seven areas for development, which will be stimulated in order to solve regional problems, involve fewer municipalities and a smaller share of the country's area and population (*Table 3*). These are municipalities of district centers – mid-sized towns (50,000–100,000 people), excepting the town of Dobrich (over 100 000 people), with a more limited economic gravity potential than the first group.

An important element of the regional policy will be to promote 21 areas for cross-border cooperation and development with a view to further stimulation of good-neighbour relations and Bulgaria's future integration into the European structures. They embrace 76 of the municipalities adjacent to Bulgaria's land borders and to the Danube riverside. Most of them are considered to be a periphery owing to the small investments, the poor economic development, the mighty out-migration flows from the border-line municipalities during the 1960s and the 1970s and the underdeveloped links with the neighbouring regions. Among them there are municipalities with considerable demographic and economic potential (Rousse, Vidin, Blagoevgrad, Kiustendil, Silistra, etc.) and with heavy cross-border traffic (Vidin, Oryahovo, Rousse, Silistra, Dragoman, Petrich, Svilengrad). In the 1990s the responsible institutions in Bulgaria did their best to build new border posts or to reconstruct the old ones as well as to establish an active cooperation with the neighbouring countries, but the results seem to be unsatisfactory so far.

Almost half of the municipalities, which are constituent parts of the areas with specific problems and priorities, are located in the Northwestern and Northeastern region. The stimulation of their development by regional impact or assistance, aimed at finding solution to urgent regional problems and at reducing the degradation in the economic and social sphere, will play a significant role for the future economic progress both of the individual municipalities and of the country as a whole. At present, greater attention is paid to the areas of industrial decline and to the underdeveloped rural areas both of which incorporate 97 municipalities and cover 1/3 of the country's area.

The economic crisis in the early 1990s has exerted a strong negative effect on the industry of many regions, which is the predominant sector in the economic

structure of almost all Bulgarian towns. The areas of industrial decline, include 20 municipalities, situated in five out of the six regions for planning. Some of them specialize in mining and others – in manufacturing but they all need aid. Much more are the municipalities in the underdeveloped rural regions – 77 (Table 3). They occupy either areas under favourable agroecological conditions for agriculture in the Danube Plain (Northwestern and Northeastern region) and the Upper Thracian Lowland (South Central region) or regions where there are conditions, favouring the monocultural agriculture, e.g. in the Rhodopes, etc., (South Central region).

“...So that the regional policy would be able to turn the regional disparities from a burden into an advantage, it has to observe three basic assumptions: 1) there a national vision in which the regions are supposed to play a certain role; 2) the rising living standard at a national level is a sum total of the growth and prosperity of the individual regions; 3) the growth and the regional development should be based predominantly on endogenic factors” (Bulgaria 2000. Doklad za..., 2000, p. 9). Essential is the elaboration of development strategies and plans at a local, regional and national level, and the preparation and implementation of “the national plan for regional development as a key instrument for the formulation of a comprehensive, long-term regional development policy, pursuing a balance between the national, regional and local interests and priorities” (Nationalen Plan..., 1999). It is emphasized that the encouragement of regional development, the mitigation of regional disproportions and the growth of regional prosperity are possible by stimulating the development of the more advanced regions, which are the “engines of growth”. The implementation of an appropriate regional policy by the government will be important for the transformation of territorial structures and for the planning and management of the country’s regional development. The regional policy, pursued by the EU through its structural and pre-accession funds and programs, also contributes to this process.

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